



The Power of Perfection

ANNUAL REPORT 2010

GHANI AUTOMOBILE INDUSTRIES LTD.

A Company of Ghani Group

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Imtiaz Ahmad Khan Anwaar Ahmad Khan Aftab Ahmad Khan Reema Anwaar Ayesha Aftab Junaid Ghani Obaid Ghani Jubair Ghani	Chairman Chief Executive Officer
AUDIT COMMITTEE	Anwaar Ahmad Khan Ayesha Aftab Jubair Ghani	Chairman
COMPANY SECRETARY	Hafiz Mohammad Imran Sabir	
CHIEF FINANCIAL OFFICER	Umer Farooq Khan	
AUDITORS	Hassan Farooq & Company Chartered Accountants	
LEGAL ADVISORS	Ally Law Associates Ch. Muhammad Siqqique	
SHARE REGISTRAR	Corplink (Pvt) Ltd. Wings Arcade, 1-K Commercial Model Town Lahore, Pakistan Phones : (042) 35916714, 35916719 Fax : (042) 35869037	
BANKERS	Albaraka Islamic Bank Allied Bank of Pakistan Limited Habib Bank Limited Meezan Bank Limited, Islamic Banking Soneri Bank Limited, Islamic Banking Dawood Islamic Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited	
HEAD OFFICE	40-L Model Town Lahore, Pakistan UAN : (042) 111 949 949 Fax : (042) 3517 2263 E-mail : ggc49@wol.net.pk http://www.ghanigroup.com	
REGISTERED OFFICE	50-L Model Town Lahore, Pakistan Phones : (042) 3520 3975-76 Fax : (042) 3516 0314	
MARKETING OFFICE	12 D/3, Chandni Chowk KDA Scheme No. 7-8 Karachi - 74000 UAN : (021) 111 949 949 Fax : (021) 3494 1131 E-mail : kml@cyber.net.pk	
AUTOMOBILE PLANT	49-KM, Multan Road, (from Lahore)	

MISSION STATEMENT

To be successful by
effectively & efficiently
Utilizing our Philosophies,
so that We achieve & Maintain
constantly the High Standards of
Product Quality
&
Customer Satisfaction

VISION & PHILOSOPHY

Nothing in this earth or in the heavens
Is hidden from ALLAH
To indulge in honesty, integrity and self determination,
to encourage in performance and
most of all to put our trust in ALLAH,
so that we may, eventually through our efforts and belief,
become the leader amongst automobile products
manufacturers

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 23rd Annual General Meeting of the members of **GHANI AUTOMOBILE INDUSTRIES LIMITED** will be held on Thursday October 21, 2010 at 12:00 Noon, at Avari Hotel, The Mall, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of last Annual General Meeting held on October 28, 2009.
2. To receive, consider and adopt the audited annual accounts of **GHANI AUTOMOBILE INDUSTRIES LIMITED** for the year ended June 30, 2010 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for 2011 and fix their remuneration.

The retiring auditors namely M/s. Hassan Farooq & Company., Chartered Accountants being eligible have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board

Lahore: September 23, 2010.

Hafiz Mohammad Imran Sabir
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from October 15, 2010 to October 21, 2010 (both days inclusive). Members whose names appear on the register of members as at the close of business on October 14, 2010 shall qualify for the attendance of this meeting.
2. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Company or not.
3. Members whose shares are deposited with Central Depository Company of Pakistan Limited are requested to bring their original Computerized National Identity Cards (C.N.I.C.) along with the participant's I.D. Number and their account numbers in Central Depository Company of Pakistan Limited to facilitate identification at the time of Annual General Meeting. In case of proxy, an attested copy of proxy's Identity Card (C.N.I.C.), Account & Participant's ID number be enclosed. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier).

Proxies, in order to be valid, must be deposited at the registered office of the Company not less than 48 hours before the time of meeting.

4. Members are requested to promptly notify Company's Shares Registrar M/s. Corplink (Pvt.) Ltd., Wings Arcade, 1-K Commercial, Model Town, Lahore, Ph: 042-35916714, 35916719 Fax: 042-35869037 of any change in their addresses to ensure delivery of mail.

DIRECTORS' REPORT

Dear Shareholders
Assala-Mo-Alaikum Wa Rehmatullah Wa BarakatoHu,

The Board of Directors of Ghani Automobile Industries Limited takes pleasure in presenting the annual report and the audited financial statement of the company together with auditors' report for the year ended June 30, 2010.

NATIONAL ECONOMY

The global economic crises did have an impact on the economy of Pakistan. Devaluation of rupee against major world currencies, political instability, increasing profit rates of the financial institutions, tight lending policies of financial institutions, law and order situation and inconsistent and unclear Government policies have contributed in eroding the entrepreneurs' confidence. All these factors have increasingly affected the profitability of the automobile industry.

FINANCIAL PERFORMANCE

The operating results of your company for the year ended June 30, 2010 under review are summarized as follows:

	2010	2009
	(Rupees in '000')	
Sales Net	381,699	230,005
Gross Profit	28,813	3,650
Profit/(loss) before taxation	8,516	(42,164)

The basic earning per share (EPS) for the year is Rs.1.19 as compared to Rs.(2.11) of previous year.

In current scenario, changing modles, improved fuel efficiency, cutting manufacturing cost and enhancing the end user comfort without compromising on quality are the most crucial challenges for the automobile sector.

FUTURE OUTLOOK

Your company is aggressively expanding its dealer network through out the country. Spare parts and after sale service network has also been improved to facilitate the customer at door step. The company aims to become a market leader through provision of best quality product. The current market share is intended to be increased in near future to exceed the expectations of our valued customers. Our Research and Development team is always striving to introduce new product with innovation. We are looking at the future and we understand the importance of continuous upgrading technology in all spheres of work.

Our research and development team has completed their study and working on development of the 200cc water cooled CNG Rickshaw and we expect the product will be launched in near future Inshallah. Being part of our strategy initially we are growing smoothly and have plans in pipeline. Hopefully by the passage of time we will capture the reasonable share in the automobile sector.

The Company's management at all levels fully understands the importance of introducing and upgrading technology in all spheres of works. All management strategies eventually rely on state-of-the-art technology based on Research & Developments augments of company's upcoming product.

Production and supply of quality products is our prime object. Customers are rightly demanding better quality products at cheaper prices. In order to have international standard products, we are strictly enforcing our quality assurance both in-house and for bought out components.

Ghani automobile has developed the effective and efficient processes to meet the quality challenges. Quality Management System ISO 9000 and Environmental Management System ISO 14000 is in process. We have acquired certification from EDB , PSQCA and PTA.

CORPORATE GOVERNANCE

The board reviews the company's strategic direction on regular basis. The business plan & targets set by the Chairmen, Chief Executive and the Board are also reviewed regularly. The Board is committed to maintain a high standard of corporate governance, and has ensured full compliance of Corporate Governance as incorporated in the Listing Rules of the Stock Exchanges.

Your directors are pleased to report that:

1. The financial statement prepared by the management of the company, present fairly its state affairs, the result of its operations, cash flows and changes in equity.
2. The proper books of account have been maintained.
3. Appropriate accounting policies consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control, which was in place, is continuously reviewed by internal audit and other such procedures. The process of review will continue with the objective to further improve.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. The key operating data of the company is included in this report.
9. Outstanding taxes and levies:
Please refer notes 7, 8 and 12 to the annexed audited accounts.

PATTERNS OF SHAREHOLDING

A statement of the patterns of shareholding as on June 30, 2010 is attached in the prescribed form as required under Code of Corporate Governance. The directors, chief executive office, chief financial officer, company secretary, their spouses and minor children did not carry out any transaction in the shares of the company during the year.

BOARD OF DIRECTORS

I would like to place on record my appreciation and gratitude to the Board of Directors for guidance and support to the management.

A total of 05 meetings of the Board of Directors were held during the year. The attendance record of Board members was as follows:

Name of Directors	Attended
Mr. Imtiaz Ahmad Khan	04
Mr. Anwaar Ahmad Khan	04
Mr. Aftab Ahmad Khan	05
Mrs. Reema Anwaar	05
Mrs. Ayesha Aftab	05
Mr. Junaid Ghani	02
Mr. Obaid Ghani	02
Mr. Jubair Ghani	04

Leave of absence was granted to directors who could not attend some of the board meetings.

AUDITORS

The present auditors Messers Hassan Farooq & Company, Chartered Accountants, retire at the conclusion of the meeting. Being eligible, they have offered 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, 2011, at a mutually agreed fee.

ACKNOWLEDGEMENT

The board acknowledges and puts on record its sincere appreciation for the staff and workers of the company for their work, enthusiasm and loyalty. We are thankful to Allah Subhanatallah for blessing all of us. We pray to Allah Subhanatallah to keep showering us with his Rehmat and keep us on the right path, which is the commandments of Allah Subhanatallah and sunnah of our Prophet "Muhammad" (Sallallahu-Alaie-Wasallam)

For and on behalf of the Board

Lahore: September 23, 2010

AFTAB AHMAD KHAN
Chief Executive Officer

PATTERN OF SHAREHOLDING

OF SHARES HELD BY THE SHAREHOLDERS
OF GHANI AUTOMOBILE INDUSTRIES LIMITED AS AT JUNE 30, 2010

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
95	1	100	5,203
540	101	500	257,817
184	501	1,000	179,207
203	1,001	5,000	574,530
51	5,001	10,000	418,239
17	10,001	15,000	222,566
8	15,001	20,000	144,401
8	20,001	25,000	183,521
5	25,001	30,000	143,409
2	30,001	35,000	63,310
1	35,001	40,000	35,899
1	40,001	45,000	42,000
4	45,001	50,000	193,400
2	55,001	60,000	112,712
2	60,001	65,000	128,165
1	80,001	85,000	85,000
1	90,001	95,000	91,665
4	95,001	100,000	396,898
3	100,001	105,000	313,999
1	105,001	110,000	109,000
1	110,001	115,000	111,940
1	185,001	190,000	190,000
1	195,001	200,000	200,000
1	230,001	235,000	234,000
1	290,001	295,000	294,100
1	360,001	365,000	362,800
1	445,001	450,000	448,400
1	900,001	905,000	903,800
1	1,070,001	1,075,000	1,073,200
1	1,420,001	1,425,000	1,422,289
1	1,665,001	1,670,000	1,670,000
1	1,820,001	1,825,000	1,825,000
1	2,485,001	2,490,000	2,485,481
1	2,535,001	2,540,000	2,537,975
1	2,540,001	2,545,000	2,540,074
1148			20,000,000

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	13,049,630	65.2482%
NIT and ICP	7,300	0.0365%
Modarabas and Mutual Funds	294,100	1.4705%
General Public		
a. Local	6,288,503	31.4425%
b. Foreign		
Others (to be specified)		
Joint Stock Companies	260,467	1.3023%
Charitable Trust	100,000	0.5000%

INFORMATION UNDER CLAUSE XIX (I)

OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2010

		HOLDING
<u>ASSOCIATED COMPANIES</u>		<u>NIL</u>
<u>NIT & ICP</u>		
1	INVESTMENT COPPORATION OF PAKISTAN	7,300
		<u>7,300</u>
<u>DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN</u>		
1	MR. IMTIAZ AHMAD KHAN	2,540,074
	MR. IMTIAZ AHMAD KHAN (CDC)	1,073,200
2	MRS. RUBINA IMTIAZ. W/O IMTIAZ AHMED KHAN (CDC)	362,800
3	MR. ANWAAR AHMAD KHAN	2,537,975
	MR. ANWAAR AHMAD KHAN (CDC)	1,670,000
	MR. ANWAAR AHMAD KHAN (CDC)	15,600
4	MR. AFTAB AHMAD KHAN	2,485,481
	MR. AFTAB AHMAD KHAN (CDC)	1,825,000
5	MR. JUNAID GHANI (CDC)	234,000
6	HAFIZ OBAID GHANI	105,000
7	MR. JUBAIR GHANI	500
8	MRS. REEMA ANWAAR W/O ANWAAR AHMED KHAN	100,000
9	MRS. AYESHA AFTAB W/O AFTAB AHMED KHAN	100,000
		<u>13,049,630</u>
<u>PUBLIC SECTOR COMPANIES AND CORPORATIONS:</u>		
<u>JOINT STOCK COMPANIES</u>		
1	ACE SECURITIES (PVT.) LIMITED. (CDC)	22,000
2	BEAMING INVEST & SECURITIES (PVT.) LTD. (CDC)	500
3	CAPITAL VISION SECURITIES (PVT) LIMITED (CDC)	9,500
4	DARSON SECURITIES (PVT) LIMITED (CDC)	1,060
5	DARSON SECURITIES (PVT) LIMITED (CDC)	3,000
6	EXCEL SECURITIES (PVT.) LTD. (CDC)	1,000
7	GENERAL INVEST. & SECURITIES (PVT.) LTD. (CDC)	1
8	ISMAIL ABDUL SHKOOR SECURITIES (PRIVATE) LIMITED (CDC)	2,000
9	MAZHAR HUSSAIN SECURITIES (PVT) LIMITED (CDC)	21,500
10	MONEY LINE SECURITIES (PVT.) LTD. (CDC)	35,899
11	MSMANIAR FINANCIALS (PVT) LIMITED (CDC)	10,000
12	N.H. CAPITAL FUND. (CDC)	5
13	PROGRASSIVE SECURITIES (PVT.) LTD (CDC)	32,501
14	RAMADA SECURITIES & DERVIATIVES LIMITED (CDC)	500
15	SAZ CAPITAL SECURITIES (PVT.) LTD. (CDC)	85,000
16	SAKARWALA CAPITAL SECURITIES (PVT.) LTD. (CDC)	10,000
17	SNM SECURITIES (PVT.) LTD. (CDC)	20,000
18	STOCK MASTER SECURTIES (PVT.) LTD. (CDC)	500
19	TIME SECURITIES (PVT) LIMITED (CDC)	2,500
20	Y.S. SECURITIES & SERVICES (PVT) LIMITED (CDC)	3,001
		<u>260,467</u>

CHARITABLE TRUST

1	TRUSTEES ADAMJEE FOUNDATION (CDC)	100,000
		<u>100,000</u>

**BANKS, DEVELOPMENT FINANCE INSTITUTIONS,
NON BANKING FINANCE INSTITUTIONS**

NIL

INSURANCE COMPANIES

NIL

MODARABAS & MUTUAL FUNDS

1	JS VALUE FUND LIMITED. (CDC)	294,100
		<u>294,100</u>

SHARES HELD BY THE GENERAL PUBLIC

6,288,503

20,000,000

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

1	MR. IMTIAZ AHMAD KHAN	3,613,274
2	MR. ANWAAR AHMAD KHAN	4,223,575
3	MR. AFTAB AHMAD KHAN	4,310,481
		<u>12,147,330</u>

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

NAME	PURCHASE	SALE
MR. AFTAB AHMAD KHAN	-	49,400

SIX YEARS AT GLANCE

	(Rupees in million)					
	2010	2009	2008	2007	2006 (Restated)	2005
Production (Nos.)	12,452	7,028	8,315	2,846	-	-
Sales	381.699	230.005	245.142	130.018	44.358	16.056
Gross profit	28.813	3.650	33.879	12.169	0.514	0.917
Net profit / (loss)	23.833	(42.164)	1.135	(39.426)	0.800	(0.801)
Earning per share	1.19	(2.11)	0.06	(3.38)	0.08	(0.16)
Dividend %	-	-	-	-	4	-
Current assets	363.800	286.847	327.938	109.376	56.873	56.252
Current liabilities	313.615	243.419	239.441	15.898	21.622	1.740
Un-appropriated profit / (loss)	(88.597)	(112.430)	(70.265)	(71.400)	(31.974)	(30.815)
Share holders equity	111.403	87.570	129.734	128.599	68.026	69.185

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in the listing regulations of the Karachi Lahore & Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages the representation of independent non-executive directors and directors representing minority independent directors on its Board of Directors. Board comprises three executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year under review.
5. The company has prepared a “Statement of Ethics and Business Practices” which has been signed by all the directors and employees up to the level of Manager of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, are determined to be taken by the Board.
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. All the Directors on the Board are fully conversant with their duties and responsibilities as Director of corporate bodies. Some of the directors attended orientation courses.

10. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. The Directors, report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval by the Board.
13. The directors, CEO and executive 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 Code.
15. The Board has formed an audit committee. It comprises of three members. All members of the Audit Committee are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has earlier set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and they are involved in the Internal Audit function of the company on a full time basis.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. All material principles contained in the Code have been complied with.

For and on Behalf of the Board of Directors

Imtiaz Ahmad Khan
Director

Aftab Ahmad Khan
Chief Executive Officer

Lahore: September 23, 2010

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **GHANI AUTOMOBILE INDUSTRIES LIMITED** (“the company”) to comply with the Listing Regulation of Karachi, Lahore and Islamabad Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate of Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code of Corporate Governance 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 are not required to consider whether the Board’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

Further, Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the Board of Directors for their consideration and approval related party transaction distinguishing between transaction carried on term 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 transaction 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 Boards of Directors and placements of such transaction before the audit committee. We have not carried out any procedures to determine whether the related party transaction were under taken 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 of Compliance does not appropriately reflect the Company’s compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2010.

Lahore: September 23, 2010

(HASSAN FAROOQ & COMPANY)
CHARTERED ACCOUNTANTS

AUDITOR'S REPORT TO THE MEMEBRES

We have audited the annexed balance sheet of **GHANI AUTOMOBILE INDUSTRIES LIMITED** as at June 30, 2010 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 account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business;
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company; and
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 June 30, 2010 and of the profit, total comprehensive income, 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: September 23, 2010

(HASSAN FAROOQ & COMPANY)
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER: TARIQ ALEEM

BALANCE SHEET AS AT 30 JUNE, 2010

EQUITY & LIABILITIES	NOTE	June 2010 Rupees	June 2009 Rupees
SHARE CAPITAL AND RESERVES			
Authorized share capital 20,000,000 (2009:20,000,000) ordinary shares of Rupees 10 each		200,000,000	200,000,000
Issued, subscribed and paid up capital	3	200,000,000	200,000,000
Accumulated loss		(88,597,269)	(112,430,179)
		111,402,731	87,569,821
NON CURRENT LIABILITIES			
Long term musharaka financing	4	7,200,000	10,800,000
CURRENT LIABILITIES			
Current portion of long term Musharaka Financing	4	3,600,000	3,600,000
Short term financing - secured	5	85,393,703	75,029,987
Loan from sponsors - unsecured	6	78,985,000	36,925,000
Creditors, accrued and other liabilities	7	145,636,409	127,864,352
		313,615,112	243,419,339
CONTINGENCIES AND COMMITMENTS			
	8	-	-
		432,217,843	341,789,160
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	50,434,279	54,423,839
SECURITY DEPOSITS		642,386	518,486
DEFERRED TAX ASSET	10	17,341,206	-
CURRENT ASSETS			
Stores, spares and loose tools		412,870	427,344
Stock in trade	11	85,041,708	68,426,215
Trade debtors - unsecured consider good		177,021,704	146,180,119
Advances and other receivables	12	75,131,600	63,210,281
Cash and bank balances	13	26,192,090	8,602,876
		363,799,972	286,846,835
		432,217,843	341,789,160

The annexed notes 1 - 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 2010**

	NOTE	June 2010 Rupees	June 2009 Rupees
SALES - Net	14	381,699,290	230,005,410
COST OF SALES	15	352,886,548	226,355,024
GROSS PROFIT		28,812,742	3,650,386
OPERATING EXPENSES			
Administrative expenses	16	12,990,336	11,080,053
Distribution and marketing expenses	17	15,196,934	18,012,562
		28,187,270	29,092,615
OPERATING PROFIT /(LOSS)		625,472	(25,442,229)
OTHER INCOME	18	23,130,000	1,140,586
		23,755,472	(24,301,643)
FINANCIAL CHARGES	19	14,643,513	17,862,896
OTHER EXPENSES	20	596,109	-
PROFIT/(LOSS) BEFORE TAXATION		8,515,850	(42,164,539)
TAXATION	21	15,317,060	-
NET PROFIT/(LOSS) AFTER TAXATION		23,832,910	(42,164,539)
EARNINGS PER SHARE- BASIC	22	1.19	(2.11)

The annexed notes 1 - 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2010

	June 2010 Rupees	June 2009 Rupees
Profit / (Loss) After Taxation	23,832,910	(42,164,539)
Other Comprehensive Income	-	-
Total Comprehensive Income	23,832,910	(42,164,539)

The annexed notes 1 - 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

AS AT 30 June, 2010

	Share Capital Rupees	Accumulated Profit / (Loss) Rupees	Total Rupees
Balance as on 30 June 2008	200,000,000	(70,265,640)	129,734,360
Loss for the year	-	(42,164,539)	(42,164,539)
Balance as on 30 June 2009	200,000,000	(112,430,179)	87,569,821
Profit for the year	-	23,832,910	23,832,910
Balance as on 30 June 2010	200,000,000	(88,597,269)	111,402,731

The annexed notes 1 - 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2010

	NOTE	June 2010 Rupees	June 2009 Rupees
NET CASH FLOWS FROM OPERATING ACTIVITIES	27	(31,022,022)	55,863,455
Security deposits		(123,900)	-
Acquisition of fixed assets		(88,580)	(3,824,270)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(212,480)	(3,824,270)
Murabaha financing received		92,133,703	68,568,500
Loan from sponsors		42,060,000	31,400,000
Murabaha financing repaid		(81,769,987)	(145,900,858)
Musharaka financing repaid		(3,600,000)	(3,600,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		48,823,716	(49,532,358)
Net increase / (decrease) in cash and cash equivalents		17,589,214	2,506,827
Cash and cash equivalents at the beginning of the year		8,602,876	6,096,049
Cash and cash equivalents at the end of the year		26,192,090	8,602,876

The annexed notes 1 - 31 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1 THE COMPANY AND ITS OPERATIONS

The company is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 in September 1987. The registered office of the company is situated at 50-L Model Town, Lahore. The shares of the company are quoted on all Stock Exchanges in Pakistan. The name of the company has been changed from Ghani Textile Limited to Ghani Automobile Industries Limited with effect from March 31, 2004. The Company is principally engage in manufacture, assemble and trade of Automotive Vehicles of all kinds and sorts. Before 2004, the Company business was manufacture and trade of grey cloth.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the Accounting and Financial Reporting Standards for Medium Sized Entities requires the use of certain accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follow:

- Useful lives of property, plant and equipment
- Taxation

2.3 Basis of Accounting

These Financial statements have been prepared under the accrual basis of Accounting.

2.4 Statement of compliance

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

2.5 Use of Estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

Income taxes

In making the estimates for income taxes currently payable by the company, the management looks at the current income tax laws.

Property, plant and equipments

The company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future year might affect the carrying amount of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with the corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

2.6 Property, Plant and Equipment

Property, plant and equipment except free hold land are stated at cost less accumulated depreciation. Depreciation is charged on reducing balance method over the useful life of the assets at the rates mentioned in Note 9. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of disposal. Maintenance and normal repairs are charged to income as and when incurred. Major renewal and replacements are capitalized. Gain or loss on disposal of fixed assets is recognized in income statement.

2.7 Impairment of Assets

The management assesses at each balance sheet date whether there is any indication that an asset is impaired, If any such indication exists, the management estimates the recoverable amount of the asset. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount by charging the impairment loss against income for the year.

2.8 Capital Work in Progress

All cost/expenditure connected with specific assets, incurred during the acquisition \erection period are carried under this head. These are transferred to property, plant and equipment as and when assets are available for use.

2.9 Stores, Spares and Loose Tools

These are valued at lower of cost and net realizable value. Cost is determined at moving average, except items in transit, which are valued at cost accumulated up to the balance sheet date. Provision is made against obsolete items.

2.10 Stock in Trade

Stock of raw materials, work-in-process and finished goods, ecept for those in transit are valued principally at the lower of weights average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Net realizable value signifies the estimaed selling price in the ordinary coures of usiness less costs necessary to e incurred in order o make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

2.11 Trade Debts

Known bad debts are written off and provision is made for debts considered doubtful.

2.12 Revenue Recognition

Revenue from sales is recognized on dispatch of goods to customers and dealers when the risks and rewards of ownership are transferred to them.

2.13 Related Party Transactions

All transactions between the company and a related party in respect of sales and purchases are at Comparable Uncontrolled Price Method.

2.14 Taxation

Current

Provision for current taxation is provided on taxable income at the current rates of taxation after taking into account tax credit and rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of the taxable profit.

Deferred tax liability is generally recognized for all taxable temporary differences and the deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement.

2.15 Foreign Currencies

Transactions in foreign currencies are accounted for in Pak Rupees at the rates of exchange ruling at the date of transactions. Assets and liabilities in foreign currencies except for foreign currency balance covered by forward exchange risk cover are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. Foreign currency balance covered by forward exchange risk cover is converted at Contracted rates. Any exchange gain/ loss is charged to current year's income.

2.16 Financial Instruments

All other financial assets and liabilities are recognized at cost which is the fair value of the consideration received or given at the time when the company becomes a party to the contractual provisions of the instrument by following trade date accounting. Any gain or loss on subsequent measurement and derecognition is charged to income.

2.17 Financial Instruments

Profit and other charges on financing are capitalized up to the date of commissioning of the respective property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profits.

2.18 Off Setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.19 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and bank balances.

2.20 Provisions

Provisions are recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3 ISSUED ,SUBSCRIBED AND PAID UP CAPITAL

19,250,000 (2009: 19,250,000) ordinary shares of Rupees 10 each fully paid in cash.

250,000 (2009: 250,000) ordinary shares of Rupees 10 each fully paid other than cash

500,000 (2009: 500,000) ordinary shares of Rupees 10 each issued as bonus shares

JUNE 2010	JUNE 2009
Rupees	Rupees
192,500,000	192,500,000
2,500,000	2,500,000
5,000,000	5,000,000
200,000,000	200,000,000
10,800,000	14,400,000
(3,600,000)	(3,600,000)
7,200,000	10,800,000

4 LONG TERM MUSHARAKA FINANCING

Diminishing Musharaka Financing
Less: Current portion

The company has executed Diminishing musharaka agreement with Habib Metropolitan Bank Limited for purchase of plots measuring about 20 Kanals and 10 marlas situated at Kamun Gil Mouza Tehsil Chunian Distt Kasur. The liability is repayable in 60 equal monthly instalments starting from July 24, 2008 and subject to profit charged @ 6 months KIBOR plus 1% p.a. to be reviewed on six monthly basis also capped at minimum 11% p.a and maximum 18% p.a.

The facility is secured by a Legal mortgage of rupees 500,000/- and balance equitable mortgage to be created on project Land and Building to be purchased through the facility in the name of company. A charge is registered with the Securities and Exchange Commission of Pakistan (SECP) on the same property for rupees 25.000 million. Further more pledge of shares of M/s. Ghani Glass Limited (Director's personal holding) at 40% margin of market price.

5 SHORT TERM BANK FINANCING

Morabaha from Soneri Bank Limited
Morabaha from Habib Metropolitan Bank Limited
Morabaha from Dawood Islamic Bank Limited

5.1	84,961,000	68,568,500
5.2	432,703	-
5.3	-	6,461,487
	85,393,703	75,029,987

- 5.1** Morabaha / Salam Facility availed from Soneri Bank Limited with maximum limit of rupees 85 Million at the profit rate of six months KIBOR plus 1.15% (2009 : six months KIBOR plus 1.15%) . The liability is secured against equitable mortgage of Rs. 83.000 million over the Company's fixed assets i.e. Building, Machinery / Plant and land measuring 1 kanal situated at 49-KM Multan road (Mouza Kamogill Tehsil Chunian Distt Kasur) valuing Rs. 83.720 million as per the valuation report of M/s. Unicorn International Surveyors (as approved valuator of SBP). Forced sale value is Rs. 71.152 million. Pledge of shares Rs. 150.000 M of Ghani Glass Ltd. duly lodged with CDC. Personal Guarantees of the sponsor directors.
- 5.2** Morabaha facility availed from Habib Metropolitan Bank Limited with maximum limit of Rupees 10 million at the profit rate of 6 months KIBOR plus 2.00%. The liability is secured by legal mortgage of Rs. 0.5 Million and Equitable mortgage on land and building measuring 20 kanal 18 marlas valuing Rupees 33.613 Million and FSV is Rupees 28.571 Million. Charge registered with SECP for Rupees 25.0 Million on same assets, Lien/Pledge of 280,000 shares of M/s. Ghani Glass Limited in the name of the directors at 40.00% margin of market value.Charge on current assets of the company registered with SECP of Rupees 20 Million.
- 5.3** Morabaha / Mudariba Facility is availed from Dawood Islamic Bank Limited with maximum limit of rupees 75 Million at the profit rate of matching KIBOR plus rate to be mutually negotiated at the time of each transaction (2009 : matching KIBOR plus 1.10%) . The liability is secured by first hypothecation charge over the company's current assets including but not limited to stocks and or receivables upto rupees 100 million duly registered with SECP.

6 LOAN FROM SPONSORS

This represents unsecured , interest free loan obtained from directors of the Company.

7 CREDITORS, ACCRUED AND OTHER LIABILITIES.

Creditors
Trade
Others

Advances from customers
Accrued expenses and other Liabilities
Income Tax Deducted at source
Unclaimed dividend
Sales Tax payable
Provision for Income tax

	JUNE 2010	JUNE 2009
	Rupees	Rupees
	61,319,271	37,343,701
	3,987,312	2,512,689
	65,306,583	39,856,390
	61,668,279	78,714,124
	12,098,881	7,937,617
	3,135,997	743,235
	609,746	612,986
	792,777	-
	2,024,146	
	145,636,409	127,864,352

8 CONTINGENCIES AND COMMITMENTS

Contingencies

- 8.1** There is a contingent liability of Rupees 1,727,290 (2009: Rupees 1,727,290) in respect of income tax for assessment upto assessment year 2001-2002 against order under section 62 and 52 of repealed Income Tax Ordinance, 1979.The company has filed the appeals against above orders.
- 8.2** The Punjab Employees Social Security Institution has raised a demand of Rupees 2,245,057/- (2009: Rupees 2,245,057) as less payment of contribution for the period from 1989 to 1995. The company has not acknowledged this demand and filed appeal under section 57 of the Social Security Ordinance, 1965. After remand of the case by Labour Court, appeal is now under process with Additional Commissioner, Punjab Employees Social Security Institute.
- 8.3** The Company has given bank guarantee of Rupees 729,000 (2009: Rupees 729,000) to WAPDA.

Commitments

- 8.4** Letters of credit in transit other than capital expenditure are Rupees 33,240,582 (2009: Rupees 29,715,080).

9 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	C O S T		ACCUMULATED DEPRECIATION				Rate (%)
	As at July 01, 2009	Additions	As at 30 June 2010	Charge for The Year	As at 30 June 2010	Written Down Value as at 30 June 2010	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Freehold land	14,932,180	-	14,932,180	-	-	14,932,180	
Building on freehold land	37,832,645	-	37,832,645	2,342,082	16,753,904	21,078,741	10
Plant and Machinery	14,650,519	-	14,650,519	1,169,438	4,125,578	10,524,941	10
Furniture and fixture	1,342,111	-	1,342,111	69,551	716,151	625,960	10
Loose Tools	1,275,576	-	1,275,576	85,397	507,004	768,572	10
Electrical Equipment	973,633	-	973,633	54,450	483,579	490,054	10
Electrical Installation	1,561,114	-	1,561,114	49,293	624,550	936,564	5
Computers	581,940	88,580	670,520	120,508	342,939	327,581	30
Vehicles	1,960,129	-	1,960,129	187,421	1,210,443	749,686	20
2010	75,109,847	88,580	75,198,427	4,078,140	24,764,148	50,434,279	
2009	71,285,577	3,824,270	75,109,847	4,519,479	20,686,008	54,423,839	

9.1 Allocation of depreciation

Cost of Sales
Distribution and Marketing expenses

	2010	2009
	Rupees	Rupees
	3,995,291	4,285,202
	82,849	234,277
	4,078,140	4,519,479

	JUNE 2010	JUNE 2009
	Rupees	Rupees
10 DEFERRED TAX ASSET		
The deferred tax assets comprises temporary differences relating to:		
Accelerated tax depreciation	(6,013,971)	-
Minimum Tax u/s 113	3,991,822	
Asset due to foreseeable future profits	19,363,355	-
	17,341,206	-
Defferred tax assets on tax losses available for carry forward and those representing minimum tax paid available for carry forward u/s 113 of the Income Tax Ordinance, 2001 are recognized to the extent that the realization of related tax benefits through future taxable profits is probable. The Company has not recognized deferred tax in respect of unused tax losses amounting to Rs. 42.488 million (2009:nil), as sufficient profits will not be available to set these off in the foreseeable future. Tax losses amounting to Rs. 0.720 million, Rs. 53.190 million, Rs. 1.472 million, Rs. 42.409 million expire in year 2011, 2013, 2014, 2015, respectively.		
11 STOCK IN TRADE		
Raw Material	58,954,985	39,177,412
Work In Process	13,683,669	10,213,567
Finished Goods	12,403,054	6,786,690
Material in transit	-	12,248,546
	85,041,708	68,426,215
12 ADVANCES AND OTHER RECEIVABLES		
Advances- unsecured but considered good:		
Advance to suppliers for goods and services	27,081,094	21,979,793
Advances to employees	3,151,874	2,365,293
Advance income tax	11,658,050	8,328,817
Letters of credit in transit	33,240,582	29,715,080
Sales tax refundable	-	821,298
	75,131,600	63,210,281
13 CASH AND BANK BALANCES		
Cash in hand	5,353,714	5,163,211
Cash at bank - Current accounts	20,838,376	3,439,665
	26,192,090	8,602,876
14 SALES		
Local Sales	446,986,384	269,118,903
Sales of Spare parts	9,624	236,759
	446,996,008	269,355,662
Less: Sales tax	(64,946,718)	(38,973,329)
Sales returns	(350,000)	(376,923)
	(65,296,718)	(39,350,252)
	381,699,290	230,005,410

		JUNE 2010	JUNE 2009
		Rupees	Rupees
15	COST OF SALES		
	Raw material consumed	15.1 343,743,995	187,634,763
	Salaries, wages and benefits	9,703,855	7,451,309
	Store consumed	324,152	184,452
	Fuel and power	2,180,607	2,098,321
	Repair and maintenance	129,731	470,068
	Traveling and vehicle running	378,952	445,046
	Entertainment	162,987	208,631
	Communications and stationery	642,190	435,833
	Freight and handling	244,609	129,388
	Rent, rates and taxes	5,241	9,562
	Depreciation	9.1 3,995,291	4,285,202
	Other expenses	461,404	314,880
		361,973,014	203,667,455
	Opening stock of work in process	10,213,567	15,735,400
	Closing stock of work in process	(13,683,669)	(10,213,567)
		(3,470,102)	5,521,833
	Opening stock of finished goods	6,786,690	23,952,426
	Closing stock of finished goods	(12,403,054)	(6,786,690)
		(5,616,364)	17,165,736
		352,886,548	226,355,024
	15.1 RAW MATERIAL CONSUMED		
	Opening balance	39,177,412	40,504,249
	Local Purchases	259,419,229	120,736,302
	Import purchases	104,102,339	65,571,624
	Closing stock	(58,954,985)	(39,177,412)
		343,743,995	187,634,763
16	ADMINISTRATIVE AND FINANCIAL EXPENSES		
	Staff salaries and benefits	9,318,616	6,432,672
	Travelling and vehicle running	402,320	461,110
	Entertainment	448,002	621,736
	Repair and Maintenance	25,843	82,591
	Electricity	-	45,763
	Communication and stationery	572,042	528,204
	Auditors' remuneration		
	Annual audit fee	95,000	95,000
	Half yearly review	45,000	45,000
	Other certification	12,500	12,500
		152,500	152,500
	Fee and subscription	1,246,678	1,664,979
	Ijarah rentals on Vehicles	16.1 774,218	773,253
	Miscellaneous	50,117	317,245
		12,990,336	11,080,053

	2010	2009
	Rupees	Rupees
16.1 Total of Future Ijarah payments		
Not later than one year	580,023	776,828
Not later than five years	-	582,621
	580,023	1,359,449
17 DISTRIBUTION AND MARKETING EXPENSES		
Salaries, Wages and other benefits	6,784,488	5,377,411
Travelling and vehicle running	1,923,130	2,080,558
Entertainment	203,861	440,998
Rent rates, and Taxes	360,377	357,240
Advertising and sales promotions	3,225,289	5,182,842
Communication and stationary	582,845	724,760
Insurance	676,428	1,073,294
Freight and handling	332,176	1,653,422
Depreciation	82,849	234,277
Ijarah rentals on Vehicles	986,278	534,557
Other expenses	39,213	353,203
	15,196,934	18,012,562
17.1 Total of Future Ijarah payments		
Not later than one year	719,523	537,339
Not later than five years	639,310	467,818
	1,358,833	1,005,157
18 OTHER INCOME		
Freight on delivery of goods is charged to customers and dealers from January 1, 2010.		
19 FINANCIAL CHARGES		
Modarba Financing	-	3,967,215
Morabaha Financing	12,390,354	10,927,021
Diminishing Musharaka Financing	1,730,805	2,593,284
Bank charges	522,354	375,376
	14,643,513	17,862,896
20 OTHER EXPENSES		
Workers Profit Participation Funds	425,792	-
Workers Welfare Fund	170,317	-
	596,109	-

		2010	2009
		Rupees	Rupees
21	TAXATION		
	Current	(2,024,146)	-
	Deferred Tax Income	17,341,206	-
		15,317,060	-
22	EARNING PER SHARE - Basic		
	Profit/ (Loss) after tax - Rupees	23,832,910	(42,164,539)
	Weighted average number of shares	20,000,000	20,000,000
	Earnings per share restated - Rupees	1.19	(2.11)
23	REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE		
	Managerial Remuneration	12,960,000	7,200,000
	Number of persons	3	3
	None of the officers of the company were paid basic yearly salary of Rupees five hundred thousand or more. Therefore, none of them falls within the category of executive as defined in the Companies Ordinance, 1984.		
24	TRANSACTIONS WITH RELATED PARTIES		
	The related parties comprised of associated undertakings, directors and key personnel. The directors of the related companies are close members of the family of the directors of the company. The company in the normal course of business carries out transactions with the related parties. Transactions with related parties during the period are as follows:		
	Sale of motorcycles	152,000	-
	Shares of Ghani Glass limited pledged as security	150,000,000	150,000,000
25	CAPACITY AND UTILIZATION		
	Production Capacity	25,000	25,000
	Actual Production	12,452	7,028
	The low production was due to shortage of demand.		
26	NUMBER OF EMPLOYEES		
	Number of employees at year end	105	91
27	CASH FLOW FROM OPERATING ACTIVITIES		
	Profit / (loss) for the period before tax	8,515,850	(42,164,539)
	Adjustment for :		
	Depreciation	4,078,140	4,519,479
	Financial charges	14,643,513	17,862,896
	Workers Profit Participation Fund and Workers Welfare Fund	596,109	-
		19,317,762	22,382,375
	Operating profit / (loss) before working capital changes	27,833,612	(19,782,164)
	(Increase) / decrease in current assets		
	Store, spares and loose tools	14,474	166,756
	Stock in trade	(16,615,493)	36,332,187
	Trade debtors	(30,841,585)	(3,145,898)
	Advances and other receivables	(8,592,086)	11,771,586
		(56,034,690)	45,124,631
	Increase / (decrease) in current liabilities		
	Creditors, accrued and other liabilities	15,018,970	50,587,629
	CASH GENERATED FROM OPERATIONS	(13,182,108)	75,930,096
	Financial charges paid	(14,510,681)	(18,540,278)
	Taxes paid	(3,329,233)	(1,526,363)
	NET CASH FLOWS FROM OPERATING ACTIVITIES	(31,022,022)	55,863,455

28 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying value of financial assets and financial liabilities are estimated to approximate their respective fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

28.1 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

Description	Interest/Markup Bearing		Non Interest/Markup Bearing		Total 2010	Total 2009
	Maturity within one year	Maturity more than one year but less than 5 years	Maturity within one year	Maturity more than one year but less than 5 years		
	Rupees		Rupees		Rupees	
Financial Assets						
Security Deposits	-	-	-	642,386	642,386	518,486
Trade Debtors	-	-	177,021,704	-	177,021,704	146,180,119
Advances and Other Receivables	-	-	75,131,600	-	75,131,600	63,210,281
Cash and Bank Balances	-	-	26,192,090	-	26,192,090	8,602,876
Year 2010	-	-	278,345,394	642,386	278,987,780	218,511,762
Year 2009	-	-	217,993,276	518,486	218,511,762	-
Financial liabilities						
Diminishing Musharaka	3,600,000	7,200,000	-	-	10,800,000	14,400,000
Morabaha-Soneri Bank Limited	84,961,000	-	-	-	84,961,000	68,568,500
Morabaha-Habib Metropolitan Bank Limited	432,703	-	-	-	432,703	-
Morabaha-Dawood Islamic Bank Limited	-	-	-	-	-	6,461,487
Ijarah Payments	-	-	1,299,546	639,310	1,938,856	2,364,606
Loan from Sponsors	-	-	78,985,000	-	78,985,000	36,925,000
Creditors, Accrued and Other Liabilities	-	-	145,636,409	-	145,636,409	127,864,352
Year 2010	88,993,703	7,200,000	225,920,955	639,310	322,753,968	256,583,945
Year 2009	78,629,987	10,800,000	166,103,519	1,050,439	256,583,945	-

The effective interest / mark up rates for monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

29 FINANCIAL RISK MANAGEMENT

29.1 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises potentially from trade receivables. The Company believes that it is not exposed to major concentration of credit risks.

The company has not publicized any credit terms for trading on credit. For the purpose of provision of credit the management monitors the credit exposure towards the customers taking into account the customer's financial position, past experience and other factors. The company initiates recovery process through marketing department personnel after a reasonable credit period has expired.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The company believes that it is not exposed to major concentration of credit risk.

29.2 Market Risk

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

29.3 Currency Risk

Company obtains forward cover to manage material foreign currency risk, if considered necessary. However, the company is not exposed to major currency risk exposure.

29.4 Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The management closely monitors its liquidity and cash flow position and takes appropriate steps to maintain liquidity at an appropriate and satisfactory level. The company, however is not exposed to any material liquidity risk.

29.5 Yield Risk

The company manages yield risk by matching the repricing of assets and liabilities through risk management strategies.

30 EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after the balance sheet date.

31 GENERAL

31.1 The financial statements were authorized for issue on September 23, 2010 by the Board of Directors of the Company.

31.2 Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR



GHANI AUTOMOBILE INDUSTRIES LIMITED
40-L, Model Town, Lahore
FORM OF PROXY

Folio No. _____

No. of Shares _____

I/WE _____

of _____

Being a member of GHANI AUTOMOBILE INDUSTRIES 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 23rd ANNUAL GENERAL MEETING of the members of the Company to be held on Thursday October 21, 2010 at 12:00 Noon at Avari Hotel, The Mall, Lahore and at any adjournment thereof.

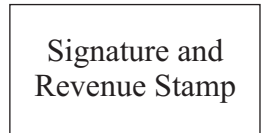
As witness my/our hand(s) this _____ day of _____ 2010

Witness's Signature

Signature _____

Name: _____

Address: _____



NOTES:

Proxies, in order to be effective, by the company not later than 48 hours before the meeting and must be duly stamped, signed and witnessed.



GHANI AUTOMOBILE INDUSTRIES LTD.

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