

# Annual Report

## 2012

Faith.....Experience.....Innovation.....Growth



A Company of Ghani Global Group

**Ghani Gases Limited**  
Manufacturer of Industrial & Medical Gases



IN THE NAME  
OF  
ALLAH  
THE GRACIOUS  
THE MERCIFUL





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# VISION

# &

# PHILOSOPHY



To be successful in this World and Hereafter by utilizing the resources and commandments of ALLAH (ST) and ways / teachings of MUHAMMAD (PBUH), we eventually through our efforts become model for other companies and satisfaction of stake holders.



# MISSION STATEMENT



To achieve and maintain high standard of product quality and customer satisfaction in a manner that is superior to any one by a wide-margin and to become the leader amongst Gases manufacturers.





# CORPORATE

## ■ Board of Directors

Masroor Ahmad Khan, Chairman  
Atique Ahmad Khan, Chief Executive Officer  
Hafiz Farooq Ahmad  
Tahira Naheed  
Ayesh Masroor  
Rabia Atique  
Saira Farooq

## ■ Audit Committee

Hafiz Farooq Ahmad, Chairman  
Aysha Masroor  
Rabia Atique

## ■ HR & R Committee

Hafiz Farooq Ahmad, Chairman  
Tahira Naheed  
Saira Farooq

## ■ Company Secretary

Farzand Ali, FCS

## ■ Chief Financial Officer

Asim Mahmud, FCA

## ■ Legal Advisor

DSK Law, Lahore

## ■ Auditors

Rizwan & Company  
Chartered Accountants  
Member firm of DFK International

## ■ Share Registrar

THK Associates (Pvt) Limited  
Ground Floor, State Life Building No.3,  
Dr. Ziauddin Ahmed Road,  
Karachi-75530,  
UAN: +92 (021) 111-000-322  
Fax: +92 (021) 35655595

# INFORMATION



## ■ Bankers

MCB Bank Limited  
National Bank of Pakistan  
United Bank Limited  
Allied Bank Limited  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
Bank Islami Pakistan Limited  
Meezan Bank Limited  
Burj Bank Limited  
Al-Baraka Bank (Pakistan) Limited  
Bank Alfalah Limited  
The Bank of Khyber  
Askari Bank Limited  
Soneri Bank Limited  
Habib Bank Limited  
KASB Bank Limited  
Standard Chartered Bank (Pakistan) Limited



■ **GGL-I**

52-K.M. Lahore Multan Road,  
Phool Nagar, Distt. Kasur  
Ph: (042) 7006353-54, Fax: (042) 7006356  
E-mail: ggplant@ghaniglobal.com

■ **GGL-II**

53-A, Chemical Area,  
Eastern Industrial Zone,  
Port Qasim Karachi.  
Ph: (021) 34016142  
Fax: (021) 34016142  
E-mail: ggl2plant@ghaniglobal.com

■ **Corporate / Registered Office**

82-N, Model Town (Ext),  
Lahore-54000, Pakistan  
UAN: +92 (042) 111 Ghani1  
Phones: +92 (042) 35161424-25  
Fax: +92 (042) 35160393  
E-mail: gases@ghaniglobal.com  
Website: www.ghaniglobal.com



# CORE VALUES







# CORPORATE VALUES

Our corporate values are to build and sustain a high performance culture, with a continuous improvement through effective implementation of Vision, Mission, and Corporate objectives. The intrinsic values, which are the corner stones of our corporate behavior, are:-

## Sharia compliance

All business transactions and financial needs at GGL shall be ensured in accordance with the SHARIA compliance.

## Customer satisfaction

We understand that our commitment to satisfy customer's need must be fulfilled within a professional and ethical framework, thereby creating an ongoing relationship of trust and confidence in all their dealings with GGL.

We will equip and train our team of professionals to provide the most efficient and personalized service to our customers.

## Excellence

We are committed to achieve excellence to build and sustain high performance culture, with a continuous improvement through effective implementation of vision, mission, and corporate objectives.

## SHEQ

Our core value is to develop safety, health, environment and quality oriented culture and emphasis to maintain related standards.

## Professionalism

Ghani Gases is committed to exercise high levels of professionalism in their work, use most appropriate skills and competencies to deal with customers and all stake-holders.

## Integrity

Ghani Gases are driven by commitment to protect and promote reputation as an honest and transparent organization. We refuse to tolerate in unethical behavior or fraudulent practices and make fair and transparent business to achieve our goals.



*European & Chinese Technical Support*





# ENVIRONMENT ALIVE



**Ghani Gases** commits to minimize any adverse affect of its operation on the environment.



*"Do more, feel better, live longer"*





# CORPORATE

# SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is undertaking the rule of “corporate Citizen”. It ensures that business values and policies are align in such a way to balance between improving and developing the wealth of business and contributing for betterment of society in a effective manner.

With the growth of our business, we have assumed an even greater responsibility of our society and stakeholders, including employees, their families, our business partner etc.

GGL is committed to both sustainable business practices and its responsibilities as a corporate citizen. We believe that Corporate Social Responsibility is primarily about conducting our business in a transparent and ethical way that enhances value for all of our stakeholders but also by giving support to events that enhance the wellbeing of the community.

Corporate Social Responsibility and guideline for corporate governance are steps in positive directions. Customer relation management is strategic business philosophy and processes are rooted through ethical practice.

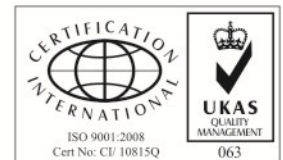
GGL support a clean environment and motivate its customers for this cause.

GGL also try its level best that business activities of customers must be environmental friendly and should not hazardous to the Society.





# QUALITY MANAGEMENT SYSTEM



We are committed to ensuring that Ghani Gases will be the industry leader in quality for every product and service we provide in all segments that we serve.

We have created an environment in which every employee is committed to provide the highest standard of personal quality.

We are carrying out our activities in a manner which:

- Uses the ISO 9001 quality management system to verify the quality and continuous improvement of our policies, procedures, work instructions and systems, and
- Ensures that our products and services satisfy the highest standards through the application of best practices.





# SAFETY,

# HEALTH, ENVIRONMENT, QUALITY (SHEQ)



**Ghani Gases** cares the employees, customers and general public and is committed to provide a safe and injury free workplace.

**Ghani Gases** endeavour to carry out activities in a manner which:

- Complies strictly with all SHEQ legislation and regulations,
- Involves all personnel in a system of shared responsibility for safe operation,
- Looks for continuous improvement in the workplace through the application of best safety & quality practices, and
- Contributes to the permanent improvement of operational efficiency and customer satisfaction through a risk management program to protect our people, assets and business viability.

*“We endeavour to achieve our objective of zero accidents.”*





# SAFETY FIRST

## Performance of the year

### SAFETY ON SITE

Number of incident	<input checked="" type="checkbox"/>	1	2	3	4
Loss work days	<input checked="" type="checkbox"/>	1	2	3	4
Injury to staff		<input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No	

### SAFETY ON ROAD

Millage without accident	2,388,267 KM	
Vehicle accident	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Injury to driver	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Causality	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### SAFETY AT CUSTOMERS' SITES

Incident at industries	<input checked="" type="checkbox"/>	1	2	3	4
Incident at compressing stations	<input checked="" type="checkbox"/>	1	2	3	4

2011



2012



*Alhamdulillah by the grace of Almighty Allah*

# CUSTOMER SEGMENTS

→ Oil & Gas



→ Chemical & Fertilizer



→ Ship Breaking & Scrap Cutting



→ Pharmaceutical



→ Health Care



→ Food & Beverage



→ Steel & Iron Mills



→ Light & Medium Engineering Works



→ Live Stock



→ Merchant Market



*Ghani Gases! A good solution for every situation.....*

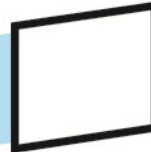


# Customers Satisfaction

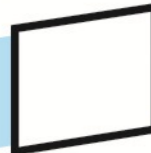
Excellent



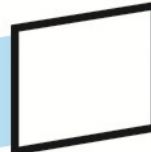
very good



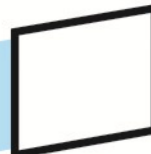
Good



Average



Poor



High quality customer service is an integral part of GGL's philosophy. It is our constant endeavor to provide exclusive service with wider accessibility.

Our corporate slogan is "Customer First". We always emphasis to provide best quality service to our customer. We continuously develop and improve customer-service oriented culture within GGL.

Knowing our customers and their need is the key to our business success. Our team of professionals are well equipped and well trained to provide the most efficient and personalized service to our customers.

We understand that our commitment to satisfy customer's need must be fulfilled within a professional and ethical framework, thereby

creating an ongoing relationship of trust and confidence in all their dealings with GGL.

Besides, we also feel Safety First is the number one objective of GGL. It is incumbent upon the Company and the management to ensure safe delivery of product to customers and that all the employees, customers and visitors coming to the site, go back to their families in safe condition. All the safety programmes, in-house and at customer's premises, have been installed. To ensure continuity in the safety programmes, a team of safety engineers is on board who ensures that all the safety aspects including human, machines, buildings, vehicles tankers and storage are met and taken care off.

We look forward to maintain high-level customer satisfaction through improvement of strength and values, based on corporate values.

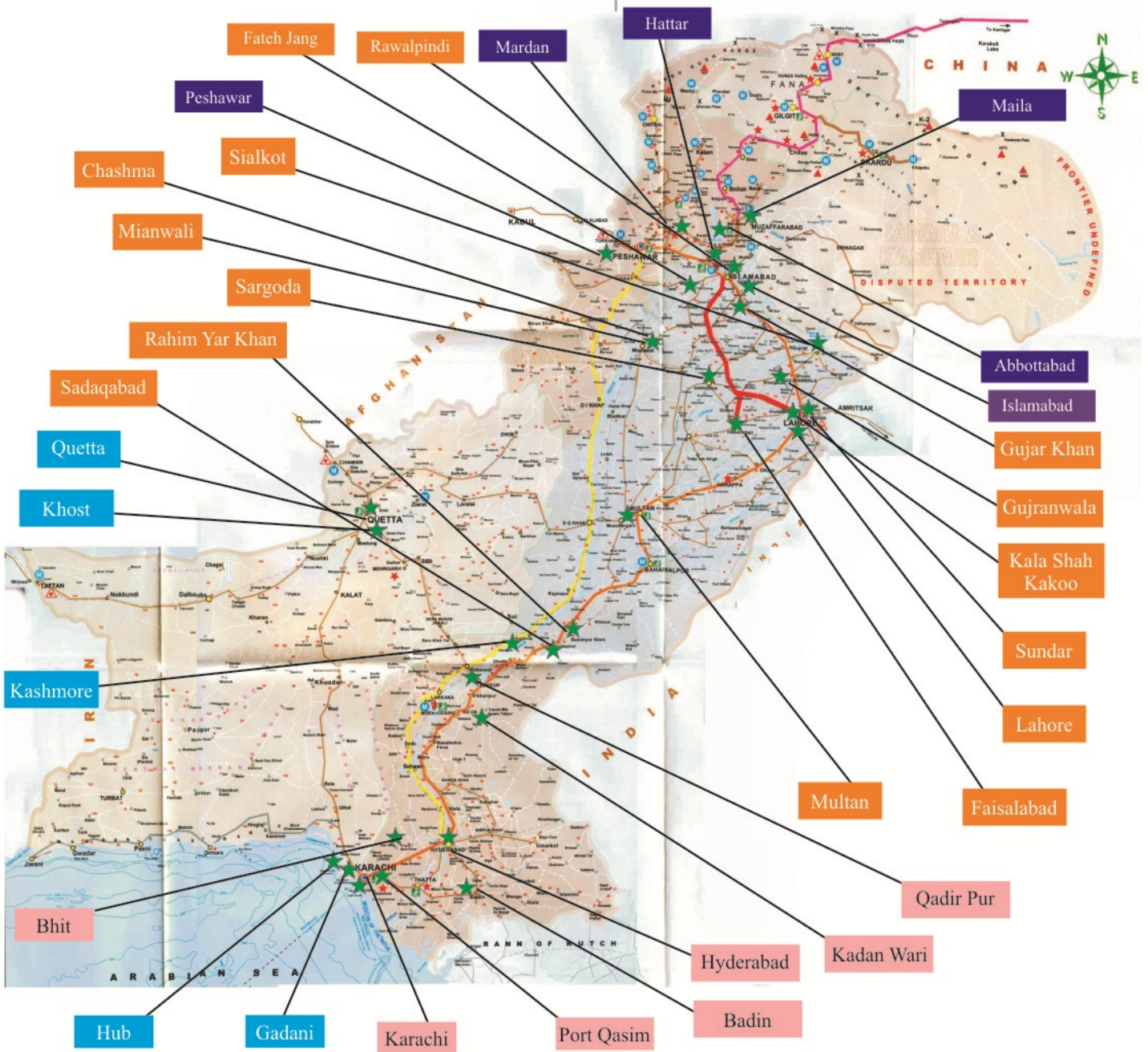
*Customer First*





# KEY LOCATIONS

# AROUND PAKISTAN

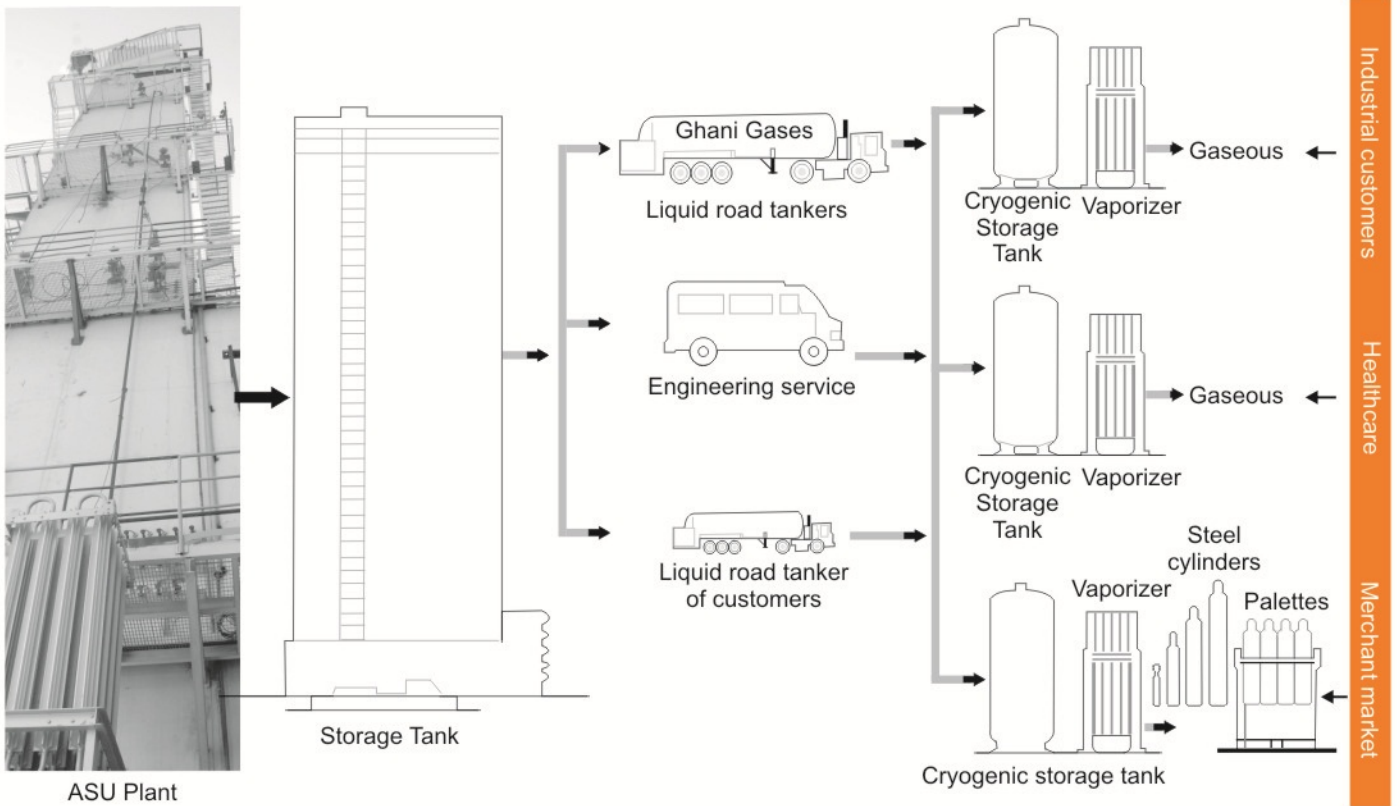


*We are where our customers are*

Punjab Khyber P.K. Sindh Baluchistan Federal Area



# SUPPLY



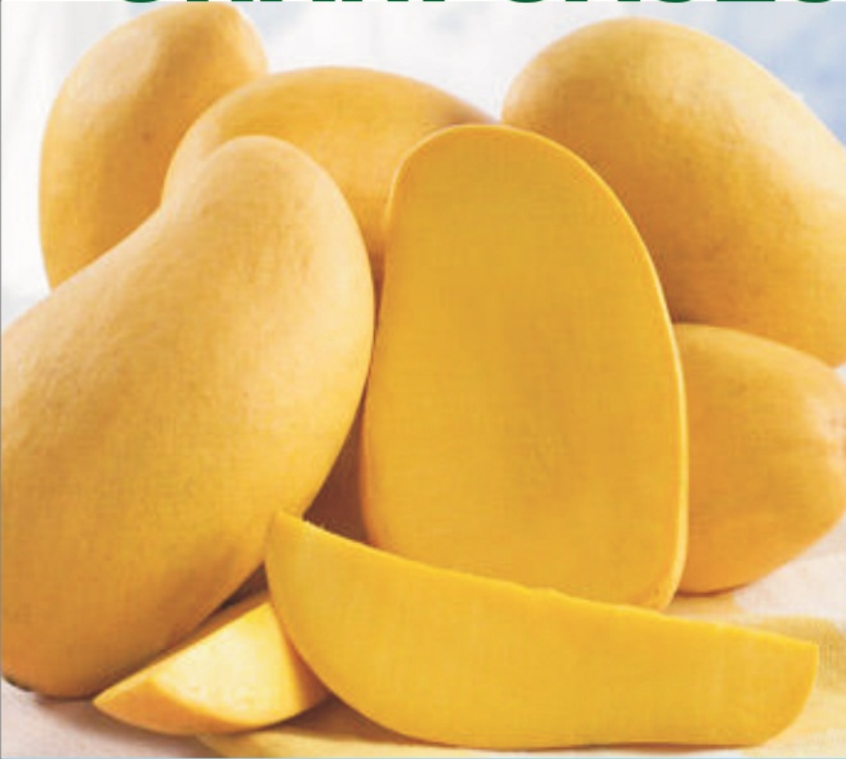
*Largest distribution network*





# GHANI GASES

## IN CALCIUM CARBIDE BUSINESS







# MERGER OF GHANI SOUTHERN GASES



Shareholders of Ghani Gases Limited (GGL) and Ghani Southern Gases (Pvt) Limited (GSGL) unanimously approved the merger / amalgamation of GSGL into GGL under the Court appointed chairmen. Thereafter the Honourable Lahore High Court, Lahore sanctioned the merger / amalgamation scheme on 15 May, 2012.





## NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that 5<sup>th</sup> Annual General Meeting of shareholders of Ghani Gases Limited will be held on Thursday October 25, 2012 at 11:00 AM at Hotel Sunfort, Liberty Market, Gulberg, Lahore for transacting of the following business:

1. To receive and adopt annual audited accounts of the Company together with auditors and directors report for the year ended June 30, 2012.
2. To appoint auditors and fix their remuneration. Present auditors M/s Rizwan & Company, Chartered Accountants being eligible offer themselves for reappointment.
3. Any other business with permission of the Chair.

By order of the Board

**Farzand Ali**  
Company Secretary

Lahore  
October 04, 2012



## NOTES:

- 1) The share transfer books of the Company will remain closed from Thursday October 18, 2012 to Thursday October 25, 2012 (both days inclusive)
- 2) A member entitled to attend and vote at the meeting may appoint another member as his or her proxy to attend and vote. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.
- 3) CDC account holders will have to follow the following guidelines for attending the meeting:
  - i) In case of individuals the account holders, sub account holders and the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing original I.D. cards or passport at the time of attending the meeting. The shareholders registered on CDC are also requested to bring their participation I.D. members and account number in CDC.
  - ii) In case of corporate entity, Board of Directors resolution / power of attorney with specimen signature of nominee shall be produced (unless provided earlier) at the time of meeting.





## DIRECTORS' REPORT

Dear Members,

### Assala-Mo-Aliakum Wa Rehmatullah-a- Wa Barakatohu

The Directors of your Company are pleased to present the 5<sup>th</sup> Annual Report of the Company for the year ending June 30, 2012.

#### National economy

Pakistan has been ranked among bottom 20 of the 144 economies around the world in The Global Competitiveness Report 2012-2013, released by the World Economic Forum. According to the Global Competitiveness Report (GCR) 2012-13, Pakistan lacks a long-term view of competitiveness. The level of corruption and poor governance are some of the factors slowing down Pakistan's economic growth. The Pakistani business community has identified Corruption as the most problematic factor for doing business in the country. The report indicates that Pakistan has failed to come up with effective regulations on intellectual property protection, where the country lost its position of 93 to 108 from 2011 to 2012 respectively. Poor governance in terms of favoritism in decision-making (129) and wastefulness of government spending (96) have also shown significant decline in rankings. The law and order situation has been a serious threat to the economic activities, with war on terror and other target killing issues impacting throughout the year



The power outage for over eight to 12 hours per day has ruined the country. Extreme power shortage and load-shedding with a series of broken promises, un-kept pledges, misplaced priorities and a directionless journey. Industrial production is suffering, exports are on the decline, jobs are being lost, and the national economy is in array. By all indications, the power crisis in Pakistan is getting worse than ever. The deepening energy crunch is hitting industrial output badly, and has been singled out as the key culprit causing unprecedented production loss of billions of rupees every day. Industry's wheel is halting. Industrialists are shifting their industrial units to Bangladesh, Malaysia, Saudi Arabia, and other countries. Industrial growth has resulted in reduced output, missed export and revenue collection targets and monumental unemployment. Overall, in value-added export sector alone, Pakistan is losing more than \$10 billion every year due to power shortage. Due to load-shedding of electricity and gas and resultant very high retrenchments job losses are greater than the jobs created and all the sectors have negative growth resultantly trade deficit is increasing. It is causing an estimated loss of Rs 230 billion annually, besides depriving about 0.4 million people of jobs. Energy and power crisis have crippled the industry while despite measures taken by State Bank interest rates and inflation are in double digits which is seen as the second most serious problem that has hit industry.

Despite all adverse factors economy of Pakistan has still shown positive signs during the year under review with GDP growth rate of 3.7 percent as compared to 3 percent last year. Inflation also reduced to 11 percent as compared to 13 percent last year. Foreign exchange reserves were over 15 billion dollars at the end of the financial year.





The growth of manufacturing sector was 3.6 percent as compared to 3.1 percent last year. However Large Scale Manufacturing (LSM) continued to be under pressure with growth of only 1.1 percent against 1 percent in preceding year.

The future forercast for GDP 4.3 percent while inflation is estimated to be 9 percent in FY 13.

The Pakistan Stock Markets remained range bound during first half with predominately declining trend (9.2 percent). However, the KSE-100 index resumed momentum during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the FY 12.

## Operations & performance

Alhamdulillah GGL operations registered a considerable growth in production performance during the period. The company has completed another successful year of operations. During the year the plant performance was found to be excellent as the plant is operated by highly qualified, dedicated and experienced team of engineers which resulted into achieving the plant loading of 77%. To gain the customer's confidence and having a high level of reliability the plant is equipped with one million liters oxygen and half a million liters of nitrogen storage in the liquid form. The storage is maintained at the upper limit to meet the customer's need at any given time. The specific power remained close to design which has resulted into economical cost of production.



GGL plant is equipped with the world's best technology machines. All the equipments and machines are maintained according to the international standards which resulted into smooth and uninterrupted operation throughout this period. To ensure smooth performance a European firm is on board for schedule maintenance of the plant.

Increase in electricity tariffs and unpredicted injections in shape of FPA (Fuel Price Adjustment), the highest ever prices of diesel and petrol have put a negative momentum on overall manufacturing and industrial sector and high costs of production and transportations. Despite load-shading and frequent startups your Company managed to increase in production by 17% from last year. To ensure continuous supply to customers, your company is actively in process to install alternate energy system to ensure plant operation during crises seasons.

For meeting the customer's requirements at national level, the company has acquired the largest mobile / distribution fleet which carries 216,500 liters of product at any given time.

## Financials

Your directors are pleased to report an impressive performance by your Company. The Company continued its efforts to further secure itself as a strong player in the industry whilst functioning in an external environment thwart with challenges. Despite of various challenges to the country including debilitating power cuts, security situation, present scenario of







overall economics and rupee devaluation, by the Grace of Allah Almighty, the Company achieved a strong growth of 63% in its turnover, which touched the height of Rs. 850 million mark against Rs. 521 million as compared with last year. This level of sales is pretty good for your Company in its initial years of operation. Gross profit for the year is Rs. 276 million against corresponding figure of Rs. 146 million posting a substantial increase in gross margin from 33% to 37%. Ongoing cost saving and controlling initiatives were taken to partially offset the negative impact of escalating input costs. Financial performance of the Company is summarized below:

	(Rupees in '000)	
	2012	2011
<b>Sales</b>	849,749	520,773
<b>Gross profit</b>	275,534	145,531
<b>Gross profit margin</b>	32.51%	27.95%
<b>Operating profit</b>	116,333	29,250
<b>Profit before taxation</b>	94,624	85,013
<b>Net profit</b>	86,720	79,444
<b>Earning per share</b>	1.20	1.10

By the Grace of Allah Almighty, due to good financial performance your Company has achieved earning per share (EPS) of Rs. 1.20 as compared to last year's EPS of Rs. 1.10. Along with this the breakup value has also improved from Rs. 10.01 to Rs. 11.20. The Company has managed its resources effectively and efficiently and other resources were utilized to generate other income to the company which is contributing to the financial performance of the Company. The Company has purchased and imported the store, spares items for its proper backup to make the Plant run in the smooth way without disturbing the production.



### Marketing

Alhamdulillah your Company has grown rapidly over the last three years in utilizing its world-class production and distribution facilities throughout Pakistan to become the largest supplier in the on-site as well as a leader in the bulk supply markets. Product is distributed to customers throughout Pakistan using its modern fleet of the cryogenic tankers to provide reliable supplies of gases such as Oxygen, Nitrogen and Argon, to major corporations in the steel, stainless steel, chemical, petrochemical, pharmaceutical, ship breaking industries, Oil & Gas, engineering industries and hospital care.



Ghani Gases is constantly seeking, testing and providing new ways to put our wide range of gases to work. Throughout our history we have been instrumental in delivering cost effective solutions in the supply of gases and services to the Pakistan industry as well as our world class standards of gas purity and quality.

Due to continuous energy crises, country experienced shortage of oxygen and nitrogen. On the other





hand boom in ship breaking industry has played a vital role to encourage the import of oxygen first time in the history of Pakistan. However during the crises period your Company developed confidence of the customers and succeeded to sign long term contracts and improve the customer base.

In addition to industrial and medical gases your company has significantly improved the trading business of chemicals and has been entering in other sale segments of this sector.

Despite the context of economic crisis and energy problem Engineering, Construction and Ship-breaking had a very good year in 2012. Ghani Gases will continue its significant growth and market leadership in providing Pakistan industry with the best gas quality as well as the safest and most reliable supplier.

Our Quality Management System (ISO 9001) listing is a foundation upon which our process of continuous improvement makes us a world-class gas supplier to add value to our customers, products and services.

### **How is 2013 looking?**

We are seeing a continued recovery in business in the current, although it's gradual depending on regions and markets. Emerging economies are already seeing a rapid return to growth, but the pace is slower in mature economies.

If the energy crises continue the country is expected to experience shortage of oxygen and nitrogen gases. On the other hand boom in ship breaking industry would also play a vital role to encourage the import of oxygen.



In addition to a greater number of start-ups than in 2012, we should also see an increase in the number of growth-related investments in 2013, while remaining cautious, in terms of regular investments. In this context, Ghani Gases expects continuous growth in sale as well as net profit during 2013, in line with our long-term performance.

We remain confident in a gradual return to solid growth in mature economies and dynamic growth in emerging economies. Our teams are more committed than ever to our ambition of becoming the recognized Pakistan leader in our industry. IN SHAA ALLAH

### **Merger of Ghani Southern Gases (Pvt) Limited into the company**

You company took a bold decision to merge the Ghani Southern Gases (Pvt) Limited, an associated company which planned to setup a gases manufacturing plant in Port Qasim, Karachi. After unanimous approval of the merger/ amalgamation scheme by the shareholders of both the companies under the Court appointed chairmen, the Honourable Lahore High Court, Lahore sanctioned the merger of Ghani Southern Gases (Pvt) Limited with and into company during May 2012. Alhamdulillah the merger formalities have successfully been completed.

This merger will IN SHAA ALLAH rationalize business structure, bring economies and improve the flexibility, efficiency and financial strength. The actual benefits of the merger will accrue in the period's to come.





## GGL-II plant

By the grace of Almighty Allah construction work for setup of the gases project at Port Qasim has commenced. We will IN SHAA ALLAH complete this project in accordance with our targets set for this purpose.

## Cash dividend / bonus shares

In principal management of your Company strongly believes to pass on the return of investment to the shareholders. However keeping in view the utilization of funds for expansion in shape of setup of another project in Port Qasim, payment of cash dividend or the bonus shares has been postponed.

## Riba-Free business

Alhamdulillah at GGL all business transactions and financial needs are ensured in accordance with the SHARIA compliance. The name of GGL has been included in the list of Shariah-compliant stocks on KSE website.

## Safety, health, environment & quality (SHEQ)

Safety first is the number one objective of Ghani Gases. It is incumbent upon the Company and the management to ensure that all the employees, customers and visitors coming to the site, go back to their families in safe condition. All the safety programs, in-house and at customer's premises, have been installed. To ensure continuity in the safety programs, a full time safety engineer is on board who ensures that all the safety aspects including human, machines, buildings, vehicles, tankers and storage are met and taken care off.



The plant was commissioned during May 2009 and by the grace of Almighty Allah site has completed 1,141 days without any incident Alhamdulillah.

Ghani Gases is environmentally alive and is ensuring zero air, water and ground pollution. The Company is maintaining gardens and plants at the site to make the work place attractive and give comfortable environment to the employees and customers.

In addition to safety, health and environment Ghani Gases is highly focused on quality standards. Your Company has adopted the world's best quality management system ISO-9001:2008. Certification of the system has been obtained from world's known "UKAS".

## Human resources

Development of Human Resource is one of the priority areas in Ghani Gases as the Directors consider human capital as the most precious asset of your Company.

Alhamdulillah Ghani Gases has hired highly qualified, experienced and competent teams of professionals in all areas such as marketing, plant operations, customer engineering services, finance and corporate.

Ghani Gases' employee's commitment, professionalism and focus on quality and





customer care have helped us to gain a reasonable market share in a short period.

### Training and development

To ensure the high standard of performance, the GGL hires fresh engineer and train them on site to take the plant operations responsibilities. The on-job and regular class room training sessions, covering operation and maintenance of plants / equipments and managing the distribution fleet, are conducted on regular basis.



### Product delivery system

GGL is having the country's latest and efficient distribution fleet with the capacity of 216,500 liters of liquid oxygen / nitrogen at one time.

To get the best performance a competent team is on the job on 24 hours basis to maintain the fleet and ensure that no customer gets dry at any given time.

### Customer satisfaction

Alhamdulillah Ghani Gases has a large customer network throughout the country and the customer satisfaction is the top priority of your Company. A team of dedicated and competent engineers and technicians is deployed to maintain the equipments at customer premises and attend to customer complaints round the clock. This strength of the Ghani Gases has gained confidence in the market place.



Ghani Gases is highly focused on quality, environmental and safety standards. Your Company has been meeting the oxygen requirements of different hospitals as a life saving tool. The needs of critical industries, including pharmaceutical, chemical, steel, ship-breaking and food are met timely and best services are provided. Apart from reputable industrial segments and hospitals Ghani Gases has setup a nation-wide strong dealership network in all the major cities to meet the merchant market/ retailers need.

### Contribution to national exchequer

During the year under review Ghani Gases contributed Rs.140 million in shape of taxes, duties and levies paid to central and provincial governments and local authorities.

### Statutory auditors of the company

The present auditors M/s DFK Rizwan & Company, Chartered Accountants retire and offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the year ending June 30, 2013, at a mutually agreed fee.

### Staff retirement benefit

Ghani Gases operates a funded contributory Provident Fund Scheme for its employees and contributions based on salaries of the employees are made to the Fund on monthly basis.





### Share price trend

Share price of Rs. 10 each of GGL at one stage rose as high as Rs.12.89, lowered as low as Rs. 6.50 and closed at Rs. 9.18 as on June 30, 2012.



### Compliance with the code of corporate governance

Ghani Gases has adopted the requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in their Listing Regulations, relevant for the year ended June 30, 2012 and have been duly complied with.

### Statement of Compliance with the best practices of code of corporate governance

The Statement of Compliance with the best practices of Code of Corporate Governance is annexed.

### Code of conduct

The board has adopted the Code of Conduct. All employees are informed of this code and are required to observe these rules of conduct in relation to customers, suppliers and regulators.



### Statement of ethics and business practices

The board of Ghani Gases has adopted the statement of Ethics and Business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

### Audit committee

An audit committee of the Board has been in existence in accordance with the Code of Corporate Governance, which comprises of one executive and two non executive directors. During the year seven meetings of the Audit Committee were held. The Audit Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

### Relations with stakeholders

Ghani Gases is committed to establish mutually beneficial relations with all suppliers, customers, bankers, employees, stock exchange, SECP and other business partners of the Company. Alhamdulillah during the period under review relations with all stakeholders remained cordial.

### Corporate social responsibility

GGL is committed to both sustainable business practices and its responsibilities as a corporate citizen. We believe that Corporate Social Responsibility is primarily about conducting our business in a transparent and ethical way that enhances value for all of our stakeholders but also by giving support to events that enhance the wellbeing of the community.





Corporate Social Responsibility and guideline for corporate governance are steps in positive directions. Customer relation management is strategic business philosophy and processes are routed through ethical practice.

With the growth of our business, we have assumed an even greater responsibility of our society and stakeholders, including employees, their families, our business partner etc.

GGL also supports a clean environment and motivate its customers for this cause. GGL also tries its level best that business activities of customers must be environmental friendly and should not hazardous to the Society.

Ghani Gases endeavors to be a trusted corporate entity and fulfill the responsibility towards the environment and society in general.

### Board of directors

The Board of Directors, which consist of seven members, have responsibility to independently and transparently monitor the performance of the company and take strategic decisions to achieve sustainable growth in the company value.

A written notice of the Board meeting along with working papers was sent to the members seven days before meetings. A total of nine meetings of the Board of Directors and seven meetings of the Audit Committee were held during the year ended June 30, 2012. The attendance of the Board members was as follows:

Name of the Director	No. of Board of Directors' Meetings attended	No. of Audit Committee Meetings attended
Mr. Masroor Ahmad Khan	09	-
Mr. Atique Ahmad Khan	07	-
Hafiz Farooq Ahmad	09	07
Mrs. Tahira Naheed	09	-
Mrs. Ayesha Masroor	09	07
Mrs. Rabia Atique	09	07
Mrs. Saira Farooq	09	-

Leave of absence was granted to Directors who could not attend some of the Board meetings.

### Corporate and financial reporting framework

In compliance with the Code of Corporate Governance, we give statements of Corporate and financial reporting framework;

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of account have been maintained by the company.
- Appropriate accounting policies have consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.





- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- There has been no departure from the best practices of transfer pricing.
- Information about taxes and levies is given in the notes of accounts.
- The value of investments and bank balances in respect of staff retirement benefits: Provident Fund Rs. 9.825 million

### **Pattern of shareholding under code of corporate governance**

A statement of the pattern of shareholding of certain class of shareholders as at June 30, 2012, whose disclosure is required under the reporting framework, is included in the annexed shareholder's information.

### **Post balance sheet events**

No material changes or commitments affecting the financial position of the Company have occurred between the end of financial year of the Company and date of this report.

### **Acknowledgment**

The directors express their deep appreciation to our valued customers who placed their confidence on your Company. We would like to express sincere appreciation to the dedication of Company's employees to their professional obligations and cooperation by the bankers, government agencies, which have enabled the Company to display good performance both in operational and financial fields.

We thank our shareholders who reposed their confidence on management of the Company, the officials of the SECP, the Karachi Stock Exchange and all government and other institutions which have direct or indirect relations with the Company.

We thanks Allah Subhanatallah for blessing your Company and all of us and we all should obey the commandments of Allah Subhanatallah and Sunnah of our Prophet "Muhammad" (peace be upon him).

For and on behalf of the Board of Directors

**Atique Ahmad Khan**  
Chief Executive Officer

Lahore  
September 25, 2012





## AUDIT COMMITTEE



### Terms of reference

In line with the best practice, the Board of Directors has established the audit committee. The terms of reference of the committee have been developed on the lines as laid down in the Code of Corporate Governance and approved by the Board. These include:

- i. To recommend to the Board of Directors the appointment of external auditors by the Company's share holders and consider any question of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statement;
- ii. To review the quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors;
- iii. To facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;
- iv. To review the management letter issued by external auditors and management's response thereto;
- v. To ensure coordination between the internal and external auditors of the Company;
- vi. To review the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and appropriately placed within the Company;
- vii. To consider the major findings of internal investigation and management's response thereto;
- viii. To ascertain that the internal control system including financial and operational control, accounting system and reporting structure are adequate and effective;
- ix. To determine compliance with relevant statutory requirements; and
- x. To monitor compliance with the best practices of corporate governance and identification of significant violation thereof;

The committee comprises of the following members:

Mr. Hafiz Farooq Ahmad  
Executive (Chairman)

Mrs. Ayesha Masroor  
Non-Executive (Member)

Mrs. Rabia Atique  
Non-Executive (Member)

Mr. Farzand Ali  
Secretary to the Committee





## KEY OPERATING AND FINANCIAL DATA

### FIVE YEARS AT A GLANCE

	2012	2011	2010	2009	2008
	(Rupees in '000)				
<b>Operating Results</b>					
Sales (gross)	849,749	520,773	314,935	25,651	-
Gross profit	275,534	145,531	25,508	1,909	-
Profit/(Loss) before tax	94,624	85,013	(62,558)	(38,367)	(6,333)
<b>Financial data</b>					
Fixed assets	1,322,651	1,222,849	823,078	860,921	359,134
Capital work-in-progress	96,913	12,102	265,233	196,607	-
Intangibles assets	910	1,120	-	-	-
Long term deposits	65,865	42,153	17,384	13,983	-
Current assets	404,189	254,612	178,414	57,785	222,350
Current liabilities	355,658	252,257	172,856	64,706	175,345
<b>Assets employed</b>	<b>1,534,870</b>	<b>1,280,579</b>	<b>1,111,255</b>	<b>1,064,590</b>	<b>406,139</b>
<b>Financed by:</b>					
Ordinary capital	724,630	724,500	724,500	724,500	400,000
Reserves	30,000	30,000	30,000	30,000	12,500
Un appropriated profit / (loss)	57,232	(29,489)	(108,933)	(44,729)	(6,361)
Shareholder's equity	811,862	725,011	645,567	709,770	406,139
Finances and deposits	723,008	555,568	465,688	354,819	-
<b>Funds invested</b>	<b>1,534,870</b>	<b>1,280,579</b>	<b>1,111,255</b>	<b>1,064,590</b>	<b>406,139</b>
Earning per-share (Rs.)	1.20	1.10	(0.89)	(0.79)	(0.16)
Break-up-value (Rs.)	11.20	10.01	8.91	9.80	10.15
Dividend%	-	-	-	-	-

#### Note:

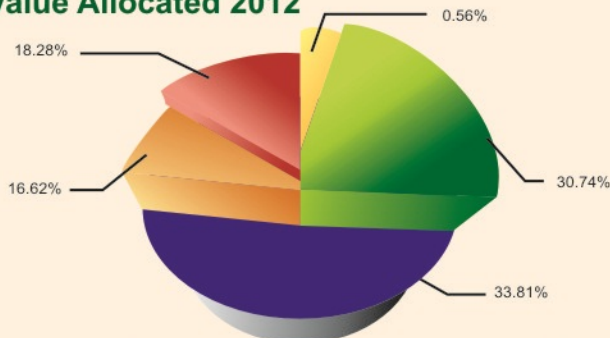
Key operating and financial data is available for five years as the company was incorporated during November 2007 and plant commenced the production during May, 2009.



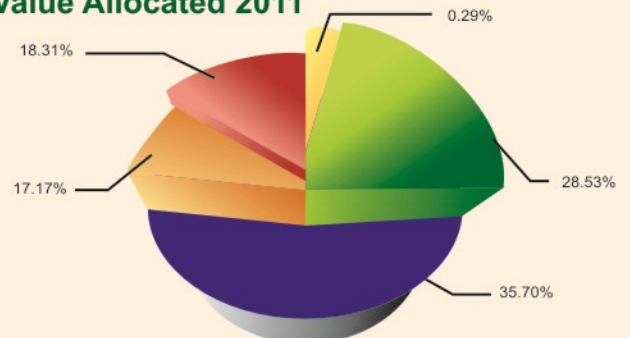
## VALUE ADDED STATEMENT

	2012		2011	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)
<b>Wealth Generated/ Value added:</b>				
Turnover (including sales tax)	849,749		520,773	
Less: Purchased materials and services	(502,380)		(321,690)	
<b>Value added</b>	<b>347,369</b>		<b>199,084</b>	
Other income	51,155		112,884	
<b>Wealth Created</b>	<b>398,524</b>	<b>100.00</b>	<b>311,967</b>	<b>100.00</b>
<b>Wealth Distribution</b>				
To employees				
Salaries, benefits and other costs	66,217	16.62	53,574	17.17
To Government				
Income tax, sales tax, WPPF	122,491	30.74	88,997	28.53
To society and development initiatives				
Donations to education, health and environment	2,224	0.56	913	0.29
To providers of capital				
Profit on borrowed funds	72,864	18.28	57,121	18.31
To company				
Depreciation, amortization and retained profit	134,724	33.81	111,362	35.70
	<b>311,967,040</b>	<b>100.00</b>	<b>311,967,040</b>	<b>100.00</b>

**Value Allocated 2012**



**Value Allocated 2011**



■ To company 
 ■ To government 
 ■ To employees 
 ■ To providers of capital 
 ■ To society and development initiatives



## STATEMENT OF ETHICS AND BUSINESS PRACTICES

**Ghani Gases Limited** has laid down the following business ethics and principles, the observance of which is compulsory for all the directors and staff members of the Company in the conduct of Company's business in order to protect and safeguard the reputation and integrity of the Company at all levels of its operations. Any contravention of these ethics is regarded as misconduct. The company will ensure that all the executives and subordinate staff and workers are fully aware of these standards and principles.

### Obey of commandments

It is the management's expectation that all staff members shall obey the commandments of Allah Subhanatallh and Sunnah of our Prophet "Muhammad" (peace be upon him). Staff members are also expected for service of prayers at their times and to preach of Goodness for discharge of their religious liability.

### Conflict of interest

All staff members and workers are expected not to engage in any activity, which can cause conflict between their personal interests and Company's interests, such as:

- a. In effecting the purchases for Company and selling its products the directors and the staff members are forbidden from holding any personal interest in any organization supplying goods or services to the Company or buying its products.
- b. Transfer pricing of related party transactions should not be other than the listing regulations issued by the stock exchange.
- c. Staff members should not engage in any outside business while serving the Company.
- d. Staff members are not permitted to conduct personal business in Company's premises or use Company's facilities for the same.
- e. If a staff member has direct or indirect relationship with an outside organization dealing with the Company, he must disclose the same to the management.

### Confidentiality

All staff members are required not to divulge any secrets / information of the Company to any outsider even after leaving the service of the Company. During the course of service in the Company, staff members should not disseminate any information relating to business secrets of the Company without the consent of the management.







### **Kickbacks**

All staff members are strictly forbidden not to accept any favour, gifts or kickbacks from any organization or individual dealing with the Company. In case if such favour is considered, in the interest of the Company, the same should be disclosed clearly to the management.

### **Proper books of accounts**

All funds, receipts and disbursements should be properly recorded in the books of accounts of the Company. No false or fictitious entries should be made or misleading statement pertaining to the Company or its operations should be issued. All agreements with suppliers, customers, agents, dealers and consultants should be made in writing supported with required evidence.

### **Relationship with Government officials, suppliers, customers, agents etc.**

The dealings of the Company with Government officials, suppliers, buyers, agents and consultants of the Company should always be such that the integrity of the Company and reputation is not damaged. Members having queries in connection with how to deal with these factions should consult the management.

### **Healths and safety**

Every staff member is required to take care of his health and safety and of those working with him.

### **Environment**

To preserve and protect the environment all staff members are required to operate the Company's facilities and processes so as to ensure maximum safety of men, material, machinery, surroundings and all adjoining communities and strive continuously to improve environmental awareness and protection.

### **Alcohol, drugs and smoking**

All types of gambling and betting at the Company's premises are strictly forbidden. Also taking of any alcohols and drugs inside the Company's premises is not allowed. Smoking within plant premises, offices, work places, workshops, stores, laboratories and warehouses is not allowed. Members of the staff, not abiding by these prohibitions will attract disciplinary as well as penal action under the law.

### **Coordination among staff members to maintain discipline**

All staff members will work in close coordination with their co-workers, supervisors and colleagues. Every member will cooperate with other members so that the Company's work is carried out effectively and efficiently. All cases of non-cooperation among staff members should be reported to the management for necessary and suitable action. Strict action will be taken against those staff members who violate the rules and regulations of the Company.

### **Workplace harassment**

All members of the staff will provide an environment that is free from harassment in which all employees are equally respected. Work place harassment means any action that creates an intimidating, hostile or offensive environment, which may include sexual harassment, disparaging remarks based on gender, religious, race or ethnicity.







## PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT 30<sup>TH</sup> JUNE 2012

Incorporation Number: 0063479

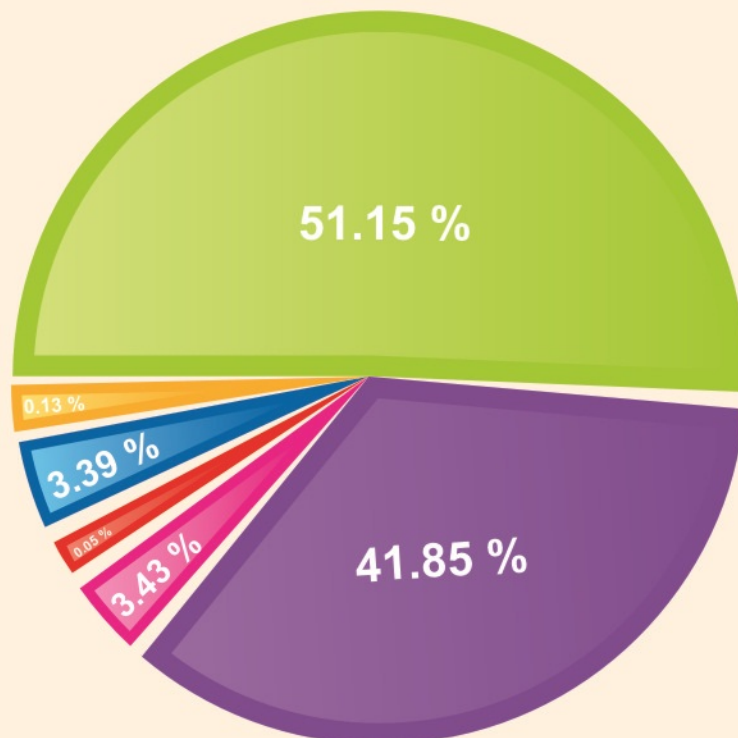
Number of Shareholders	Shareholding From	To	Total Shares Held
140	1	100	5,144
514	101	500	238,546
233	501	1000	222,923
325	1001	5000	916,145
104	5001	10000	862,951
37	10001	15000	486,401
25	15001	20000	466,973
13	20001	25000	302,759
11	25001	30000	313,154
12	30001	35000	384,639
6	35001	40000	237,200
3	40001	45000	125,426
9	45001	50000	437,411
4	50001	55000	212,731
5	55001	60000	296,700
1	60001	65000	61,642
1	65001	70000	68,667
4	70001	75000	293,895
1	80001	85000	82,500
1	85001	90000	89,000
1	90001	95000	93,420
3	95001	100000	297,000
1	100001	105000	100,200
1	105001	110000	105,822
1	120001	125000	125,000
1	140001	145000	143,000
2	145001	150000	299,301
1	150001	155000	153,000
1	155001	160000	160,000
1	160001	165000	164,802
2	195001	200000	400,000
1	215001	220000	220,000
2	240001	245000	484,677
1	265001	270000	267,019
3	295001	300000	900,000
1	310001	315000	315,000
1	320001	325000	324,545
1	345001	350000	350,000
1	355001	360000	357,999
1	635001	640000	639,652
1	670001	675000	675,000
1	970001	975000	974,000
1	995001	1000000	1,000,000
1	1150001	1155000	1,152,159
1	1245001	1250000	1,250,000
1	1280001	1285000	1,285,000
1	1335001	1340000	1,336,934
1	1495001	1500000	1,500,000



1	2480001	2485000	2,485,000
1	2995001	3000000	3,000,000
1	3005001	3010000	3,006,800
1	3015001	3200000	3,016,800
1	3800001	3805000	3,800,900
1	4005001	4010000	4,008,200
1	5025001	5030000	5,026,000
1	8485001	8490000	8,487,500
1	9180001	9185000	9,181,763
1	9270001	9275000	9,271,700
<b>1494</b>			<b>72,463,000</b>

Categories of Shareholders	Shares Held	Percentage
Directors, chief executive officer and their spouses and minor children	37,065,463	51.15
Banks DFI & NBF1	2,485,000	3.43
Modarabas and mutual funds	35,417	0.05
*Share holders holding 10% or more	26,940,963	37.18
General public		
- Local	30,327,796	41.85
- Foreign	92,733	0.13
Others		
Joint stock companies	2,456,591	3.39
	<b>72,463,000</b>	<b>100.00</b>

\* Total number of shares held and percentage is included in categories of shareholders of directors and chief executive officer.







## DETAIL OF PATTERN OF SHAREHOLDING

### AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE



#### Holding

#### **BANKS/DFI & NBFI**

1. National Bank of Pakistan	2,485,000
------------------------------	-----------

#### **DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN**

1. Mr. Masroor Ahmad Khan	Chairman	9,271,700
2. Mr. Atique Ahmad Khan	Director / Chief Executive	8,487,500
3. Hafiz Farooq Ahmad	Director	9,181,763
4. Mrs. Tahira Naheed	Director	300,000
5. Mrs. Ayesha Masroor	Director	3,016,800
6. Mrs. Rabia Atique	Director	3,800,900
7. Mrs. Saira Farooq	Director	3,006,800
		<b>37,065,463</b>

#### **PUBLIC SECTOR COMPANIES & CORPORATIONS**

1. Sinaco Engineeres (Pvt) Limited	241,500
2. Treet Corporation Limited	104,822
3. Intermarket Securities Limited	75,000
4. Moosani Securities (Pvt) Limited	7,299
5. NH Securities (Pvt) Limited	1,000
6. ACE Securities (Pvt) Limited	20,000
7. Investforum (SMC-Pvt) Limited	1,500
8. Highlink Capital (Pvt) Limited	18,000
9. Azee Securities (Pvt) Limited	17,800
10. Multiline Securities (Pvt) Limited	61,642
11. FDM Capital Securities (Pvt) Limited	75,000
12. Dossani's Securities (Pvt) Limited	7,000
13. Capital Vision Securities (Pvt) Ltd.	3,000



14. Sherman Securities (Pvt) Limited	1,336,934
15. Maan Securities (Pvt) Limited	8,704
16. HH Misbah Securities (Pvt) Limited	10,000
17. Stock Master Securities (Pvt) Limited	1,500
18. Darson Securities (Pvt) Limited	30,728
19. Progressive Securities (Pvt) Ltd.	357,999
20. GMI Capital Securities (Pvt) Ltd.	25,000
21. HUM Securities Limited	400
22. Pearl Capital Management (Pvt) Limited	501
23. Seven Star Securities (Pvt) Limited	11,262
24. A.I Securities (Pvt) Limited	30,000
25. Trustee-Rahim Iqbal Rafiq & Co Employees Provident Fund	17,000
	<b>2,456,591</b>

### **MODARABAS & MUTUAL FUNDS**

1. AKD Trustee AKD Opportunity Fund	28,517
2. Golden Arrow Selected Stocks Fund Limited	6,900
	<b>35,417</b>

### **SHARES HELD BY THE GENERAL PUBLIC**

**30,420,529**

### **\*SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL**

1. Mr. Masroor Ahmad Khan	9,271,700
2. Mr. Atique Ahmad Khan	8,487,500
3. Hafiz Farooq Ahmad	9,181,763
	<b>26,940,963</b>

### **TRADING BY DIRECTORS, CEO, CFO, CS AND THEIR SPOUSES AND MINOR CHILDREN**

**Nil**

### **\*\*ADDITION IN SHAREHOLDING OF DIRECTORS**

1. Mr. Masroor Ahmad Khan	3,900
2. Mr. Atique Ahmad Khan	3,800
3. Hafiz Farooq Ahmad	3,800
4. Mrs. Ayesha Masroor	500
5. Mrs Rabia Atique	500
6. Mrs Saria Farooq	500
	<b>13,000</b>

\* These are also the directors of the Company.

\*\* Shares issued on merger of Ghani Southern Gases (Pvt) Limited into the company.







## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2012



This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. XI 35 of listing regulation of the Karachi Stock Exchange 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 CCG in the following manner:

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

<b>Category</b>	<b>Names</b>
Executive Directors	Mr. Masroor Ahmad Khan Mr. Atique Ahmad Khan Hafiz Farooq Ahmad
Non-Executive Directors	Mrs. Tahira Naheed Mrs. Ayesha Masroor Mrs. Rabia Atique Mrs. Saira Farooq

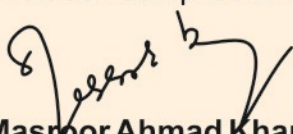
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board are filled up by the directors within 30 days.
5. The company has prepared a "Code of Conduct" and has ensured that 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 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 and other 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. The board arranged orientation course for its directors to acquaint them with the CCG, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the company on behalf of shareholders. The company will arrange certification of one director every year starting with the year ended June 30, 2013 up till June 30, 2016 and thereafter, all the directors of the company will acquire certification as required by the CCG.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before 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 the CCG.
15. The board has formed an Audit Committee. It comprises three members, two of them are non-executive and one is executive director which is the chairman.
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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an Human Resources and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an executive director.
18. The board has set-up an effective internal audit function 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 a 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 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 the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore  
September 25, 2012

  
**Masroor Ahmad Khan**  
Chairman





## REVIEW REPORT TO THE MEMBERS

### ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of Ghani Gases Limited (the Company) to comply with the regulations of the respective Stock Exchanges, 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 June 2012.

Lahore:  
25 September 2012

**RIZWAN & COMPANY**  
**Chartered Accountants**





## **Financial Statements**

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **GHANI GASES LIMITED** as at **30 JUNE 2012** and the related profit and loss account, statement of comprehensive income, 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.

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 accounts 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 accounts 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, profits and loss account, statement of comprehensive income, 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 **30 June 2012** and of the profit, comprehensive profit, 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).

Lahore:  
25 September 2012

**RIZWAN & COMPANY**  
**Chartered Accountants**  
**Engagement Partner: Rizwan Bashir**



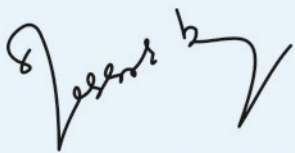
# BALANCE SHEET

AS AT 30 JUNE 2012

ASSETS	Note	2012	(Rupees '000)	2011
<b>Non-current assets</b>				
Property, plant and equipment				
Operating fixed assets	6	1,125,140		1,174,845
Assets subject to ijarah financing	7	197,511		48,005
Capital work in progress	8	96,913		12,102
		1,419,564		1,234,952
Intangible assets	9	910		1,120
Long term deposits and prepayments	10	65,865		42,153
		1,486,339		1,278,225
<b>Current assets</b>				
Stores, spare parts and loose tools	11	35,036		19,961
Stock in trade	12	11,182		31,880
Trade debts	13	31,264		39,731
Loans and advances	14	32,609		6,260
Trade deposits and short term prepayments	15	8,270		3,708
Balances with statutory authorities	16	-		1,159
Other receivables	17	168		33,152
Advance tax		26,189		14,731
Cash and bank balances	18	259,471		104,030
		404,189		254,612
<b>TOTAL ASSETS</b>		<b>1,890,528</b>		<b>1,532,837</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorized share capital				
73,000,000 (2011: 72,500,000) ordinary shares of Rs. 10 each		730,000		725,000
Issued, subscribed and paid up share capital	19	724,630		724,500
Capital reserve - Share premium	20	30,000		30,000
Unappropriated profit / (loss)		57,232		(29,488)
<b>Total equity</b>		<b>811,862</b>		<b>725,012</b>
<b>Non-current liabilities</b>				
Long term financing	21	129,000		243,333
Loan from sponsors	22	437,433		250,137
Liabilities against assets subject to ijarah financing	23	132,375		30,798
Long term security deposits	24	24,200		31,300
		723,008		555,568
<b>Current liabilities</b>				
Trade and other payables	25	100,606		108,900
Accrued profit on financing	26	9,156		10,197
Short term borrowings	27	91,058		25,000
Current portion of long term liabilities	28	146,934		102,591
Provision for taxation		7,904		5,569
		355,658		252,257
<b>Total liabilities</b>		<b>1,078,666</b>		<b>807,825</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,890,528</b>		<b>1,532,837</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	29	-		-

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
**ATIQUE AHMAD KHAN**  
 (Chief Executive Officer)

  
**MASROOR AHMAD KHAN**  
 (Director)





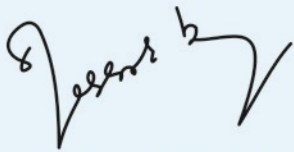
## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	(Rupees '000)	2011
Gross Sales - Local		849,749		520,774
Less:				
Sales tax		109,607		70,680
Excise duty		-		5,631
		109,607		76,311
Net sales		740,142		444,463
Cost of sales	30	464,608		298,932
<b>Gross profit</b>		<b>275,534</b>		<b>145,531</b>
Distribution cost	31	94,222		63,091
Administrative expenses	32	57,441		46,782
Other operating expenses	33	7,538		6,407
		159,201		116,280
		116,333		29,251
Other income	34	51,155		112,884
		167,488		142,135
Finance cost	35	72,864		57,121
<b>Profit before taxation</b>		<b>94,624</b>		<b>85,014</b>
Taxation	36	7,904		5,569
<b>Profit after taxation</b>		<b>86,720</b>		<b>79,445</b>
Earnings per share				
- basic and diluted	37	1.20		1.10

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
ATIQUE AHMAD KHAN  
(Chief Executive Officer)

  
MASROOR AHMAD KHAN  
(Director)



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	(Rupees '000)	
Net profit for the year	86,720	79,445
Other comprehensive income	-	-
Total comprehensive income for the year	<u>86,720</u>	<u>79,445</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.

ATIQUE AHMAD KHAN  
(Chief Executive Officer)

MASROOR AHMAD KHAN  
(Director)





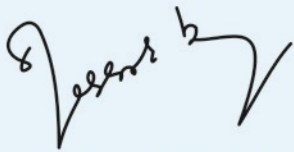
## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Share capital	Capital reserve - Share premium	Unappropriated profit	Total
	(Rupees '000)			
<b>Balance as at 01 July 2010</b>	724,500	30,000	(108,933)	645,567
Net profit for the year	-	-	79,445	79,445
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	-	-	79,445	79,445
<b>Balance as at 30 June 2011</b>	<b>724,500</b>	<b>30,000</b>	<b>(29,488)</b>	<b>725,012</b>
Shares issued during the year	130	-	-	130
Net profit for the year	-	-	86,720	86,720
Other comprehensive income for the year	-	-	-	-
Total comprehensive income	-	-	86,720	86,720
<b>Balance as at 30 June 2012</b>	<b>724,630</b>	<b>30,000</b>	<b>57,232</b>	<b>811,862</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
**ATIQUE AHMAD KHAN**  
(Chief Executive Officer)

  
**MASROOR AHMAD KHAN**  
(Director)



# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 (Rupees '000)	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/ (used in) operating activities	38	225,250	136,404
Finance cost paid		(73,905)	(61,907)
Income tax paid		(17,027)	6,190
		(90,932)	(55,717)
<b>Net cash from / (used in) operating activities</b>		<b>134,318</b>	<b>80,687</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(159,451)	(32,638)
Addition in capital work in progress		(67,977)	(153,335)
Intangible assets acquired		-	(1,400)
Proceeds from disposal of property, plant and equipment		102,485	7,835
Long term deposits paid		(23,662)	(24,769)
<b>Net cash used in investing activities</b>		<b>(148,605)</b>	<b>(204,307)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing - net		(92,167)	(43,821)
Loan from sponsors - net		78,439	149,365
Short term borrowings - net		66,058	21
Long term security deposit payable		(7,100)	3,200
Liabilities against assets subject to ijarah financing - net		123,754	33,280
<b>Net cash generated from financing activities</b>		<b>168,984</b>	<b>142,045</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>154,697</b>	<b>18,425</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>104,030</b>	<b>85,605</b>
<b>Acquired due to business combination</b>		<b>744</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>259,471</b>	<b>104,030</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

ATIQUE AHMAD KHAN  
(Chief Executive Officer)

MASROOR AHMAD KHAN  
(Director)



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

## 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984 on November 19, 2007, converted into public limited company on February 12, 2008 and became listed on Karachi Stock Exchange on January 05, 2010. The registered office of the Company is situated at 82-N Model Town Extension, Lahore. The Company is engaged in the manufacturing, sale and trading of medical & industrial gases and chemicals.

## 2 AMALGAMATION OF GHANI SOUTHERN GASES (PRIVATE) LIMITED WITH AND INTO THE COMPANY

The Board of Directors of the Company in their meeting held on 27 February 2012 approved the Scheme of Arrangement (the Scheme) of Ghani Southern Gases (Private) Limited (GSG) into the Company. The Scheme was unanimously approved by the shareholders of both the companies on 03 May 2012.

### 2.1 Main features of Scheme of Arrangement:

Pursuant to the approval of Honorable Lahore High Court, the entire undertaking of GSG including property, assets, liabilities and its rights and obligations have been merged into and vested in the Company with effect from 01 January 2012 (the acquisition date). In consideration for the amalgamation, the Company issued and allotted 13,000 fully paid ordinary shares of Rupees 10 each to the registered shareholders of GSG in the ratio of 1 ordinary share of the Company for 1 ordinary share of GSG, which will rank pari passu with the existing shares of the Company.

The authorized capital of GSG shall upon completion of merger be deemed to have merged with the authorized capital of the Company so that the authorized capital of the Company shall be Rupees 730 million divided into 73 million ordinary shares of Rupees 10 each.

The amalgamation of GSG with and into the Company will rationalize business structure, bring economies of scale and significantly improve the flexibility, efficiency and financial strength of the Company.

### 2.2 Accounting for Scheme of Arrangement:

The amalgamation of GSG with and into the Company is a business combination of entities under common control and therefore outside the scope of IFRS - 3 - Business Combinations. However, the Scheme has been accounted for in these financial statements using "acquisition method" which requires to combine the financial results of GSG and the Company as at the acquisition date, consequently, current year figures present the merged position of both companies.

## 3. STATEMENT OF COMPLIANCE

- 3.1 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.





### 3.2 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

	<b>Effective date (accounting periods beginning on or after)</b>
Amendments to IAS 1 Presentation of Financial Statements	01 July 2012
Amendments to IAS 7 Financial Instruments - Disclosures	01 January 2013
Amendments to IAS 12 Income Tax	01 January 2013
Amendments to IAS 19 Employee Benefits	01 January 2013
Amendments to IAS 27 Separate Financial Statements	01 January 2013
Amendments to IAS 28 Investments in Associates and Joint Ventures	01 January 2013
Amendments to IAS 32 Financial Instruments (Presentation)	01 January 2014
Annual Improvements to IFRS (2009 - 2011 Cycle)	01 January 2013

The management believes that these accounting standards and interpretations do not have any impact on the present transactions of the Company. The Company would comply with these standards, interpretations and amendments when applicable.

### 3.3 ACCOUNTING STANDARDS, IFRS, AMENDMENTS AND INTERPRETATIONS WHICH BECAME EFFECTIVE DURING THE PERIOD AND NOT APPLICABLE TO THE COMPANY

There are certain new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after 01 July 2011 but are considered not to be relevant or did not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

## 4. BASIS OF PREPARATION

4.1 These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values.

### 4.2 Significant accounting judgments and critical accounting estimates / assumptions

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 4. Judgments and assumptions have been used by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:



**a) Income taxes**

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes.

**b) Useful lives, patterns of economic benefits and impairments**

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment loss.

**c) Provision for doubtful debts**

An estimate is made for doubtful receivables based on review of outstanding amounts at the period end, if any. Provisions are made against that are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

**d) Provision for slow moving /obsolete items**

Provision is made for slow moving and obsolete items, based on review by the technical head at each balance sheet date.

**4.3 Functional and presentation currency**

These financial statements are presented in Pak rupee, which is the functional and presentation currency for the Company.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5.1 Taxation**

***Current***

Provision for taxation on income from local sales and other income is based on taxable income at current rates after taking into account tax rebates and credits available, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year of such years.

***Deferred***

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary timing differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated based on the rates that have been enacted or substantively enacted up to the balance sheet date and are expected to apply to the period when the difference arises.



## 5.2 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## 5.3 Provisions

A provision is recognized in balance sheet when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of obligation.

## 5.4 Property, plant and equipment

### **Owned**

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land which is stated at cost. Cost of operating fixed assets comprises historical cost, borrowing cost and other expenditure pertaining to the acquisition, construction, erection and installation of these assets.

Depreciation is charged to profit and loss account using the reducing balance method except for plant and machinery on which depreciation is charged on production hours basis so as to write off the cost over the expected useful life of assets at rates, which are disclosed in notes to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed of.

Residual value and the useful life of assets are reviewed at each financial year end and if expectations differ from previous estimates the change is accounted for as change in accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

Normal repairs and maintenance costs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of property, plant and equipment are taken to profit and loss account.

### ***Ijarah assets***

Ijarah assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as Ijarah financing. Ijarah assets are stated at an amount equal to the lower of its fair value and the present value of minimum Ijarah payments at the inception of Ijarah, less accumulated depreciation and any identified impairment loss.

Each Ijarah payment is allocated between the liability and profit so as to achieve a constant rate on the balance outstanding. Profit element of the rental is charged to profit & loss account.

Depreciation on assets subject to finance Ijarah is recognized in the same manner as for owned assets on the rates specified in notes to the financial statements.

Any excess of sales proceeds over the carrying amount of Ijarah assets resulting from sale and Ijarah back transactions, is deferred and amortized over the Ijarah term, whereas, any loss is recognized immediately in profit or loss account.





### ***Capital work in progress***

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for used.

Capital work-in-progress is stated at cost less any identified impairment loss.

### ***Impairment***

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory 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 amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

## **5.5 Stores, spare parts and loose tools**

These are valued at moving average cost less provision for slow moving and obsolete items except for items in transit, which are valued at cost comprising invoice value, plus other charges paid thereon. Provision is made for slow moving and obsolete items.

## **5.6 Stock in trade**

Stock - in - trade is stated at lower of cost and net realizable value. The cost is determined using average cost method, and includes expenditure incurred in acquiring the stocks, conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

Stock in transit is value at cost comprising invoice value plus other charges incurred thereon.

## **5.7 Trade debts**

Trade debts are carried at the amounts billed / charged which is fair value of consideration to be received in the future. An estimate is made for doubtful receivables based on review of outstanding amounts at the year end, if any. Provisions are made against amounts that are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

## **5.8 Other receivables**

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in the future.

## **5.9 Cash and bank balance**

Cash in hand and at bank are carried at nominal amount.



### **5.10 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account.

### **5.11 Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory 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 value exceed recoverable amount, assets are written down to the recoverable amount and the difference is charged to profit and loss account.

### **5.12 Off setting of financial assets and financial liabilities**

A financial asset and financial liability is set off and the net amount is reported in the balance sheet if the Company has legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **5.13 Derivative financial instruments**

These are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Any resulting gain or loss is recognized in current year profit and loss account. Derivatives with positive market values are included in other receivables and derivatives with negative market values are included in other liabilities in the balance sheet.


### **5.14 Foreign currency translation**

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange gains and losses are charged to profit and loss account.

### **5.15 Revenue recognition**

Revenue is measured at the fair value of consideration received and receivable. Revenue is recognized to the extent it is probable that the economic benefits will flow to Company and revenue can be measured reliably.



- 
- i) Revenue from the sale of goods is measured net of sales tax, returns and trade discounts, and is recognized when significant risk and rewards of ownership are transferred to buyer, that is, when deliveries are made and recovery of consideration is probable.
  - ii) Rental and other service income is recognized in profit and loss account on accrual basis.
  - iii) Profit on bank deposits is recognized on time proportion basis taking into account principal outstanding and rates of profit applicable thereon.

#### **5.16 Employees' benefits**

##### ***Defined contribution plan***

The Company operates a funded employees' provident fund scheme for its permanent eligible employees. Equal monthly contributions at the rate of 8.33 percent of gross pay are made both by the Company and employees to the fund.

##### ***Compensated absences***

Compensated absences are accounted for in the period in which the absences are earned.

#### **5.17 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred. Finance cost is accounted for on accrual basis.

#### **5.18 Related party transactions and transfer pricing**

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length.

#### **5.19 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at banks on current and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **5.20 Dividends**

Dividend distribution to the Company's shareholders is recognized as a liability in the year in which dividends are approved by Company's shareholders.



## 5.21 Intangible assets

### ***Goodwill***

Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any identified impairment loss.

### ***Other intangible assets***

Other intangible assets are stated at cost less accumulated amortization and any identified impairment loss. An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Intangible assets are amortized using straight line method at the rates given in notes to the financial statements. Amortization is charged to profit and loss account from the month in which the asset is available for use.

Amortization on additions is charged on pro-rata basis from the month in which asset is put into use, while for disposals, amortization is charged up to the month of disposal.

Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All expenditures are charged to income as and when incurred.

Gain or loss arising on disposal and retirement of intangible asset is determined as a difference between the net disposal proceeds and carrying amount of the asset is recognized as income or expense in the profit and loss account immediately.

## 5.22 Operating segments

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company's format for segment reporting is based on its products and services.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.



6. OPERATING FIXED ASSETS - TANGIBLE

DESCRIPTION	2011				2012				DEPRECIATION RATES %				
	BALANCE AS AT 01 JULY 2011		FOR THE YEAR		BALANCE AS AT 30 JUNE 2012		DEPRECIATION RATES %						
	Cost	Accumulated Depreciation	Net Book Value	Additions	Acquisition due to business combination	Disposal Cost / (Accumulated Depreciation)		Depreciation Charge		Cost	Accumulated Depreciation	Net Book Value	
Land - Freehold	49,637	-	49,637	-	23,200	-	72,837	-	-	72,837	-	-	
Building on freehold land	155,875	22,608	133,267	-	-	13,327	155,875	35,935	119,940	155,875	22,608	133,267	10
Plant and machinery	1,043,039	70,213	972,826	66,516	-	23,909	1,008,355	93,226	915,129	1,043,039	70,213	972,826	-
Furniture and fixtures	12,259	2,521	9,738	1,465	400	1,064	14,124	3,585	10,539	12,259	2,521	9,738	10
Office equipment	1,010	213	797	516	-	118	1,526	331	1,195	1,010	213	797	10
Computers	1,770	904	866	256	-	307	2,026	1,211	815	1,770	904	866	30
Vehicles	13,215	5,501	7,714	137	-	1,432	10,383	5,698	4,685	13,215	5,501	7,714	20
	1,276,805	101,960	1,174,845	68,890	23,600	40,157	1,265,126	139,986	1,125,140	1,276,805	101,960	1,174,845	
							(2,131)						
DESCRIPTION	2011				2012				DEPRECIATION RATES %				
	BALANCE AS AT 01 JULY 2010		FOR THE YEAR		BALANCE AS AT 30 JUNE 2011		DEPRECIATION RATES %						
	Cost	Accumulated Depreciation	Net Book Value	Additions	Acquisition due to business combination	Disposal Cost / (Accumulated Depreciation)		Depreciation Charge		Cost	Accumulated Depreciation	Net Book Value	
Land - Freehold	45,143	-	45,143	4,494	-	-	49,637	-	49,637	-	49,637	-	-
Building on freehold land	106,451	12,242	94,209	49,424	-	10,366	155,875	22,608	133,267	106,451	12,242	94,209	10
Plant and machinery	705,493	53,998	651,495	344,771	-	16,215	1,043,039	70,213	972,826	705,493	53,998	651,495	-
Furniture and fixtures	11,533	1,476	10,057	726	-	1,045	12,259	2,521	9,738	11,533	1,476	10,057	10
Office equipment	978	126	852	32	-	87	1,010	213	797	978	126	852	10
Computers	1,496	547	949	274	-	357	1,770	904	866	1,496	547	949	30
Vehicles	14,176	3,969	10,207	-	-	2,023	13,215	5,501	7,714	14,176	3,969	10,207	20
	885,270	72,358	812,912	399,721	-	30,093	1,276,805	101,960	1,174,845	885,270	72,358	812,912	

6.1 Particulars of operating fixed assets disposed off during the year is as follows:

Description	Cost	Accumulated Depreciation	Net Book Value	Sales proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees '000) -----						
<b>Plant and Machinery</b>						
Generators	101,200	896	100,304	100,000	Ijarah Financing	The Bank of Khyber
<b>Vehicles</b>						
Honda City	925	534	391	860	Negotiation	M. Shafiq
Honda City	982	312	670	825	Negotiation	Mr. Hamid Hassan
Honda Civic	1,062	389	673	800	Negotiation	Mr. Irfan Ramzan
<b>2012</b>	<b>104,169</b>	<b>2,131</b>	<b>102,038</b>	<b>102,485</b>		
2011	8,186	491	7,695	7,835		

6.2 Depreciation charge for the year on operating fixed assets has been allocated as follows:

	2012	2011
Cost of sales	34,968	25,035
Administrative expenses	5,189	5,058
	40,157	30,093

7. ASSETS SUBJECT TO IJARAH FINANCING - tangible

DESCRIPTION	BALANCE AS AT 01 JULY 2011				FOR THE YEAR 2012				BALANCE AS AT 30 JUNE 2012				DEPRECIATION RATES
	Cost	Accumulated Depreciation	Net Book Value	Additions	Acquisition due to business combination	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	DEPRECIATION RATES		
Plant and machinery	38,419	727	37,692	146,281	-	-	4,064	184,700	4,791	179,909	%		
Vehicles	11,250	937	10,313	10,796	-	-	3,507	22,046	4,444	17,602	20		
	49,669	1,664	48,005	157,077	-	-	7,571	206,746	9,235	197,511	%		
2011													
DESCRIPTION	BALANCE AS AT 01 JULY 2010				FOR THE YEAR				BALANCE AS AT 30 JUNE 2011				DEPRECIATION RATES
	Cost	Accumulated Depreciation	Net Book Value	Additions	Acquisition due to business combination	Disposal Cost / (Accumulated Depreciation)	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	DEPRECIATION RATES		
Plant and machinery	10,286	119	10,167	28,133	-	-	608	38,419	727	37,692	%		
Vehicles	-	-	-	11,250	-	-	937	11,250	937	10,313	20		
	10,286	119	10,167	39,383	-	-	1,545	49,669	1,664	48,005	%		



7.1 Depreciation charge for the year on assets subject to ijarah financing has been allocated as follows:

Cost of sales  
Administrative expenses

Note	2012 (Rupees '000)	2011
30	4,064	608
32	3,507	937
	7,571	1,545

## 8. CAPITAL WORK IN PROGRESS

	2012				2011				
	Balance as at 01 July 2011	Acquisition due to business combination	Additions during the year	Transfer during the year	Balance as at 30 June 2012	Balance as at 01 July 2010	Additions during the year	Transfer during the year	Balance as at 30 June 2011
Building	-	12,450	41	-	12,491	13,973	35,451	(49,424)	-
Plant and machinery	12,102	70,900	67,936	(66,516)	84,422	251,261	105,611	(344,770)	12,102
	12,102	83,350	67,977	(66,516)	96,913	265,234	141,062	(394,194)	12,102

8.1 Borrowing cost amounting to Rupees Nil (2011: Rupees 7.352 million) has been capitalized during the year. Capitalization rate used for the purpose was Nil % (2011 : 15.77%).

## 9. INTANGIBLE ASSETS

DESCRIPTION	2012				2011				RATES %
	BALANCE AS AT 01 JULY 2011	FOR THE YEAR	BALANCE AS AT 30 JUNE 2012	RATES %	BALANCE AS AT 01 JULY 2011	FOR THE YEAR	BALANCE AS AT 30 JUNE 2011	RATES %	
ERP Software	1,400	280	1,120	20	1,400	280	560	20	
Goodwill	-	-	-	70	70	-	-	70	
	1,400	280	1,120	70	1,470	280	560	910	

DESCRIPTION	2011				2010				RATES %
	BALANCE AS AT 01 JULY 2010	FOR THE YEAR	BALANCE AS AT 30 JUNE 2011	RATES %	BALANCE AS AT 01 JULY 2010	FOR THE YEAR	BALANCE AS AT 30 JUNE 2010	RATES %	
ERP Software	-	-	-	-	1,400	280	280	-	
	-	-	-	-	1,400	280	280	-	

9.1 Amortization charge for the year on intangible assets has been allocated to administrative expenses.

9.2 Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired at the time of merger of Ghani Gases Limited with Ghani Southern Gases (Private) Limited.

The Company assessed the recoverable amount at 30 June 2012 and determined that as of this date there is no indication of impairment of Goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes cash inflows from investing and financing activities.



	Note	2012 (Rupees '000)	2011
<b>10. LONG TERM DEPOSITS AND PREPAYMENTS</b>			
<i>Considered good:</i>			
Security deposits for utilities		34,520	34,470
Deposits against fuel supply		113	113
Deposits against Ijarah facilities		29,928	5,793
Prepayments with National Highway Authority		1,304	1,777
		<u>65,865</u>	<u>42,153</u>
<b>11. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		4,820	4,632
Spare parts		30,157	15,273
Loose tools		59	56
		<u>35,036</u>	<u>19,961</u>
<b>12. STOCK IN TRADE</b>			
Finished goods		<u>11,182</u>	<u>31,880</u>
<b>13. TRADE DEBTS</b>			
Considered good:			
Unsecured	13.1	<u>31,264</u>	<u>39,731</u>
13.1 The age of trade debts at balance sheet date was:			
<b>Age of trade debts</b>			
Not past due		<u>31,264</u>	<u>39,731</u>
<b>14. LOANS AND ADVANCES</b>			
<b>Unsecured and Considered good:</b>			
Loans to employees		110	23
Advances			
To employees against expenses		312	659
To suppliers and contractors		32,187	5,578
		<u>32,499</u>	<u>6,237</u>
		<u>32,609</u>	<u>6,260</u>
<b>15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
<b>Considered good:</b>			
Security deposits		5,331	2,302
Short term prepayments		767	157
Bank guarantee margin		2,172	1,249
		<u>8,270</u>	<u>3,708</u>





Note	2012 (Rupees '000)	2011
<b>16. BALANCES WITH STATUTORY AUTHORITIES</b>		
Sales tax refundable	-	1,159
<b>17. OTHER RECEIVABLES</b>		
<i>Considered good:</i>		
Bank profit receivables	168	19
Receivable from associated company / undertaking Ghani Southern Gases (Private) Limited	-	33,133
	<u>168</u>	<u>33,152</u>
<b>18. CASH AND BANK BALANCES</b>		
Cash in hand	72	137
Balances with banks in:		
Current accounts	78,525	2,935
Deposit accounts	180,874	100,958
	<u>259,399</u>	<u>103,893</u>
	<u>259,471</u>	<u>104,030</u>

18.1 The rate of return on deposit accounts ranges from 5% to 12% (2011 : 5% to 12%) per annum.

#### 19. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2012 (No. of Shares)	2011 (No. of Shares)		2012	2011
72,450,000	72,450,000	Ordinary shares of Rupees 10 each fully paid in cash	724,500	724,500
13,000	-	Ordinary shares of Rupees 10 each issued for consideration other than cash	130	-
<u>72,463,000</u>	<u>72,450,000</u>		<u>724,630</u>	<u>724,500</u>

#### 19.1 Movement during year

2012 (No. of Shares)	2011 (No. of Shares)		2012	2011
72,450,000	72,450,000	Opening balance	724,500	724,500
13,000	-	Issued during the year	130	-
<u>72,463,000</u>	<u>72,450,000</u>	Closing balance	<u>724,630</u>	<u>724,500</u>

## 20. CAPITAL RESERVE - SHARE PREMIUM

This represents premium received on 2,500,000 ordinary shares issued @ Rupees 5 per share and 7,000,000 ordinary shares issued @ Rupees 2.50 per share.

	Note	2012	2011
		(Rupees '000)	
<b>21. LONG TERM FINANCING</b>			
<i>From banking companies - secured:</i>			
Finance 1	21.1	62,500	112,500
Finance 2	21.2	70,000	90,000
Finance 3	21.3	110,833	133,000
		<b>243,333</b>	<b>335,500</b>
Less: Current portion taken as current liability	28	114,333	92,167
		<b>129,000</b>	<b>243,333</b>

**21.1** This facility represents the Islamic Finance carry profit at the rate of 3 months KIBOR plus 300 BPS with a floor of 8% and cap of 24% (2011: 3 months KIBOR plus 300 BPS with a floor of 8% and cap of 24%). It is secured against 1st pari passu hypothecation charge over plant and machinery for Rupees 304 million, mortgage over land and building for Rupees 150 million and personal guarantees of sponsor directors of the Company. This finance facility is repayable quarterly in four years including one year grace period.

**21.2** This Islamic finance facility carries profit at the rate of 6 months KIBOR plus 2.25% per annum (2011: 6 months KIBOR plus 2.25% per annum) and is secured against 1st exclusive specific hypothecation charge over plant and machinery for Rupees 150 million and second charge over entire remaining fixed assets of the Company and personal guarantees of all the directors of the Company. This finance facility is repayable biannually in six years including one year grace period.

**21.3** This Islamic finance facility carries profit at the rate of 6 months KIBOR plus 200 BPS (2011: 6 months KIBOR plus 200 BPS). It is secured against the 1st pari passu charge over all present and future fixed assets of the Company for Rupees 200 Million and personal guarantees of all sponsor directors of the Company. This finance facility is repayable quarterly in four years including one year grace period.

## 22. LOAN FROM SPONSORS - unsecured

This loan has been obtained from sponsors of the Company, which is unsecured and interest free. There is no fixed tenure or schedule for repayment of this loan. The repayment is at the option of the Company. Lender has no intention to demand repayment within twelve months from the reporting date.





	Note	2012 (Rupees '000)	2011
<b>23. LIABILITIES AGAINST ASSETS SUBJECT TO IJARAH FINANCING</b>			
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		50,494	15,277
Later than one year and not later than five year		157,474	37,310
		<u>207,968</u>	<u>52,587</u>
Less : Future financial charges		42,992	11,365
Present value of minimum Ijarah payments	23.1	164,976	41,222
Less : Current portion taken as current liability	28	32,601	10,424
		<u>132,375</u>	<u>30,798</u>
<b>23.1 Break up of net Ijarah obligation</b>			
Within one year		32,601	10,424
Within two to five years		132,375	30,798
		<u>164,976</u>	<u>41,222</u>
<b>23.2</b> Minimum Ijarah payments have been discounted at an implicit profit rate ranging from 3 months KIBOR plus 2% to 6 months KIBOR plus 3% per annum with a floor of 12% and cap of 30% (2011 : 3 months KIBOR plus 2% to 6 months KIBOR plus 3% per annum with a floor of 12% and cap of 30%). The balance number of rentals payable are 55 (2011: 54). In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of Ijarah agreement.			
<b>23.3</b> The Company intends to exercise its options to purchase the above assets upon completion of the Ijarah term.			
<b>24. LONG TERM SECURITY DEPOSITS</b>			
From customers	24.1	24,200	31,300
<b>24.1</b> These represents amounts received from the customers on installation of certain equipment and can be used in ordinary course of company business.			
<b>25. TRADE AND OTHER PAYABLES</b>			
Trade creditors	25.1	34,642	52,907
Advances from customers	25.2	22,000	9,824
Accrued liabilities		38,911	41,584
Workers' profits participation fund	25.3	4,980	4,474
With holding tax		73	111
		<u>100,606</u>	<u>108,900</u>



**25.1** This includes amount payable to Ghani Glass Limited (associated company) amounting to Rupees 0.285 million (2011 : Rupees Nil).

**25.2** This includes amount payable to Shadman Mall (associated undertaking) amounting to Rupees Nil (2011 : Rupees 3.17 million).

Note	2012 (Rupees '000)	2011
<b>25.3 Workers' Profit Participation Fund</b>		
Beginning balance	4,474	-
Provision for the year	4,980	4,474
Profit on funds utilized in Company's business	616	-
	<u>10,070</u>	<u>4,474</u>
Paid during the year	<u>(5,090)</u>	-
	<u>4,980</u>	<u>4,474</u>

## 26. ACCRUED PROFIT ON FINANCING

Long term financing	7,901	9,887
Short term borrowings	1,255	310
	<u>9,156</u>	<u>10,197</u>

## 27. SHORT TERM BORROWINGS

### *From banking companies - secured:*

Finance 1	27.1	24,949	25,000
Finance 2	27.2	50,000	-
Finance 3	27.3	16,109	-
		<u>91,058</u>	<u>25,000</u>

**27.1** This facility has been availed against sanctioned limit of Rupees 25 million and carry profit at the rate of 3 months KIBOR plus 3% (2011: 3 month KIBOR plus 2.50%) and secured against securities mentioned in note 21.1.

**27.2** This facility has been availed against sanctioned limit of Rupees 50 million and carry profit at the rate of respective months KIBOR plus 1.50% (2011: Nil) and secured against first pari passu charge on current assets of the Company.

**27.3** This facility has been availed against sanctioned limit of Rupees 20 million and carry profit at the rate of 1 month KIBOR plus 2.25% (2011: Nil) and secured against first pari passu charge on present and future current and fixed assets of the Company.

## 28. CURRENT PORTION OF LONG TERM LIABILITIES

Long term financing	21	114,333	92,167
Liabilities against assets subject to ijarah financing	23	32,601	10,424
		<u>146,934</u>	<u>102,591</u>





## 29. CONTINGENCIES AND COMMITMENTS

### 29.1 Contingencies

29.1.1 Bank guarantees issued by the Company's bankers in the ordinary course of business aggregating to Rupees 3.1 million (2011 : Rupees 3.1 million) against supply of petroleum products.

29.1.2 The Company has filed two separate constitutional petitions before The Honorable Lahore High Court on the ground that the company was not required to pay any Advance Tax on electricity bills due to huge carried forward tax losses and available refunds. The Hon'able Lahore High Court has granted stay orders upon furnishing bank guarantees in favour of LESCO amounting to Rupees 3.14 million (2011 : Rupees 3.14 million). The outcome of the cases is pending. The management is hopeful that matter shall be decided in favour of the Company.

### 29.2 Commitments

Commitments in respect of letter of credit amounted to Rupees 40.96 million (2011: Rupees 30.48 million).

## 30. COST OF SALES

	Note	2012 (Rupees '000)	2011
Fuel and power		222,914	160,052
Consumable stores		4,983	5,689
Salaries, wages and other benefits		23,919	20,061
Communication		772	245
Repairs and maintenance		6,024	7,143
Traveling, vehicle running and conveyance		4,428	2,929
Insurance		2,277	2,159
Depreciation	6.2 & 7.1	39,032	25,643
Staff welfare		2,474	2,611
Transportation		1,606	447
Other overheads		7,379	5,311
Cost of goods manufactured		315,808	232,290
Finished goods			
Opening stock		31,880	19,035
Purchases		128,102	79,487
Closing stock		(11,182)	(31,880)
		148,800	66,642
		464,608	298,932



### 31. DISTRIBUTION COST

	Note	2012 (Rupees '000)	2011
Salaries, wages and other benefits		13,909	10,731
Transportation charges		69,272	42,932
Traveling, boarding, lodging and conveyance		2,814	1,958
Communication		581	536
Vehicle running and maintenance		1,637	1,252
Staff welfare		431	357
Advertisement and business promotion		-	1,739
Loading and unloading		496	895
Postage and courier		72	67
Repair and maintenance		363	309
Other expenses		4,647	2,315
		<u>94,222</u>	<u>63,091</u>

### 32. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits		28,389	22,782
Rent, rates and taxes		3,268	3,085
Electricity and other utilities		1,180	884
Traveling and conveyance		675	737
Vehicle running and maintenance		1,677	1,902
Donation & charity	32.1	2,224	913
Printing and stationery		1,143	1,380
Communication		1,096	817
Fee and subscription		1,152	1,105
Advertisement		297	301
Insurance		711	474
Depreciation	6.2 & 7.1	8,696	5,995
Amortization	9.1	280	280
Staff welfare		4,423	3,271
Repair and maintenance		192	560
Others		2,038	2,296
		<u>57,441</u>	<u>46,782</u>

32.1 The directors and their spouses have no interest in the donees.

### 33. OTHER OPERATING EXPENSES

Legal and professional		2,160	1,523
Workers profit participation fund		4,980	4,474
Auditors' remuneration			
Statutory audit		300	300
Half yearly review and other certifications		83	98
Out of pocket expenses		15	12
		398	410
		<u>7,538</u>	<u>6,407</u>





	Note	2012 (Rupees '000)	2011
<b>34. OTHER INCOME</b>			
Income from financial assets	34.1	889	445
Income from other than financial assets	34.2	50,266	112,439
		<u>51,155</u>	<u>112,884</u>
<b>34.1 Income from financial assets:</b>			
Profit on bank deposits		889	445
		<u>889</u>	<u>445</u>
<b>34.2 Income from other than financial assets:</b>			
Rental income		36,000	36,000
Consultancy income		13,820	42,646
Credit balances waived off		-	33,653
Gain on disposal of assets		446	140
		<u>50,266</u>	<u>112,439</u>
<b>35. FINANCE COST</b>			
Profit on:			
Long term financing		44,235	50,108
Short term borrowings		8,612	3,131
Liabilities against assets subject to ijarah financing		18,957	3,380
Workers' profit participation fund		616	-
		<u>72,420</u>	<u>56,619</u>
Bank charges and commission		444	502
		<u>72,864</u>	<u>57,121</u>
<b>36. TAXATION</b>			
Charge for the year:			
Current		7,904	5,569

**36.1** Assessment up to tax year 2011 is finalized (deemed assessment) and the available tax losses of the Company are Rupees 713.018 million (2011: Rupees 550.782 million)

**36.2** Due to current and previous tax losses current period tax is charged on minimum tax bases. No other provision for current tax was required keeping in view of the taxable business losses. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not meaningful in view of application of minimum tax. Provision for tax is made according to provisions of Income Tax Ordinance, 2001.

**36.3** Due to available assessed and current period tax losses no provision for deferred tax is required.



### 37. EARNINGS PER SHARE

	Note	2012	2011
Profit attributable to ordinary shareholders	(Rupees '000)	<u>86,720</u>	<u>79,445</u>
Weighted average number of ordinary shares outstanding during the year	(Number)	<u>72,456,500</u>	<u>72,450,000</u>
Earnings per share - basic and diluted (in rupees)	(Rupees)	<u>1.20</u>	<u>1.10</u>

37.1 No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

### 38. CASH FLOWS FROM OPERATING ACTIVITIES

	(Rupees '000)	
	2012	2011
Profit before taxation	94,624	85,014
Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation on operating fixed assets	40,157	30,093
Depreciation on asset against ijarah financing	7,571	1,545
Amortization of intangible assets	280	280
Profit on financings	72,864	64,473
Gain on disposal of assets	(446)	(140)
	120,426	96,251
<b>Cash flows from operating activities before working capital changes</b>	<u>215,050</u>	<u>181,265</u>
<b>Cash flows from working capital changes</b> <i>(Increase) / decrease in current assets:</i>		
Stores, spare parts and loose tools	(15,075)	(17,396)
Stock in trade	20,698	(12,845)
Trade debts	8,467	(20,128)
Loans and advances	(26,349)	20,072
Trade deposits and short term prepayments	(4,413)	(1,291)
Balances with statutory authorities	1,159	(916)
Other receivables	33,265	(33,076)
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	(7,552)	20,719
<b>Net cash generated from / (used in) working capital changes</b>	10,200	(44,861)
<b>Cash generated from / (used in) operating activities</b>	<u>225,250</u>	<u>136,404</u>





Note	2012 (Rupees '000)	2011
<b>39. BUSINESS COMBINATION</b>		
Detail of net assets acquired and goodwill are as follows:		
<b>Fair value of shares issued</b>	130	-
<b>Fair value of net assets acquired</b>		
Fixed assets	23,600	-
Capital work in progress	83,350	-
Other assets	1,966	-
Cash and cash equivalents	744	-
Loan from sponsors	(108,857)	-
Other liabilities	(743)	-
	60	-
<b>Goodwill</b>	<u>70</u>	<u>-</u>

**39.1** The fair value of shares issued is based on share value used in determining swap ratio approved by the Honourable Lahore High Court in its order dated 15 May 2012.

**39.2** Loss amounting to Rupees 0.195 million of Ghani Southern Gases (Private) Limited has been included in the consolidated statement of comprehensive income for the reporting period since the acquisition date.

#### 40. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts for remuneration, allowances including all benefits to the Chief Executive Officer, Directors and other Executives of the Company are as follows:

Description	2012			2011		
	Chief			Chief		
	Executive Officer	Directors	Executives	Executive Officer	Directors	Executives
	(Rupees '000)			(Rupees '000)		
Managerial remuneration	4,512	9,024	13,915	3,384	6,768	10,312
Medical	288	576	827	216	432	658
Provident fund contribution	-	-	1,101	-	-	914
	<u>4,800</u>	<u>9,600</u>	<u>15,843</u>	<u>3,600</u>	<u>7,200</u>	<u>11,884</u>
No. of persons	<u>1</u>	<u>2</u>	<u>11</u>	<u>1</u>	<u>2</u>	<u>8</u>

**40.1** Company maintained vehicles have been provided to chief executive officer, directors and all executives of the Company.

**40.2** The aggregate amount charged in financial statements for the year against fees for four (4) Board meetings and four (4) audit committee meetings was Rupees Nil (2011: Nil).



## 41. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary and associated companies, directors of the Company, companies in which directors also hold directorship, related companies, key management personnel and staff retirement benefit funds.

Transactions with related parties other than those disclosed elsewhere are as follows:

Name	Nature of Transaction	2012 (Rupees '000)	2011
<b>Associated companies / undertakings</b>			
Ghani Southern Gases (Pvt) Ltd	Income against technical assistance fee	13,820	42,646
Shadman Mall	Advance against sales	14,189	3,166
Ghani Glass Limited	Purchases	614	-
<b>Others</b>			
Provident fund trust	Contribution	4,983	4,410
Sponsors	Loan received / (repaid)	187,296	149,365
Directors and key management personnel	These transactions have been disclosed in note 40.		

41.1 All transactions with related parties are carried out at an arms length.

## 42. FINANCIAL RISK MANAGEMENT

### 42.1 Financial risk factors

The Company's financial liabilities comprise of long term and short term financings, liabilities against assets subject to ijarah financing and trade and other payables. The main purpose of these financial liabilities is to raise finances for Company's operations. The Company has trade debts, short term loans and advances, other receivables, cash and bank balances and short term deposits that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and profit rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board), Audit Committee and Chief Financial Officer (CFO). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, equity price risk, interest rate risk, credit risk and liquidity risk.



## (a) Market risk

### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk at reporting date.

### (ii) Profit rate risk

The Company has no significant long-term profit-bearing assets. The Company's profit rate risk arises from liabilities against assets subject to ijarah financing. Borrowings obtained at variable rates expose the Company to cash flow profit rate risk. Borrowings obtained at fixed rate expose the Company to fair value profit rate risk.

At the balance sheet date the profit rate profile of the Company's profit bearing financial instruments was:

	2012	2011
	(Rupees '000)	
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances	180,874	100,958
<b>Financial liabilities</b>		
Long term financing	243,333	335,500
Liabilities against assets subject to ijarah financing	164,976	41,222
Short term borrowings	91,058	25,000

### 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 or loss. Therefore, a change in profit rate at the balance sheet date would not affect profit or loss of the Company.

### Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in profit rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet date were outstanding for the whole year.



		Changes in Interest Rate	Effects on Profit Before Tax
		(Rupees '000)	
Bank Balances - deposit accounts			
	<b>2012</b>	<b>+1.50</b>	<b>2,713</b>
		<b>-1.50</b>	<b>(2,713)</b>
	2011	+1.50	1,514
		-1.50	(1,514)
Long term financing			
	<b>2012</b>	<b>+2.00</b>	<b>(4,867)</b>
		<b>-2.00</b>	<b>4,867</b>
	2011	+2.00	(6,710)
		-2.00	6,710
Liabilities against assets subject to ijarah financing			
	<b>2012</b>	<b>+2.00</b>	<b>(3,300)</b>
		<b>-2.00</b>	<b>3,300</b>
	2011	+2.00	(824)
		-2.00	824
Short term borrowing			
	<b>2012</b>	<b>+2.00</b>	<b>(1,821)</b>
		<b>-2.00</b>	<b>1,821</b>
	2011	+2.00	(500)
		-2.00	500

### (b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company does not hold collateral as security.



The Company's credit risk exposures are categorized under the following headings:

### Counterparties

The Company conducts transactions with the following major types of counterparties:

### Trade debts

Trade debts are essentially due from local customers against sale of industrial and medical gases and chemicals, the Company does not expect these counterparties to fail to meet their obligations. Sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored.

As at 30 June 2012 Company has 3 (2011: 2) customers that owed the Company Rupees 10.88 million (2011: Rupees 9 million) and accounted for approximately 34.8% (2011: 23%) of all receivables owing.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2012 (Rupees '000)	2011
Long term deposits	10	65,865	42,153
Trade debts	13	31,264	39,731
Loans to employees	14	110	23
Trade deposits	15	5,331	2,302
Other receivables	17	168	33,152
Bank balances	18	259,399	103,893
		<u>362,137</u>	<u>221,254</u>

The Company's exposure to credit risk related to trade debts is disclosed in note 13.

### Provision for trade debts

Based on age analysis, relationship with customers and past experience no provision for doubtful debts is required for the year ended 30 June 2012 and does not expect any other party to fail to meet their obligation.

### Cash at banks

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rate. The table below shows the bank balances held with some major counter parties at the balance sheet date:



	Agency	Rating		2012	2011
		Short term	Long term	(Rupees '000)	
<b>Banks</b>					
MCB Bank Limited	PACRA	A1+	AA+	642	1,693
National Bank of Pakistan	JCR-VIS	A-1+	AAA	23	82
United Bank Limited	JCR-VIS	A-1+	AA+	202	46
Allied Bank Limited	PACRA	A1+	AA+	976	517
Faysal Bank Limited	PACRA	A1+	AA	1,880	44
Habib Metropolitan Bank Limited	PACRA	A1+	Aa1+	38	71,249
Bank Islami Pakistan Limited	PACRA	A1	A	30	29
Meezan Bank Limited	JCR-VIS	A-1+	AA-	7,830	3,826
Burj Bank Limited	JCR-VIS	A-1	A	4,104	261
Al-Baraka Bank (Pakistan) Limited	PACRA	A1	A	170,590	25,543
Bank Alfalah Limited	PACRA	A1+	AA	83	311
The Bank of Khyber	PACRA	A2	A-	54	32
Askari Bank Limited	PACRA	A1+	AA	318	1
Soneri Bank Limited	PACRA	A1+	AA-	72,531	1
Habib Bank Limited	JCR-VIS	A-1+	AA+	61	258
KASB Bank Limited	PACRA	A3	BB	10	-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	27	-
				<b>259,399</b>	<b>103,893</b>

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management believes the liquidity risk to be low.

The table below analysis the Company's financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.





## 2012

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
(Rupees '000)				
Long term financing	251,234	251,234	122,234	129,000
Liabilities against assets subject to ijarah financing	164,976	207,968	50,494	157,474
Loan from sponsors	437,433	437,433	-	437,433
Long term security deposits	24,200	24,200	-	24,200
Trade and other payables	100,606	100,606	100,606	-
Short term borrowings	92,313	92,313	92,313	-
	<b>1,070,762</b>	<b>1,113,754</b>	<b>365,647</b>	<b>748,107</b>

## 2011

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
(Rupees '000)				
Long term financing	345,387	345,387	102,054	243,333
Liabilities against assets subject to ijarah financing	41,222	52,587	15,277	37,310
Loan from sponsors	250,137	250,137	-	250,137
Long term security deposits	31,300	31,300	-	31,300
Trade and other payables	108,900	108,900	108,900	-
Short term borrowings	25,310	25,310	25,310	-
	<b>802,256</b>	<b>813,621</b>	<b>251,541</b>	<b>562,080</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of profit rates effective as at balance sheet dates. The rates of profit have been disclosed in respective notes to the financial statements.

### 42.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.



### 42.3 Financial instruments by categories

#### Assets as per balance sheet

Long term deposits	-	65,865	65,865
Trade debts	-	31,264	31,264
Loans and advances	-	32,609	32,609
Trade deposits	-	5,331	5,331
Other receivables	-	168	168
Cash and bank balances	259,471	-	259,471
	<u>259,471</u>	<u>135,237</u>	<u>394,708</u>

2012		
Cash and cash equivalent	Loans and advances	Total
(Rupees '000)		
-	65,865	65,865
-	31,264	31,264
-	32,609	32,609
-	5,331	5,331
-	168	168
259,471	-	259,471
<u>259,471</u>	<u>135,237</u>	<u>394,708</u>

#### Liabilities as per balance sheet

Long term financing	243,333
Loan from sponsors	437,433
Liabilities against assets subject to ijarah financing	164,976
Long term security deposits	24,200
Accrued profit on financings	9,156
Short term borrowings	91,058
Trade and other payables	100,606
	<u>1,070,762</u>

2012
Financial Liabilities at amortized cost (Rupees '000)
243,333
437,433
164,976
24,200
9,156
91,058
100,606
<u>1,070,762</u>

#### Assets as per balance sheet

Long term deposits	-	42,153	42,153
Trade debts	-	39,731	39,731
Loans and advances	-	6,260	6,260
Trade deposits	-	2,302	2,302
Other receivables	-	33,152	33,152
Cash and bank balances	104,030	-	104,030
	<u>104,030</u>	<u>123,598</u>	<u>227,628</u>

2011		
Cash and cash equivalent	Loans and advances	Total
(Rupees '000)		
-	42,153	42,153
-	39,731	39,731
-	6,260	6,260
-	2,302	2,302
-	33,152	33,152
104,030	-	104,030
<u>104,030</u>	<u>123,598</u>	<u>227,628</u>





2011

**Financial Liabilities  
at amortized cost  
(Rupees '000)**

***Liabilities as per balance sheet***

Long term financing	335,500
Loan from sponsors	250,137
Liabilities against assets subject to ijarah financing	41,222
Long term security deposits	31,300
Accrued profit on financings	10,197
Short term borrowings	25,000
Trade and other payables	108,900
	802,256

**42.4 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represents long term financing (including current portion) plus liabilities against assets subject to ijarah financing and short term borrowings obtained by the Company as referred to in notes 21, 23 and 27. Total capital employed includes 'total equity' as shown in the balance sheet plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

The gearing ratio as at year ended 30 June 2012 and 30 June 2011 is as follows:

	Note	2012 (Rupees '000)	2011
Debt	21, 23 & 27	499,367	401,722
Equity		811,862	725,012
Total capital employed		1,311,229	1,126,734
Gearing ratio		38.08%	35.65%

### 43. SEGMENT INFORMATION

43.1 The company's reportable segments are based on the following product lines:

#### Industrial and Medical Gases

This segment covers business with large-scale industrial consumers, typically in the oil, chemical, food and beverage, metal, glass sectors and medical customers in healthcare sectors. Gases and services are supplied as part of customer specific solutions. These range from supply by road tankers in liquefied form. Gases for cutting and welding, hospital, laboratory applications and a variety of medical purposes are also distributed under pressure in cylinders.

#### Other Segments

This segment covers business of trading of chemicals.

43.2 Segment results are as follows:

	2012			2011		
	Industrial and Medical Gases	Other Segments	Total	Industrial and Medical Gases	Other Segments	Total
	(Rupees '000)			(Rupees '000)		
Net Sales	580,256	159,886	740,142	385,921	58,542	444,463
Cost of Sales	316,850	147,758	464,608	260,107	38,825	298,932
Gross Profit	263,406	12,128	275,534	125,814	19,717	145,531
Distributions Cost	93,131	1,091	94,222	62,587	504	63,091
Administrative Expenses	56,723	718	57,441	46,197	585	46,782
	149,854	1,809	151,663	108,784	1,089	109,873
Segment Profit	113,552	10,319	123,871	17,030	18,628	35,658
Unallocated corporate expenses						
Other Operating Expenses			7,538			6,407
Other Income			51,155			112,884
			167,488			142,135
Finance Cost			72,864			57,121
Profit before taxation			94,624			85,014
Taxation			7,904			5,569
Profit after taxation			86,720			79,445

43.3 Transfers between business segments are recorded at cost. There were no inter segment transfers during the year.

43.4 The Company's customer base is diverse with no single customer accounting for more than 10% of the net sales.





43.5 The segment assets and liabilities as at balance sheet date and capital expenditure for the year then ended are as follows:

	2012			2011		
	Industrial and Medical Gases	Other Segments	Total	Industrial and Medical Gases	Other Segments	Total
	(Rupees '000)			(Rupees '000)		
Segment assets	1,614,507	16,178	1,630,685	1,374,320	21,334	1,395,654
Unallocated assets			259,843			137,183
Total assets			<u>1,890,528</u>			<u>1,532,837</u>
Segment liabilities	1,051,812	19,051	1,070,863	796,061	6,195	802,256
Unallocated liabilities			7,803			5,569
Total liabilities			<u>1,078,666</u>			<u>807,825</u>

43.6 All non-current assets of the company as at 30 June 2012 were located within Pakistan.

#### 44. PLANT CAPACITY AND ACTUAL PRODUCTION

The following normal annual production capacity is worked out in triple shift basis.

	2012	2011
	(Cubic Meter)	
<b>Liquid Oxygen / Nitrogen / Argon:</b>		
Production at normal capacity - gross	25,620,000	25,620,000
Production at normal capacity - net of normal losses	22,875,000	22,875,000
Actual production - net of normal losses	17,583,897	14,986,313

##### 44.1 Reason for low production

Under utilization of available capacity is due to planned shutdown for better utilization of plant facilities and country wide load shedding throughout the year.

#### 45. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 25 September 2012.


#### 46. CORRESPONDING FIGURES

46.1 Corresponding figures have been re-arranged / re-classified wherever necessary to facilitate comparison. However, no material reclassification has been made in corresponding figures.

#### 47. GENERAL

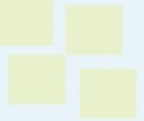
Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

  
**ATIQUE AHMAD KHAN**  
 (Chief Executive Officer)

  
**MASROOR AHMAD KHAN**  
 (Director)



# FORM OF PROXY



Folio No. \_\_\_\_\_

No. of Shares \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of **GHANI GASES LIMITED** \_\_\_\_\_

hereby appoint Mr. \_\_\_\_\_

of \_\_\_\_\_

failing him Mr. \_\_\_\_\_ of \_\_\_\_\_

(being a member of the Company) as my / our proxy to attend, act and vote for me/us on my/our behalf at 5<sup>th</sup> Annual General Meeting of the members of the Company to be held at Lahore on Thursday October 25, 2012 at 11:00 AM and at every adjournment thereof.

As witnesses my/our hand(s) this \_\_\_\_\_ day of October, 2012.

Signature and Revenue stamp

Witnesses:

1

2

Signature: \_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_

\_\_\_\_\_

CNIC #: \_\_\_\_\_

\_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_





**Important:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 82-N, Model Town Ext, Lahore not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

**For CDC Account Holders / Corporate Entities:**

In addition to the above, the following requirements have to be met:

- (i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with proxy form.
- (iii) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- (iv) in case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



**Ghani Global Group**

Corporate Office:

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UAN: 111 Ghani 1

Tel: 042-35161424-5, Fax: +92-42-35160393

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