



BAWANYAIR
PRODUCTS LIMITED

THIRTY SIXTH
ANNUAL REPORT
2013-2014

TRIBUTE TO HONORABLE CHAIRMAN YAHYA AHMED BAWANY 1925-2009

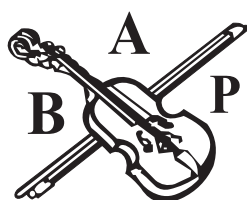


This is a small tribute in the honor of Mr. Yahya Ahmed Bawany (SQA). He passed away peacefully on Monday 12th January, 2009 at the age of 84. The first industry of the Bawany Group in Pakistan was set up by Seth Ahmed Ibrahim Bawany of Rangoon Burma (Myanmar) soon after Pakistan's Independence in Karachi, known as Bawany Violin Textile Mills. Thereafter his son Yahya Ahmed Bawany born in 1925 at Rangoon Burma (Myanmar) was instrumental in setting up all the other industries of the Bawany Group from 1953 to 1971 making the group an industrial giant. Some of the industries are listed here. Latif Bawany Jute Mills and Ahmed Bawany Textile Mills (These two industries employed over 10,000 workers), Eastern Chemical Industries, Eastern Tubes (Toshiba), Bella Artifitex, Oriental Water Works (barges and ship lightening), Bawany Tea Estate, Bawany Coconut Estates, ABL Brick Fields, RR Textiles Mills, Khulna Textile Mills. Further he got sanction permission to set up Bawany Sugar Mills in Badin, Balotra Textile Mills, Annoor Textile Mills and Medina Textile Mills in the Mid 1960's. After 1971 and the independence of Bangladesh he set up Al-Ameen Textile Mills, Kotri (The first Toyada Open-end Spinning in Pakistan). Then he acquired Paramount Limited (electric tube lights and bulbs). Yusuf Industries (artificial leather). He then went up to set up his last two industries namely Latif Jute Mills Limited and Bawany Air Products Limited (Industrial gases). Yahya Ahmed Bawany besides being a successful industrialist was also involved in social and philanthropic work, he established Ahmed Bawany Academy and Bawany High School in Dhaka. Ahmed Bawany Academy and Kaka Bawany Vocational Centre in Karachi. Some of his other achievements are listed below:

- Founder and Former President of All Pakistan Jute Mills Association, East Pakistan.
- Founder and Former President of All Pakistan textile Mills Association, Pakistan.
- Founder and Former President of Dhaka Chamber of Commerce and Industry.
- Founder and Former President Narayanganj Chamber of Commerce.
- Former President Pakistan Memon Educational and Welfare Society.
- Former President of Jetpur Memon Jamat.
- Co-founder and serving President of United Memon Jamat.
- Founder member of Jetpur Memon Relief Society.
- Former Co-founder Trustee and member of World Memon Foundation.
- Former Chairman and Member of Managing Committee of Aisha Bawany Wakf.
- Founder Chairman AAL Bawany Foundation.
- Served as founding member of the Managing Committee of Federation of Pakistan Chamber of Commerce & Industry (FPCCI) representing former East Pakistan.
- Member of Advisory Council Federal Ministry of Commerce, Eastern Wing.
- Member of Advisory Council Federal Ministry of Industry, Eastern Wing.
- Member of Advisory Council Federal Ministry of Finance, Eastern Wing.
- Chairman of refugees Rehabilitation and Finance Corporation Dhaka, Former East Pakistan.
- Chairman of Lal Bagh Madrassa Dhaka.
- Sponsor and Secretary General of Baitul Mukarram Mosque (National Mosque of Bangladesh, Dhaka).
It was built under his personal supervision from inception.
- He was awarded the SITARA-E-QUAID-E-AZAM (SQA) one of the highest Civilian Awards for his social services.

We are grateful to Jetpur Memon Relief Society for announcing of naming of a building of a block of flats in Gulshan-e-Iqbal as "Yahya Ahmed Bawany Building".

Please recite Surah-e-Fateha for his departed soul.



BAWANYAIR
PRODUCTS LIMITED

36th ANNUAL REPORT

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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Mohammad Ashraf Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Vali Mohammad M. Yahya Mr. Wazir Ahmed Jomezai Mr. Zakaria A. Ghaffar Mr. Siraj A. Kadir	Chairman-Non Executive Director Chief Executive Officer Executive Director Non Executive Director Non Executive Director Non Executive Director Independent Director
AUDIT & HR COMMITTEE	Mr. Siraj A. Kadir Mr. Mohammad Ashraf Mr. Zakaria A. Ghaffar Mr. Muhammad Munir	Chairman Member Member Secretary to Audit Committee
HEAD OF INTERNAL AUDIT	Mr. Muhammad Munir	
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Mr. Muhammad Hashim	
AUDITORS	Parker Randall-A.J.S. Chartered Accountants	
BANKERS	Faysal Bank Limited United Bank Limited MCB Bank Limited National Bank of Pakistan	
SHARE REGISTRAR	C&K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi Tel: 35687839-35685930	
REGISTERED OFFICE	Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan. Tel : 0853 - 363287-8, 0853 - 363289 Fax: 0853 - 363290	
CITY OFFICE	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi. Tel : 3240-0440 Fax : 3241-1986	



NOTICE OF MEETING

Notice is hereby given that the Thirty Sixth Annual General Meeting of the Company be held at the registered office Khasra No. 52/53, RCD Highway, Hub, Balochistan on Thursday 23rd October 2014 at 12:00 Noon to transact the following business :

ORDINARY BUSINESS

1. To confirm the minutes of the 35th Annual General Meeting held on November 28, 2013.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with Director's and Auditor's Report thereon.
3. To appoint auditors for the year 2014-2015 and fix their remuneration.
4. Transact any other business with permission of chair.

Karachi
September 25, 2014

By order of the Board
Mohammad Hashim
Company Secretary

Notes:

1. Transport will be provided. Pick-up point will be at Karachi Stock Exchange Building and departure will be at 11:00 a.m. sharp on October 23, 2014.
2. The register of members of the Company shall remain closed from October 11, 2014 to October 24, 2014. (Both days inclusive).
3. Proxies in order to be valid must be received at city office of the Company at Room No. 16-C, 2nd floor Nadir House, I. I. Chundrigar Road, Karachi not later than 48 hours before the meeting.
4. Members are requested not to bring spouse / children or any other accompany.
5. CDC Account Holders will further have to follow the following guidelines:

For Attending the Meeting:

- a) In case of individuals, the account holders or sub-account holders shall authenticate their identity by showing original CNIC or original passport at the time of the meeting
- b) For corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

For Appointing the Proxies:

- a) Individual account holders or sub-account holders shall submit the duly filled proxy form along with attested copies of CNIC or passport of the beneficial owners.
- b) For corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be submitted with duly filled Proxy form.
- c) Proxy shall produce original CNIC or passport at the time of the meeting.



CHIEF EXECUTIVE'S REVIEW

In the name of ALLAH the Most Merciful and the Most Benevolent.

Dear Shareholders,

I present before you my review on the performance of your Company for the financial year ended June 30, 2014. This was a tough year for the management as well as the Company. With sales dipping down, reducing margins, operational issues and liquidity crunch; all such problems coupled with bad law and order situation in the country have affected the overall performance of your Company.

The sales for 2014 are down to half from 2013 mainly due to the fact that price of gas in local market dropped significantly. Secondly, the operational problems in the plant continued throughout the year. The plant was repaired and was operational but with continued electricity jerks and other technical problems, the liquid oxygen manufacturing division of the plant had to be partially closed down. However, the other products are being manufactured normally. Management has been able to sell adequate quantity in 2014 but the negative price variance has decreased the overall revenue and therefore, we have ended up in loss for the year 2014.

I would like to draw your attention to the fact that our industry is facing unfair competition from certain unscrupulous suppliers who are manipulating the price of gas in local market since they enjoy the sales tax exemption benefit illegally. I reiterate my request to the Government through FBR to allow sales tax input on oxygen purchased by ship breaking industry at Gaddani. This will not only streamline the taxation thereby discouraging the un-organised suppliers, and it will also generate significant revenue for Federal and Provincial government.

I take this opportunity to inform you that we are also looking into different alternate fuel options for power generation like gas and for this we have applied to Sui Southern Gas Company Limited (SSGC) since one of the manufacturers has gas connection for power generation and therefore it enjoys the benefit of significantly lower manufacturing cost. We have not yet received any response from SSGC in this respect. The Company has also approached Competition Commission of Pakistan (CCP) for taking serious note on the unfair / unjust playing field available to some of the manufacturers. The CCP has given a very prompt and positive response to our plea and has requested us to furnish detailed information about the Company and other manufacturers, which we will be providing in due course.

Management is considering different options to ensure the smooth operations of the Company. These include, repair components of existing plant to resume full liquid oxygen manufacturing division, switching to alternate fuel / power options like gas or coal, re-commission the second hand imported plant for which we estimate a re-commissioning cost of Rs. 15 to 20 million.

For future, management has prepared a long term plan / strategy to overcome these problems. We are determined to arrange the funds from our own operations in order to implement the long term plan. Interest based borrowing options are not being considered and at the same time we are committed to re-pay the remaining portion of our long term loan. It's due to your support and the efforts of management that we have been able to pay-off most of our loan liability.

M. HANIF Y. BAWANY

Managing Director / Chief Executive Officer
Karachi: September 25, 2014



DIRECTORS' REPORT

The Directors' are pleased to present their report together with the audited financial statements of the Company for the year ended June 30, 2014.

OVERVIEW

The year under review was full of challenges for the Company. Starting from last quarter of 2013, the operational problems that first started due to electricity jerks and later on followed by severe damage to certain key and sensitive components of plant. This downstream continued throughout the year 2014 as well and in-fact to date, the Company has not completely recovered from these problems. The sales for 2014 are down mainly due to the fact that the price of gas in local market dropped significantly. The management has been able to sell adequate quantity but the negative price variance has affected the overall revenue. Although the plant is currently producing nitrogen, dissolved acetylene, compressed oxygen and compressed air but the production of, liquid oxygen has suffered. However, under such difficult situation your Company has still been able to run and maintain its customer base.

Some of the key achievements of 2014 are as follows:

- Despite of operational problems, the Company earned revenue of over Rs. 123 million;
- The Company paid off Rs. 9.7 million against long term finance; and
- Rs. 6.4 million was paid in respect of finance / mark-up cost to the long term financiers.

Below is the performance status of 2014 as compared to 2013:

	2014 Rupees	2013 Rupees
Sales – net	123,790,995	238,605,906
Cost of sales	(125,700,150)	(180,921,043)
Gross (loss)/profit	(1,909,155)	57,684,863
Distribution cost	(5,009,769)	(6,504,045)
Administrative expenses	(15,492,616)	(16,137,009)
Other operating expenses	(4,766,027)	(6,304,552)
Other income	2,705,617	921,376
Unrealized gain on revaluation of other financial assets	5,935	59,246
Reversal of provision for doubtful debts	-	1,718,642
Operating (loss)/profit	(24,466,015)	31,438,521
Finance cost	(4,165,147)	(9,489,514)
(Loss)/profit before taxation	(28,631,162)	21,949,007
Provision for taxation	7,416,742	(8,965,272)
(Loss)/profit for the year	(21,214,420)	12,983,735



As evident from above, there is a gross loss of Rs. 2 million. Moreover, the administration, distribution and other charges coupled with finance cost amounted to Rs. 29 million. However, the Company earned Rs. 2.7 million from other income (mainly from disposal of certain items of property, plant and vehicles). This all led to a loss before taxation of Rs. 28.6 million.

Other operating expenses have decreased mainly due to Workers' Welfare Fund and Workers' Profit Participation Fund. Since there is no profit before tax nor there is taxable income for the year, there is actually no charge for the year 2014. However, the charge of Workers' Welfare Fund and Workers' Profit Participation Fund in financial statements represents the difference between the charge accounted for in 2013 and the liability as per Income tax Return filed for the year 2013.

As far as taxation is concerned, the current tax charge represents minimum tax at the rate of 1% of turnover. However, there is a credit of Rs. 8.6 million in deferred taxation mainly due to deferred debits arising from carried forward tax losses. Being prudent, the management has not completely recognized deferred tax asset on carried forward tax losses. Deferred tax asset has been recognized only to the extent that it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Cash flow position of the Company is not stable. The current year's working capital was financed by short term borrowings from associate undertaking, which increased from Rs. 0.950 million in 2013 to Rs. 17.884 million by June 2014. This shows that during the year approximately Rs. 17 million was funded by the associated concern to support the cash flow requirements of the Company.

MATERIAL INFORMATION

We draw your attention to the last paragraph of auditors report and note 1.2 to these financial statements in which it has been explained that the Company continued to face break-downs of one of the components of existing plant that resulted in partial closure of the plant, resultantly the production of liquid oxygen suffered. However, the production of compressed oxygen, dissolved acetylene, nitrogen and compressed air is normal and the Company has managed to purchase semi-finished product from the market to process it further to meet the demand of its customers and therefore it is earning lower margins on sales. Another main reason for lower margins is decrease in selling price of the products. Management has already embarked upon the project to repair the component and also to re-commission the second-hand imported plant to avoid these type of incidents in future.

The management is firmly determined to make all the necessary arrangements for un-interrupted and continuous operations. As a result, the management has had detailed analysis of various quotations from renowned suppliers / vendors for awarding contracts of electrical, instrumentation and compressor overhauling. Based on historical experience, cost viability and market reputation / feedback, vendors have been shortlisted and the contracts will be awarded in near future. The management estimates Rs. 15 to 20 million for such expenditure.

Stable cash flows are inevitable for the Company. Management is making all its efforts to maximize the revenue and minimize the costs (both production as well as operational and other overheads) so that adequate cash flows are available to meet the working capital requirements, pay off the long term finance and cover up the estimated cost of re-commissioning the second hand imported plant. As a result of the vigorous efforts of the management, we have been successful to realize almost half of the income tax refund after the year end and management is confident that remaining refund will also be realized before the close of year 2014-15.

The management of the Company is thankful for financial, technical and whatsoever support received from the associate companies and Board of Directors to continue smooth operations. In shaa Allah we hope to achieve our targets.



KEY OPERATING AND FINANCIAL DATA OF LAST 6 YEARS

Year	Sales – net	Gross profit / (loss)	Profit / (loss) before taxation	Shareholder's equity	Total current assets	Total current liabilities
----- RUPEES IN MILLION -----						
2009	99.45	24.27	(9.37)	22.16	18.88	133.41
2010	209.51	48.19	35.07	74.64	30.56	81.60
2011	195.25	48.72	22.27	89.34	22.01	50.04
2012	209.97	48.95	15.29	97.56	21.09	48.96
2013	238.60	57.68	21.95	111.06	25.24	38.06
2014	123.79	(1.90)	(28.63)	90.16	20.99	62.49

The above table shows a declining trend in 2014 since the current liabilities are higher as compared to current assets; there is gross loss and loss before taxation. All these indicators are being carefully watched and monitored and the management has made a long term strategy to cope up these financial matters.

WAY FORWARD

As mentioned above in the Material Information, the management is fully determined to restart the plant and bring into production. Necessary arrangements are being made to arrange desired funding for repairs and maintenance of plant. The management has planned to get the turbines serviced under supervision of M/s LANGNER TIEFTEMPERATURTECHNIK - a very well-known and experienced engineering firm from Germany, visited last year and gave technical advice to the management for restoring plant of the Company to working condition.

BOARD OF DIRECTORS

There was no change in the board of directors of the Company during the year.

AUDITORS

The present auditors, M/s. Parker Randall - A.J.S. Chartered Accountants have retired and being eligible have offered themselves for re-appointment as Auditors for the ensuing year.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a) The financial statements prepared by the management of the Company present fairly the status of affairs, the result of its operations and cash flows and changes in equity;
- b) Proper books of accounts of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment;
- d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements;



- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts on the Company's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, exceptions, if any have been notified in the Statement of Compliance with the Code of Corporate Governance;
- h) Key operating and financial data for the last ten years have been summarized;

Following amounts were receivable in respect of income tax refundable that was outstanding as at June 30, 2014.

Income tax refundable Rs. 7.478 million This represents outstanding refundable income tax for the previous years.

- i) The value of investments of provident fund is Rs.5.217 million based on latest management accounts of the provident fund;
- j) During the year four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of the Directors	No. of meetings attended
Mr. M. Hanif Y. Bawany	4
Mrs. Momiza Hanif Bawany	4
Mr. Vali Mohammad M. Yahya	4
Mr. Muhammad Ashraf	4
Mr. Wazir Ahmed Jogezai	1
Mr. Zakaria A. Ghaffar	3
Mr. Siraj A. Kadir	4

Leave of absence was granted to Director(s) who could not attend some of the Board meetings.

- k) The pattern of shareholding is annexed; and
- l) Chief Executive and no other Directors have purchased any shares of the Company.

ACKNOWLEDGEMENT

The Board wishes to express appreciation and place on record its gratitude for the faith reposed in and co-operation extended to the Company by the State Government, various Government agencies / Departments, Financial Institutions, Banks, Customers, Suppliers and Investors of the Company. Your Directors place on record their appreciation of the dedicated and sincere services rendered by the Employees of the Company.

We are grateful to our valued shareholders for their continuous support extended to the management.

Thanking you all

On behalf of the Board

M. HANIF Y. BAWANY
Managing Director / Chief Executive Officer
Karachi: September 25, 2014



VISION

Our vision is to be the market leader in the industrial / medical gases industry and provide highest quality products and services to our customers.

MISSION

Our mission is to be a dynamic, professional and growth oriented organization and to always strive for excellence by providing quality services and products with a customer focused strategy.

Our final goal being to produce highest quality products at minimum prices by efficiently integrating all the operations of production, procurement, logistics, financial management, human resources and safety.

Our mission statement and our motto, Best products, Best services and Best prices reflect our strategic goal and core values, may ALLAH help us in achieving this.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

We the directors and staff members of Bawany Air Products Limited adhere to the best practices of business and ethics based on the following principles:

1. Respect of individuals.
2. Fair business practices.
3. Comply with all the regulatory requirements and laws of the country.
4. Transparency in transaction and following proper, acceptable accounting procedures as approved by international and national standards and regulations.
5. Anticipate integrity, honesty and responsibility from all the employees in doing business.
6. Safeguarding and proper use of company's assets.
7. Avoid political affiliations and contributions.



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Independent Director	Siraj A. Kadir
Executive Directors	M. Hanif Y. Bawany (CEO) Momiza Hanif Bawany
Non-Executive Directors	Muhammad Ashraf (Chairman) Wali Mohammad M. Yahya Wazir Ahmed Jogezai Zakaria A. Ghaffer

The independent director meets the criteria of independence under clause (i)(b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loans to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred on the Board during the year.
5. The Company has prepared a 'Code of Conduct' and has ensured that the appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of the Code, all directors of the Company are exempt from the requirement of Director's Training Program.
10. The Board has approved the appointment of Chief Financial Officer (CFO) and the Company Secretary, including their remuneration and terms and conditions of employment.
11. The Director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



12. The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of Code.
15. The Board has formed an Audit Committee which comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the Committee is an independent director.
18. The Board has outsourced internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given the satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information, if any, has been disseminated among all market participants at once through Stock Exchange.
23. We confirm that all other material principles enshrined in Code have been complied with.

M. HANIF Y. BAWANY

Managing Director / Chief Executive Officer

Karachi

September 25, 2014



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Bawany Air Products Limited (the Company) for the year ended June 30, 2014 to comply with the Listing Regulation No 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code required the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for the review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Chartered Accountants
Audit Engagement Partner:
Muhammad Shabir Kasbati

Karachi:
September 25, 2014



KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

PARTICULARS	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
FINANCIAL POSITION										
Shareholders' equity	90,161,368	111,064,409	97,555,521	89,337,084	72,860,918	22,163,784	31,537,037	36,441,115	48,630,166	40,720,157
Surplus on revaluation	16,576,045	16,887,424	19,737,278	20,310,071	20,891,958	-	-	-	-	-
Non-current liabilities	33,153,237	49,260,469	50,876,878	66,738,250	74,644,645	49,453,103	75,202,407	99,347,231	57,703,787	62,792,464
Current liabilities	62,487,097	38,068,182	48,959,376	50,044,397	81,597,491	133,411,522	97,552,902	61,814,900	82,157,064	56,827,916
Total Equity and Liabilities	202,377,747	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409	204,292,346	197,603,246	188,491,017	160,340,537
Property, plant and equipment	178,168,918	186,819,834	192,839,499	198,640,179	205,418,500	182,695,197	186,609,105	183,837,067	172,422,322	144,768,143
Long term deposits	3,215,467	3,215,467	3,215,467	3,215,467	3,701,452	3,454,477	3,559,084	1,481,084	1,566,409	646,798
Deferred tax asset	-	-	2,566,397	2,566,397	10,335,173	-	-	-	-	-
Current assets	20,993,362	25,245,183	21,094,087	22,007,759	30,559,887	18,878,735	14,124,157	12,285,095	14,502,286	14,925,596
Total Assets	202,377,747	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409	204,292,346	197,603,246	188,491,017	160,340,537

FINANCIAL PERFORMANCE

Net sales	123,790,995	238,605,906	210,235,877	195,437,206	210,247,215	99,638,541	69,561,724	66,806,660	52,278,160	54,902,829
Cost of sales	(125,700,150)	(180,921,043)	(161,153,927)	(146,632,923)	(161,960,041)	(75,307,506)	(61,871,660)	(60,525,855)	(54,749,182)	(53,489,429)
Gross (loss) / profit	(1,909,155)	57,684,863	49,081,950	48,804,283	48,287,174	24,331,035	7,690,064	6,280,805	(2,471,022)	1,413,400
Expenses - net of other income	(22,556,860)	(26,246,342)	(26,747,221)	(23,057,704)	(25,372,645)	(15,847,335)	(15,586,102)	(14,478,919)	(7,287,917)	(13,268,238)
(Loss) / profit before interest and tax	(24,466,015)	31,438,521	22,334,729	25,746,579	22,914,529	8,483,700	(7,896,038)	(8,198,114)	(9,758,939)	(11,854,838)
(Finance cost) / Income - net	(4,165,147)	(9,489,514)	(7,047,695)	(3,473,879)	12,153,851	(17,856,101)	(16,166,362)	(3,646,959)	(2,126,148)	(1,099,809)
(Loss) / profit before tax	(28,631,162)	21,949,007	15,287,034	22,272,700	35,068,380	(9,372,401)	(24,062,400)	(11,845,073)	(11,885,087)	(12,954,647)
Tax	7,416,742	(8,965,272)	(7,621,390)	(9,808,653)	15,550,948	(852)	(328,718)	(343,978)	(265,094)	(280,896)
(Loss) / profit after tax	(21,214,420)	12,983,735	7,665,644	12,464,047	50,619,328	(9,373,253)	(24,391,118)	(12,189,051)	(12,150,181)	(13,235,543)

STATISTICS AND RATIO

Gross profit %	(2%)	24%	23%	25%	23%	24%	11%	9%	-	3%
(Loss) / profit before tax to total sales %	(23%)	9%	7%	11%	17%	-	-	-	-	-
(Loss) / profit after tax to total sales %	(17%)	5%	4%	6%	24%	-	-	-	-	-
Current ratio	34%	66%	43%	44%	37%	14%	14%	20%	18%	26%
Asset turnover ratio	69%	128%	109%	98%	102%	55%	37%	36%	30%	38%
Current Assets Turnover - times	5.35	10.30	9.76	7.44	8.51	6.04	5.27	4.99	3.55	3.52
Long term debt to equity ratio	12%	19%	41%	61%	104%	338%	253%	223%	114%	168%
Return on equity before tax %	(32%)	20%	16%	25%	48%	-	-	-	-	-
Return on equity after tax %	(24%)	12%	8%	14%	69%	-	-	-	-	-
Interest Cover	(5.87)	3.31	3.17	7.41	7.42	0.48	(3.94)	(2.36)	(2.53)	(4.16)
Earning per share (Rs.)	(2.88)	1.73	1.02	1.75	7.42	(1.37)	(3.94)	(2.36)	(2.53)	(4.16)
Price earning ratio	(3)	9	7	4	2	-	-	-	-	-
Market price per share at year end	7.40	14.73	7.22	6.75	11.25	6.75	15.64	14.50	16.75	13.00
Cash dividend	-	-	-	-	5%	-	-	-	-	-
Stock dividend	-	-	-	-	-	-	-	-	-	-



**PATTERN OF SHAREHOLDING BY THE SHARE HOLDERS
AS AT JUNE 30 2014**

No. of Share Holders	Shareholding of Shares		Share Held
	From	To	
261	1	100	6,664
189	101	500	62,658
88	501	1000	75,783
206	1001	5000	551,979
57	5001	10000	449,695
17	10001	15000	220,296
11	15001	20000	207,055
6	20001	25000	131,000
5	25001	30000	133,300
4	30001	35000	131,700
1	35001	40000	37,100
2	40001	45000	86,105
3	45001	50000	147,094
1	55001	60000	56,000
4	60001	65000	251,980
1	65001	70000	67,000
2	70001	75000	143,814
1	75001	80000	78,308
1	90001	95000	91,500
4	95001	100000	396,164
1	100001	105000	101,000
1	135001	140000	139,531
1	160001	165000	162,110
1	185001	190000	187,500
2	195001	200000	399,330
1	220001	225000	222,149
1	230001	235000	231,500
1	280001	285000	281,570
1	330001	335000	330,028
1	370001	375000	374,001
1	525001	530000	525,500
1	1220001	1225000	1,223,096
877			7,502,510

S.No.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	NUMBER OF SHARES OF RS. 10/- EACH	PERCENTAGE OF ISSUED CAPITAL
1	INDIVIDUALS	854	5,953,356	79.35%
2	INVESTMENT COMPANIES	1	100	0.00%
3	INSURANCE COMPANIES	1	16,260	0.22%
4	JOINT STOCK COMPANIES	16	1,195,687	15.94%
5	FINANCIAL INSTITUTIONS	1	42	0.00%
6	CHARITABLE TRUSTS	1	330,028	4.40%
7	TRADING	1	5	0.00%
8	EMPLOYEES PENSION FUND	1	6,794	0.09%
9	EMPLOYEES BENEVOLENT FUND	1	238	0.00%
877			7,502,510	100%



**DETAILS OF PATTERN OF SHAREHOLDING
AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE**

NIT/ICP

National Bank of Pakistan, Trustee Wing	7,074
Investment Corporate of Pakistan	100

DIRECTOR, CEO AND THEIR SPOUSE

Mr. M. Hanif Y. Bawany	Director/Chief Executive	1,223,096
Mr. Vali Mohammad M. Yahya	Director	338,861
Mr. Siraj A. Kadir	Director	500
Mr. Zakaria A. Ghaffar	Director	3,581
Mrs. Momiza Hanif Bawany	Director	443,680
Mr. Wazir Ahmed Jogezeai	Director	3,581
Mr. Mohammad Ashraf	Director/Chairman	78,308

EXECUTIVE

Nil

PUBLIC SECTOR COMPANIES & CORPORATION

Nil

**BANK DEVELOPMENT FINANCE INSTITUTES,
NON BANKING FINANCIAL INSTITUTION,
INSURANCE COMPANIES, MODARABAS AND
MUTUAL FUNDS**

Nil

SHAREHOLDERS HOLDING 5% MORE

Mr. M. Hanif Y. Bawany	16.30%
Mr. Mohammad Aslam Motiwala	7.00%
Mrs. Momiza Hanif Bawany	5.91%



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bawany Air Products Limited (the Company) as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

The financial statements as at June 30, 2013 were audited by M/s M. Yousuf Adil Saleem & Co., Chartered Accountants. Auditor's report dated October 31, 2013 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the note 1.2 to the financial statements related to the status of the Company's plant and machinery and the efforts being made by the management to restore full production. Our opinion is not qualified in respect of the above matters.

Chartered Accountants
Audit Engagement Partner:
Muhammad Shabbir Kasbati

Karachi:
September 25, 2014



BALANCE SHEET AS AT JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
ASSETS			
Non current assets			
Property, plant and equipment	4	178,168,918	186,819,834
Long term deposits		3,215,467	3,215,467
Current assets			
Stores and spares	5	1,282,090	1,405,692
Stock-in-trade	6	1,846,789	2,717,983
Trade debts	7	4,454,590	6,947,148
Loans and advances	8	1,614,062	1,318,100
Advance tax		-	4,597,705
Trade deposits and other receivables	9	3,676,263	4,185,283
Other financial assets	10	140,192	146,127
Income tax refundable		7,477,715	3,098,846
Cash and bank balances	11	501,661	828,299
		20,993,362	25,245,183
Total assets		202,377,747	215,280,484



	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 15,000,000 (2013: 15,000,000) ordinary shares of Rs. 10/-		150,000,000	150,000,000
Issued, subscribed and paid-up capital	12	75,025,104	75,025,104
Un-appropriated profit		15,136,264	36,039,305
		90,161,368	111,064,409
Surplus on revaluation of property, plant & equipment-net	13	16,576,045	16,887,424
Non current liabilities			
Deferred tax liability	14	-	8,654,652
Long term financing	15	2,620,983	9,803,859
Long term deposits	16	30,532,254	30,801,958
Current liabilities			
Trade and other payables	17	23,641,860	13,146,829
Interest/mark-up accrued	18	942,211	3,264,946
Short term borrowings	19	29,028,052	10,783,013
Current portion of long term financing	15	8,279,293	10,873,394
Provision for taxation - net		595,681	-
		62,487,097	38,068,182
Contingencies and commitments	20		
Total equity and liabilities		202,377,747	215,280,484

The annexed notes from 1 to 37 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

SIRAJ A. KADIR
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
Sales - net	21	123,790,995	238,605,906
Cost of sales	22	(125,700,150)	(180,921,043)
Gross (loss)/profit		(1,909,155)	57,684,863
Distribution cost	23	(5,009,769)	(6,504,045)
Administrative expenses	24	(15,492,616)	(16,137,009)
Other operating expenses	25	(4,766,027)	(6,304,552)
		(25,268,412)	(28,945,606)
Other income	26	2,705,617	921,376
Unrealized gain on revaluation of other financial assets		5,935	59,246
Reversal of provision for doubtful debts		-	1,718,642
		(22,556,860)	(26,246,342)
Operating (loss)/profit		(24,466,015)	31,438,521
Finance cost	27	(4,165,147)	(9,489,514)
(Loss)/profit before taxation		(28,631,162)	21,949,007
Provision for taxation	28	7,416,742	(8,965,272)
(Loss)/profit for the year		(21,214,420)	12,983,735
Other comprehensive income		-	-
Total comprehensive (loss)/profit		(21,214,420)	12,983,735
(Loss)/earnings per share - basic and diluted	29	(2.83)	1.73

The annexed notes from 1 to 37 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

SIRAJ A. KADIR
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(28,631,162)	21,949,007
Adjustments for:		
Depreciation	7,154,605	7,315,482
Gain on disposal of property, plant & equipment	(2,596,315)	(907,996)
Interest income	-	(7,000)
Dividend income	(3,297)	(6,380)
Provision for compensated absences	-	334,773
Reversal of provision for doubtful debts	-	(1,718,642)
Unrealised gain on revaluation of other financial assets	5,935	(59,246)
Finance cost	4,165,147	9,489,514
Operating cash flows before working capital changes	(19,905,087)	36,389,512
Working capital changes		
Stores and spares	123,602	(310,079)
Stock-in-trade	871,194	(1,240,061)
Trade debts	2,492,558	3,016,272
Loans and advances	(295,962)	129,595
Trade deposits and other receivables	509,020	2,587
Trade and other payables	10,495,031	(9,166,097)
	14,195,443	(7,567,783)
Net cash (used in)/from operations	(5,709,644)	28,821,729
Finance cost paid	(6,487,882)	(6,311,803)
Income tax paid	(423,393)	(5,193,089)
Net cash (used in)/from operating activities	(12,620,919)	17,316,837
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(5,854,745)
Proceeds from disposal of property, plant and equipment	4,092,626	1,052,000
Dividend income received	3,297	6,380
Interest income received	-	7,000
Net cash from/(used in) investing activities	4,095,923	(4,789,365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term deposits - liabilities - net	(269,704)	1,081,379
Repayment of long-term finance	(9,776,977)	(19,383,689)
Increase in short-term borrowings	18,245,039	5,746,301
Net cash from/(used in) financing activities	8,198,358	(12,556,009)
Net decrease in cash and cash equivalents	(326,638)	(28,537)
Cash and cash equivalents at beginning of the year	828,299	856,836
Cash and cash equivalents at end of the year	501,661	828,299

The annexed notes from 1 to 37 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

SIRAJ A. KADIR
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

	Issued subscribed & paid-up capital	Un-appropriated profit	Total
	----- Rupees -----		
Balance as at June 30, 2012	75,025,104	22,530,417	97,555,521
Total comprehensive income for the year ended June 30, 2013	-	12,983,735	12,983,735
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	525,153	525,153
Balance as at June 30, 2013	75,025,104	36,039,305	111,064,409
Total comprehensive loss for the year ended June 30, 2014	-	(21,214,420)	(21,214,420)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	311,379	311,379
Balance as at June 30, 2014	75,025,104	15,136,264	90,161,368

The annexed notes from 1 to 37 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

SIRAJ A. KADIR
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. GENERAL INFORMATION

1.1 Bawany Air Products Limited (the Company) is a public limited Company incorporated in Pakistan on August 16, 1978. The Company is currently listed on Karachi Stock Exchange. The principal activities of the Company are production and trading of oxygen gas, dissolved acetylene and nitrogen gas. The manufacturing facilities are located at Hub Industrial Estate, Tehsil Hub in the province of Balochistan. The registered office of the Company is situated at Khasra No. 52/53 R.C.D. Highway, Mouza Pathara, Tehsil Hub, Lasbella District, Balochistan.

1.2 During the year under review Company continued to face break-downs of one of the components of the Company's existing plant that has resulted in partial closure of the plant, resultantly the production of the liquid oxygen suffered. However, the production of compressed oxygen, dissolved acetylene, nitrogen and compressed air was normal and the Company managed to purchase semi-finished product from the market to process it further to meet the demand of its customers however, it is earning lower margins on these sales.

Management has already embarked upon the project to repair the component and also to recommission the secondhand imported plant to avoid these type of incidents in future.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that 'other financial assets' are stated at fair value and freehold land and building thereon are stated at revalued amounts.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



The areas where assumptions and estimates are significant to the Company's financial statements or where judgment is exercised in application of accounting policies are as follows:

- (i) Revaluation of freehold land and building and review of useful life and residual value of property, plant and equipment (note 3.5 and 4);
- (ii) Provision for impairment of trade debts and other receivable (note 3.9 and 7.1);
- (iii) Impairment of assets (note 3.11); and
- (iv) Provision for taxation (note 3.15 and 28)

2.5 Standards and amendments to approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or interpretation	Effective date (accounting periods beginning on or after)
IFRS 10 Consolidated Financial Statements	January 01, 2015
IFRS 11 Joint Arrangements	January 01, 2015
IFRS 12 Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 Fair Value Measurements	January 01, 2015
IAS 16 & 38 Clarification of acceptable method of depreciation and amortization	January 01, 2016
IAS 19 Employee Contributions	July 01, 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)	January 01, 2014
IAS 36 Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014

The Company expects that, the adoption of the above revisions and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (accounting periods beginning on or after)
IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2009
IFRS 9 Financial instruments: Classification and measurement	January 01, 2018
IFRS 14 Regulatory Deferral Accounts	January 01, 2016
IFRS 15 Revenue from Contracts with Customers	January 01, 2017
IFRIC 21 Levies	



The following interpretations issued by the IASB have been waived off by the SECP, effective January 16, 2012:

IFRIC 4 Determining Whether an Arrangement Contains a Lease

IFRIC 12 Service Concession Arrangement

2.6 New, amended and revised standards and interpretations of IFRSs

The Company has adopted the following revised standard. Amendments and interpretation of IFRSs which become effective during the year.

IAS 19 Employee Benefits (Revised)

IFRS 7 Financial instruments: Disclosures (Amendments)

Amendments Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities

Improvements to accounting standards issued by the IASB

IAS 1 Presentation of Financial Statements - Clarification of the Requirements for Comparative Information

IAS 16 Property, Plant and Equipment - Classification of Servicing Equipment

IAS 32 Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments.

IAS 34 Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements of the Company

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all years presented.

3.1 Employee benefits

3.1.1 Defined contribution plan

The Company operates a recognised provident fund for all eligible employees of the Company. Equal monthly contributions are required to be made both by the Company and the employees at the rate of 10% of the basic salary. The Company's required contribution to the fund is charged to profit and loss account.

3.1.2 Compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render their service.

3.2 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method.



3.3 Provisions

Provisions are recognised when the Company has a present, (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.4 Borrowings and their costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

3.5 Property, plant and equipment

3.5.1 Operating assets

Property, plant and equipment except freehold land and building thereon are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount and building on freehold land is stated at revalued amount less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Assets useful lives and residual values that are significant in relation to the total cost of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its costs can be reliably measured. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to the profit and loss account applying the reducing balance method over assets estimated useful lives at the rates mentioned in note 4.1. Depreciation on additions is charged from the month the asset is available for use upto the month prior to disposal.

Surplus on revaluation of freehold land and building is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on revalued assets, the related surplus on revaluation (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.

Gains or losses on disposal of property, plant and equipment are recognised in the profit and loss account, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings/unappropriated profit.

3.5.2 Capital work-in-progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditure incurred and advances made in the course of their construction and installation. These are transferred to specific assets as and when these assets are available for intended use.

3.6 Investments

Regular way purchase or sale of investments

All purchase and sale of investments that require delivery within the time frame established by



regulations or market convention are recognised at trade date. Trade date is the date on which the Company commits to purchase or sell the investments.

Financial assets at fair value through profit or loss

These are investments which are acquired principally for the purpose of generating profit from short-term fluctuations in prices, interest rate movement or dealer's margin. These are initially recognised at fair value and the transaction costs associated with the investments are taken directly to the profit and loss account. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried at these values on the balance sheet date being their fair value. Net gains and losses arising on changes in fair values of the investments are taken to the profit and loss account in the period in which they arise.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.7 Stores and spares

These are stated at lower of cost and net realisable value. The cost is determined using moving average method. Items in transit are stated at invoice value plus necessary charges incurred thereon up to the balance sheet date.

3.8 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined as follows:

- | | |
|------------------|-------------------------------|
| - Raw material | Weighted average cost |
| - Finished goods | At average manufacturing cost |
| - Trading stock | Weighted average cost |

Average manufacturing cost in relation to finished goods comprises of direct materials and, where applicable, direct labor cost and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

3.9 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks and book overdraft.



3.11 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except inventories and deferred tax asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. Reversal of impairment loss is recognised as income.

3.12 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

3.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

3.14 Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to buyer, that is, when goods are delivered.

Interest income is recognised on a time-proportioned basis using the effective rate of return.

Dividend income is recognised when the right to receive payment is established.

3.15 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher. For income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.



Deferred

Deferred income tax is recognised using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The Company also recognises deferred tax liability on surplus on revaluation of certain items of property, plant and equipment, which is adjusted against related surplus.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.16 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3.17 Foreign currencies

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated into Pak Rupees at the rates prevailing on the balance sheet date.

Exchange differences arising on translation are included in profit and loss account.



June 30, 2014	June 30, 2013
----- Rupees -----	
<u>178,168,918</u>	<u>186,819,834</u>

Note

4.1

4. PROPERTY, PLANT AND EQUIPMENT

Operating property, plant & equipment

4.1 The statement of property, plant and equipment is as follows:

Particulars	Cost			Accumulated depreciation		Net book value as at June 30, 2014	Depreciation rate per annum
	As at July 1, 2013	Additions (disposals)	Revaluation adjustment	As at June 30, 2014	Charge for the year / (disposal)		
Land - freehold land	11,100,000	-	-	-	-	11,100,000	-
Factory building on freehold land	26,363,778	-	-	4,111,851	868,429	21,383,498	2.5 % - 5 %
Plant & machinery	226,767,203	(1,174,198)	-	84,016,235	4,996,227 (1,052,228)	137,632,771	3.33 % - 5 %
Gas cylinders	8,078,255	(404,300)	-	6,807,992	121,876	1,096,880	10%
Electric installation	9,244,070	-	-	6,970,382	(352,793) 227,369	2,046,319	10%
Furniture & fixture	2,453,108	(109,950)	-	1,097,419	131,986	1,187,878	10%
Office equipment	2,907,771	(56,640)	-	1,877,731	(74,125) 97,340	876,060	10%
Vehicles	7,714,432	(2,528,576)	-	2,927,173	711,378 (1,298,207)	2,845,512	20%
June 30, 2014	294,628,617	(4,273,664)	-	107,808,783	7,154,605 (2,777,353)	178,168,918	

4.1.1 As at June 27, 2013, freehold land and building thereon were revalued. Revaluation was carried out by independent valuer, 'M/s. Danish Enterprise' resulting in a net deficit of Rs. 4.414 million, over book value. Freehold land and building thereon, have been stated at revalued amounts and the related surplus has been credited (net of deferred taxation) to 'Surplus on revaluation of property, plant and equipment - net' - (refer note 13).



4.1.2 Had the revaluation not been carried out, cost and written down values of freehold land and building thereon would have been as follows:

	Cost	Acc. dep.	WDV		June 30, 2014	June 30, 2013
		Rupees			----- Rupees -----	
Freehold land	345,790	-	345,790		1,565,447	2,153,933
Building on freehold land	9,056,260	5,987,060	3,069,200		940,704	586,293
June 30, 2014	9,402,050	5,807,324	3,414,990		4,648,454	4,575,256
June 30, 2013	9,402,050	5,807,324	3,594,726		7,154,605	7,315,482

4.2 Depreciation for the year has been allocated as under:

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
Cost of sales	22	1,565,447	2,153,933
Administrative expenses	24	940,704	586,293
Other operating expenses	25	4,648,454	4,575,256
		7,154,605	7,315,482

The statement of property, plant and equipment for last year is as follows:

Particulars	Cost		Accumulated depreciation		Net book value as at June 30, 2013	Depreciation rate per annum
	As at July 1, 2012	As at June 30, 2013	As at July 1, 2012	As at June 30, 2013		
	----- Rupees -----					
Land - freehold land	9,600,000	11,100,000	-	-	11,100,000	-
Factory building on freehold land	32,278,702	26,363,778	1,198,692	-	22,251,927	2.5 % - 5 %
Plant & machinery	225,767,242	226,767,203	78,860,489	-	142,750,968	3.33 % - 5 %
Gas cylinders	7,948,975	8,078,255	6,687,455	-	1,270,263	10%
Electric installation	9,244,070	9,244,070	6,730,205	-	2,273,688	10%
Furniture & fixture	1,376,757	2,453,108	1,057,995	-	1,355,689	10%
Office equipment	2,409,818	2,907,771	1,876,032	-	1,030,037	10%
Vehicles	5,409,427	7,714,432	3,706,382	-	4,787,262	20%
June 30, 2013	294,034,991	294,628,617	101,831,717	7,315,482	107,808,783	186,819,834
	(1,482,420)	(4,414,924)	(1,338,416)	(1,268,634)		



4.3 Disposal of property, plant and equipments

4.3.1 Aggregate value of assets having book value of below Rs. 50,000/- each.

	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyers
	----- Rupees -----					
Plant & machinery	550,000	544,293	5,707	800,000	Negotiation	Mr. Saif ul Islam Karachi
Office equipment	42,900	29,188	13,712	7,000	Negotiation	Mr. Shuja Karachi
	592,900	573,481	19,419	807,000		

4.3.2 Aggregate value of assets having book value of above Rs. 50,000/- each.

	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyers
	----- Rupees -----					
Vehicle Toyota Allion	1,238,343	646,580	591,763	1,100,000	Negotiation	Mr. Khawaja Imtiaz Karachi
Vehicle Suzuki Alto	740,233	107,334	632,899	669,000	Negotiation	Mr. Wali Abbas Karachi
Gas cylinders	404,300	352,793	51,507	1,140,000	Negotiation	M/s Attock Cement Pakistan Limited Karachi
Plant & machinery	1,174,198	1,052,228	121,970	296,626	Negotiation	Mr. M. Farhan Karachi
Furniture & fixtures	123,690	44,937	78,753	80,000	Negotiation	M/s Agha Steel Karachi
	3,680,764	2,203,872	1,476,892	3,285,626		



	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
4.4 Capital work in progress			
Opening balance		-	636,225
Additions during the year		-	914,679
Less: Transferred to operating, property, plant & equipment		-	(1,550,904)
		<u>-</u>	<u>-</u>
5. STORES AND SPARES			
Stores		668,726	939,300
Spares		613,364	466,392
		<u>1,282,090</u>	<u>1,405,692</u>
6. STOCK IN TRADE			
Raw materials	22.1	613,512	1,415,602
Finished goods	22	1,187,817	1,256,921
Trading stock	22.3	45,460	45,460
		<u>1,846,789</u>	<u>2,717,983</u>
7. TRADE DEBTS			
Unsecured			
Considered good		4,454,590	6,947,148
Considered doubtful		300,939	300,939
		<u>4,755,529</u>	<u>7,248,087</u>
Provision for doubtful debts	7.1	(300,939)	(300,939)
		<u>4,454,590</u>	<u>6,947,148</u>
7.1 Provision for doubtful debts			
Opening balance		300,939	2,019,581
Reversal of provision for doubtful debts		-	(1,718,642)
Closing balance		<u>300,939</u>	<u>300,939</u>
7.2 Ageing of past due but not impaired			
30-60 days		1,247,113	823,943
61-90 days		491,245	450,262
91-180 days		156,173	281,189
Over 180 days		1,188,365	188,296
		<u>3,082,896</u>	<u>1,743,690</u>

Management considers that no provision is required against these overdue amounts based on previous payment history of the parties.



	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
8. LOANS AND ADVANCES			
Considered good			
Due from employees		61,500	351,060
Advances to suppliers		1,552,562	967,040
		<u>1,614,062</u>	<u>1,318,100</u>
9. TRADE DEPOSITS AND OTHER RECEIVABLES			
Receivable from Winder Industries (Private) Limited - related party	9.1	3,453,022	3,453,022
Others		223,241	732,261
		<u>3,676,263</u>	<u>4,185,283</u>
9.1	This represents payment made by the Company on behalf of the related party for purchase of land.		
10. OTHER FINANCIAL ASSETS			
At fair value through profit or loss			
Fully paid listed shares/certificates of Rs. 10/- each.			
	June 30, 2014	June 30, 2013	
No of shares/certificates		Company's name	
10,250	10,250	Schon Textile Mills Limited	6,663
189	134	Faysal Bank Limited	1,258
5,850	5,850	Schon Modaraba Limited	-
1,103	1,103	Sui Southern Gas Pipelines Limited	21,531
1,398	1,398	First Fidelity Leasing Modaraba Limited	4,683
1,311	1,311	First Equity Modaraba Limited	5,244
2,000	3,000	Crescent Fibers Limited	93,150
419	419	K-Electric Limited	2,606
143	143	Bankers Equity Limited	-
54	54	Linde Pakistan Limited	9,666
290	516	SAMBA Bank Limited	1,326
512	-	Ghani Gases Limited	-
			<u>146,127</u>
			<u>140,192</u>



	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
11. CASH AND BANK BALANCES			
Cash at bank			
- Current accounts		386,952	577,932
- PLS account		1,177	1,177
		388,129	579,109
Cash in hand		113,532	249,190
		501,661	828,299
12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
		June 30, 2014	June 30, 2013
		No. of shares	Ordinary shares of Rs. 10/- each
		5,336,769	5,336,769 Fully paid in cash
		250,000	250,000 For consideration other than cash
		1,915,741	1,915,741 Fully paid bonus shares
		7,502,510	7,502,510
		53,367,694	53,367,694
		2,500,000	2,500,000
		19,157,410	19,157,410
		75,025,104	75,025,104
12.1	As at June 30, 2014, Bawany Management (Private) Limited, an associate company held 222,149 (2013: 1,626,149) ordinary shares of Rs. 10/- each.		
13. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET			
Surplus on freehold land	13.1	10,754,210	10,754,210
Surplus on building on freehold land	13.2	5,821,835	6,133,214
Balance as at June 30,		16,576,045	16,887,424
13.1	Movement of surplus on freehold land		
	Revaluation surplus as at July 01,	10,754,210	9,254,210
	Surplus arising on revaluation carried out during the year	-	1,500,000
		10,754,210	10,754,210



Note	June 30, 2014	June 30, 2013
	----- Rupees -----	
13.2 Movement of surplus on building on freehold land		
Revaluation surplus as at July 01,	9,435,713	16,158,565
Deficit arising on revaluation carried out during the year	-	(5,914,924)
Restatement of opening liability due to change in tax rate	(94,357)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year, net of tax	(311,379)	(525,153)
Related deferred tax liability on incremental depreciation charged during the year	(160,407)	(282,775)
Revaluation surplus as at June 30,	8,869,570	9,435,713
Less: Related deferred tax liabilities on		
Revaluation as at July 01,	(3,302,499)	(5,655,497)
Deficit arising on revaluation during the year	-	2,070,223
Difference arising due to change in rate of tax	94,357	-
Incremental depreciation charged during the year on related assets transferred to profit and loss account	160,407	282,775
	(3,047,735)	(3,302,499)
	5,821,835	6,133,214
14. DEFERRED TAX LIABILITY		
Deferred debits arising due to		
Provision for bad debts	(102,319)	(105,329)
Provision for liabilities	(520,439)	(496,558)
Carried forward tax losses	(32,135,819)	(22,849,924)
	(32,758,577)	(23,451,811)
Deferred credits arising due to		
Accelerated depreciation on property, plant and equipment	29,710,842	28,803,964
Surplus on revaluation of property, plant and equipment	3,047,735	3,302,499
	32,758,577	32,106,463
	-	8,654,652



15. LONG TERM FINANCING	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
Secured			
From banking companies and other financial institutions			
Orix Leasing Pakistan Limited	15.1	10,900,276	16,466,891
KASB Bank Limited	15.2	-	1,406,332
Invest Capital Investment Bank Limited	15.2	-	2,804,030
		10,900,276	20,677,253
Current portion			
Overdue installments	15.3	(1,096,402)	(2,473,590)
Installments due in next 12 months		(7,182,891)	(8,399,804)
		(8,279,293)	(10,873,394)
		2,620,983	9,803,859

15.1 The rescheduled loan amount carries mark-up at the rate of 15% per annum and is repayable in 72 equal monthly installments starting from November 2009. This loan is secured by way of first ranking pari passu charge over land and all construction thereon. In addition, personal guarantees and indemnities executed by the Chief Executive in favour of Orix Leasing Pakistan Limited (formerly Orix Investment Bank Limited) shall remain valid as securities till the repayment of rescheduled loan amount.

15.2 These loans were paid off during the year.

15.3 As at June 30, 2014 the Company has delayed two installments of Orix Leasing Pakistan Limited constituting principal and markup amounting to Rs. 1,096,402 and Rs. 265,696 respectively. The overdue principal is included in the current maturity.

Subsequent to year end, the Company has also made part payments and up to the date of authorization of these financial statements the aggregate overdue amount of principal and markup amounts to Rs. 226,606 and Rs. 136,253 respectively.

16. LONG TERM DEPOSITS

These deposits for storage tanks and cylinders are non-interest bearing and are repayable to customers on return of tanks/cylinders or on termination of sale agreement.



17. TRADE AND OTHER PAYABLES	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
Creditors		5,167,062	1,307,777
Accrued liabilities		8,205,606	5,659,737
Advance from customers		5,718,708	1,006,175
Payable to provident fund	17.1	1,456,285	593,057
Provision for compensated absences		1,530,704	1,418,737
Sales tax payable		256,882	379,226
Unclaimed dividend		1,217,407	1,217,429
Withholding income taxes		89,206	35,710
Payable to workers' profit participation fund	17.2	-	1,178,787
Payable to Workers' Welfare Fund		-	350,194
		23,641,860	13,146,829

17.1 This represents equal contribution of the Company and the employees. Interest is charged at the rate of 12% (2013: 12%) per annum on the funds utilized by the Company.

17.2 Workers' profits participation fund

At the beginning of the year		1,178,787	821,001
Allocation for the year		-	1,178,787
Allocation for prior year	25	13,787	102,570
		1,192,574	2,102,358
Interest on funds utilized in Company's business	27	110,612	151,043
		1,303,186	2,253,401
Less: Amount paid to the fund		(1,303,186)	(1,074,614)
At the end of the year		-	1,178,787

18. INTEREST/MARK-UP ACCRUED

	Long-term loans	Short term borrowings	Total
Balance as at July 1, 2013	3,136,417	128,529	3,264,946
Mark-up accrued during the year	2,508,867	1,487,116	3,995,983
Mark-up paid during the year	(4,810,225)	(1,508,493)	(6,318,718)
Balance as at June 30, 2014	835,059	107,152	942,211

19. SHORT-TERM BORROWINGS

Secured from banking companies

Running finance 19.1 9,969,052 8,658,013

Unsecured from related parties

Associated undertaking - Bawany Management (Private) Limited 19.2 17,884,000 950,000

Directors 19.3 1,175,000 1,175,000

19,059,000 **2,125,000**

29,028,052 **10,783,013**



- 19.1** This represents short term running finance facility of Rs. 10 million (2013: Rs. 10 million) availed from a commercial bank secured against first pari passu hypothecation charge over plant and machinery, first hypothecation charge over stocks and receivables of the Company and personal guarantee of all sponsor's directors of the Company. The mark-up rate is three months KIBOR + 3% per annum (2013: three months KIBOR + 2.5%). The facility was renewed on December 27, 2013.
- 19.2** This represents the short term loan obtained by the Company from an associated undertaking. This is interest free and payable within a period of 12 months.
- 19.3** This represents the short term loans obtained by the Company from two directors amounting to Rs. 875,000 and Rs. 300,000. These are interest free and payable within a period of 12 months.

20. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2014 (2013: Nil).

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
21. SALES - NET			
Sales		144,570,135	273,883,985
Less: Trade discount		-	(9,266)
Sales tax		(20,779,140)	(35,268,813)
		(20,779,140)	(35,278,079)
		123,790,995	238,605,906
22. COST OF SALES			
Raw material consumed	22.1	99,060,573	70,533,357
Salaries, wages and benefits	22.2	10,289,572	16,227,213
Cost of sales - Trading stock	22.3	127,826	112,344
Power and water		6,448,998	75,312,303
Stores and spares consumed		471,556	4,093,293
Repairs, maintenance and handling		4,764,182	9,959,335
Insurance		1,567,502	1,609,168
Vehicles running and maintenance		382,146	426,643
Depreciation	4.2	1,565,447	2,153,933
Others		2,057,115	2,959,054
		126,734,917	183,386,643
Maintenance & other charges recovered		(1,103,871)	(1,500,432)
Cost of goods manufactured		125,631,046	181,886,211
Finished goods - opening		1,256,921	291,753
Finished goods - closing	6	(1,187,817)	(1,256,921)
		69,104	(965,168)
		125,700,150	180,921,043



	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
22.1 Raw material consumed			
Opening stock		1,415,602	1,099,909
Purchases		98,258,483	70,849,050
		99,674,085	71,948,959
Closing stock	6	(613,512)	(1,415,602)
		99,060,573	70,533,357

22.2 This includes charge in respect of staff retirement benefits amounting to Rs. 399,868 (2013: Rs. 515,770). The Company's staff retirement benefit consists of Provident Fund - a defined contribution plan. The Company has established a separate provident fund. The information related to provident fund is as follows:

Number of employees	32	48
Size of provident fund (Rupees)	6,318,609	10,492,066
Cost of investments made (Rupees)	5,216,644	10,083,323
Percentage of investments made	83%	96%
Fair value of investment (Rupees)	5,216,644	10,083,323

Break-up of investments:

Balance in savings accounts

- Amount of investment (Rupees)	2,762,471	3,490,266
- Percentage of size of investment	53%	35%

Faysal Bank Limited - Monthly income certificates

- Amount of investment (Rupees)	1,000,000	6,000,000
- Percentage of size of investment	19%	60%

Receivable from Bawany Air Products Limited

- Amount of investment (Rupees)	1,454,173	593,057
- Percentage of size of investment	28%	6%

As at June 30, 2014, Investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.



	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
22.3 Cost of sales -Trading stock			
Opening stock		45,460	86,260
Purchases		127,826	71,544
		173,286	157,804
Closing stock	6	(45,460)	(45,460)
		127,826	112,344
23. DISTRIBUTION COST			
Salaries and benefits	23.1	3,970,156	3,604,755
Transportation charges		34,440	129,450
Vehicles running and maintenance		692,504	930,033
Cooly and cartage		191,405	1,830,891
Insurance		120,264	1,916
Others		1,000	7,000
		5,009,769	6,504,045
23.1 This includes charge in respect of staff retirement benefits amounting to Rs. 214,143 (2013: Rs. 188,675). For details, refer note 22.2			
24. ADMINISTRATIVE EXPENSES			
Directors' remuneration and meeting fees		3,528,921	3,457,500
Salaries and benefits	24.1	6,671,753	7,578,487
Electricity, gas and water		334,176	217,847
Repairs and maintenance		327,430	423,147
Insurance		156,768	140,565
Rent, rates and taxes		475,917	556,791
Traveling and conveyance		383,089	167,230
Vehicles running and maintenance		699,823	805,275
Entertainment		35,421	48,163
Communication		362,706	350,696
Printing and stationery		177,695	291,109
Legal and professional charges		243,776	577,630
Auditors' remuneration	24.2	456,000	440,000
Fees, subscription and periodicals		566,813	283,569
Advertisement		85,434	125,785
Donation	24.3	12,000	41,000
Depreciation	4.2	940,704	586,293
Others		34,190	45,922
		15,492,616	16,137,009



24.1 This includes charge in respect of staff retirement benefits amounting to Rs. 326,397 (2013: Rs. 292,502). For details refer note 22.2.

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
24.2 Auditors' remuneration			
Statutory audit fee		312,000	300,000
Half year review fee		104,000	100,000
Out of pocket expenses		40,000	40,000
		456,000	440,000
24.3 None of directors or their spouses had any interest in the donee.			
25. OTHER OPERATING EXPENSES			
Workers' welfare fund		88,786	447,939
Workers' profit participation fund	17.2	13,787	1,281,357
Depreciation of idle plant	4.2	4,648,454	4,575,256
Other miscellaneous charges		15,000	-
		4,766,027	6,304,552
26. OTHER INCOME			
From financial assets			
Dividend income		3,297	6,380
Profit on deposit		-	7,000
		3,297	13,380
From other than financial assets			
Gain on disposal of property, plant and equipment		2,596,315	907,996
Other income		106,005	-
		2,705,617	921,376
27. FINANCE COST			
Interest/mark-up on			
Long-term financing		2,508,867	8,702,977
Short-term borrowings			
- Bank		1,135,889	428,870
- Provident fund		351,227	125,546
Workers' profit participation fund	17.2	110,612	151,043
Bank charges		58,552	81,078
		4,165,147	9,489,514



	Note	June 30, 2014 ----- Rupees -----	June 30, 2013
28. TAXATION			
Current year	28.1	1,237,910	1,193,030
Deferred		(8,654,652)	7,772,242
		<u>(7,416,742)</u>	<u>8,965,272</u>
28.1 Relationship between income tax expense and accounting profit.			
(Loss)/profit before taxation		<u>(28,631,162)</u>	<u>21,949,007</u>
Applicable tax rate		<u>34%</u>	<u>35%</u>
Tax at the enacted tax rate		(9,734,595)	7,682,152
Tax effect of minimum tax		1,237,910	1,193,030
Others		1,079,943	90,090
		<u>(7,416,742)</u>	<u>8,965,272</u>

28.2 The Company based on current year result and future years projections estimates that only Rs. 8.655 million of deferred tax assets will be utilized. However, no deferred tax is recognized on remaining unused tax losses during the current year amounting to Rs. 6.930 million.

28.3 Income tax assessments of the Company have been finalized up to and including the tax year 2013 and are deemed to be assessment order u/s 120 of the Income Tax Ordinance, 2001.

29. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

(Loss)/profit for the year	<u>(21,214,420)</u>	<u>12,983,735</u>
Weighted average number of ordinary shares outstanding during the year	<u>7,502,510</u>	<u>7,502,510</u>
(Loss)/earnings per share	<u>(2.83)</u>	<u>1.73</u>



30. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives	
	2014	2013	2014	2013	2014	2013
	----- Rupees -----					
Remuneration	967,742	967,742	1,045,161	1,045,161	967,742	352,000
Meeting fee	12,000	15,000	57,000	75,000	-	-
House rent	435,484	435,484	470,323	470,323	435,484	-
Utilities	96,774	96,774	104,516	104,516	96,774	-
Others	83,333	132,000	90,000	115,500	83,333	-
	1,595,333	1,647,000	1,767,000	1,810,500	1,583,333	352,000
Number of persons	1	1	1	1	1	2

The Chief Executive and the Director are provided with free use of Company maintained vehicles, residential utility and telephone bills, the monetary value of which is Rs. 624,454 (2013: Rs. 843,556).

31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors of the Company, key management personnel and staff retirement fund. The Company carries out transactions with various related parties in the normal course of business. Remuneration of directors and key management personnel is disclosed in note 30. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	June 30,	June 30,
		2014	2013
		----- Rupees -----	
Associated undertakings	Organization charges paid	391,239	369,946
	Loan obtained from Bawany Management (Private) Limited - net	16,934,000	950,000
	Loan repaid to R.A. Management	-	900,000
Director	Loan received from C.E.O (M. Hanif Y. Bawany)	-	300,000
	Loan received from Director (Momiza Hanif Bawany)	-	875,000



	Note	June 30, 2014	June 30, 2013
32. FINANCIAL RISK MANAGEMENT			
		----- Rupees -----	
32.1 Financial instruments by category			
Financial assets			
Loans and receivables			
Long-term deposits		3,215,467	3,215,467
Trade debts		4,454,590	6,947,148
Loans and advances		61,500	351,060
Trade deposits and other receivables		3,676,263	4,185,383
Cash and bank balances		501,661	828,299
		<u>11,909,481</u>	<u>15,527,357</u>
Fair value through profit or loss (FVTPL)			
Other financial assets		140,192	146,127
		<u>12,049,673</u>	<u>15,673,484</u>
Financial liabilities			
At amortized cost			
Long-term deposits		30,532,254	30,801,958
Long-term financing		3,216,664	20,677,253
Trade and other payables		17,577,064	10,196,737
Interest/mark-up accrued		942,211	3,264,946
Short-term borrowings		29,028,052	10,783,013
		<u>81,296,245</u>	<u>75,723,907</u>

32.2 Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarised as follows:

32.2.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to foreign currency risk as transactions in foreign currencies are not significant.



b) Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have significant interest bearing assets. Majority of the interest rate risk arises from Company's long-term debt and short-term borrowings from financial institutions. At the balance sheet date the interest rate profile of the Company's interest bearing financial liabilities is:

	June 30, 2014	June 30, 2013
	----- Rupees -----	
	Carrying amount	
Fixed rate instruments		
Long term financing	<u>3,216,664</u>	<u>20,677,253</u>
Variable rate instruments		
Short term borrowings	<u>9,969,052</u>	<u>8,658,013</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by Rs. 99,691 (2013: Rs. 86,580). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not significantly exposed to equity securities price risk because it has very small quantum of investment in equity securities that has been classified as fair value through profit or loss and have already been marked to market.

32.2.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to a single customer.

Credit risk of the Company arises principally from long-term deposits and trade debts. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:



	June 30, 2014	June 30, 2013
	----- Rupees -----	
Long-term deposits	3,215,467	3,215,467
Trade debts	4,454,590	6,947,148
Loans and advances	61,500	351,060
Trade deposits	3,676,263	4,185,283
Cash and bank balances	388,129	579,109
	11,795,949	15,278,067

The trade debts are due from local customers for sale of liquid oxygen, nitrogen and dissolved acetylene. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors and limits significant exposure to any individual customer by obtaining advance from customers in certain cases. A significant amount of Company's sales are to Ship Breaking Industry in the area of Gadani, Pakistan, however, the Company is not exposed to concentration of credit risk from these sales as the recovery of receivables from these customers is faster than other customers.

Aging of past due but not impaired trade debts are disclosed in note 7.2.

32.2.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. As disclosed in note 7 to the financial statements, during prior year and current year, the Company has entered into various restructuring and settlement agreements with financial institutions to manage the liquidity. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Within 1 year	1 - 5 years	Over 5 years	Total
	----- Rupees -----			
Long-term financing	595,681	2,620,983	-	3,216,664
Long-term deposits	-	-	30,532,254	30,532,254
Trade and other payables	17,577,064	-	-	17,577,064
Interest/mark-up accrued	942,211	-	-	942,211
Short-term borrowings	595,681	-	-	595,681
June 30, 2014	19,710,637	2,620,983	30,532,254	52,863,874

	Within 1 year	1 - 5 years	over 5 years	Total
	----- Rupees -----			
Long-term financing	12,919,953	10,875,973	-	23,795,926
Long-term deposits	-	-	30,801,958	30,801,958
Trade and other payables	10,196,737	-	-	10,196,737
Interest/mark-up accrued	3,264,946	-	-	3,264,946
Short-term borrowings	10,783,013	-	-	10,783,013
June 30, 2013	37,164,649	10,875,973	30,801,958	78,842,580



33. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all the financial assets and liabilities reported in the financial statements approximate their fair value.

Fair value hierarchy

The following table provided an analysis of financial instrument that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

- Level -1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level -2 Fair value measurement are those derived from inputs other than quoted prices included inputs for the asset or liability that are not based on observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level -3 Fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2014, other financial assets were categorised in level-1.

There were no transfers between Level-1 and 2 in the year.

34. CAPITAL RISK MANAGEMENT

The objective of the Company in managing capital, i.e., its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. There is no requirement on the Company to maintain minimum amount of capital.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

June 30, 2014 June 30, 2013

----- Rupees -----

Cubic Meter

Production capacity (Triple Shift)

Oxygen	4,233,000	4,233,000
Nitrogen	252,000	252,000
Dissolved acetylene	144,000	144,000
	<u>4,629,000</u>	<u>4,629,000</u>

Actual production

Oxygen	2,332,455	3,157,697
Nitrogen	12,396	106,026
Dissolved acetylene	14,035	19,366
	<u>2,358,886</u>	<u>3,283,089</u>



Under utilization of available capacity of oxygen, nitrogen and dissolved acetylene is due to lack of market share because of competitive prices offered by other manufacturers.

36. DATE OF AUTHORIZATION

These financial statements were approved on September 25, 2014 by the board of directors of the Company.

37. GENERAL

Figures in these financial statements have been rounded off to the nearest rupee, unless otherwise stated.



BAWANYAIR
PRODUCTS LIMITED

FORM OF PROXY

The Director,
BAWANY AIR PRODUCTS LIMITED
City Office,
16-C, 2nd floor, Nadir House,
I.I.Chundrigar

Please quote Folio No.

No. of Shares. _____

I/We _____

of _____

member(s) of Bawany Air Products limited do hereby appoint _____

of _____

(or failing him) _____

of _____

Who is also a member of the Company as a proxy to vote on my/our behalf at the 36th Annual General Meeting of the Company to be held on October 23, 2014 at 12.00 noon and at any adjournment thereof.

Signed this _____ day of _____ 2014.

Witness _____

Signature Across
Revenue Stamp

IMPORTANT: Instruments of Proxy will not be considered as valid unless they are at the Company's city office at least 48 hours before the time of holding the meeting.



BAWANYAIR
PRODUCTS LIMITED

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