



The Power of Perfection

ANNUAL
REPORT

| | |
|---|---|
| 2 | 0 |
| 1 | 2 |

GHANI AUTOMOBILE INDUSTRIES LIMITED

www.ghaniautomobiles.com

GHANI AUTOMOBILE INDUSTRIES LIMITED

CONTENTS

| | |
|---------------------------------------|----|
| Corporate Information | 2 |
| Mission and Vision | 3 |
| Notice of Annual General Meeting | 4 |
| Directors' Report | 5 |
| Pattern of Share Holdings | 8 |
| Six Years at Glance | 10 |
| Statement of Compliance | 11 |
| Auditors' Review on Compliance Report | 14 |
| Auditors' Report | 15 |
| Balance Sheet | 16 |
| Profit and Loss Account | 17 |
| Statement of Comprehensive Income | 18 |
| Cash Flow Statement | 19 |
| Statement of Changes in Equity | 20 |
| Notes to the Financial Statements | 21 |
| Form of Proxy | |

GHANI AUTOMOBILE INDUSTRIES LIMITED

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 Member Member |
| HR & R COMMITTEE | Anwaar Ahmad Khan Ayesha Aftab Obaid Ghani | Chairman Member Member |
| 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 : info@ghaniautomobiles.com http://www.ghaniautomobiles.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
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

GHANI AUTOMOBILE INDUSTRIES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 25th Annual General Meeting of the members of **GHANI AUTOMOBILE INDUSTRIES LIMITED** will be held on Saturday October 6, 2012 at 11:30 a.m., at Hospitality Inn (*formerly Holiday Inn*) Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of last Annual General Meeting held on October 27, 2011.
2. To receive, consider and adopt the audited annual accounts of **GHANI AUTOMOBILE INDUSTRIES LIMITED** for the year ended June 30, 2012 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for 2013 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 12, 2012

Hafiz Mohammad Imran Sabir
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from September 30, 2012 to October 6, 2012 (both days inclusive). Members whose names appear on the register of members as at the close of business on September 28, 2012 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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

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, 2012.

FINANCIAL PERFORMANCE

The operating results of your company for the year ended June 30, 2012 under review are summarized as follows:

| | 2011 | 2012 |
|----------------------------------|-------------------|----------|
| | (Rupees in '000') | |
| Sales Net | 429,162 | 367,740 |
| Gross Profit / (loss) | 30,274 | (19,117) |
| Profit / (loss) after taxation | 3,092 | (41,314) |
| Earning / loss per share – Basic | 0.15 | (2.07) |

The year under review faced natural calamity of floods like previous year which adversely effected the revival of the economy. Severe damage to crops, infrastructure and human settlement was caused by these unprecedented floods in Southern Pakistan, the Sindh Province and adjoining areas of Northern Baluchistan. The performance of your Company has also been adversely affected by these devastating floods and Net Sales of the Company declined resulting in negative margins. Considering the above said natural catastrophe along with the on-going fuel & energy shortages and sharp increase in prices, increasing cost of production by rising inflations, continued economic volatility, the Company showed improved performance during the last quarter of FY11.

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.

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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

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 7, 8 and 12 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.

CODE OF CONDUCT

Code of Conduct in line with the future outlook of the company has been developed and communicated to all the employees of the company.

PATTERNS OF SHAREHOLDING

A statement of the patterns of shareholding as on June 30, 2012 is attached in the prescribed form as required under Code of Corporate Governance. The directors, chief executive office, chief financial

GHANI AUTOMOBILE INDUSTRIES LIMITED

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 4 meetings of the Board of Directors and the Audit Committee were held during the period of one year, from July 01, 2011 to June 30, 2012. The attendance record of Board members was as follows:

| Name of Directors | Board Meetings Attended | Audit Committee Meetings Attended |
|-----------------------|-------------------------|-----------------------------------|
| Mr. Imtiaz Ahmad Khan | 4 | - |
| Mr. Anwaar Ahmad Khan | 4 | 4 |
| Mr. Aftab Ahmad Khan | 4 | - |
| Mrs. Reema Anwaar | 4 | - |
| Mrs. Ayesha Aftab | 4 | 4 |
| Mr. Junaid Ghani | 4 | - |
| Mr. Obaid Ghani | 4 | - |
| Mr. Jubair Ghani | 4 | 4 |

AUDITORS

The present auditors 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, 2013, 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



Aftab Ahmad Khan
Chief Executive Officer

Lahore: September 12, 2012

GHANI AUTOMOBILE INDUSTRIES LIMITED

PATTERN OF SHAREHOLDING

OF SHARES HELD BY THE SHAREHOLDERS

OF GHANI AUTOMOBILE INDUSTRIES LIMITED AS AT JUNE 30, 2012

| No. of Shareholders | -----Shareholding----- | | Total Shares Held |
|---------------------|------------------------|-----------|-------------------|
| | From | To | |
| 146 | 1 | 100 | 6,824 |
| 528 | 101 | 500 | 251,530 |
| 162 | 501 | 1,000 | 158,236 |
| 182 | 1,001 | 5,000 | 517,901 |
| 53 | 5,001 | 10,000 | 439,745 |
| 19 | 10,001 | 15,000 | 247,369 |
| 8 | 15,001 | 20,000 | 144,147 |
| 10 | 20,001 | 25,000 | 222,001 |
| 5 | 25,001 | 30,000 | 141,499 |
| 1 | 30,001 | 35,000 | 35,000 |
| 1 | 35,001 | 40,000 | 39,657 |
| 4 | 45,001 | 50,000 | 193,396 |
| 2 | 55,001 | 60,000 | 114,500 |
| 3 | 95,001 | 100,000 | 296,898 |
| 2 | 100,001 | 105,000 | 205,500 |
| 0 | 105,001 | 110,000 | 0 |
| 2 | 110,001 | 115,000 | 226,782 |
| 1 | 120,001 | 125,000 | 121,021 |
| 0 | 185,001 | 190,000 | 0 |
| 0 | 195,001 | 200,000 | 0 |
| 1 | 230,001 | 235,000 | 234,000 |
| 1 | 280,001 | 285,000 | 280,899 |
| 1 | 295,001 | 300,000 | 299,998 |
| 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 | 2,530,001 | 2,535,000 | 2,532,574 |
| 1 | 2,535,001 | 2,540,000 | 2,537,975 |
| 1135 | | | 20,000,000 |

| Categories of shareholders | Share held | Percentage |
|---|------------|------------|
| Directors, Chief Executive Officers, and their spouse and minor children | 13,061,630 | 65.2482% |
| Associated Companies, undertakings and related parties. | 0 | 0.0000% |
| NIT and ICP | 7,300 | 0.0365% |
| Banks Development Financial Institutions, Non Banking Financial Institutions. | 0 | 0.0000% |
| Insurance Companies | 0 | 0.0000% |
| Modarabas and Mutual Funds | 0 | 0.0000% |
| General Public | | |
| a. Local | 6,569,665 | 32.8483% |
| b. Foreign | | |
| Others (to be specified) | | |
| Joint Stock Companies | 73,407 | 0.3670% |
| Charitable Trust | 299,998 | 1.5000% |

GHANI AUTOMOBILE INDUSTRIES LIMITED

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2012

| NAME | HOLDING |
|---|------------|
| <u>ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES</u> | |
| | NIL |
| <u>MUTUAL FUNDS</u> | |
| | NIL |
| <u>DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN</u> | |
| 1 MR. IMTIAZ AHMAD KHAN | 3,613,274 |
| 2 MR. ANWAAR AHMAD KHAN | 4,223,575 |
| 3 MR. AFTAB AHMAD KHAN | 4,310,481 |
| 4 MR. JUNAID GHANI (CDC) | 234,000 |
| 5 HAFIZ OBAID GHANI | 105,000 |
| 6 MR. JUBAIR GHANI | 500 |
| 7 MRS. REEMA ANWAAR | 100,000 |
| 8 MRS. AYESHA AFTAB | 100,000 |
| 9 MRS. RUBINA IMTIAZ. W/O IMTIAZ AHMED KHAN (CDC) | 362,800 |
| | 13,049,630 |
| <u>EXECUTIVES</u> | |
| | 1,051,378 |
| <u>PUBLIC SECTOR COMPANIES & CORPORATIONS</u> | |
| | NIL |
| <u>BANKS, DEVELOPMENTS FINANCE INSTITUTIONS, NON BANKING FINANCIE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS</u> | |
| | NIL |
| <u>SHAREHOLDERS HOLDING 5% OR MORE VOTING INTEREST IN THE LISTED COMPANY</u> | |
| 1 MR. IMTIAZ AHMAD KHAN | 3,613,274 |
| 2 MR. ANWAAR AHMAD KHAN | 4,223,575 |
| 3 MR. AFTAB AHMAD KHAN | 4,310,481 |
| 4 FAISAL JUNAID | 1,422,289 |
| 5 MR. MOHAMMAD SALIM LAKHANI (CDC) | 1,051,378 |

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)

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------|----------|---------|---------|----------|---------|----------|
| Production (Nos.) | 11,360 | 14,062 | 12,452 | 7,028 | 8,315 | 2,846 |
| Sales | 367.740 | 429.162 | 381.699 | 230.005 | 245.142 | 130.018 |
| Gross profit / (loss) | (19.117) | 30.274 | 28.813 | 3.650 | 33.879 | 12.169 |
| Net profit / (loss) | (41.314) | 3.092 | 23.833 | (42.164) | 1.135 | (39.426) |
| Earning per share | (2.07) | 0.15 | 1.19 | (2.11) | 0.06 | (3.38) |
| Current assets | 386.221 | 434.212 | 363.800 | 286.847 | 327.938 | 109.376 |
| Current liabilities | 380.506 | 390.032 | 313.615 | 243.419 | 239.441 | 15.898 |
| Share holders equity | 73.180 | 114.495 | 111.403 | 87.570 | 129.734 | 128.599 |

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2012

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 the directors representing minority independent directors on its Board of Directors. At present the Board includes:

| Name of the Director | Status |
|-----------------------|--------------------------|
| Mr. Imtiaz Ahmad Khan | Executive Director |
| Mr. Anwaar Ahmad Khan | Executive Director |
| Mr. Aftab Ahmad Khan | Executive Director |
| Mrs. Reema Anwaar | Non - Executive Director |
| Mrs. Ayesha Aftab | Non - Executive Director |
| Mr. Junaid Ghani | Non - Executive Director |
| Mr. Obaid Ghani | Non - Executive Director |
| Mr. Jubair Ghani | Non - Executive Director |

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There was no casual vacancy occurred on the Board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

GHANI AUTOMOBILE INDUSTRIES LIMITED

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, other executive and non-executive directors have been 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 meeting. The minutes of the meetings were appropriately recorded and circulated.
9. One of the Board members attended Board Development Series at Pakistan Institute of Corporate Governance during the year.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an audit committee. It comprises of three members, majority of them 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 formed an HR and Remuneration (HR & R) Committee. It comprises of three members majority of whom are non-executive directors.
18. 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.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the 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)

GHANI AUTOMOBILE INDUSTRIES LIMITED

guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrines in the Code of Corporate Governance have been complied with.



Imtiaz Ahmad Khan
Director

For and Behalf of the Board of Directors



Aftab Ahmad Khan
Chief Executive Officer

Lahore: September 12, 2012

GHANI AUTOMOBILE INDUSTRIES LIMITED

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 transactions 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 respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

HASSAN FAROOQ AND COMPANY
(Chartered Accountants)

ENGAGEMENT PARTNER: Tariq Aleem

Lahore: September 12, 2012

GHANI AUTOMOBILE INDUSTRIES LIMITED

AUDITOR'S 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, 2012 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, 2012 and of the loss, 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: September 12, 2012

GHANI AUTOMOBILE INDUSTRIES LIMITED

BALANCE SHEET AS AT JUNE 30, 2012

| | NOTE | 30 June 2012 Rupees | 30 June 2011 Rupees |
|--|------|------------------------|------------------------|
| EQUITY & LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized Share Capital 20,000,000 (2011: 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 | 3 | 200,000,000 | 200,000,000 |
| Accumulated losses | | <u>(126,819,784)</u> | <u>(85,505,419)</u> |
| | | 73,180,216 | 114,494,581 |
| NON CURRENT LIABILITIES | | | |
| Long Term Diminishing Musharaka Financing | 4 | - | 3,600,000 |
| CURRENT LIABILITIES | | | |
| Current portion of long term Musharaka | | 3,900,000 | 3,600,000 |
| Short term Bank Financing | 5 | 97,108,699 | 105,237,296 |
| Loan from sponsors | 6 | 80,605,000 | 80,605,000 |
| Creditors, accrued and other liabilities | 7 | 198,892,486 | 196,298,251 |
| Provision For Taxation | | - | 4,291,618 |
| | | 380,506,185 | 390,032,166 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 8 | - | - |
| | | <u>453,686,401</u> | <u>508,126,747</u> |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| PROPERTY, PLANT AND EQUIPMENT | | | |
| Property, plant and equipment | 9 | 43,698,818 | 46,948,906 |
| SECURITY DEPOSITS | | | |
| | | 667,386 | 667,386 |
| DEFERRED TAX | | | |
| | 10 | 23,098,848 | 26,298,848 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 604,560 | 726,690 |
| Stock in trade | 11 | 102,995,652 | 121,505,061 |
| Trade debtors - unsecured but considered good | | 196,240,945 | 201,016,722 |
| Advances and other receivables | 12 | 61,349,222 | 83,012,266 |
| Cash and bank balances | 13 | 25,030,970 | 27,950,868 |
| | | 386,221,349 | 434,211,607 |
| | | <u>453,686,401</u> | <u>508,126,747</u> |

The annexed notes 1 to 30 form an integral part of these financial statements



DIRECTOR



CHIEF EXECUTIVE OFFICER

GHANI AUTOMOBILE INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

| | NOTE | June 30, 2012 Rupees | June 30, 2011 Rupees |
|---|------|-------------------------|-------------------------|
| Sales | 14 | 367,740,103 | 429,161,758 |
| Cost of sales | 15 | 386,857,967 | 398,887,578 |
| Gross (loss) / profit | | (19,117,864) | 30,274,180 |
| OPERATING EXPENSES | | | |
| Administrative expenses | 16 | 10,090,043 | 16,707,133 |
| Distribution and marketing expenses | 17 | 16,560,080 | 17,064,293 |
| | | 26,650,123 | 33,771,426 |
| OPERATING (LOSS) | | (45,767,987) | (3,497,246) |
| OTHER INCOME | 18 | 22,494,000 | 17,000,000 |
| | | (23,273,987) | 13,502,754 |
| FINANCIAL CHARGES | 19 | 14,840,378 | 15,076,928 |
| (LOSS) BEFORE TAXATION | | (38,114,365) | (1,574,174) |
| TAXATION | | | |
| Current | 20 | - | (4,291,618) |
| Deferred | | (3,200,000) | 8,957,642 |
| | | (3,200,000) | 4,666,024 |
| (LOSS) / PROFIT AFTER TAXATION | | (41,314,365) | 3,091,850 |
| (Loss) / Earning Per Share - Basic | 21 | (2.07) | 0.15 |

The annexed notes 1 to 30 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE OFFICER

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2012

| | <u>June 30, 2012</u> Rupees | <u>June 30, 2011</u> Rupees |
|--|--------------------------------|--------------------------------|
| (LOSS) / PROFIT AFTER TAXATION | (41,314,365) | 3,091,850 |
| Other Comprehensive Income | - | - |
| TOTAL COMPREHENSIVE (LOSS) / INCOME | <u>(41,314,365)</u> | <u>3,091,850</u> |

The annexed notes 1 to 30 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

| | NOTE | June 30, 2012 Rupees | June 30, 2011 Rupees |
|--|-----------|-------------------------|-------------------------|
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 22 | 8,542,699 | (15,893,940) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Security deposits | | - | (25,000) |
| Acquisition of fixed assets | | (34,000) | (185,875) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | (34,000) | (210,875) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Musharaka financing repaid | | (3,300,000) | (3,600,000) |
| Morabaha financing (paid) / received | | (8,128,597) | 19,843,593 |
| Loan from sponsors | | - | 1,620,000 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | (11,428,597) | 17,863,593 |
| Net (decrease) / increase in cash and cash equivalents | | (2,919,898) | 1,758,778 |
| Cash and cash equivalents at the beginning of the year | | 27,950,868 | 26,192,090 |
| Cash and cash equivalents at the end of the year | | 25,030,970 | 27,950,868 |

The annexed notes 1 to 30 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

GHANI AUTOMOBILE INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

| | Share Capital Capital | Accumulated Loss Loss | Total |
|-----------------------------|--------------------------|--------------------------|--------------------|
| | Rupees | Rupees | Rupees |
| Balance as on June 30, 2010 | 200,000,000 | (88,597,269) | 111,402,731 |
| 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> |
| Loss for the year | - | (41,314,365) | (41,314,365) |
| Balance as on June 30, 2012 | <u>200,000,000</u> | <u>(126,819,784)</u> | <u>73,180,216</u> |

The annexed notes 1 to 30 form an integral part of these financial statements.



DIRECTOR



CHIEF EXECUTIVE OFFICER

GHANI AUTOMOBILE INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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 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 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

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 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.

2.5 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.

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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 Trade Debts

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

2.11 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.

2.12 Related Party Transactions

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

2.13 Employee Benefits

2.13.1 Defined Contribution Plan

Defined contribution plan is a post employment benefit plan for the Company Employees

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.

2.14 Taxation

2.14.1 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.

2.14.2 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.

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 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.

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.

GHANI AUTOMOBILE INDUSTRIES LIMITED

| 3 | ISSUED, SUBSCRIBED AND PAID UP CAPITAL | <u>June 30, 2012</u> <u>Rupees</u> | <u>June 30, 2011</u> <u>Rupees</u> |
|---|--|---------------------------------------|---------------------------------------|
| | 19,250,000 (2011: 19,250,000) ordinary shares of Rupees 10 each fully paid in cash | 192,500,000 | 192,500,000 |
| | 250,000 (2011: 250,000) ordinary shares of Rupees 10 each fully paid other than cash | 2,500,000 | 2,500,000 |
| | 500,000 (2011: 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> |
| 4 | LONG TERM DIMINISHING MUSHARAKA FINANCING | | |
| | Diminishing Musharaka Financing | 3,900,000 | 7,200,000 |
| | Less : Current portion | 3,900,000 | 3,600,000 |
| | | <u>-</u> | <u>3,600,000</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.(2011: 6 MONTH kibar PLUS 1%) 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 | 5.1 | 84,745,200 |
| | Morabaha from Habib Metropolitan Bank Limited | 5.2 | 9,949,684 |
| | Morabaha from Burj Bank Limited | 5.3 | 2,413,815 |
| | | | <u>97,108,699</u> |
| | | | <u>105,237,296</u> |

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% (2011 : 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 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 and personal guarantees of directors of the company.

GHANI AUTOMOBILE INDUSTRIES LIMITED

- 5.2 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.
- 5.3 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% (2011 : 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.

6 LOAN FROM SPONSORS

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

7 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors:

| | June 30, 2012 Rupees | June 30, 2011 Rupees |
|--|-------------------------|-------------------------|
| Trade | 74,090,711 | 79,544,721 |
| Import | 20,206,212 | - |
| Others | 25,217,051 | 27,458,934 |
| | 119,513,974 | 107,003,655 |
| Advances from customers | 62,967,544 | 63,181,425 |
| Accrued expenses and other liabilities | 9,969,060 | 22,251,047 |
| Income tax deducted at source | 4,333,396 | 3,252,379 |
| Un-claimed Dividend | 609,746 | 609,746 |
| Sales Tax Payable | 1,498,766 | - |
| | 198,892,486 | 196,298,252 |

8 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- 8.1 There is a contingent liability of Rupees 1,727,290 (2011: 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.
- 8.2 The Punjab Employees Social Security Institution has raised a demand of Rupees 2,245,057/- (2011: 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 (2011: Rupees 729,000/-) to WAPDA.

COMMITMENTS

- 8.4 Letter of credit in transit other than capital expenditure are Rupees 9,004,472/- (2011: Rupees 30,096,131/-).

9 PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Building on Freehold Land | Plant and Machinery | Furniture and Fixtures | Loose Tools | Electrical Equipment | Electrical Installation | Computers | Vehicles | Total Operating Assets |
|--------------------------------|---------------|---------------------------|---------------------|------------------------|-------------|----------------------|-------------------------|-----------|-------------|------------------------|
| RUPEES | | | | | | | | | | |
| As at 01 July 2010 | | | | | | | | | | |
| Cost | 14,932,180 | 37,832,645 | 14,650,519 | 1,342,111 | 1,275,576 | 973,633 | 1,561,114 | 670,520 | 1,960,129 | 75,198,427 |
| Accumulated depreciation | - | (16,753,904) | (4,125,578) | (716,151) | (507,004) | (483,579) | (624,550) | (342,939) | (1,210,443) | (24,764,148) |
| Net book value | 14,932,180 | 21,078,741 | 10,524,941 | 625,960 | 768,572 | 490,054 | 936,564 | 327,581 | 749,686 | 50,434,279 |
| Year ended 30 June 2011 | | | | | | | | | | |
| Opening net book value | 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 | - | - | - | 65,000 | - | 2,250 | - | 118,625 | - | 185,875 |
| Transfer | - | - | - | - | - | - | - | - | - | - |
| Depreciation | - | (2,107,874) | (1,052,494) | (66,596) | (76,857) | (49,024) | (46,828) | (121,638) | (149,937) | (3,671,248) |
| Closing 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 |
| As at 30 June 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 |
| Year ended 30 June 2012 | | | | | | | | | | |
| Opening 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 |
| Additions | - | - | - | 22,500 | - | 11,500 | - | - | - | 34,000 |
| Depreciation | - | (1,897,087) | (947,245) | (63,874) | (69,172) | (44,903) | (44,487) | (97,370) | (119,950) | (3,284,088) |
| Closing net book value | 14,932,180 | 17,073,780 | 8,525,202 | 582,990 | 622,543 | 409,877 | 845,249 | 227,198 | 479,799 | 43,698,818 |
| At 30 June 2012 | | | | | | | | | | |
| Cost | 14,932,180 | 37,832,645 | 14,650,519 | 1,429,611 | 1,275,576 | 987,383 | 1,561,114 | 789,145 | 1,960,129 | 75,418,302 |
| Accumulated depreciation | - | (20,758,865) | (6,125,317) | (846,621) | (653,033) | (577,506) | (715,865) | (561,947) | (1,480,330) | (31,719,484) |
| Net book value | 14,932,180 | 17,073,780 | 8,525,202 | 582,990 | 622,543 | 409,877 | 845,249 | 227,198 | 479,799 | 43,698,818 |
| Depreciation rate (%) | - | 10 | 10 | 10 | 10 | 10 | 5 | 30 | 20 | - |

| | 2012 Rupees | 2011 Rupees |
|----------------------------|------------------|------------------|
| Cost of sales | 3,231,064 | 3,604,970 |
| Distribution and marketing | 53,024 | 66,278 |
| | 3,284,088 | 3,671,248 |

9.1 The depreciation charge for the year has been as allocated follows:

Cost of sales
Distribution and marketing

GHANI AUTOMOBILE INDUSTRIES LIMITED

| 10 | DEFERRED TAX ASSET | June 30, 2012 | June 30, 2011 |
|----|--|----------------------|----------------------|
| | | Rupees | Rupees |
| | The deferred tax assets comprises temporary differences relation to: | | |
| | Accelerated tax depreciation | (4,915,798) | (5,502,524) |
| | Minimum Tax u/s 113 | 8,441,112 | 3,784,299 |
| | Asset due to foreseeable future profits | 19,573,534 | 28,017,073 |
| | | 23,098,848 | 26,298,848 |

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.41,331,149 million (2011:42,488 million), as sufficient profits will not be available to set these off in the foreseeable future. Tax losses amounting to Rs. 1.472 million, Rs. 42.409 million and Rs. 0.183 million are due to expire in year 2013, 2014, 2016, respectively.

| | | | |
|----|-----------------------|--------------------|--------------------|
| 11 | STOCK IN TRADE | | |
| | Raw material | 64,065,102 | 88,914,870 |
| | Work in process | 23,456,939 | 13,924,988 |
| | Finished stock | 15,473,611 | 18,665,203 |
| | | 102,995,652 | 121,505,061 |

| | | | |
|----|---|-------------------|-------------------|
| 12 | ADVANCES AND OTHER RECEIVABLES | | |
| | Advances - unsecured but considered good: | | |
| | Advances to suppliers of goods and services | 35,736,781 | 33,606,540 |
| | Advances to employees | 3,102,535 | 3,347,807 |
| | Advance income tax | 13,505,434 | 14,318,793 |
| | Letters of credit | 9,004,472 | 30,096,132 |
| | Sales tax refundable | - | 1,642,994 |
| | | 61,349,222 | 83,012,266 |

| | | | |
|----|------------------------------------|-------------------|-------------------|
| 13 | CASH AND BANK BALANCES | | |
| | Cash in hand | 516,507 | 653,419 |
| | Cash at bank - in current accounts | 24,514,463 | 27,297,449 |
| | | 25,030,970 | 27,950,868 |

| | | | |
|----|-----------------------|--------------------|--------------------|
| 14 | SALES | | |
| | Local Sales | 426,555,645 | 505,797,861 |
| | Sales of spares parts | 19,719 | 18,078 |
| | | 426,575,364 | 505,815,939 |
| | Less: Sales tax | 58,835,261 | 76,654,181 |
| | Sales returns | - | - |
| | | 58,835,261 | 76,654,181 |
| | | 367,740,103 | 429,161,758 |

GHANI AUTOMOBILE INDUSTRIES LIMITED

| 15 | COST OF SALES | | <u>June 30, 2012</u> Rupees | <u>June 30, 2011</u> Rupees |
|----|----------------------------------|-----------|--------------------------------|--------------------------------|
| | Raw material consumed | Note 15.1 | 374,061,493 | 383,921,542 |
| | Salaries, wages and benefits | | 10,053,732 | 11,466,090 |
| | Store consumed | | 830,964 | 545,046 |
| | Fuel and power | | 2,875,486 | 2,820,145 |
| | Repair and maintenance | | 341,335 | 285,133 |
| | Travelling and vehicle running | | 641,724 | 836,431 |
| | Entertainment | | 271,892 | 389,772 |
| | Communications and stationery | | 432,570 | 721,903 |
| | Freight and handling | | 254,690 | 279,740 |
| | Rent, rates and taxes | | 13,601 | 23,702 |
| | Depreciation | Note 9.1 | 3,231,064 | 3,604,970 |
| | Other expenses | | 189,775 | 496,572 |
| | | | <u>393,198,326</u> | <u>405,391,046</u> |
| | Opening stock of work in process | | 13,924,988 | 13,683,669 |
| | Closing stock of work in process | | (23,456,939) | (13,924,988) |
| | | | (9,531,951) | (241,319) |
| | Opening stock of finished goods | | 18,665,203 | 12,403,054 |
| | Closing stock of finished goods | | (15,473,611) | (18,665,203) |
| | | | 3,191,592 | (6,262,149) |
| | | | <u>386,857,967</u> | <u>398,887,578</u> |

| 15.1 | Raw Material Consumed | | <u>June 30, 2012</u> Rupees | <u>June 30, 2011</u> Rupees |
|------|-----------------------|--|--------------------------------|--------------------------------|
| | Opening balance | | 88,914,870 | 58,954,985 |
| | Local purchases | | 220,279,559 | 302,413,222 |
| | Import purchases | | 128,932,166 | 111,468,205 |
| | Closing stock | | (64,065,102) | (88,914,870) |
| | | | <u>374,061,493</u> | <u>383,921,542</u> |

| 16 | ADMINISTRATIVE EXPENSES | | <u>June 30, 2012</u> Rupees | <u>June 30, 2011</u> Rupees |
|----|--------------------------------|--|--------------------------------|--------------------------------|
| | Staff Salaries benefits | | 6,181,117 | 12,797,659 |
| | Travelling and vehicle running | | 458,032 | 186,728 |
| | Entertainment | | 533,097 | 439,841 |
| | Repair and maintenance | | 16,150 | 14,350 |
| | Communications and stationery | | 1,072,283 | 822,449 |
| | Auditor's 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 | | 1,599,403 | 1,673,319 |
| | Ijarah rental on vehicles | | - | 574,147 |
| | Miscellaneous expenses | | 77,461 | 46,140 |
| | | | <u>10,090,043</u> | <u>16,707,133</u> |

GHANI AUTOMOBILE INDUSTRIES LIMITED

| | | June 30, 2012 Rupees | June 30, 2011 Rupees |
|-------------|---|-------------------------|-------------------------|
| 17 | DISTRIBUTION AND MARKETING EXPENSES | | |
| | Salaries, wages and benefits | 5,559,105 | 8,435,490 |
| | Travelling and vehicle running | 3,326,316 | 2,544,798 |
| | Entertainment | 1,912,643 | 1,207,263 |
| | Advertising and sales promotion | 2,065,230 | 2,150,555 |
| | Rent, rates and taxes | 201,000 | 236,000 |
| | Communications and stationery | 922,888 | 615,059 |
| | Insurance expenses | 748,749 | 254,988 |
| | Freight and handling | 967,361 | 573,956 |
| | Depreciation | 53,024 | 66,278 |
| | Ijarah rental on vehicles | 501,634 | 812,775 |
| | Other expenses | 302,130 | 167,131 |
| | | 16,560,080 | 17,064,293 |
| 17.1 | Total Future Ijarah Payments | | |
| | Not later than one year | 128,303 | 509,336 |
| | Not later than five years | - | 128,303 |
| | | 128,303 | 637,639 |
| 18 | OTHER INCOME | | |
| | Freight on delivery of goods is charged to customers and dealers. | | |
| 19 | FINANCIAL CHARGES | | |
| | Diminishing musharaka financing | 774,570 | 1,268,518 |
| | Morabaha financing | 13,745,955 | 13,202,479 |
| | Bank charges | 319,853 | 605,931 |
| | | 14,840,378 | 15,076,928 |
| 20 | TAXATION | | |
| | Current Year Provision | - | (4,291,618) |
| | Deferred Tax Loss | (3,200,000) | 8,957,642 |
| | | (3,200,000) | 4,666,024 |
| 21 | EARNING PER SHARE - Basic | | |
| | (Loss) / profit after tax - Rupees | (41,314,365) | 3,091,850 |
| | Weighted average number of shares | 20,000,000 | 20,000,000 |
| | (Loss) / earnings per share - Rupees | (2.07) | 0.15 |

GHANI AUTOMOBILE INDUSTRIES LIMITED

| | June 30, 2012 Rupees | June 30, 2011 Rupees |
|---|-------------------------|-------------------------|
| 22 CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the year before tax | (38,114,365) | (1,574,174) |
| Adjustment for : | | |
| Depreciation | 3,284,088 | 3,671,248 |
| Financial charges | 14,840,378 | 15,076,928 |
| | 18,124,466 | 18,748,176 |
| Operating profit before working capital changes | (19,989,899) | 17,174,002 |
| (Increase) / decrease in current assets | | |
| Store, spares and loose tools | 122,130 | (313,820) |
| Stock in trade | 18,509,409 | (36,463,353) |
| Trade debtors | 4,775,777 | (23,995,018) |
| Advances and other receivables | 20,849,685 | (7,880,666) |
| | 44,257,001 | (68,652,857) |
| Increase in current liabilities | | |
| Creditors, accrued and other liabilities | 1,609,033 | 52,685,989 |
| | 25,876,135 | 1,207,134 |
| Financial charges paid | (13,855,177) | (14,510,681) |
| Taxes paid | (3,478,259) | (3,329,233) |
| Net cash flows from operating activities | 8,542,699 | (16,632,780) |

23 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

| | Chief Executive | | Director | | Total | |
|-------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012 Rupees | 2011 Rupees | 2012 Rupees | 2011 Rupees | 2012 Rupees | 2011 Rupees |
| Managerial remuneration | - | 2,592,000 | - | 5,184,000 | - | 7,776,000 |
| House rent | - | 1,166,400 | - | 2,332,800 | - | 3,499,200 |
| Utilities | - | 259,200 | - | 518,400 | - | 777,600 |
| Traveling expenses | - | 172,800 | - | 345,600 | - | 518,400 |
| Medical | - | 129,600 | - | 259,200 | - | 388,800 |
| | - | 4,320,000 | - | 8,640,000 | - | 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.

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 |
| | 150,000,000 | 150,152,000 |

25 CAPACITY AND UTILIZATION

| | | |
|---------------------|--------|--------|
| Production capacity | 25,000 | 25,000 |
| Actual production | 11,360 | 12,452 |

26 NUMBER OF EMPLOYEES

| | | |
|----------------------------------|----|-----|
| Number of employees at year end. | 95 | 105 |
|----------------------------------|----|-----|

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.

27.1 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

| Description | Interest/Mark-up Bearing | | Non Interest/Mark-up Bearing | | Total 2012 | Total 2011 |
|--|--------------------------|---|------------------------------|---|--------------------|--------------------|
| | 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 | - | - | - | 667,386 | 667,386 | 667,386 |
| Trade Debtors | - | - | 196,240,945 | - | 196,240,945 | 201,016,722 |
| Advances and Other Receivables | - | - | 61,349,222 | - | 61,349,222 | 83,012,266 |
| Cash and Bank Balances | - | - | 25,030,970 | - | 25,030,970 | 27,950,868 |
| Year 2012 | - | - | 282,621,137 | 667,386 | 283,288,523 | 312,647,242 |
| Year 2011 | - | - | 311,979,856 | 667,386 | 312,647,242 | - |
| Financial liabilities | | | | | | |
| Diminishing Musharaka | 3,900,000 | - | - | - | 3,900,000 | 7,200,000 |
| Morabaha-Soneri Bank Limited | 84,745,200 | - | - | - | 84,745,200 | 84,968,800 |
| Morabaha-Habib Metropolitan Bank Limited | 9,949,684 | - | - | - | 9,949,684 | 9,689,128 |
| Morabaha-Burj Bank Limited | 2,413,815 | - | - | - | 2,413,815 | 10,579,368 |
| Ijarah Payments | - | - | 128,303 | - | 128,303 | 637,639 |
| Loan from Sponsors | - | - | 80,605,000 | - | 80,605,000 | 80,605,000 |
| Creditors, Accrued and Other Liabilities | - | - | 198,892,486 | - | 198,892,486 | 196,298,252 |
| Year 2012 | 101,008,699 | - | 279,625,789 | - | 380,634,488 | 389,978,187 |
| Year 2011 | 108,837,296 | 3,600,000 | 277,412,588 | 128,303 | 389,978,187 | - |

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

GHANI AUTOMOBILE INDUSTRIES LIMITED

28 FINANCIAL RISK MANAGEMENT

28.1 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.

28.2 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.

28.3 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.

28.4 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.

28.5 Yield Risk

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

29 EVENTS AFTER THE BALANCE SHEET DATE

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

30 AUTHORIZATION TO ISSUE

These financial statements have been authorized for issuance by the Board of Directors of the Company on September 12, 2012.



DIRECTOR



CHIEF EXECUTIVE OFFICER

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 25th ANNUAL GENERAL MEETING of the members of the Company to be held on Saturday October 6, 2012 at 11:30 A.M at Hospitality Inn (formerly Holiday Inn), Lahore and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 2012

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

GHANI AUTOMOBILE INDUSTRIES LIMITED

Head Office:

40-L, Model Town Extension, Lahore, Pakistan.

UAN: +92-42-111 949 949

Fax: + 92-42-35172263

www.ghaniautomobiles.com

Corporate Office:

50-L, Model Town Extension, Lahore, Pakistan.

Tel: +92-42-35063585

Fax: +92-42-35160314