



The Power of Perfection

Ghani Automobile Industries Limited

**ANNUAL
REPORT
2011**

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GHANI AUTOMOBILE INDUSTRIES LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Imtiaz Ahmad Khan Chairman
Anwaar Ahmad Khan
Aftab Ahmad Khan Chief Executive Officer
Reema Anwaar
Ayesha Aftab
Junaid Ghani
Obaid Ghani
Jubair Ghani

AUDIT COMMITTEE

Anwaar Ahmad Khan Chairman
Ayesha Aftab
Jubair Ghani

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 Siddique

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
Burj 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) 3492 6349
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



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 24th Annual General Meeting of the members of **GHANI AUTOMOBILE INDUSTRIES LIMITED** will be held on Thursday October 27, 2011 at 09:30 a.m., 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 21, 2010.
2. To receive, consider and adopt the audited annual accounts of **GHANI AUTOMOBILE INDUSTRIES LIMITED** for the year ended June 30, 2011 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for 2012 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: October 5, 2011.

Hafiz Mohammad Imran Sabir
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from October 21, 2011 to October 27, 2011 (both days inclusive). Members whose names appear on the register of members as at the close of business on October 20, 2011 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, 2011.

FINANCIAL PERFORMANCE

The operating results of your company for the year ended June 30, 2011 under review are summarized as follows:

	2011	2010
	(Rupees in '000')	
Sales Net	429,162	381,699
Gross Profit	30,274	28,813
Profit / (loss) after taxation	3,092	23,833

The basic earning per share (EPS) for the year is Rs.0.15 as compared to Rs. 1.19 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.

NATIONAL ECONOMY

The year under review started with economic revitalization. But natural catastrophes are not under human control. Heavy Floods adversely effected the revival of the economy. These floods resulted in shrinking the growth rate by huge damage of about \$10 billion of country's economic structure. About 20 million people lost their shelters as more than 50,000 Sq. Km area was submerged in water. The Real GDP growth rate was 2.4% as against actual growth of 3.8% last year and target of 4.5%. Growth in agriculture was 1.2% on the back of 3.7% growth in the livestock sector. Large Scale Manufacturing tended to recover and grew by 0.98% as against 4.9 % last year.

FUTURE OUTLOOK

With the on-going energy crisis, continued economic instability, rising inflationary trends and the on-going security issues and natural catastrophe the overall economic situation of Pakistan is under severe pressure. However, remaining optimistic, we will continue to streamlining and expanding our operations and further strengthening it by our focus on positively enhancing the quality standards through R & D. We are hopeful for the economic prosperity of Pakistan in future.

GHANI AUTOMOBILE INDUSTRIES LIMITED

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 customers 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 has always been striving to introduce new product with innovation.

The Company's management at all levels is looking at the future and fully aware of 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 achieve the international standards, 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 9, 11 and 16 to the annexed audited accounts.

STAFF RETIREMENT BENEFIT

The Company 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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

PATTERNS OF SHAREHOLDING

A statement of the patterns of shareholding as on June 30, 2011 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 5 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	5
Mr. Anwaar Ahmad Khan	5
Mr. Aftab Ahmad Khan	5
Mrs. Reema Anwaar	5
Mrs. Ayesha Aftab	5
Mr. Junaid Ghani	3
Mr. Obaid Ghani	5
Mr. Jubair Ghani	5

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, 2012, 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" (Sallalloho-Alaie-Wasallam)

For and on behalf of the Board

Lahore: October 5, 2011

AFTAB AHMAD KHAN
Chief Executive Officer

GHANI AUTOMOBILE INDUSTRIES LIMITED

PATTERN OF SHAREHOLDING OF SHARES HELD BY THE SHAREHOLDERS OF GHANI AUTOMOBILE INDUSTRIES LIMITED AS AT JUNE 30, 2011

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
115	1	100	5,801
537	101	500	256,700
170	501	1,000	165,673
195	1,001	5,000	547,797
47	5,001	10,000	381,530
19	10,001	15,000	252,629
9	15,001	20,000	159,655
8	20,001	25,000	184,501
4	25,001	30,000	113,999
2	30,001	35,000	65,449
4	45,001	50,000	193,396
1	55,001	60,000	57,000
4	95,001	100,000	396,898
3	100,001	105,000	310,001
1	105,001	110,000	105,500
2	110,001	115,000	227,853
1	120,001	125,000	121,021
1	185,001	190,000	190,000
1	195,001	200,000	200,000
1	230,001	235,000	234,000
1	360,001	365,000	362,800
1	900,001	905,000	903,800
1	990,001	995,000	994,378
1	1,070,001	1,075,000	1,073,200
1	1,420,001	1,425,000	1,422,289
1	1,685,001	1,690,000	1,685,600
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
1135			20,000,000

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	13,061,630	65.3082%
Associated Companies, undertakings and related parties.	0	0.0000%
NIT and ICP	7,300	0.0365%
Banks Development	0	0.0000%
Financial Institutions, Non Banking Financial Institutions.		
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	0	0.0000%
General Public		
a. Local	6,594,362	32.9718%
b. Foreign		
Others (to be specified)		
Joint Stock Companies	236,708	1.1835%
Charitable Trust	100,000	0.5000%

GHANI AUTOMOBILE INDUSTRIES LIMITED

INFORMATION UNDER CLAUSE XIX (I) OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2011

S. No. NAME	HOLDING
<u>ASSOCIATED COMPANIES</u>	
	NIL

NIT & ICP

1	INVESTMENT COPPORATION OF PAKISTAN	7,300
		7,300

DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN

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)	1,685,600
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
		13,049,630

JOINT STOCK COMPANIES

1	AJ GROUP LIL HAJWAL UMMRAH SERVICE (PVT) LTD. (CDC)	100,001
2	BEAMING INVEST & SECURITIES (PVT.) LTD. (CDC)	303
3	CAPITAL VISION SECURITIES (PVT) LIMITED (CDC)	9,500
4	DARSON SECURITIES (PVT) LIMITED (CDC)	3,000
5	DARSON SECURITIES (PVT) LIMITED (CDC)	1,000
6	EXCEL SECURITIES (PVT.) LTD. (CDC)	1,000
7	ISMAIL ABDUL SHKOOR SECURITIES (PRIVATE) LIMITED (CDC)	2,000
8	MAZHAR HUSSAIN SECURITIES (PVT) LIMITED (CDC)	21,500
9	MONEY LINE SECURITIES (PVT.) LTD. (CDC)	30,899
10	MSMANIAR FINANCIALS (PVT) LIMITED (CDC)	10,000
11	N.H. CAPITAL FUND LIMITED. (CDC)	5
12	SAZ CAPITAL SECURITIES (PVT.) LTD. (CDC)	25,000
13	SAKARWALA CAPITAL SECURITIES (PVT.) LTD. (CDC)	10,000
14	SNM SECURITIES (PVT.) LTD. (CDC)	20,000
15	TIME SECURITIES (PVT) LIMITED (CDC)	2,500
		236,708

GHANI AUTOMOBILE INDUSTRIES LIMITED

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

NIL

SHARES HELD BY THE GENERAL PUBLIC

6,606,362

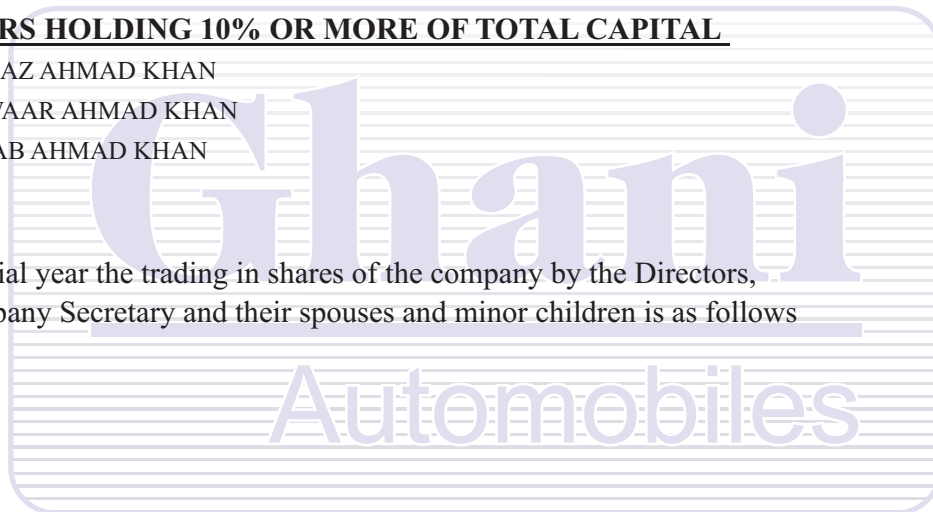
20,000,000

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

NIL



GHANI AUTOMOBILE INDUSTRIES LIMITED

SIX YEARS AT GLANCE

(Rupees in million)

	2011	2010	2009	2008	2007	2006 (Restated)
Production (Nos.)	14,062	12,452	7,028	8,315	2,846	-
Sales	429.162	381.699	230.005	245.142	130.018	44.358
Gross profit	30.274	28.813	3.650	33.879	12.169	0.514
Net profit / (loss)	3.092	23.833	(42.164)	1.135	(39.426)	0.800
Earning per share	0.15	1.19	(2.11)	0.06	(3.38)	0.08
Dividend %	-	-	-	-	-	4
Current assets	434.212	363.800	286.847	327.938	109.376	56.873
Current liabilities	390.032	313.615	243.419	239.441	15.898	21.622
Un-appropriated profit / (loss)	(85.505)	(88.597)	(112.430)	(70.265)	(71.400)	(31.974)
Share holders equity	114.495	111.403	87.570	129.734	128.599	68.026

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 and five non-executive director.
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.
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 the 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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

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. The committee comprises of three members, two of them are non-executive directors (including its 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 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 Behalf of the Board of Directors

Imtiaz Ahmad Khan
Director

Aftab Ahmad Khan
Chief Executive Officer

Lahore: October 05, 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** 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 2011.

HASSAN FAROOQ AND COMPANY
(Chartered Accountants)

ENGAGEMENT PARTNER : Tariq Aleem

Lahore: October 5, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements of **GHANI AUTOMOBILE INDUSTRIES LIMITED** which comprise the statement of financial position as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, statement of cash flows 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, 2011 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).

HASSAN FAROOQ AND COMPANY

(Chartered Accountants)

ENGAGEMENT PARTNER: Tariq Aleem

Lahore: October 5, 2011

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2011

	NOTE	June 30, 2011 Rupees	June 30, 2010 Rupees
EQUITY & LIABILITIES			
Share capital and reserves			
Authorized share capital 20,000,000 Ordinary shares of Rs 10/- each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital	5	<u>200,000,000</u>	200,000,000
Accumulated loss		<u>(85,505,419)</u>	<u>(88,597,269)</u>
		114,494,581	111,402,731
Non-current liabilities			
Long term financing	6	3,600,000	7,200,000
Current liabilities			
Current portion of long term musharaka		3,600,000	3,600,000
Short term borrowing	7	105,237,296	85,393,703
Loan from sponsors	8	80,605,000	78,985,000
Creditors, accrued and other liabilities	9	196,298,252	143,612,263
Provision for taxation	10	4,291,618	2,024,146
		390,032,166	313,615,112
Contingencies and commitments	11	-	-
Total equity and liabilities		<u>508,126,747</u>	<u>432,217,843</u>
ASSETS			
Non-current assets			
Property , plant and equipment	12	46,948,906	50,434,279
Security deposits		667,386	642,386
Deferred tax	13	26,298,848	17,341,206
Current assets			
Stores, spares and loose tools		726,690	412,870
Stock in trade	14	121,505,061	85,041,708
Trade debts	15	201,016,722	177,021,704
Advances and other receivables	16	83,012,266	75,131,600
Cash and bank balances	17	27,950,868	26,192,090
		434,211,607	363,799,972
Total assets		<u>508,126,747</u>	<u>432,217,843</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

GHANI AUTOMOBILE INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	NOTE	June 30, 2011 Rupees	June 30, 2010 Rupees
Sales - Net	18	429,161,758	381,699,290
Cost of sales	19	398,887,578	352,886,548
Gross profit		30,274,180	28,812,742
Administrative expenses	20	(16,707,133)	(12,990,336)
Distribution and marketing expenses	21	(17,064,293)	(15,196,934)
Other expenses	22	-	(596,109)
		(33,771,426)	(28,783,379)
Other operating income	23	17,000,000	23,130,000
Operating profit before finance costs		13,502,754	23,159,363
Finance cost	24	(15,076,928)	(14,643,513)
(Loss) / Profit before taxation		(1,574,174)	8,515,850
Taxation	25	4,666,024	15,317,060
Profit after taxation		3,091,850	23,832,910
Earning Per Share - Basic	26	0.15	1.19

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

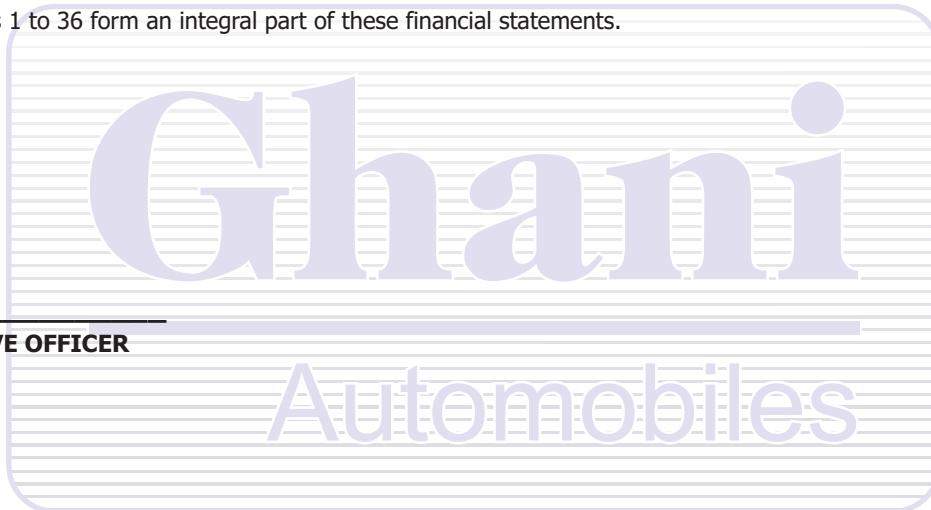
DIRECTOR

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011 Rupees	June 30, 2010 Rupees
Profit and loss account	3,091,850	23,832,910
Other comprehensive income	-	-
Total comprehensive income	3,091,850	23,832,910

The annexed notes 1 to 36 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER

DIRECTOR

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	<u>Share Capital</u> <u>Capital</u> <u>Rupees</u>	<u>Accumulated</u> <u>Loss</u> <u>Rupees</u>	<u>Total</u> <u>Rupees</u>
Balance as on June 30, 2009	200,000,000	(112,430,179)	87,569,821
Profit for the year	-	23,832,910	23,832,910
Balance as on June 30, 2010	<u>200,000,000</u>	<u>(88,597,269)</u>	<u>111,402,731</u>
Profit for the year	-	3,091,850	3,091,850
Balance as on June 30, 2011	<u>200,000,000</u>	<u>(85,505,419)</u>	<u>114,494,581</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

Ghani

Automobiles

CHIEF EXECUTIVE OFFICER

DIRECTOR

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2011

	NOTE	June 30, 2011 Rupees	June 30, 2010 Rupees
Net cash outflows from operating activities	27	(15,893,940)	(31,022,022)
Cash flows from investing activities			
Security deposits		(25,000)	(123,900)
Acquisition of fixed assets		(185,875)	(88,580)
Net cash outflows from investing activities		(210,875)	(212,480)
Cash flow from financing activities			
Musharaka financing repaid		(3,600,000)	(3,600,000)
Morabaha financing received		19,843,593	10,363,716
Loan from sponsors		1,620,000	42,060,000
Net cash inflows from financing activities		17,863,593	48,823,716
Net increase in cash and cash equivalents		1,758,778	17,589,214
Cash and cash equivalents at the beginning of the year		26,192,090	8,602,876
Cash and cash equivalents at the end of the year		27,950,868	26,192,090

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1 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 engaged 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 BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention

2.2 Statement of compliance

These financial statements have been prepared 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 Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.3 Basis of accounting

These financial statements have been prepared under the accrual basis of Accounting

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, 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 judgments 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 on-going 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.

Judgments 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:

- Useful lives of property, plant and equipment
- Taxation

3 AMENDMENTS / INTERPRETATION TO EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

Following are the standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in the current year. These will be effective from the dates mentioned below.

IFRS 7 disclosures on the transfers of financial assets (amendments)	July 01, 2012
IFRS 9 Financial Instruments	July 01, 2013
IFRS 13 Fair Value Measurement	July 01, 2013
IAS 1 Presentation of financial statements (amendments)	July 01, 2011
IAS 12 Income Taxes (amended)	July 01, 2012
IAS 24 Related party disclosures (revised)	July 01, 2011

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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 12. 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.

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 equipment with a corresponding affect on the depreciation charge and impairment.

4.2 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. Impairment loss is recognized for the amount by which the carrying value of asset exceeds the recoverable amount. Impairment loss is charged to profit and loss account in the period it is recognized.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying value that should have been had the impairment loss not been recognized.

4.3 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

4.4 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

4.5 Stock in trade

Stock of raw materials, work-in-process and finished goods, except 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 estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management's estimate.

4.6 Trade debts

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

4.7 Revenue recognition

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

4.8 Related party transactions

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

4.9 Employee benefits

4.9.1 Post retirement benefits - Provident fund

The Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Company and its employees. Obligation for contributions to the fund are recognized as an expense in the profit and loss account when they are due.

4.10 Taxation

4.10.1 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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

4.10.2 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 utilized.

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.

4.11 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.

4.12 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.

4.13 Borrowing cost

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 profit.

4.14 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.

4.15 Cash and cash equivalents

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

4.16 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.

		June 30, 2011 Rupees	June 30, 2010 Rupees
5	ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
	19,250,000 (2010: 19,250,000) ordinary shares of Rupees 10 each fully paid in cash	192,500,000	192,500,000
	250,000 (2010: 250,000) ordinary shares of Rupees 10 each fully paid other than cash	2,500,000	2,500,000
	500,000 (2010: 500,000) ordinary shares of Rupees 10 each issued as bonus shares	5,000,000	5,000,000
		<u>200,000,000</u>	<u>200,000,000</u>
6	LONG TERM FINANCING		
	Diminishing Musharaka Financing	7,200,000	10,800,000
	Less : Current portion	3,600,000	3,600,000
		<u>3,600,000</u>	<u>7,200,000</u>

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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

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.

7	SHORT TERM BORROWING	June 30, 2011	June 30, 2010
		Rupees	Rupees
	Morabaha from Soneri Bank Limited	7.1	84,961,000
	Morabaha from Habib Metropolitan Bank Limited	7.2	432,703
	Morabaha from Burj Bank Limited	7.3	-
		105,237,296	85,393,703

7.1 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% (2010 : six months KIBOR plus 1.15%) . The liability is secured by equitable mortgage of Rs. 83.000 million over the Company's fixed assets i.e. Building, Machinery / Plant and land measuring 20 kanal and 8 marlas 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 and personal guarantees of directors of the Company.

7.2 Morabaha facility availed from Habib Metropolitan Bank Limited with maximum limit of Rupees 10.000 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.

7.3 Morabaha facility availed from Burj Bank Limited (formerly Dawood Islamic Bank Limited), carries a maximum limit of Rs 50.000 Million at profit rate of Deposit Rate plus 1% (2010 : Deposit Rate plus 1%). The facility is secured by 110% Cash Deposit in Burj Bank Limited savings account of Mr Anwar Ahmed Khan and Mr Aftab Ahmed Khan under a perfected lien of Burj Bank Limited.

8	LOAN FROM SPONSORS	80,605,000	78,985,000
	This represents an unsecured, interest free loan obtained from directors of the Company		
9	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Creditors:		
	Trade	79,544,721	61,319,271
	Others	27,458,934	3,987,312
		107,003,655	65,306,583
	Advances from customers	63,181,425	61,668,279
	Accrued expenses and other liabilities	22,251,047	12,098,881
	Income tax deducted at source	3,252,379	3,135,997
	Un-claimed Dividend	609,746	609,746
	Sales Tax Payable	-	792,777
		196,298,252	143,612,263

10 PROVISION FOR TAXATION

Provision for taxation has been calculated as 1% (2010: 0.5%) of sales under section 113 of the Income Tax Ordinance, 2001

11 CONTINGENCIES AND COMMITMENTS

Contingencies

11.1 There is a contingent liability of Rupees 1,727,290 (2010: Rupees 1,727,290) in respect of income tax for assessment up to 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.

11.2 The Punjab Employees Social Security Institution has raised a demand of Rupees 2,245,057/- (2010: 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.

11.3 The Company has given bank guarantee of Rupees 729,000 (2010: Rupees 729,000/-) to WAPDA.

Commitments

11.4 Letter of credit in transit other than capital expenditure are Rupees 30,096,132/- (2010: Rupees 33,240,582/-).

12 **PROPERTY, PLANT AND EQUIPMENT**

Description	Freehold land	Building on freehold land	Plant and machinery	Furniture and fixture	Loose tools	Electric equipment	Electric installation	Computers	Vehicles	Total
Net carrying value as at July 1, 2010										
Opening net book value (NBV)	14,932,180	21,078,741	10,524,941	625,960	768,572	490,054	936,564	327,581	749,686	50,434,279
Additions / transfers	-	-	-	65,000	-	2,250	-	118,625	-	185,875
Disposals	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	2,107,874	1,052,494	66,596	76,857	49,024	46,828	121,638	149,937	3,671,248
Balance as at June 30, 2011 (NBV)	14,932,180	18,970,867	9,472,447	624,364	691,715	443,280	889,736	324,568	599,749	46,948,906
Gross carrying value as at June 30, 2011										
Cost	14,932,180	37,832,645	14,650,519	1,407,111	1,275,576	975,883	1,561,114	789,145	1,960,129	75,384,302
Accumulated depreciation	-	18,861,778	5,178,072	782,747	583,861	532,603	671,378	464,577	1,360,380	28,435,396
Net book value	14,932,180	18,970,867	9,472,447	624,364	691,715	443,280	889,736	324,568	599,749	46,948,906

GHANI AUTOMOBILE INDUSTRIES LIMITED

13	DEFERRED TAX	June 30, 2011 Rupees	June 30, 2010 Rupees
	The deferred tax assets comprises temporary differences relation to:		
	Accelerated tax depreciation	(5,502,524)	(6,013,971)
	Minimum Tax u/s 113	3,784,299	3,991,822
	Asset due to foreseeable future profits	28,017,073	19,363,355
		26,298,848	17,341,206
	Deferred tax asset 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. 14,327,675 million (2010:42.488 million), as sufficient profits will not be available to set these off in the foreseeable future. Tax losses amounting to Rs. 53.190 million, Rs. 1.472 million and Rs. 42.409 million are due to expire in year 2013, 2014, 2015, respectively.		
14	STOCK IN TRADE		
	Raw material	88,914,870	58,954,985
	Work in process	13,924,988	13,683,669
	Finished stock	18,665,203	12,403,054
		121,505,061	85,041,708
15	Trade Debts		
	These are unsecured but considered good. Trade debts are against sale of automobiles		
16	ADVANCES AND OTHER RECEIVABLES		
	Advances - unsecured but considered good:		
	Advances to suppliers of goods and services	33,606,540	27,081,094
	Advances to employees	3,347,807	3,151,874
	Advance income tax	14,318,793	11,658,050
	Letters of credit	30,096,132	33,240,582
	Sales tax refundable	1,642,994	-
		83,012,266	75,131,600
17	CASH AND BANK BALANCES		
	Cash in hand	653,419	5,353,714
	Cash at bank - in current accounts	27,297,449	20,838,376
		27,950,868	26,192,090
18	SALES		
	Local Sales	505,797,861	446,986,384
	Sales of spares parts	18,078	9,624
		505,815,939	446,996,008
	Less: Sales tax	76,654,181	64,946,718
	Sales returns	-	350,000
		76,654,181	65,296,718
		429,161,758	381,699,290

GHANI AUTOMOBILE INDUSTRIES LIMITED

19	COST OF SALES		June 30, 2011 Rupees	June 30, 2010 Rupees
	Raw material consumed	Note 19.1	383,921,542	343,743,995
	Salaries, wages and benefits		11,466,090	9,703,855
	Store consumed		545,046	324,152
	Fuel and power		2,820,145	2,180,607
	Repair and maintenance		285,133	129,731
	Travelling and vehicle running		836,431	378,952
	Entertainment		389,772	162,987
	Communications and stationery		721,903	642,190
	Freight and handling		279,740	244,609
	Rent, rates and taxes		23,702	5,241
	Depreciation	Note 12.1	3,604,970	3,995,291
	Other expenses		496,572	461,404
			405,391,046	361,973,014
	Opening stock of work in process		13,683,669	10,213,567
	Closing stock of work in process		(13,924,988)	(13,683,669)
			(241,319)	(3,470,102)
	Opening stock of finished goods		12,403,054	6,786,690
	Closing stock of finished goods		(18,665,203)	(12,403,054)
			(6,262,149)	(5,616,364)
			398,887,578	352,886,548
19.1	Raw material consumed			
	Opening balance		58,954,985	39,177,412
	Local purchases		302,413,222	259,419,229
	Import purchases		111,468,205	104,102,339
	Closing stock		(88,914,870)	(58,954,985)
			383,921,542	343,743,995
20	ADMINISTRATIVE EXPENSES			
	Staff Salaries benefits		12,797,659	9,318,616
	Travelling and vehicle running		186,728	402,320
	Entertainment		439,841	448,002
	Repair and maintenance		14,350	25,843
	Communications and stationery		822,449	572,042
	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		1,673,319	1,246,678
	Ijarah rental on vehicles	(Note 20.1)	574,147	774,218
	Miscellaneous expenses		46,140	50,117
			16,707,133	12,990,336
20.1	Total future ijarah payments			
	Not later than one year		-	580,023
	Not later than five year		-	-
			-	580,023
21	DISTRIBUTION AND MARKETING EXPENSES			
	Salaries, wages and benefits		8,435,490	6,784,488
	Travelling and vehicle running		2,544,798	1,923,130
	Entertainment		1,207,263	203,861
	Advertising and sales promotion		2,150,555	3,225,289
	Rent, rates and taxes		236,000	360,377
	Communications and stationery		615,059	582,845
	Insurance expenses		254,988	676,428
	Freight and handling		573,956	332,176
	Depreciation	(Note12.1)	66,278	82,849
	Ijarah rental on vehicles	(Note21.1)	812,775	986,278
	Other expenses		167,131	39,213
			17,064,293	15,196,934

GHANI AUTOMOBILE INDUSTRIES LIMITED

		June 30, 2011 Rupees	June 30, 2010 Rupees
21.1	Total future ijarah payments		
	Not later than one year	509,336	719,523
	Not later than five years	128,303	639,310
		637,639	1,358,833
22	OTHER EXPENSES		
	Workers' profit participation fund	-	425,792
	Workers' welfare fund	-	170,317
		-	596,109
23	OTHER OPERATING INCOME		
	Freight on delivery of goods is charged to customers and dealers from January 1, 2010.		
24	FINANCE COST		
	Diminishing musharaka financing	1,268,518	1,730,805
	Morabaha financing	13,202,479	12,390,354
	Bank charges	605,931	522,354
		15,076,928	14,643,513
25	TAXATION		
	Current	(4,291,618)	(2,024,146)
	Deferred	8,957,642	17,341,206
		4,666,024	15,317,060
26	EARNING PER SHARE - Basic		
	Profit after tax - Rupees	3,091,850	23,832,910
	Weighted average number of shares	20,000,000	20,000,000
	Earning per share restated - Rupees	0.15	1.19
27	CASH FLOWS FROM OPERATING ACTIVITIES		
	(Loss) / Profit for the year before tax	(1,574,174)	8,515,850
	Adjustment for non cash and other items:		
	Depreciation	3,671,248	4,078,140
	Financial charges	15,076,928	14,643,513
	Workers' profit participation fund and Workers' welfare fund	-	596,109
		18,748,176	19,317,762
	Operating profit before working capital changes	17,174,002	27,833,612
	Working capital changes (Note27.1)	(11,011,277)	(41,015,720)
	Finance cost paid	(15,104,304)	(14,510,681)
	Taxes paid	(6,952,361)	(3,329,233)
	Net cash outflows from operating activities	(15,893,940)	(31,022,022)
27.1	Working capital changes		
	Increase in current assets		
	Store, spares and loose tools	(313,820)	14,474
	Stock in trade	(36,463,353)	(16,615,493)
	Trade debtors	(23,995,018)	(30,841,585)
	Advances and other receivables	(928,304)	(8,592,086)
		(61,700,495)	(56,034,690)
	Increase in current liabilities		
	Creditors, accrued and other liabilities	50,689,218	15,018,970
		(11,011,277)	(41,015,720)

GHANI AUTOMOBILE INDUSTRIES LIMITED

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

	Chief Executive		Director		Total	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Managerial remuneration	2,851,200	2,592,000	5,702,400	5,184,000	8,553,600	7,776,000
House rent	1,283,040	1,166,400	2,566,080	2,332,800	3,849,120	3,499,200
Utilities	285,120	259,200	570,240	518,400	855,360	777,600
Traveling expenses	190,080	172,800	380,160	345,600	570,240	518,400
Medical	142,560	129,600	285,120	259,200	427,680	388,800
	4,752,000	4,320,000	9,504,000	8,640,000	14,256,000	12,960,000
Number of persons	1	1	2	2	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.

29 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:

Name of related party	Nature of transaction	June 30, 2011 Rupees	June 30, 2010 Rupees
Ghani glass limited	Sale of motorcycles	-	152,000
Anwar Ahmed Khan (director), Aftab Ahmed Khan (director), Obaid Ghani (spouse) and Junaid Ghani (spouse)	2.913 million Shares of M/s ghani glass limited have been pledged against morabha facility availed by the Company from Soneri bank limited. These shares are valued at Rs 150.000 million.		
Mr Anwar Ahmed Khan and Mr Aftab Ahmed Khan (directors)	Cash deposit of 110% (2010: nil) of morabaha facility availed from Burj Bank Limited. Cash is deposited in savings account of Mr Anwar Ahmed Khan and Mr Aftab Ahmed Khan with Burj Bank Limited. The bank has lien on the deposited amount.		
		25,000	25,000
		14,062	12,452
Actual production is lower than the maximum production capacity due to energy crisis in the Country			
		114	105

30 CAPACITY AND UTILIZATION

Production capacity	25,000	25,000
Actual production	14,062	12,452

Actual production is lower than the maximum production capacity due to energy crisis in the Country

31 NUMBER OF EMPLOYEES

Number of employees at year end	114	105
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32 FAIR VALUE OF FINANCIAL ASSETS AND 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.

32.1 Financial instruments and related disclosure

Description	Interest/Mark-up Bearing		Non Interest/Mark-up Bearing		Total 2011	Total 2010
	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	Rupees	Rupees	Rupees
Financial Assets						
Security Deposits	-	-	-	667,386	667,386	518,486
Trade Debtors	-	-	201,016,722	-	201,016,722	177,021,704
Advances and Other Receivables	-	-	83,012,266	-	83,012,266	75,131,600
Cash and Bank Balances	-	-	27,950,868	-	27,950,868	26,192,090
Year 2011	-	-	311,979,856	667,386	312,647,242	278,863,880
Year 2010	-	-	278,345,394	642,386	278,987,780	-
Financial liabilities						
Diminishing Musharaka	3,600,000	3,600,000	-	-	7,200,000	10,800,000
Morabaha-Soneri Bank Limited	84,968,800	-	-	-	84,968,800	84,961,000
Morabaha-Habib Metropolitan Bank Limited	9,689,128	-	-	-	9,689,128	432,703
Morabaha-Burj Bank Limited	10,579,368	-	-	-	10,579,368	-
Ijarah Payments	-	-	509,336	128,303	637,639	1,938,856
Loan from Sponsors	-	-	80,605,000	-	80,605,000	78,985,000
Creditors, Accrued and Other Liabilities	-	-	196,298,252	-	196,298,252	145,636,409
Year 2011	108,837,296	3,600,000	277,412,588	128,303	389,978,187	322,753,968
Year 2010	88,993,703	7,200,000	225,920,955	639,310	322,753,968	-

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

33 FINANCIAL RISK MANAGEMENT

33.1 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties 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 customers' 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.

33.2 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.

33.3 Currency risk

Company obtains forward cover to manage material foreign currency risk, if considered necessary. However, the

33.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The

33.5 Yield risk

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

34 EVENTS AFTER BALANCE SHEET DATE

There are no subsequent events occurring after the balance sheet date

35 DATE OF AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors on October 5, 2011

36 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR

GHANI AUTOMOBILE INDUSTRIES LIMITED

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 24th ANNUAL GENERAL MEETING of the members of the Company to be held on Thursday October 27, 2011 at 09:30 A.M at Avari Hotel, The Mall, Lahore and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2011

Witness's Signature

Signature _____

Name: _____

Address: _____

Signature and
Revenue Stamp

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.



The Power of Perfection



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