Ghani
Automobiles

The Power of Perfection

Annual Report 2014

Ghani Automobile Industries Limited

Contents

Corporate Information

BOARD OF DIRECTORS	Mr. Imtiaz Ahmad Khan	Chairman
	Mr. Anwaar Ahmad Khan	
	Mr. Aftab Ahmad Khan	Chief Executive Officer
	Mrs. Reema Anwaar	
	Mrs. Ayesha Aftab	
	Mr. Junaid Ghani	
	Mr. Obaid Ghani	
	Mr. Jubair Ghani	
	Ms. Zahra Aftab	
	Dr. Amjad Aqeel	
AUDIT COMMITTEE	Dr. Amjad Aqeel	Chairman
	Mrs. Ayesha Aftab	Member
	Mr. Jubair Ghani	Member
HR & R COMMITTEE	Mr. Anwaar Ahmad Khan	Chairman
	Mrs. Ayesha Aftab	Member
	Mr. Obaid Ghani	Member

COMPANY SECRETARY
Hafiz Mohammad Imran Sabir

CHIEF FINANCIAL OFFICER
Mr. 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 & REGISTERED 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

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)

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

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

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, 2014.

FINANCIAL PERFORMANCE

The operating results of your company for the year ended June 30, 2014 are summarized as follow:

	2014	2013
	(Rupees in '000')	
Sales Net	124,377	173,262
Gross Profit / (loss)	7,526	562
Profit / (loss) after taxation	(4,044)	(10,574)
Earning / (loss) per share	(0.20)	(0.53)

During the year under review, the management has attempted its best to achieve 100% collection & recovery and keep matching receivables of the company. In order to consolidate the overall position of the company, production has been kept at lower side as compared to the last year. Resultantly, Sales Revenue stood at Rupees 124 million as compared to Rupees 173 million for the last year. With the more conservative approach, the company has stepped forwarded towards improvement of its margins. The company has been able to record a gross profit of Rupees 7.5 million as compared to Rupees 0.6 million for the last year. Loss before tax has decreased to Rupees 4 million as compared to Rupees 10 million for the last year. During the year under review, the profitability of the company has been reduced due to the regulatory fees regarding increase in authorized capital and other allied fees of Stock Exchanges & CDC for issuance of right shares.

NATIONAL ECONOMY

During the year the economic indicators of Pakistan showed affirmative trend. Amid stronger Pak Rupee, single digit inflation and confidence of foreign investors, the economy restarted its journey towards improvement. Large-Scale Manufacturing Sector has recorded a growth of 5.31% as compared to 4.08% last year. Positive signals, particularly stabilizing foreign exchange reserves, appreciation of exchange rate, stability in prices despite heavy adjustments, remarkable industrial growth on account of improved energy supply, exceptional increases in remittances, historical heights of Karachi Stock Exchange, shift in market based (TBills and PIB), public debt toward medium to long term, successful launching of Euro Bond and auction of 3G/4G licenses reinforced the economic turnaround of the country. The international financial institutions are also acknowledging and appreciating the positive improvements in national economy.

FUTURE OUTLOOK

The management has revisited marketing strategy. Marketing team of enthusiastic professionals has been formed with the new sales strategy and targets to enhance market share. 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 to augment the company's upcoming product. Euro II Certified Models have been developed and included in our products portfolio.

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

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 statements 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. Due to the financial position, the Company could not announce dividend to the shareholders.
10. 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, 2014 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 four meetings of the Board of Directors, five meetings of the Audit Committee and one meeting of HR & R Committee were held during the period of one year, from July 01, 2013 to June 30, 2014. The attendance record of Board members was as follows:

Name of the Director	No. of Board of Directors' Meetings attended	No. of Audit Committee Meetings attended	No. of HR & R Committee Meetings attended
Mr. Imtiaz Ahmad Khan	4	-	-
Mr. Anwaar Ahmad Khan	4	-	1
Mr. Aftab Ahmad Khan	4	-	-
Mrs. Reema Anwaar	4	-	-
Mrs. Ayesha Aftab	4	5	1
Mr. Junaid Ghani	4	-	-
Mr. Obaid Ghani	4	-	1
Mr. Jubair Ghani	4	5	-
Ms. Zahra Aftab	4	-	-
Dr. Amjad Aqeel	4	5	-

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, 2015, at a mutually agreed fee.

ACKNOWLEDGMENT

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 pray to Allah Subhanatallah to keep showering us with his Rehmat and keep us on the right path, which is the commandment of Allah Subhanatallah and sunnah of our Prophet "Mohammad" (Sallallaho-Alaie-Wasallam)

For and on behalf of the Board

Lahore: **September 11, 2014**

Aftab Ahmad Khan
Chief Executive Officer

Six Years At Glance

	2014	2013	2012	2011	2010	2009
		(Rupees in '000')				
Production (Nos.)	3,184	6,162	11,360	14,062	12,452	7,028
Sales	124,377	173,262	367,740	429,162	381,699	230,005
Gross profit / (loss)	7,526	562	(19,117)	30,274	28,813	365
Net profit / (loss)	(4,044)	(10,574)	(41,314)	3,092	23,833	(42,164)
Earning / (loss) per share	(0.20)	(0.53)	(2.07)	0.15	1.19	(2.11)
Dividend %	-	-	-	-	-	-
Current assets	362,666	363,639	386,221	434,212	363,800	286,847
Current liabilities	367,369	365,676	380,506	390,032	313,615	243,419
Share holders equity	58,562	62,606	73,180	114,495	111,403	87,570

Statement of Compliance

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in regulation No.35 of 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 CCG in the following manner:

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

Independent Director	Dr. Amjad Aqeel
Non-Executive Directors	Mr. Imtiaz Ahmad Khan
	Mr. Anwaar Ahmad Khan
	Mr. Aftab Ahmad Khan
	Mrs. Reema Anwaar
	Mrs. Ayesha Aftab
	Mr. Junaid Ghani
	Mr. Obaid Ghani
	Mr. Jubair Ghani
	Ms. Zahra Aftab
Executive Directors	None

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 an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. 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.

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 meetings. The minutes of the meetings were appropriately recorded and circulated.

9. As per criteria specified in clause xi of CCG, majority of the directors of the Company are exempted from the requirement of Directors' training program. However, one of the Board members got certification from Pakistan Institute of Corporate Governance under Corporate Governance Leadership Skills (CGLS) - Director Education Program during the year.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit was made during the year ended June 30, 2014.

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, all of whom are non-executive directors and the Chairman of the Committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has formed a Human Resources and Remuneration (HR & R) Committee. It comprises of three members. All the members (including its Chairman) of HR & R Committee are non-executive directors.

18. The Board has 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) 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.

For and Behalf of the Board of Directors

Imtiaz Ahmad Khan
Director

Aftab Ahmad Khan
Chief Executive Officer

Lahore: **September 11, 2014**

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 for the year ended June 30, 2014 prepared by the Board of Directors of GHANI AUTOMOBILE INDUSTRIES LIMITED ("the company") to comply with the Listing Regulation of Karachi, Lahore and Islamabad Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate 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 Board 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 2014.

HASSAN FAROOQ AND COMPANY
(Chartered Accountant)

Lahore: **September 11, 2014**

Auditors' Report to the Members

We have audited the annexed balance sheet of **GHANI AUTOMOBILE INDUSTRIES LIMITED (the Company)** as at June 30, 2014 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;

(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, 2014 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

HASSAN FAROOQ AND COMPANY
(Chartered Accountants)

ENGAGEMENT PARTNER: Farooq Hamid

Lahore: **September 11, 2014**

Balance Sheet

AS AT JUNE 30, 2014

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
EQUITY & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
50,000,000 (2013: 20,000,000) ordinary shares of Rs.10 each		**500,000,000**	200,000,000
Issued, subscribed and paid up capital	4	**200,000,000**	200,000,000
Accumulated losses		**(141,437,661)**	(137,393,865)
		58,562,339	62,606,135
CURRENT LIABILITIES			
Short term Bank Financing	5	**93,853,774**	91,745,645
Interest / mark up payable		**2,672,850**	1,996,531
Loan from sponsors	6	**170,205,000**	168,105,000
Creditors, accrued and other liabilities	7	**96,636,918**	102,962,592
Provision for Taxation		**1,243,770**	866,309
		364,612,312	365,676,077
CONTINGENCIES AND COMMITMENTS	8	**-**	-
		423,174,651	428,282,212

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
ASSETS			
NON CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	9	**38,254,831**	40,876,547
SECURITY DEPOSITS		**667,386**	667,386
DEFERRED TAX ASSET	10	**24,342,618**	23,098,848
CURRENT ASSETS			
Stores, spares and loose tools		**665,012**	813,630
Stock in trade	11	**87,521,496**	104,542,071
Trade debtors - unsecured but considered goo d		**197,782,798**	191,349,591
Advances and other receivables	12	**63,893,621**	62,131,823
Cash and bank balances	13	**10,046,889**	4,802,316
		359,909,816	363,639,431
		423,174,651	428,282,212

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

DIRECTOR

CHIEF EXECUTIVE OFFICER

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
Sales	14	124,376,978	173,261,883
Cost of sales	15	116,850,937	172,699,655
Gross Profit		7,526,041	562,228
Operating expenses			
Administrative expenses	16	4,008,230	3,111,810
Distribution and marketing expenses	17	9,867,057	10,943,762
		13,875,287	14,055,572
Operating (loss)		(6,349,246)	(13,493,344)
Other Income	18	11,084,572	15,678,203
		4,735,326	2,184,859
Financial charges	19	8,779,122	11,892,631
(Loss) before taxation		(4,043,796)	(9,707,772)
Taxation	20	-	(866,309)
(Loss) for the year		(4,043,796)	(10,574,081)
(Loss) Per Share - Basic & Diluted	21	(0.20)	(0.53)

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

DIRECTOR | **CHIEF EXECUTIVE OFFICER**

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014 Rupees	June 30, 2013 Rupees
(Loss) for the year	(4,043,796)	(10,574,081)
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE (LOSS)	**(4,043,796)**	(10,574,081)

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

DIRECTOR

CHIEF EXECUTIVE OFFICER

Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
NET CASH FLOWS FROM OPERATING ACTIVITIES	**22**	**1,047,544**	(98,356,969)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		**(11,100)**	(108,631)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(11,100)**	(108,631)
CASH FLOW FROM FINANCING ACTIVITIES			
Musharaka financing repaid		-	(3,900,000)
Morabaha financing received / (paid)		**2,108,129**	(5,363,054)
Loan from sponsors		**2,100,000**	87,500,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		**4,208,129**	78,236,946
Net increase / (decrease) in cash and cash equivalents		**5,244,573**	(20,228,654)
Cash and cash equivalents at the beginning of the year		**4,802,316**	25,030,970
Cash and cash equivalents at the end of the year		**10,046,889**	4,802,316

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

DIRECTOR

CHIEF EXECUTIVE OFFICER

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2014

	Share Capital Capital Rupees	Accumulated Loss Loss Rupees	Total Rupees
Balance as on June 30, 2012	200,000,000	(126,819,784)	73,180,216
(Loss) for the year	-	(10,574,081)	(10,574,081)
Other Comprehensive income	-	-	-
Balance as on June 30, 2013	200,000,000	(137,393,865)	62,606,135
(Loss) for the year	-	(4,043,796)	(4,043,796)
Other Comprehensive income	-	-	-
Balance as on June 30, 2014	**200,000,000**	**(141,437,661)**	**58,562,339**

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

DIRECTOR

CHIEF EXECUTIVE OFFICER

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

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 40-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. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, directives issued by the Securities and Exchange Commission of Pakistan (the Commission) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards (IASs) / International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Commission differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2013 and therefore, have been applied in preparing these financial statements :

- IFRS 12 “Disclosures of interest in other entities” This is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

- IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on their financial statements. The standard has resulted in certain additional disclosures.

- IFRS 13 “Fair Value Measurement” establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 defines fair value for financial reporting purposes, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of IFRS 13 may result in changes in how entities determine fair values for financial reporting purposes. IFRS 13 requires extensive disclosures about fair value measurements. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments : Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope. The standard does not have any material impact on the Company’s financial statements.

- IAS 19 “Employee Benefits” The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Net interest : recognised in profit or loss and calculated by applying the discount rate at the beginning of each reporting period to the net defined benefit liability or asset at the beginning of that reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- IAS 28 (as Revised in 2011) "Associates and joint Ventures" The revised standard deals with how to apply the equity method of accounting for investment in joint ventures, as well as associates, following the issue of IFRS 11 which requires investments in Joint ventures to be accounted for using the equity method of accounting. The standard does not have any material impact on the Company's financial statements.

2.2.2 Standards, amendments to standards and interpretations becoming effective in current year but not relevant

There are certain amendments to standards that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2013 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

2.2.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates :

- IFRS 9 Financial Instruments (2014) : A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments : Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment hedge accounting, derecognition :

  Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. Introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised .Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The standard is effective for accounting period beginning on or after January 01, 2018.

  IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 01, 2015. The management of the Company is reviewing the changes to evaluate the impact of application of standard on the financial statements.

- IFRS 15 Revenue from Contracts with Customers : IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

  Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is effective for accounting periods beginning on or after January 01, 2017. The Management is in the process of evaluating the impact of application of the standard on the Company's financial statements.

- Amendment to IAS 16 "Property Plant and Equipment" and IAS 38 "Intangible Assets" : In this amendment it is clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment is effective for accounting periods beginning on or after January 01, 2016. The application of amendment is not expected to have any material impact on the Company's financial statements.

- IAS 32 (Amendment) "Financial Instruments : Presentation". This amendment updates the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for accounting periods of the Company beginning on or after July 01, 2014. The application of the amendment is not expected to have any material impact on the Company's financial statements.

- Amendments to IAS 36 "Impairment of Assets": These amendments address the disclosures and clarify the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- Amendments to IAS 39 "Financial Instruments Recognition and Measurement" : These amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for accounting periods beginning on or after January 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- Amendments to IAS 19 "Employee Benefits": These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for accounting periods beginning on or after July 01, 2014. The application of amendments is not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRSs 2010-2012 Cycle

  Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

  IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

  IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

  IFRS 8 - Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

  IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

  IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

  IAS 24 - Clarify how payments to entities providing management services are to be disclosed.

These amendments are not expected to have any material impact on the Company's financial statements.

- The IASB has issued Annual Improvements to IFRSs 2011-2013 Cycle

  Amendments to the following standards were made which are effective for the accounting periods beginning on or after July 01, 2014:

  IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

  IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52.

  IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

  These amendments are not expected to have any material impact on the Company's financial statements.

- IFRIC 21 Levies

  This interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

  The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies. The interpretation is effective for accounting periods beginning on or after January 01, 2014. The application is not expected to have material impact on the Company's financial statements.

2.2.4 Standards, amendments to standards and interpretations becoming effective in future period but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

2.3 BASIS OF PREPARATION

2.3.1 Basis of Measurement

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

2.3.2 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

2.3.3 Functional and Presentation Currency:

These financial statements are presented in Pakistan Rupees which is the functional currency of the company and figures are rounded off to the nearest thousand of rupees unless otherwise specified.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

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

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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 e 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.

3.7 Trade Debts

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

3.8 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.

3.9 Related Party Transactions

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

3.10 Employee Benefits

3.10.1 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.

3.11 Taxation

3.11.1 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.

3.11.2 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.

3.12 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.

3.13 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.

3.14 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.

3.15 Off Setting of finacial assets and financial liabilities

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.

3.16 Cash and Cash Equivalents

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

3.17 Provisions

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

3.18 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.19 Earnings Per Share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 30, 2014	June 30, 2013		Note	**June 30, 2014**	June 30, 2013
Number of Shares				**Rupees**	Rupees
19,250,000	19,250,000	Ordinary shares of Rs. 10 each fully paid in cash		**192,500,000**	192,500,000
250,000	250,000	Ordinary shares of Rs. 10 each fully paid other than cash		**2,500,000**	2,500,000
500,000	500,000	Ordinary shares of Rs. 10 each issued as bonus shares		**5,000,000**	5,000,000
20,000,000	20,000,000			**200,000,000**	200,000,000

5 SHORT TERM BANK FINANCING

	Note	**June 30, 2014**	June 30, 2013
Morabaha from			
Soneri Bank Limited	5.2	**84,986,600**	81,763,400
Habib Metropolitan Bank Limited	5.3	**8,867,174**	9,982,245
		93,853,774	91,745,645

5.1 Aggregate un-availed short term borrowing facilities available to the Company are Rs. 1.15 million (2013: Rs 3.25 million).

5.2 These are secured by equitable mortgage of Rs. 83 million over the Company's fixed assets i.e. Building, Machinery / Plant and land measuring 20 kanals and 09 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 millionof Ghani glass limited duly lodged with CDC and on personal guarantees of directors of the Company. These are subject to profit at six months KIBOR plus 2% (2013 : six months KIBOR plus 1.15%)

5.3 These are secured by legal mortgage of Rs. 0.5 million and Equitable mortgage on land and building measuring 20 kanal 18 marlas valuing Rupees 34.30 million and FSV is Rupees 29.16 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. These are subject to profit at 6 months KIBOR plus 1% (2013 : six months KIBOR plus 2.00%)

5.4 Effective markup rate charged during the year ranges from 10.69% to 12.21% per annum (2013: 10.59% to 14.00% per annum).

6 LOAN FROM SPONSORS

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

7 CREDITORS, ACCRUED AND OTHER LIABILITIES

	June 30, 2014 Rupees	June 30, 2013 Rupees
Creditors	**93,194,432**	94,632,199
Advances from customers	**234,324**	389,036
Accrued expenses and other liabilities	**483,423**	3,480,327
Income tax deducted at source	**2,114,993**	3,851,284
Un-claimed Dividend	**609,746**	609,746
	96,636,918	102,962,592

8 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

8.1 There is a contingent liability of Rupees 1,727,290 (2013: 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/- (2013: 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 (2013: Rupees 729,000/-) to WAPDA.

COMMITMENTS

8.4 Letter of credit in transit other than capital expenditure are Rupees 6,069,990/- (2013: Rupees 4,086,748/-).

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									
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
Year ended 30 June 2013										
Opening 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
Additions	-	-	70,000	-	-	-	-	38,631	-	108,631
Depreciation	-	(1,707,378)	(853,104)	(58,299)	(62,254)	(40,988)	(42,262)	(70,657)	(95,960)	(2,930,902)
Closing net book value	**14,932,180**	**15,366,402**	**7,742,098**	**524,691**	**560,289**	**368,889**	**802,987**	**195,172**	**383,839**	**40,876,547**
At 30 June 2013										
Cost	14,932,180	37,832,645	14,720,519	1,429,611	1,275,576	987,383	1,561,114	827,776	1,960,129	75,526,933
Accumulated depreciation	-	(22,466,243)	(6,978,421)	(904,920)	(715,287)	(618,494)	(758,127)	(632,604)	(1,576,290)	(34,650,386)
Net book value	**14,932,180**	**15,366,402**	**7,742,098**	**524,691**	**560,289**	**368,889**	**802,987**	**195,172**	**383,839**	**40,876,547**
Year ended 30 June 2014										
Opening net book value	14,932,180	15,366,402	7,742,098	524,691	560,289	368,889	802,987	195,172	383,839	40,876,547
Additions	-	-	-	-	-	-	-	11,100	-	11,100
Depreciation	-	(1,536,640)	(774,210)	(52,469)	(56,029)	(36,889)	(40,149)	(59,662)	(76,768)	(2,632,816)
Closing net book value	**14,932,180**	**13,829,762**	**6,967,888**	**472,222**	**504,260**	**332,000**	**762,838**	**146,610**	**307,071**	**38,254,831**
At 30 June 2014										
Cost	14,932,180	37,832,645	14,720,519	1,429,611	1,275,576	987,383	1,561,114	838,876	1,960,129	75,538,033
Accumulated depreciation	-	(24,002,883)	(7,752,631)	(957,389)	(771,316)	(655,383)	(798,276)	(692,266)	(1,653,058)	(37,283,202)
Net book value	**14,932,180**	**13,829,762**	**6,967,888**	**472,222**	**504,260**	**332,000**	**762,838**	**146,610**	**307,071**	**38,254,831**
Depreciation rate (%)	-	10	10	10	10	10	5	30	20	-

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

	2014 Rupees	2013 Rupees
Cost of sales	**2,598,881**	2,888,483
Distribution and marketing	**33,935**	42,419
	2,632,816	2,930,902

10 DEFERRED TAX ASSET

	Note	June 30, 2014 Rupees	June 30, 2013 Rupees
Asset recognized	10.1	**24,342,618**	23,098,848

10.1 As at June 30, 2014 net deferred tax asset works out to Rs. 34.89 million (2013: Rs. 31.28 million) out of which deferred tax asset to the extent of Rs. 24.30 million (2013: Rs. 23.10 million) has been recognized in these financial statements in the view of future taxable profits. The net deferred tax asset of Rs. 24.30 million comprise of;

The deferred tax asset comprises temporary differences in relation to:

	June 30, 2014 Rupees	June 30, 2013 Rupees
Accelerated tax depreciation	**(4,213,104)**	(4,504,448)
Minimum Tax u/s 113	**1,243,770**	866,309
Asset due to foreseeable future profits	**27,311,952**	26,736,987
	24,342,618	23,098,848

11 STOCK IN TRADE

	June 30, 2014 Rupees	June 30, 2013 Rupees
Raw material	**62,324,190**	57,167,663
Work in process	**11,675,384**	8,634,951
Finished stock	**13,521,922**	38,739,457
	87,521,496	104,542,071

12 ADVANCES AND OTHER RECEIVABLES

	June 30, 2014 Rupees	June 30, 2013 Rupees
Considered good		
Advances:		
Employees	**1,544,220**	2,674,610
Suppliers	**42,543,733**	39,241,265
Advance income tax	**11,640,140**	8,401,435
Letters of credit	**3,085,293**	10,086,748
Sales tax refundable	**5,080,235**	1,727,765
	63,893,621	62,131,823

13 CASH AND BANK BALANCES

	June 30, 2014 Rupees	June 30, 2013 Rupees
Cash in hand	**916,879**	717,537
Cash at bank - in current accounts	**9,130,010**	4,084,779
	10,046,889	4,802,316

14 SALES

	June 30, 2014 Rupees	June 30, 2013 Rupees
Local Sales	**145,531,554**	200,947,107
Sales of spares parts	**869,237**	24,871
	146,400,791	200,971,978
Less:		
Sales tax	**22,023,813**	27,710,095
	124,376,978	173,261,883

15 COST OF SALES

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
Raw material consumed	15.1	**76,492,009**	162,960,796
Salaries, wages and benefits	15.2	**11,410,968**	11,055,590
Store consumed		**579,816**	558,141
Fuel and power		**2,635,582**	2,374,508
Repair and maintenance		**118,540**	198,180
Travelling and vehicle running		**143,190**	247,845
Entertainment		**217,349**	190,232
Communications and stationery		**202,981**	246,426
Freight and handling		**93,650**	253,050
Rent, rates and taxes		**33,835**	28,079
Depreciation	9.1	**2,598,881**	2,888,483
Other expenses		**147,034**	142,183
		94,673,835	181,143,513
Work in process			
Opening stock		**8,634,951**	23,456,939
Closing stock		**(11,675,384)**	(8,634,951)
		(3,040,433)	14,821,988
Cost of goods manufactured		**91,633,402**	195,965,501
Finished Stock			
Opening stock		**38,739,457**	15,473,611
Closing stock		**(13,521,922)**	(38,739,457)
		25,217,535	(23,265,846)
Cost of sales		**116,850,937**	172,699,655

15.1 Raw Material Consumed

	June 30, 2014 Rupees	June 30, 2013 Rupees
Opening balance	**57,167,663**	64,065,102
Purchases	**81,648,536**	156,063,357
	138,816,199	220,128,459
Closing stock	**(62,324,190)**	(57,167,663)
	76,492,009	162,960,796

15.2 Salaries, Wages and other benefit include Rs. 488,279/- (2013: Rs. 534,757/-) in respect of staff retirement benefits.

16 ADMINISTRATIVE EXPENSES

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
Staff Salaries benefits	16.1	**995,004**	839,870
Travelling and vehicle running		**173,501**	187,460
Entertainment		**268,232**	423,337
Repair and maintenance		**2,700**	3,380
Communications and stationery		**489,662**	540,218
Auditor's remuneration	16.2	**177,500**	152,500
Fee and Subscription		**1,900,661**	965,045
Miscellaneous expenses		**970**	-
		4,008,230	3,111,810

16.1 Salaries, Wages and other benefit include Rs. 61,141/- (2013: Rs. 52,013/-) in respect of staff retirement benefits.

16.2 Auditor's remuneration

	June 30, 2014 Rupees	June 30, 2013 Rupees
Annual audit fee	**120,000**	95,000
Half yearly review	**45,000**	45,000
Other certification	**12,500**	12,500
	177,500	152,500

	NOTE	June 30, 2014 Rupees	June 30, 2013 Rupees
17 DISTRIBUTION AND MARKETING EXPENSES			
Salaries, wages and benefits	17.1	**3,879,329**	3,445,902
Travelling and vehicle running		**1,654,711**	3,038,772
Entertainment		**157,154**	1,465,847
Advertising and sales promotion		**673,603**	542,280
Rent, rates and taxes		**56,800**	51,900
Communications and stationery		**432,416**	433,700
Insurance expenses		**236,746**	506,930
Freight and handling		**2,097,591**	589,159
Depreciation	9.1	**33,935**	42,419
Ijarah rental on vehicles		**-**	129,923
Other expenses		**644,772**	696,930
		9,867,057	10,943,762

17.1 Salaries, Wages and other benefit include Rs. 147,465/- (2013: Rs. 184,800/-) in respect of staff retirement benefits.

18 OTHER INCOME

Freight on delivery of goods is charged to customers and dealers.

	June 30, 2014 Rupees	June 30, 2013 Rupees
19 FINANCIAL CHARGES		
Diminishing musharaka financing	**-**	233,926
Morabaha financing	**8,483,577**	11,416,626
Bank charges	**295,545**	242,079
	8,779,122	11,892,631
20 TAXATION		
Current Year Provision	**(1,243,770)**	**(866,309)**
Deferred Tax Loss	**1,243,770**	-
	-	(866,309)
21 EARNING PER SHARE - Basic		
(Loss) after tax - Rupees	**(4,043,796)**	(10,574,081)
Weighted average number of shares	**20,000,000**	20,000,000
(Loss) per share - Rupees	**(0.20)**	(0.53)
22 CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year before tax	**(4,043,796)**	(9,707,772)
Adjustment for :		
Depreciation	**2,632,816**	2,930,902
Financial charges	**8,779,122**	11,892,631
	11,411,938	14,823,533
Operating profit before working capital changes	**7,368,142**	5,115,761
(Increase) / decrease in current assets		
Store, spares and loose tools	**148,618**	(209,070)
Stock in trade	**17,020,575**	(1,546,419)
Trade debtors	**(6,433,207)**	4,891,354
Advances and other receivables	**(1,476,907)**	(5,886,600)
	12,212,893	(2,750,735)
Increase in current liabilities		
Creditors, accrued and other liabilities	**(4,589,383)**	(93,451,251)
	14,991,652	(91,086,225)
Financial charges paid	**(8,102,803)**	(11,892,631)
Taxes paid	**(5,841,305)**	4,621,887
Net cash flows from operating activities	**1,047,544**	(98,356,969)

23 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE

Chief executive and directors of the Company have denied from reciept of their salaries, moreover 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:

Name of Related Party	Nature of Transaction	June 30, 2014 Rupees	June 30, 2013 Rupees
Ghani Glass Ltd.	Sale of Motorcycles	-	923,434
Ghani Glass Ltd.	Payment of Utility Bills	20,000	-
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 million.	150,000,000	150,000,000
		150,020,000	150,923,434

25 CAPACITY AND UTILIZATION

Production capacity	25,000	25,000
Actual production	3,184	6,162

Reason For Shortfall

Actual production is lower than the maximum production capacity due to low market demand and energy crisis in the country.

26 NUMBER OF EMPLOYEES

Number of employees at year end.	73	86
Average Number of Employees	78	90

27 PROVIDENT FUND RELATED DISCLOSURES

The company operates funded contributory provident fund scheme for all its permanent and eligible employess . The following information is based on the unaudited finanacial statements of provident fund for the year ended 30 June 2014.

Size of the fund - Total Assets	1,445,906	1,239,083
Cost of investments made	1,210,536	14,711
Percentage of investment made	84%	1%
Fair value of investment	1,210,536	14,711

27.1 The break-up of fair value of investments is:

	2014		2013	
	Rupees	%	Rupees	%
Bank account	1,210,536	100%	14,711	100%

These figures are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purposes.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimise risk. The overall risk management is carried out by the finance department under the oversight of Board of Directors in line with the policies approved by the Board.

	June 30, 2014 Rupees	June 30, 2013 Rupees
28.1 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets:		
Deposits	**667,386**	667,386
Trade debts	**197,782,798**	191,349,591
Advances and other receivables	**1,544,220**	2,674,610
Cash and bank balances	**10,046,889**	4,802,316
	210,041,293	199,493,903
28.2 Financial liabilities:		
Creditors, accrued and other liabilities	**96,636,918**	102,962,592
Interest / markup payable	**2,672,850**	1,996,531
Short term bank borrowings	**93,853,774**	91,745,645
	193,163,542	196,704,768

29 FINANCIAL RISK MANAGEMENT

29.1 Credit Risk

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

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

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

29.2 Market Risk

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

29.3 Currency Risk

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

29.4 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity is to maintain sufficient level of liquidity of the Company on the basis of expected cash flows, requirements of holding highly liquid assets and maintaining adequate reserve borrowing facilities to cover liquidity risk. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities including interest payments as at June 30, 2014 and 2013;

	2014				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees				
Financial liabilities - at amortised cost					
Non - Interest bearing					
Loan from sponsor	170,205,000	170,205,000	-	170,205,000	-
Trade and other payables	96,636,918	96,636,918	96,636,918	-	-
Interest / mark up payable	2,672,850	2,672,850	2,672,850	-	-
Interest bearing					
Short term borrowings	93,853,774	99,520,440	99,520,440	-	-
	363,368,542	369,035,208	198,830,208	170,205,000	-

	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	Rupees				
Financial liabilities - at amortised cost					
Non - Interest bearing					
Loan from sponsor	168,105,000	168,105,000	-	168,105,000	
Trade and other payables	102,962,592	102,962,592	102,962,592	-	-
Interest / mark up payable	1,996,531	1,996,531	1,996,531	-	-
Interest bearing					
Short term borrowings	91,745,645	96,485,447	96,485,447	-	-
	364,809,768	369,549,570	201,444,570	168,105,000	-

The contractual cash flows relating to markup on short term borrowings have been determined on the basis of mark up rates as applicable at the year end. The Company will manage the liquidity risk from its own source through working capital management. The Company has liquid assets of Rs. 289.36 million (2013: Rs. 273.60 million) million) and unavailed short term borrowing facilities of Rs. 1.15 million as at June 30, 2014 (2013: Rs. 273.60 million)

29.5 Yield Risk

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

30 EVENTS AFTER THE BALANCE SHEET DATE

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

31 AUTHORIZATION TO ISSUE

31.1 REARRANGEMENT

Mark up payable amounting to Rs. 1,996,531/- on short term finances was grouped in accrued expenses under the head of "Creditors, accrued and other liabilities" which is now been transferred to "Interest / mark up payable" on the face of balance sheet.

31.2 These financial statements have been authorized for issuance by the Board of Directors of the Company on September 11, 2014.

DIRECTOR

CHIEF EXECUTIVE OFFICER

Notice of Annual General Meeting

Notice is hereby given that 27th Annual General Meeting of the members of GHANI AUTOMOBILE INDUSTRIES LIMITED will be held on Tuesday October 28, 2014 at 12:00 noon, at Avari Hotel, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on October 23, 2013.
2. To receive, consider and adopt the audited annual accounts of GHANI AUTOMOBILE INDUSTRIES LIMITED for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors for 2015 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 11, 2014

Hafiz Mohammad Imran Sabir
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from October 21, 2014 to October 28, 2014 (both days inclusive). Members whose names appear on the register of members as at the close of business on October 20, 2014 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.

Submission of copies of CNIC (Mandatory)

The shareholders having physical shares are once again requested to immediately send a copy of their valid computerized national identity card (CNIC) to our share registrar's office, M/s. Corplink (Pvt) Ltd, Wings arcade, 1-k, commercial, model town, Lahore for printing/insertion on dividend warrants in future.

Revision of withholding tax on dividend income u/s 150 of Finance Act 2014

It is further informed that pursuant to the provisions of Finance Act 2014, effective from July 1, 2014 a new criteria for withholding of tax on dividend income has been introduced by the FBR, as per this criteria, 'Filer' and 'Non-Filer' shareholder shall pay tax on dividend @ 10% and 15% respectively.

Payment of Cash Dividend Electronically (Optional)

The shareholders are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank, CDC account holders should submit their request directly to their broker (participant)/CDC.

Transmission of Annual Financial Statements through e-mail

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 787(I)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through e-mail instead of receiving the same by Post are advised to give their formal consent along with their e-mail address duly signed by the shareholder along with copy of his CNIC to our share registrar's office, M/s. Corplink (Pvt) Ltd, Wings arcade, 1-k, commercial, model town, Lahore. Please note that giving e-mail address for receiving of Annual Financial Statements instead of the same by Post is optional, in case you do not wish to avail this facility, please ignore this notice, Financial Statement will be sent to your at your registered address.

Pattern of Shareholding

OF SHARES HELD BY THE SHAREHOLDERS
OF GHANI AUTOMOBILE INDUSTRIES LIMITED AS AT JUNE 30, 2014

No. of Shareholders	------Shareholding------ From	To	Total Shares Held
176	1	100	6,441
528	101	500	251,979
176	501	1,000	172,890
251	1,001	5,000	766,941
81	5,001	10,000	651,365
25	10,001	15,000	332,919
15	15,001	20,000	278,147
9	20,001	25,000	210,000
7	25,001	30,000	204,500
1	30,001	35,000	35,000
4	35,001	40,000	159,500
2	40,001	45,000	84,000
9	45,001	50,000	444,000
1	50,001	55,000	54,000
2	55,001	60,000	113,000
1	80,001	85,000	83,500
2	85,001	90,000	177,100
6	95,001	100,000	600,000
3	100,001	105,000	304,500
1	195,001	200,000	199,500
1	205,001	210,000	208,500
1	225,001	230,000	228,000
1	230,001	235,000	234,000
1	235,001	240,000	235,521
1	245,001	250,000	245,500
1	470,001	475,000	473,200
1	595,001	600,000	600,000
1	870,001	875,000	873,300
1	965,001	970,000	969,378
1	1,420,001	1,425,000	1,422,289
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
1314			**20,000,000**

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor children	11,298,630	56.4932%
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	8,431,565	42.1578%
b. Foreign		
Others (to be specified)		
Joint Stock Companies	262,505	1.3125%

Information Under Clause XVI (J)

OF THE CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2014

S. No.	NAME	HOLDING
	ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES	NIL
	MUTUAL FUNDS	NIL
	DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN	
1	MR. IMTIAZ AHMAD KHAN	3,613,274
2	MR. ANWAAR AHMAD KHAN	2,625,075
3	MR. AFTAB AHMAD KHAN	4,310,481
4	MR. JUNAID GHANI (CDC)	234,500
5	HAFIZ OBAID GHANI	105,000
6	MR. JUBAIR GHANI	500
7	MRS. REEMA ANWAAR	100,000
8	MRS. AYESHA AFTAB	100,000
9	MISS ZAHRA AFTAB	500
10	MR. AMJAQ AQEEL	500
11	MRS. RUBINA IMTIAZ. W/O IMTIAZ AHMED KHAN (CDC)	208,800
		11,298,630
	EXECUTIVES	1,026,378
	PUBLIC SECTOR COMPANIES & CORPORATIONS	NIL
	BANKS, DEVELOPMENTS FINANCE INSTITUTIONS, NON BANKING FINANCIE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS	NIL
	SHAREHOLDERS HOLDING 5% OR MORE VOTING INTEREST IN THE LISTED COMPANY	
1	MR. IMTIAZ AHMAD KHAN	3,613,274
2	MR. ANWAAR AHMAD KHAN	2,625,075
3	MR. AFTAB AHMAD KHAN	4,310,481
4	MR. FAISAL JUNAID	1,422,289
5	MR. MOHAMMAD SALIM LAKHANI (CDC)	1,026,378

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 follow s

S.No	NAME	SALE	PURCHASE
1	MR. ANWAAR AHMAD KHAN (CDC)	1,568,500	-
2	MR. JUNAID GHANI	-	500 (Gifted)
3	MRS. RUBINA IMTIAZ. W/O IMTIAZ AHMED KHAN (CDC)	154,000	-

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 ______________________________

Here by 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 27th ANNUAL GENERAL MEETING of the members of the Company to be held on Tuesday October 28, 2014 at 12:00 noon at Avari Hotel, Lahore and at any adjournment thereof.

As witness my/our hand(s) this ____________________________ day of ________________ 2014

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.

Ghani
Automobiles

The Power of Perfection

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