

Annual Report

2011

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



A Company of Ghani Global Group

Ghani Gases Limited

Manufacturer of Industrial & Medical Gases



IN THE NAME
OF
ALLAH SUBHANA HU WA' TAALA



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VISION

&

PHILOSOPHY



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



MISSION STATEMENT



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



EXECUTIVE DIRECTORS



Masroor Ahmad Khan
Chairman



Hafiz Farooq Ahmad
Managing Director



Atique Ahmad Khan
Chief Executive Officer



EXECUTIVE

COMMITTEE MEMBERS



Nazir Ahmed
General Manager Operation



Farzand Ali
General Manager Corporate



Asim Mahmud
Chief Financial Officer



Adnan Butt
Senior National Marketing Manager



Sibtul Hassan Gilani
Manager Procurement



CORPORATE

■ Board of Directors

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

■ Audit Committee

Hafiz Farooq Ahmad, Chairman
Ayesha Masroor
Rabia Atiq

■ Company Secretary

Farzand Ali, FCS

■ Chief Financial Officer

Asim Mahmud, FCA

■ Legal Advisor

DSK Law, Lahore

■ Auditors

Rizwan & Company
Chartered Accountants
Member firm of DFK International

■ Bankers

Al-baraka Islamic Bank
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dawood Islamic Bank Limited
Faysal Bank Limited.
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited.
National Bank of Pakistan
Soneri Bank Limited
The Bank of Khybey
UBL Ameen

INFORMATION



■ Share Registrar

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



■ **Corporate/Registered Office**

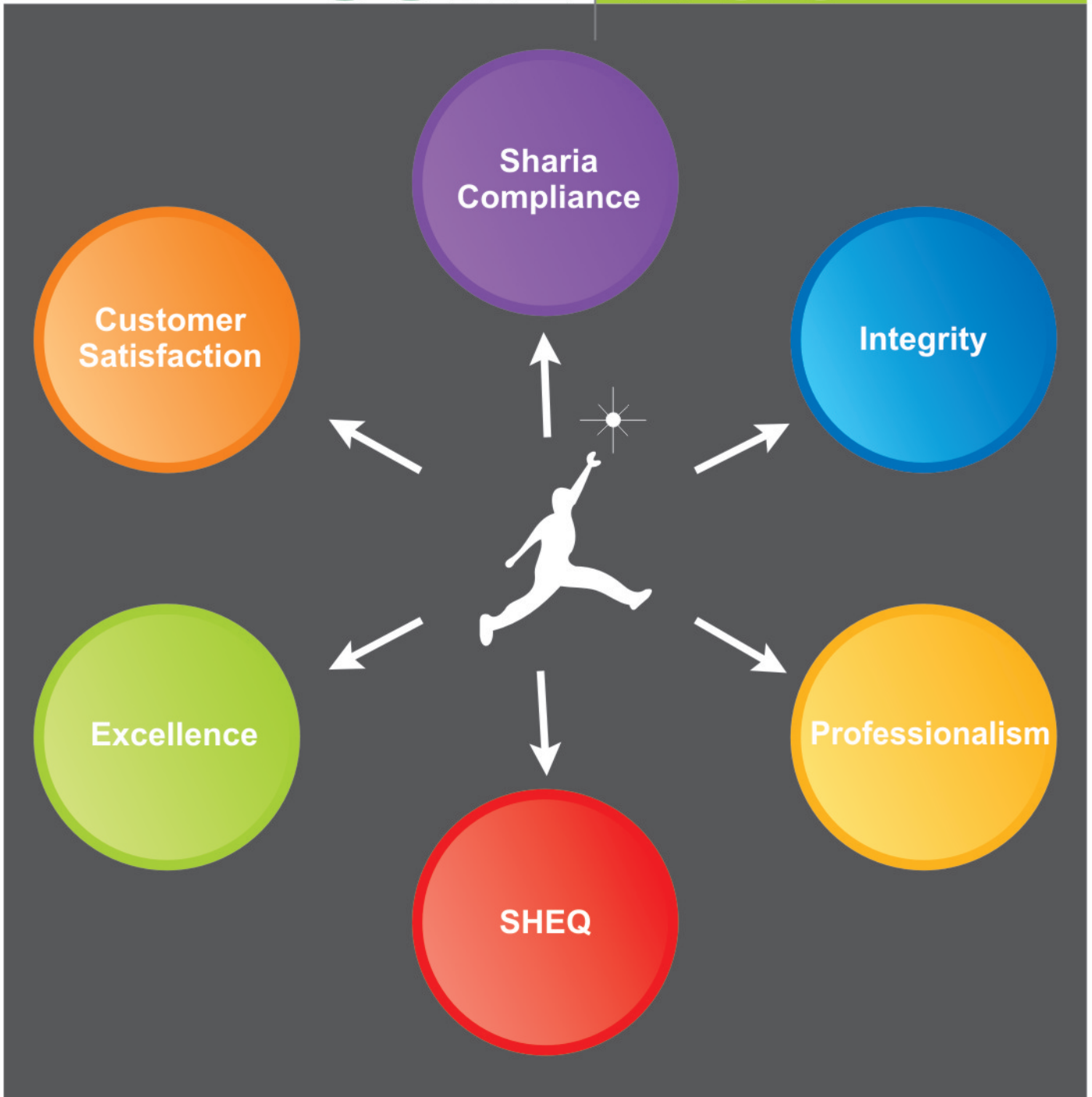
82-N, Model Town (Ext),
Lahore-54000, Pakistan
UAN: +92 (042) 111 Ghani1
Phones: +92 (042) 35161424-25
Fax: +92 (042) 35160393
E-mail: gases@ghaniglobal.com
Website: www.ghaniglobal.com

■ **Gases Plant**

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



CORE VALUES





CORPORATE VALUES

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

Sharia compliance

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

Customer satisfaction

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

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

Excellence

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

SHEQ

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

Professionalism

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

Integrity

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



THE PLANT



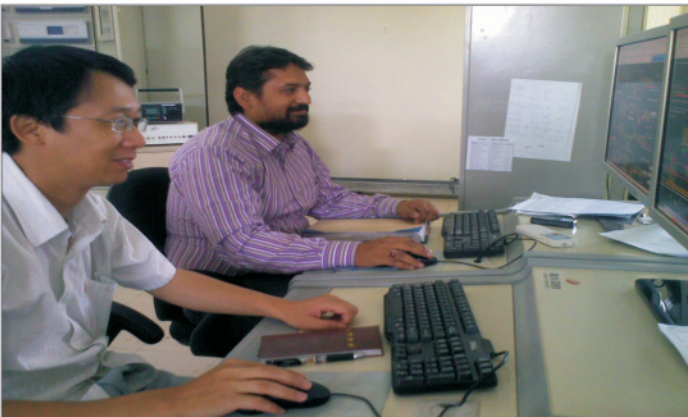
Feather In The Crown



European & Chinese Technical Support

TRAINING

AND DEVELOPMENT



Committed towards professional culture



CORPORATE

SOCIAL RESPONSIBILITY

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

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

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

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

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

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





ENVIRONMENT ALIVE



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



"Do more, feel better, live longer"



QUALITY

MANAGEMENT SYSTEM



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

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

We are carrying out our activities in a manner which:

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



SAFETY,

HEALTH, ENVIRONMENT, QUALITY (SHEQ)



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

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

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

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



SAFETY FIRST

Performance of the year

SAFETY ON SITE

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

SAFETY ON ROAD

| | | | | | |
|--------------------------|------------|------------------------------|--|--|--|
| Millage without accident | 988,686 KM | | | | |
| Vehicle accident | | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | | |
| Injury to driver | | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | | |
| Causality | | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | | |

SAFETY AT CUSTOMERS' SITES

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



Alhamdulillah by the grace of Almighty Allah



EDGE

WITHIN THE SECTOR

Sharia compliance

Alhamdulillah all business transactions and financial needs at GGL are ensured in accordance with the SHARIA compliance.

Name of GGL has been included in the list of Shariah-compliant stocks on KSE website.

State-of-the-art ASU Plant

GGL has introduced a state of the art brand new ASU plant in comparison with others having as old as minimum one decade.

Largest storage capacity

GGL have one million litre oxygen and half million litre nitrogen storage capacity(s) at plant being the largest storage capacity in Pakistan. In addition to above GGL has developed large scale storage at Port Qasim, Karachi which has further improved the customer confidence.

Largest distributors' network

GGL has developed country's largest distributors network based at all big cities.

Team of professionals

GGL plant and operation activities are supervised by a team of highly qualified and experienced engineers.

Highly qualified, experienced & competent marketing team, dealing in gases from decades, is providing solutions to the customers for the gases applications.

Largest distribution fleet

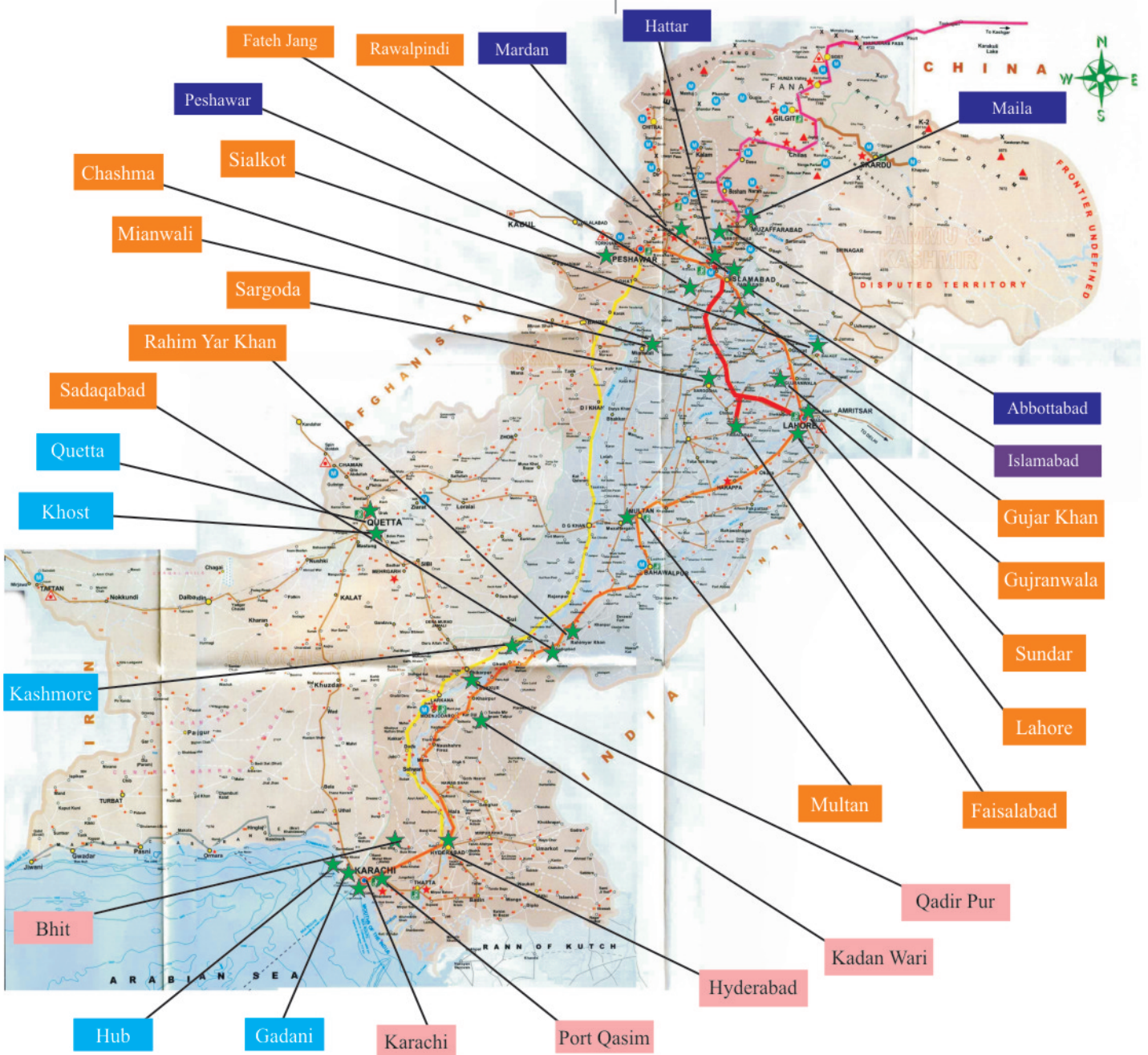
GGL is holding the country's largest and efficient distribution fleet which has enabled the Company to move 198,000 liters of liquid oxygen/ nitrogen at one time.





KEY LOCATIONS

AROUND PAKISTAN



We are where our customers are

Punjab Khyber P.K. Sindh Baluchistan Federal Area



CUSTOMER SEGMENTS

→ Oil & Gas



→ Chemical & Fertilizer



→ Ship Breaking & Scrap Cutting



→ Pharmaceutical



→ Health Care



→ Food & Beverage



→ Steel & Iron Mills



→ Light & Medium Engineering Works



→ Live Stock



→ Merchant Market



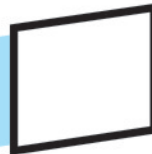
Ghani Gases! A good solution for every situation.....

Customers Satisfaction

Excellent



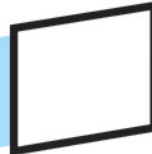
very good



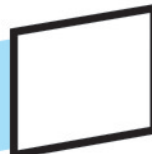
Good



Average



Poor



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

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

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

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

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

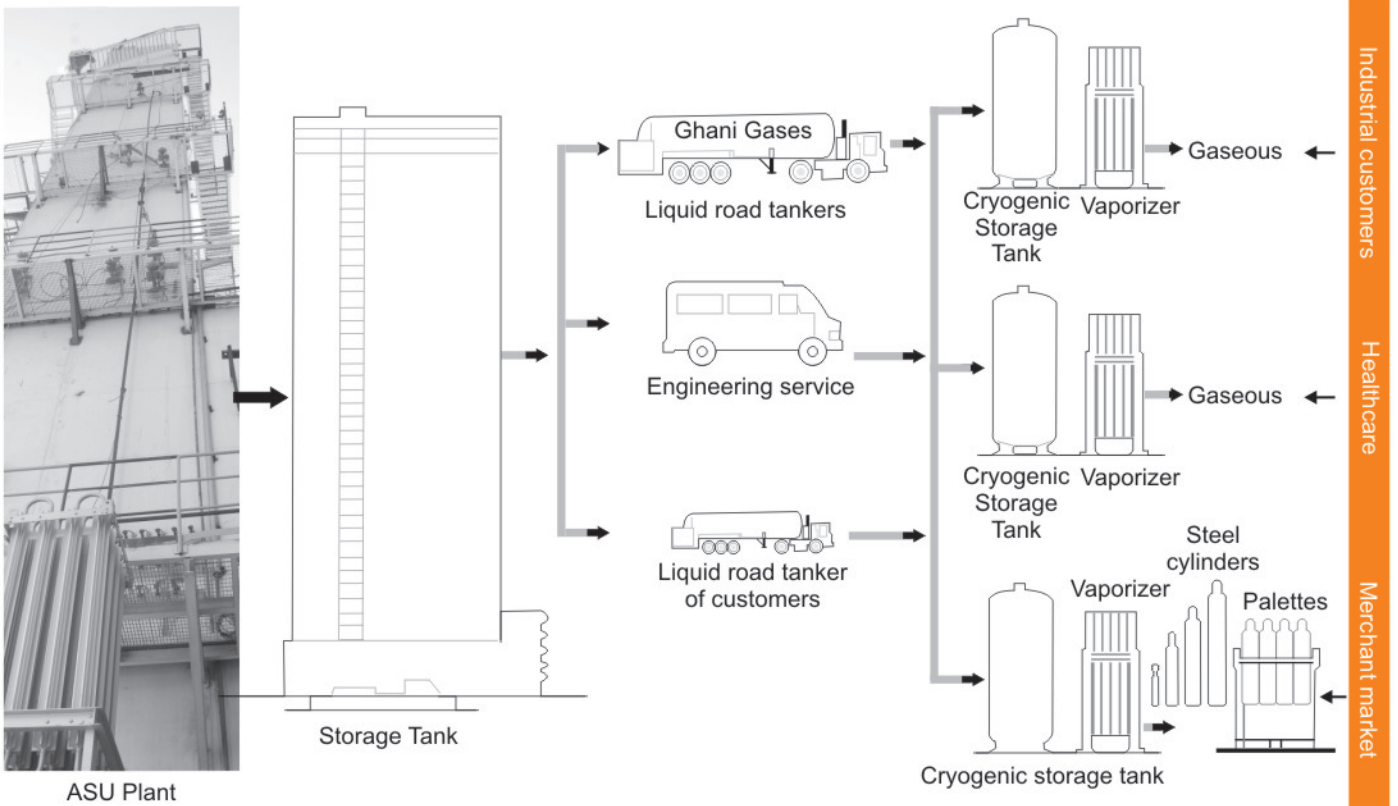
Besides, we also feel Safety First is the number one objective of GGL. It is incumbent upon the Company and the management to ensure safe delivery of product to customers and that all the employees, customers and visitors coming to the site, go back to their families in safe condition. All the safety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

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

Customer First



SUPPLY



Largest distribution network



GHANI GASES

IN CALCIUM CARBIDE BUSINESS





NOTICE OF ANNUAL GENERAL MEETING



Notice is hereby given that 4th Annual General Meeting of shareholders of Ghani Gases Limited will be held on Saturday October 29, 2011 at 11:00 AM at Hotel Sunfort, Liberty Market, Gulberg, Lahore for transacting of the following business:

1. To confirm the minutes of 3rd Annual General Meeting held on October 30, 2010.
2. To receive and adopt annual audited accounts of the Company together with auditors and directors report for the year ended June 30, 2011.
3. To appoint auditors and fix their remuneration. Present auditors M/s Rizwan & Company, Chartered Accountants being eligible offer themselves for reappointment.
4. To elect seven directors of the Company for a period of three years under section 178(1) of the Companies Ordinance 1984 in place of present directors retiring on October 31, 2011 and to increase the remuneration of Chief Executive Officer and two other working directors. Names of present retiring directors are;
 - (i) Mr. Masroor Ahmad Khan
 - (ii) Mr. Atique Ahmad Khan
 - (iii) Mr. Hafiz Farooq Ahmad
 - (iv) Mrs. Tahira Naheed
 - (v) Mrs. Aysha Masroor
 - (vi) Mrs. Rabia Atique
 - (vii) Mrs. Saira Foroq
5. Any other business with permission of the Chair.

By order of the Board

Lahore
October 07, 2011

Farzand Ali
Company Secretary



NOTES:

- 1) The share transfer books of the Company will remain closed from Friday October 21, 2011 to Friday October 28, 2011 (both days inclusive)
- 2) Any person who seeks to contest election to the office of Director shall file with the Company, not later than fourteen days before the date of the Meeting a notice of his/her intention to offer himself / herself for the election of a Director in terms of section 178(3) of the Companies Ordinance 1984, together with consent to act as Director on Form-28 and declarations under the Code of Corporate Governance.
- 3) A member entitled to attend and vote at the meeting may appoint another member as his or her proxy to attend and vote. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.
- 4) CDC account holders will have to follow the following guidelines for attending the meeting:
 - i) In case of individuals the account holders, sub account holders and the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing original I.D. cards or passport at the time of attending the meeting. The shareholders registered on CDC are also requested to bring their participation I.D. members and account number in CDC.
 - ii) In case of corporate entity, Board of Directors resolution / power of attorney with specimen signature of nominee shall be produced (unless provided earlier) at the time of meeting.
- 5) Shareholders are requested to promptly communicate any change in their addresses to our Company's Share Registrar.



DIRECTORS' REPORT

Dear Members,

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

The Directors of your Company are pleased to present the 4th Annual Report of the Company for the year ending June 30, 2011.

National economy

Pakistan's economic outlook has significantly deteriorated since the floods of July-August 2010, which affected all provinces. Record floods lowered agricultural output and contributed a jump in inflation, and reconstruction cost strains the limited resources of the government.

On appositve note, the post flood recovery in wheat, sugarcane and minor crops helped agricultural growth surpass previous year's level. However rural incomes may not rise proportionately due to lower market prices of wheat and rising input costs (e.g. diesel and fertilizer).



In the manufacturing sector, demand for products, particularly textiles, autos, fertilizer, cement, and POL remained strong. Nevertheless, despite this strong demand, supply constraints – particularly the shortfall in energy –created production bottlenecks, which led to a significant slowdown in industrial growth. The growing energy shortages have restrained the economic growth. Particularly manufacturing units which rely on natural gas for power generation and production have affected badly.

The GDP for the year 2010-11 which was fixed to grow at 4.5, restricted to 2.4 percent. The cumulative inflation rose to 14.1 percent. Recent political events, situation in economy's hub, continuous energy crises and affects of decade long war on terror are major implications for overall business environment.

By the grace of Almighty Allah, our country has huge economic resources and it needs long term plan with firm commitment and dedication to explore all of them. In current situation, priority should be given to address the issue of energy shortages which is the key factor for raising productivity and ultimately leads to high growth.

Operations & performance

Alhamdulillah GGL operations registered a considerable growth in production performance during the year under review. The Company has completed another successful year of operations. During the year the plant performance was found to be excellent as the plant is operated by highly qualified, dedicated and experienced team of engineers which resulted into achieving the impressive performance.





To gain the customer's confidence and having a high level of reliability the plant is equipped with one million liters oxygen and half a million liters of nitrogen storage in the liquid form. The storage is maintained at the upper limit to meet the customer's need at any given time. The specific power was very close to design which has resulted into economical cost of production. The benefit of this economical production has been passed on to the customers for gaining their confidence and business growth. GGL plant is equipped with the world's best technology machines. All the equipments and machines are maintained according to the international standards which resulted into smooth operation throughout this period. To ensure smooth performance European and Chinese firms are engaged for scheduled maintenance and technical assistance.

Financials

Your directors are pleased to report an impressive performance by your Company. The Company continued its efforts to further secure itself as a strong player in the industry whilst functioning in an external environment thwart with challenges. Despite of various challenges to the country including debilitating power cuts, security situation, present scenario of overall economic bane, growing inflation and rupee devaluation, by the Grace of Allah Almighty, the Company achieved a strong growth of 65% in its turnover. Turnover touched the height of Rs. 521 million mark against Rs. 315 million as compared with last year. Gross profit for the year was Rs. 146 million against corresponding figure of Rs. 26 million posting a substantial increase in gross margin from 8.10% to 27.95%. Ongoing cost saving and controlling initiatives were taken to partially offset the negative impact of escalating input costs. Financial performance of the Company is summarized below:



Gross profit for the year was Rs. 146 million against corresponding figure of Rs. 26 million posting a substantial increase in gross margin from 8.10% to 27.95%. Ongoing cost saving and controlling initiatives were taken to partially offset the negative impact of escalating input costs. Financial performance of the Company is summarized below:

| | (Rupees in '000) | |
|---------------------------------------|------------------|----------|
| | 2011 | 2010 |
| Sales | 520,773 | 314,935 |
| Gross profit | 145,531 | 25,508 |
| Gross profit margin | 27.95% | 8.10% |
| Operating profit/(loss) | 29,250 | (80,808) |
| Profit/ (loss) before taxation | 85,013 | (62,558) |
| Net profit/ (loss) | 79,444 | (62,204) |
| Earning per share | 1.10 | (0.89) |

By the Grace of Allah Almighty, due to good financial performance your Company has achieved earning per share (EPS) of Rs. 1.10 as compared to last year negative EPS of Rs. 0.89. Along with this the breakup value has also improved from Rs. 8.91 to Rs. 10.01. The Company has managed its resources effectively and efficiently and other resources were utilized to generate other income to the Company which is contributing to the financial performance of the Company. The Company has purchased and imported the store, spares items for its proper backup to make the Plant to run in the smooth way without disturbing the production.

Your Company has implemented the Enterprise Resource Planning (ERP) - system in order to support its internal processes. New requirements for collaboration across Company borders have led to increased demand for different functionality in the enterprise software. This ERP-system is the backbone of your Company information and communication systems.





Marketing

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



Ghani Gases is constantly seeking, testing and providing new ways to put our range of products to work. During last two years we have been instrumental in delivering cost effective solutions in the supply of gases and services to the domestic industry, manufacturing world class standards of gas purity and quality.

Despite the context of economic crisis and energy problem, engineering and construction had a very good year in 2011. Ghani Gases will continue its significant growth and market leadership in providing Pakistan industry with the best gas quality as well as the safest and most reliable service.

Our ISO 9001 certification is a foundation upon which our process of continuous improvement makes us a reliable gas supplier to add value to our customers, products and services.

How is 2012 looking?

We are seeing a continued recovery in business in the first part of the year, although it's gradual depending on regions and markets. Emerging economies are already seeing a rapid return to growth, but the pace is slower in matured economies. Thus, oxygen and nitrogen volumes have risen gradually, month over month. In addition to a greater number of start-ups than in 2011, we should also see an increase in the number of growth-related investments in 2012, while remaining cautious, in terms of regular investments. In this context, Ghani Gases expects continuous growth in turnover and net profit in 2012, in line with our long-term strategies.



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

Present position of investment in associated company

The shareholders of the Company in their meeting held on October 31, 2010 granted approval for investment of Rs. 150 million in the equity of M/s Ghani Southern Gases (Pvt) Limited, an associated company which has planned to setup a gases manufacturing plant in Port Qasim, Karachi.



After finalizing the feasibility work, the associated company has signed the contract for supply of machinery. Investment by the Company will be made keeping in view the requirement of funds by the associated company.

Riba-Free business

Alhamdulillah at GGL all business transactions and financial needs are ensured in accordance with the SHARIA compliance.

The name of GGL has been included in the list of Shariah-compliant stocks on KSE website.

Safety, health, environment & quality (SHEQ)

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

The plant was commissioned during May 2009 and by the grace of Almighty Allah site has completed 776 days without any loss of time or incident Alhamdulillah.



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

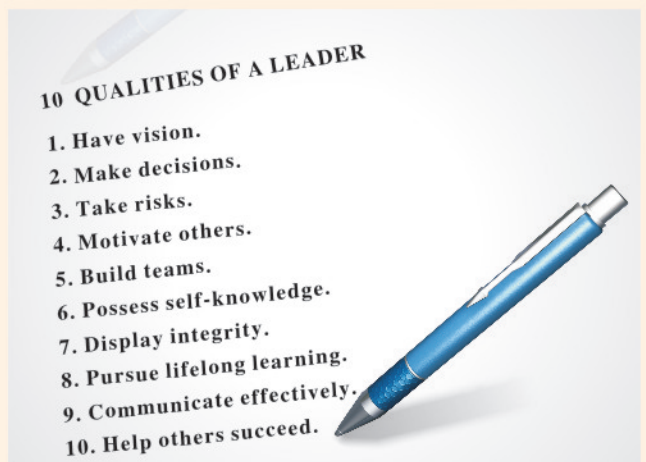
In addition to safety, health and environment Ghani Gases is highly focused on quality standards. Your Company has adopted the world's best quality management system ISO-9001:2008. Certification of the system has been obtained from world's renowned "UKAS".

Human Resources

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

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

Ghani Gases' employee's commitment, professionalism and focus on quality and customer care have helped us to gain a reasonable market share in a short period.





Training and development

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



Product delivery system

GGL is having the country's latest and efficient distribution fleet with the capacity of 198,000 liters of liquid oxygen / nitrogen at one time.

To get the best performance a competent team is on the job on 7/24 basis to maintain the fleet and ensure that no customer gets dry at any given time.

Customer satisfaction

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



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

Contribution to national exchequer

During the year under review Ghani Gases contributed Rs.100.018 million in shape of taxes, duties and levies paid to central and provincial governments and local authorities.

Statutory auditors of the company

The present auditors M/s Rizwan & Company, Chartered Accountants retire and offer themselves for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year ending June 30, 2012, at a fee to be decided by shareholders of the Company.



Staff retirement benefit

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

Share price trend

Share price of Rs. 10 each of GGL at one stage rose as high as Rs.14.49, lowered as low as Rs. 7.41 and closed at Rs. 13.08 as on June 30, 2011.



Placement of quarterly accounts on website

After compliance with the conditions of the Securities and Exchange Commission of Pakistan Circular No. 9 of 2004 dated April 15, 2004, the quarterly accounts of the Company are transmitted to the shareholders through Company website (www.ghaniglobal.com) instead of transmitting by post. On demand by any shareholder, copy of quarterly accounts is provided free of cost within one week of such demand.

Compliance with the code of corporate governance

Ghani Gases has adopted the requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in their Listing Regulations, relevant for the year ended June 30, 2011 and have been duly complied with.

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

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

Statement of ethics and business practices

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



Audit committee

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

Relations with stakeholders

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



Corporate social responsibility

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

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

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

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

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

Board of directors

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

A written notice of the Board meeting along with working papers was sent to the members seven days before meetings. A total of nine meetings of the Board of Directors were held during the year ended June 30, 2011. The attendance of the Board members are as follows:

| Name of the Director | No. of meeting attended |
|------------------------|-------------------------|
| Mr. Masroor Ahmad Khan | 07 |
| Mr. Atique Ahmad Khan | 09 |
| Hafiz Farooq Ahmad | 09 |
| Mrs. Tahira Naheed | 08 |
| Mrs. Ayesha Masroor | 09 |
| Mrs. Rabia Atique | 09 |
| Mrs. Saira Farooq | 09 |

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

The present Board of Directors will complete their terms of office on October 31, 2011. The election of directors under section 178 of the Companies Ordinance 1984, for a further period of three years will be held in Annual General Meeting of shareholders being held on October 29, 2011.

Corporate and financial reporting framework

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

- The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.



- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- There has been no departure from the best practices of transfer pricing.
- Information about taxes and levies is given in the notes of accounts.
- The value of investments and bank balances in respect of staff retirement benefits:
Provident Fund Rs. 5.284 million

Pattern of shareholding under code of corporate governance

A statement of the pattern of shareholding of certain class of shareholders as at June 30, 2011, whose disclosure is required under the reporting framework, is included in the annexed shareholder's information.

Post balance sheet events

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

Acknowledgment

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

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

We thank Allah Subhanatallah for blessing your Company and all of us and pray to give Hedayat so that we all obey the commandments of Allah Subhanatallah and Sunnah of our Prophet "Muhammad" (peace be upon him).

For and on behalf of the Board of Directors

Lahore
October 04, 2011

Masroor Ahmad Khan
Chairman



AUDIT COMMITTEE



Terms of reference

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

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

The committee comprises of the following members:

Mr. Hafiz Farooq Ahmad
Executive (Chairman)

Mrs. Ayesha Masroor
Non-Executive (Member)

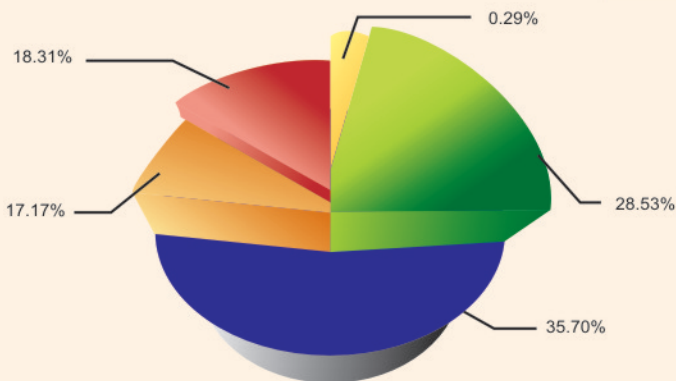
Mrs. Rabia Atique
Non-Executive (Member)

Mr. Farzand Ali
Secretary to the Committee



VALUE ADDED STATEMENT

| | 2011 Rs. | (%) | 2010 Rs. | (%) |
|---|--------------------|---------------|--------------------|---------------|
| Wealth Generated/ Value added: | | | | |
| Turnover (including Sales tax) | 520,773,090 | | 314,935,087 | |
| Less: Purchased materials and services | (321,689,584) | | (241,423,615) | |
| Value added | 199,083,506 | | 73,511,472 | |
| Other income | 112,883,534 | | 52,820,526 | |
| Wealth Created | 311,967,040 | 100.00 | 126,331,998 | 100.00 |
| Wealth Distribution | | | | |
| To employees | | | | |
| Salaries, benefits and other costs | 53,574,229 | 17.17 | 51,882,367 | 41.07 |
| To Government | | | | |
| Income tax, sales tax, WPPF | 88,997,026 | 28.53 | 45,964,198 | 36.38 |
| To society and development initiatives | | | | |
| Donations to education, health and environment | 913,000 | 0.29 | 1,690,863 | 1.34 |
| To providers of capital | | | | |
| Profit on borrowed funds | 57,120,542 | 18.31 | 34,571,097 | 27.37 |
| To company | | | | |
| Depreciation, amortization and retained profit/(loss) | 111,362,243 | 35.70 | (7,776,509) | -6.16 |
| | 311,967,040 | 100.00 | 126,331,998 | 100.00 |



Value Allocated 2011

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

Obey of commandments

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

Conflict of interest

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

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

Confidentiality

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





Kickbacks

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

Proper books of accounts

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

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

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

Healths and safety

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

Environment

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

Alcohol, drugs and smoking

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

Coordination among staff members to maintain discipline

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

Workplace harassment

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





PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT 30TH JUNE 2011

Incorporation Number: 0063479

| Number of Shareholders | Shareholding From | To | Total Shares held |
|------------------------|-------------------|-----------|-------------------|
| 111 | 1 | 100 | 4,834 |
| 578 | 101 | 500 | 271,287 |
| 220 | 501 | 1000 | 212,332 |
| 308 | 1001 | 5000 | 872,766 |
| 94 | 5001 | 10000 | 787,616 |
| 34 | 10001 | 15000 | 445,886 |
| 25 | 15001 | 20000 | 474,692 |
| 14 | 20001 | 25000 | 328,549 |
| 13 | 25001 | 30000 | 372,753 |
| 7 | 30001 | 35000 | 230,220 |
| 3 | 35001 | 40000 | 117,000 |
| 15 | 45001 | 50000 | 740,743 |
| 2 | 50001 | 55000 | 100,828 |
| 6 | 55001 | 60000 | 350,644 |
| 2 | 60001 | 65000 | 122,642 |
| 2 | 65001 | 70000 | 138,327 |
| 2 | 70001 | 75000 | 146,000 |
| 1 | 75001 | 80000 | 75,100 |
| 1 | 80001 | 85000 | 83,000 |
| 1 | 85001 | 90000 | 89,000 |
| 2 | 90001 | 95000 | 187,920 |
| 4 | 95001 | 100000 | 397,000 |
| 1 | 100001 | 105000 | 101,888 |
| 2 | 105001 | 110000 | 215,740 |
| 2 | 120001 | 125000 | 247,902 |
| 4 | 145001 | 150000 | 600,000 |
| 2 | 180001 | 185000 | 364,125 |
| 1 | 195001 | 200000 | 200,000 |
| 1 | 200001 | 205000 | 202,500 |
| 2 | 220001 | 225000 | 446,100 |
| 1 | 240001 | 245000 | 241,500 |
| 1 | 265001 | 270000 | 267,019 |
| 1 | 270001 | 275000 | 270,999 |
| 1 | 285001 | 290000 | 285,794 |
| 2 | 295001 | 300000 | 600,000 |
| 1 | 310001 | 315000 | 315,000 |
| 1 | 340001 | 345000 | 340,005 |
| 1 | 390001 | 395000 | 394,500 |
| 1 | 570001 | 575000 | 575,000 |
| 1 | 705001 | 710000 | 707,371 |
| 1 | 995001 | 1,000,000 | 1,000,000 |
| 1 | 1,150,001 | 1,155,000 | 1,152,159 |
| 1 | 1,245,001 | 1,250,000 | 1,250,000 |
| 1 | 1,280,001 | 1,285,000 | 1,285,000 |
| 1 | 1,395,001 | 1,400,000 | 1,400,000 |
| 1 | 1,485,001 | 1,490,000 | 1,485,600 |
| 1 | 2,285,001 | 2,290,000 | 2,285,096 |
| 1 | 2,480,001 | 2,485,000 | 2,485,000 |



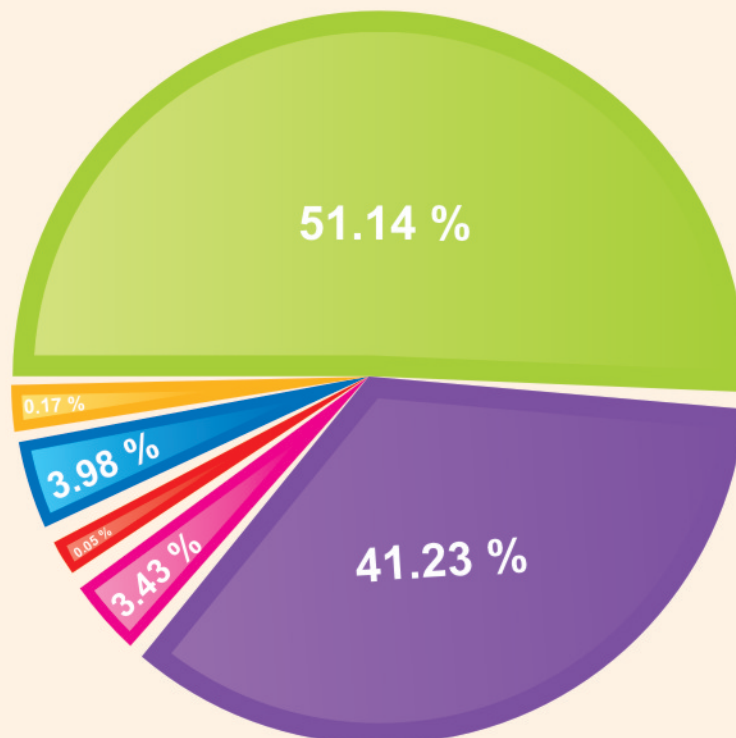
| | | | |
|---|-----------|-----------|-----------|
| 1 | 2,870,001 | 2,785,000 | 2,871,900 |
| 1 | 3,005,001 | 3,010,000 | 3,006,300 |
| 1 | 3,015,001 | 3,020,000 | 3,016,300 |
| 1 | 3,545,001 | 3,550,000 | 3,550,000 |
| 1 | 3,800,001 | 3,805,000 | 3,800,400 |
| 1 | 4,005,001 | 4,010,000 | 4,008,200 |
| 1 | 8,480,001 | 8,485,000 | 8,483,700 |
| 1 | 9,175,001 | 9,180,000 | 9,177,963 |
| 1 | 9,265,001 | 9,270,000 | 9,267,800 |

1488

72,450,000

| Categories of Shareholders | Shares Held | Percentage |
|---|-------------------|---------------|
| Directors, chief executive officer and their spouses and minor children | 37,052,463 | 51.14 |
| Banks DFI & NBF1 | 2,485,000 | 3.43 |
| Modarabas and mutual funds | 123,017 | 0.17 |
| *Share holders holding 10% or more | 26,929,463 | 37.17 |
| General public | | |
| - Local | 29,866,045 | 41.23 |
| - Foreign | 37,951 | 0.05 |
| Others | | |
| Joint stock companies | 2,885,524 | 3.98 |
| | 72,450,000 | 100.00 |

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





DETAIL OF PATTERN OF SHAREHOLDING

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE



Holding

BANKS/DFI & NBFI

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

DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN

| | | |
|---------------------------|--------------------------|-------------------|
| 1. Mr. Masroor Ahmad Khan | Chairman | 9,267,800 |
| 2. Mr. Atiq Ahmad Khan | Director/Chief Executive | 8,483,700 |
| 3. Hafiz Farooq Ahmad | Director | 9,177,963 |
| 4. Mrs. Tahira Naheed | Director | 300,000 |
| 5. Mrs. Ayesha Masroor | Director | 3,016,300 |
| 6. Mrs. Rabia Atiq | Director | 3,800,400 |
| 7. Mrs. Saira Farooq | Director | 3,006,300 |
| | | 37,052,463 |

PUBLIC SECTOR COMPANIES & CORPORATIONS

| | |
|--|---------|
| 1. Sinaco Engineeres (Pvt) Limited | 241,500 |
| 2. Capital vision securities (Pvt) Ltd. | 2,500 |
| 3. Sindh Gas (Pvt) Limited | 35,000 |
| 4. Moosani Securities (Pvt) Limited | 6,800 |
| 5. NH Securities (Pvt) Limited | 1,000 |
| 6. ACE Securities (Pvt) Limited | 10,000 |
| 7. Investforum (SMC-Pvt) Limited | 1,500 |
| 8. Highlink Capital (Pvt) Limited | 16,817 |
| 9. Trustee-Rahim Iqbal Rafiq & Co Employees Provident Fund | 17,000 |
| 10. Fawad Yousuf Securities (Pvt) Ltd | 20,000 |
| 11. Progressive Securities (Pvt) Ltd. | 2,000 |
| 12. Azee Securities (Pvt) Limited | 21,000 |
| 13. AJ Group Lil Hajwal Ummrah Services (Pvt) Limited | 150,000 |



| | |
|---|------------------|
| 14. Multiline Securities (Pvt) Limited | 61,642 |
| 15. FDM Capital Securities (Pvt) Limited | 50,000 |
| 16. Sherman Securities (Pvt) Limited | 1,485,600 |
| 17. Time Securities (Pvt) Limited | 1,500 |
| 18. HH Misbah Securities (Pvt) Limited | 10,000 |
| 19. B & B Securities (Pvt) Limited | 1,000 |
| 20. Stock Master Securities (Pvt) Limited | 1,500 |
| 21. HUM Securities Limited | 23,049 |
| 22. Darson Securities (Pvt) Limited | 8,023 |
| 23. Safe Securities (Pvt) limited | 75,100 |
| 24. Amer Securities (Pvt) Limited | 2,000 |
| 25. Progressive investment management (Pvt) Limited | 270,999 |
| 26. Horizon Investment (pvt) Limited | 5,000 |
| 27. Pearl Capital Management (Pvt) Limited | 700 |
| 28. Chen One Stores Limited | 48,000 |
| 29. Seven Star Securities (Pvt) Limited | 285,794 |
| 30. A.I Securities (Pvt) Limited | 30,000 |
| 31. Beaming Invest & Securities (Pvt) Limited | 500 |
| | <hr/> |
| | 2,885,524 |

MODARABAS & MUTUAL FUNDS

| | |
|--------------------------------------|----------------|
| 1. AKD Trustee AKD Opportunity Fund | 28,517 |
| 2. First Capital Mutual Fund Limited | 94,500 |
| | <hr/> |
| | 123,017 |

SHARES HELD BY THE GENERAL PUBLIC

29,903,996

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

| | |
|---------------------------|-------------------|
| 1. Mr. Masroor Ahmad Khan | 9,267,800 |
| 2. Mr. Atiq Ahmad Khan | 8,483,700 |
| 3. Hafiz Farooq Ahmad | 9,177,963 |
| | <hr/> |
| | 26,929,463 |

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

Nil

** These are also the directors of the Company.





STATEMENT OF COMPLIANCE

WITH CODE OF CORPORATE GOVERNANCE



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

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

1. The Company encourages the representation of independent non-executive directors and directors representing minority independent directors on its Board of Directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. If a casual vacancy occurs in board of directors, it is filled up by the directors within 30 days thereof.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees up to the level of supervisor of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, are determined to be taken by the Board.



8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors on the Board are fully conversant with their duties and responsibilities as director of corporate bodies through study of pamphlets issued by the SECP and discussion with corporate advisors. Some of the directors attended orientation courses.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters require to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
13. The directors, CEO and any executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It is comprised of three members, majority of which 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 set up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Hafiz Farooq Ahmad
Director

Atique Ahmad Khan
Chief Executive Officer

Lahore
October 04, 2011



KEY OPERATING AND FINANCIAL DATA

FOUR YEARS AT A GLANCE

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

Note:

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



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 GASES LIMITED with the Listing Regulation No. 35 of the Karachi Stock Exchange, 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 does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all the controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on the terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification of using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement 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 2011.

Date: 04 October, 2011
Lahore:

Rizwan & Company
Chartered Accountants
Rizwan Bashir





Financial Statements

| | |
|-----------------------------------|----|
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **GHANI GASES LIMITED** as at **30 JUNE 2011** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that—

- (a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion—
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profits and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **30 June 2011** and of the profit, comprehensive profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 04 October, 2011
Lahore:

Rizwan & Company
Chartered Accountants
Rizwan Bashir



BALANCE SHEET

AS AT 30 JUNE 2011

| | Note | 2011 | (Rupees) | 2010 |
|---|------|----------------------|----------|----------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | | | |
| Operating fixed assets | 5 | 1,174,844,505 | | 812,911,775 |
| Assets subject to ijarah financing | 6 | 48,004,521 | | 10,166,622 |
| Capital work in progress | 7 | 12,101,590 | | 265,233,709 |
| | | 1,234,950,616 | | 1,088,312,106 |
| Intangible assets | 8 | 1,120,000 | | - |
| Long term deposits & prepayments | 9 | 42,153,289 | | 17,384,270 |
| | | 1,278,223,905 | | 1,105,696,376 |
| Current assets | | | | |
| Stores, spare parts and loose tools | 10 | 19,961,223 | | 2,565,530 |
| Stock-in-trade | 11 | 31,880,087 | | 19,034,784 |
| Trade debts | 12 | 39,731,149 | | 19,603,725 |
| Loans and advances | 13 | 6,259,526 | | 26,331,645 |
| Trade deposits and short term prepayments | 14 | 3,707,752 | | 2,416,256 |
| Balances with statutory authorities | 15 | 1,158,999 | | 242,596 |
| Other receivables | 16 | 33,152,031 | | 75,605 |
| Advance tax | 17 | 14,731,250 | | 22,539,648 |
| Cash and bank balances | 18 | 104,029,772 | | 85,604,562 |
| | | 254,611,789 | | 178,414,351 |
| TOTAL ASSETS | | 1,532,835,694 | | 1,284,110,727 |
| EQUITY AND LIABILITIES | | | | |
| Share capital and reserves | | | | |
| Authorized share capital | | | | |
| 72,500,000 (2010: 72,500,000) ordinary shares of Rupees 10/- each | | 725,000,000 | | 725,000,000 |
| Issued, subscribed and paid up share capital | 19 | 724,500,000 | | 724,500,000 |
| Capital reserve-share premium | 20 | 30,000,000 | | 30,000,000 |
| Unappropriated Profit/(Loss) | | (29,489,020) | | (108,932,855) |
| Total equity | | 725,010,980 | | 645,567,145 |
| Non-current liabilities | | | | |
| Long term financing | 21 | 243,333,334 | | 331,821,380 |
| Loan from sponsors | 22 | 250,137,030 | | 100,772,030 |
| Liabilities against assets subject to ijarah financing | 23 | 30,797,546 | | 4,994,436 |
| Long term security deposits | 24 | 31,300,000 | | 28,100,000 |
| | | 555,567,910 | | 465,687,846 |
| Current liabilities | | | | |
| Trade and other payables | 25 | 108,899,898 | | 88,180,911 |
| Accrued profit on financing | 26 | 10,197,360 | | 7,631,685 |
| Short term borrowings | 27 | 24,999,975 | | 24,978,794 |
| Current portion of long term liabilities | 28 | 102,590,555 | | 50,447,161 |
| Provision for taxation | | 5,569,016 | | 1,617,185 |
| | | 252,256,804 | | 172,855,736 |
| Total liabilities | | 807,824,714 | | 638,543,582 |
| TOTAL EQUITY AND LIABILITIES | | 1,532,835,694 | | 1,284,110,727 |
| CONTINGENCIES AND COMMITMENTS | 29 | - | | - |

The annexed notes from 1 to 45 form an integral part of these financial statements.

Atique Ahmad Khan
Chief Executive Officer

Hafiz Farooq Ahmad
Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2011

| | Note | 2011 | 2010 |
|---|------|--------------------------|----------------------------|
| | | (Rupees) | |
| Gross Sales-Local | | 520,773,090 | 314,935,087 |
| Less: | | | |
| Sales tax | | 70,679,717 | 41,654,643 |
| Excise duty | | 5,630,972 | 2,663,877 |
| | | <u>76,310,689</u> | <u>44,318,520</u> |
| Net sales | | 444,462,401 | 270,616,567 |
| Cost of sales | 30 | <u>298,931,641</u> | <u>245,108,290</u> |
| Gross profit | | 145,530,760 | 25,508,277 |
| Distribution cost | 31 | 63,091,023 | 52,334,840 |
| Administrative expenses | 32 | 46,782,757 | 51,165,979 |
| Other operating expenses | 33 | 6,407,121 | 2,815,014 |
| | | <u>116,280,901</u> | <u>106,315,833</u> |
| | | 29,249,859 | (80,807,556) |
| Other income | 34 | <u>112,883,534</u> | <u>52,820,526</u> |
| | | 142,133,393 | (27,987,030) |
| Finance cost | 35 | <u>57,120,542</u> | <u>34,571,079</u> |
| Profit / (loss) before taxation | | 85,012,851 | (62,558,109) |
| Taxation | 36 | <u>5,569,016</u> | <u>1,645,678</u> |
| Net profit / (loss) for the year | | <u>79,443,835</u> | <u>(64,203,787)</u> |
| Earnings per share - basic and diluted (rupees) | 37 | <u>1.10</u> | <u>(0.89)</u> |

The annexed notes from 1 to 45 form an integral part of these financial statements.

Atique Ahmad Khan
Chief Executive Officer

Hafiz Farooq Ahmad
Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

| | 2011 | 2010 |
|--|-------------------|---------------------|
| | | |
| | | (Rupees) |
| Net profit / (loss) for the year | 79,443,835 | (64,203,787) |
| Other comprehensive income / (loss) | - | - |
| Total comprehensive income / (loss) for the year | <u>79,443,835</u> | <u>(64,203,787)</u> |

The annexed notes from 1 to 45 form an integral part of these financial statements.

Atique Ahmad Khan
Chief Executive Officer

Hafiz Farooq Ahmad
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

| | Share capital | Capital Reserve- Premium on issue of shares | Unappropriated profit / (loss) | Total |
|--|---------------------------|---|-----------------------------------|---------------------------|
| | (Rupees) | | | |
| Balance as at 01 July 2009 | 724,500,000 | 30,000,000 | (44,729,068) | 709,770,932 |
| Net loss for the year ended 30 June 2010 | - | - | (64,203,787) | (64,203,787) |
| Other comprehensive income / (loss) | - | - | - | - |
| Total comprehensive income / (loss) for the year | - | - | (64,203,787) | (64,203,787) |
| Balance as at 30 June 2010 | <u>724,500,000</u> | <u>30,000,000</u> | <u>(108,932,855)</u> | <u>645,567,145</u> |
| Net profit for the year ended 30 June 2011 | - | - | 79,443,835 | 79,443,835 |
| Other comprehensive income / (loss) | - | - | - | - |
| Total comprehensive income / (loss) for the year | - | - | 79,443,835 | 79,443,835 |
| Balance as at 30 June 2011 | <u>724,500,000</u> | <u>30,000,000</u> | <u>(29,489,020)</u> | <u>725,010,980</u> |

The annexed notes from 1 to 45 form an integral part of these financial statements.

Atique Ahmad Khan
Chief Executive Officer

Hafiz Farooq Ahmad
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

| | Note | 2011 | 2010 |
|---|------|----------------------|---------------------|
| | | (Rupees) | |
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | | |
| Cash generated from/ (used in) operations | 38 | 136,402,690 | 75,592,659 |
| Finance cost paid | | (61,907,219) | (60,438,178) |
| Income tax | | 6,191,213 | (15,067,973) |
| | | (55,716,006) | (75,506,151) |
| Net cash from/(used in) operating activities | | 80,686,684 | 86,508 |
| CASH FLOWS FROM / (USED) INVESTING ACTIVITIES | | | |
| Property, plant and equipment purchased | | (185,972,094) | (87,211,289) |
| Intangible assets acquired | | (1,400,000) | - |
| Proceeds from disposal of property, plant and equipment | | 7,835,000 | - |
| (Increase) / decrease in long term deposits - net | | (24,769,019) | (3,401,270) |
| Net cash from/(used in) investing activities | | (204,306,113) | (90,612,559) |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | | |
| Long term financing-net | | (43,821,380) | 102,101,880 |
| Loan from sponsors | | 149,365,000 | 100,772,030 |
| Increase in short term borrowings | | 21,181 | 24,978,794 |
| Long term bills payables | | - | (76,826,943) |
| Long term security deposits payables | | 3,200,000 | 11,800,000 |
| Ijarah financing liabilities (repaid) / acquired - net | | 33,279,838 | 4,994,436 |
| Net cash from / (used in) financing activities | | 142,044,639 | 167,820,197 |
| Net increase / (decrease) in cash and cash equivalents | | 18,425,210 | 77,294,146 |
| Cash and cash equivalents at the beginning of the year | | 85,604,562 | 8,310,416 |
| Cash and cash equivalents at the end of the year | 18 | 104,029,772 | 85,604,562 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

Atique Ahmad Khan
Chief Executive Officer

Hafiz Farooq Ahmad
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. THE COMPANY AND ITS OPERATIONS

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

2. STATEMENT OF COMPLIANCE

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

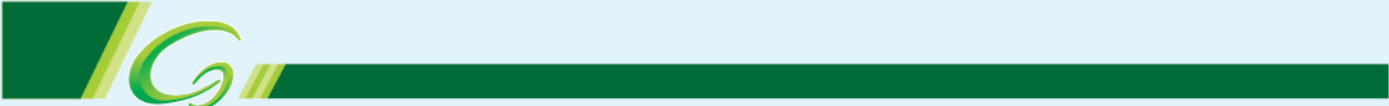
2.2 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

During the current year, certain amendments to accounting standards and interpretations became effective. Adoption of such amendments do not materially effect the Company's financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| Amendments to IAS 1 Presentation of Financial Statements | 1-Jul-12 |
| Amendments to IFRS 7 Financial Instruments - Disclosures | 1-Jul-11 |
| Amendments to IAS 12 Income Tax | 1-Jan-12 |
| Amendments to IAS 19 Employee Benefits | 1-Jan-13 |
| IFRS 9 Financial Instruments | 1-Jan-13 |
| Amendments to IAS 24 Related Party Disclosures | 1-Jan-11 |
| Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement | 1-Jan-11 |



The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application or later periods.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its Annual Improvement Project. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3. BASIS OF PREPARATION

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

3.2 Significant accounting judgments and critical accounting estimates / assumptions

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

a) Income taxes

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

b) Useful lives, patterns of economic benefits and impairments

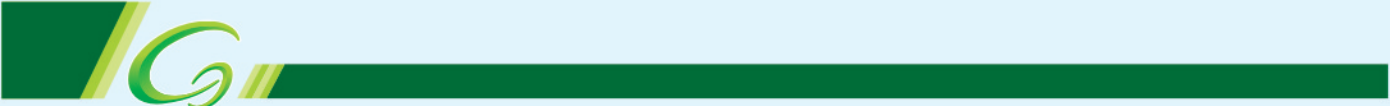
Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect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

c) Provision for doubtful debts

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

d) Provision for slow moving /obsolete items

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



3.3 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Taxation

Current

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

Deferred

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

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

4.2 Trade and other payables

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

4.3 Provisions

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

4.4 Property, plant and equipment

Owned

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



Depreciation is charged to profit and loss account using the reducing balance method except for plant and machinery on which depreciation is charged on production hours basis so as to write off the cost over the expected useful life of assets at rates, which are disclosed in note 5 to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed of.

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

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

Ijarah assets

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

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

Depreciation on assets subject to finance Ijarah is recognized in the same manner as for owned assets on the rates specified in note 6 to the financial statements."

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

Capital work in progress

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

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

Impairment

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.



4.5 Stores, spare parts and loose tools

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

4.6 Stock in trade

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

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

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

4.7 Trade debts

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

4.8 Other receivables

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

4.9 Cash and bank balance

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

4.10 Financial instruments

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

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

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



4.11 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceed recoverable amount, assets are written down to the recoverable amount and the difference is charged to profit and loss account.

4.12 Off setting of financial assets and financial liabilities

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

4.13 Derivative financial instruments

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

4.14 Foreign currency translation

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

4.15 Revenue recognition

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

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



4.16 Employees' benefits

Defined contribution plan

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

Compensated absences

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

4.17 Borrowing costs

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

4.18 Related party transactions and transfer pricing

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

4.19 Cash and cash equivalents

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

4.20 Dividends

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

4.21 Intangible assets

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

Intangible assets are amortized using straight line method at the rates given in note 8 to the financial statements. Amortization is charged to profit and loss account from the month in which the asset is available for use."

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

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

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

5. OPERATING FIXED ASSETS - tangible

| DESCRIPTION | BALANCE AS AT 01 JULY 2010 | | | FOR THE YEAR 2011 | | | BALANCE AS AT 30 JUNE 2011 | | | RATES % | |
|---------------------------|----------------------------|--------------------------|----------------|-------------------|----------------------------------|----------------------------------|----------------------------|-------------|--------------------------|-------------|----------------|
| | Cost | Accumulated Depreciation | Net Book Value | Additions | Disposal | | Depreciation Charge | Cost | Accumulated Depreciation | | Net Book Value |
| | | | | | Cost/ (Accumulated Depreciation) | Cost/ (Accumulated Depreciation) | | | | | |
| Land - Freehold | 45,143,288 | - | 45,143,288 | 4,493,484 | - | - | - | 49,636,772 | - | - | |
| Building on freehold land | 106,450,515 | 12,241,809 | 94,208,706 | 49,424,317 | - | 10,365,798 | 10,365,798 | 155,874,832 | 22,607,607 | 133,267,225 | |
| Plant and machinery | 705,493,018 | 53,998,231 | 651,494,787 | 344,770,352 | 7,225,460 | 16,215,041 | 1,043,037,910 | 70,213,272 | 70,213,272 | 972,824,638 | |
| Furniture and fixtures | 11,532,987 | 1,476,010 | 10,056,977 | 726,161 | - | 1,045,572 | 12,259,148 | 2,521,582 | 2,521,582 | 9,737,566 | |
| Office equipment | 977,944 | 126,030 | 851,914 | 32,274 | - | 86,998 | 1,010,218 | 213,028 | 213,028 | 797,190 | |
| Computers | 1,495,946 | 546,987 | 948,959 | 274,431 | - | 357,064 | 1,770,377 | 904,051 | 904,051 | 866,326 | |
| Vehicles | 14,175,884 | 3,968,740 | 10,207,144 | - | 960,784 | 2,022,640 | 13,215,100 | 5,500,312 | 5,500,312 | 7,714,788 | |
| | | | | | (491,068) | | | | | | |
| | 885,269,582 | 72,357,807 | 812,911,775 | 399,721,019 | 8,186,244 | 30,093,113 | 1,276,804,357 | 101,959,852 | 1,174,844,505 | | |
| | | | | | (491,068) | | | | | | |

| DESCRIPTION | BALANCE AS AT 01 JULY 2009 | | | FOR THE YEAR 2010 | | | BALANCE AS AT 30 JUNE 2010 | | | RATES % | |
|---------------------------|----------------------------|--------------------------|----------------|-------------------|----------------------------------|----------------------------------|----------------------------|-------------|--------------------------|-------------|----------------|
| | Cost | Accumulated Depreciation | Net Book Value | Additions | Disposal | | Depreciation Charge | Cost | Accumulated Depreciation | | Net Book Value |
| | | | | | Cost/ (Accumulated Depreciation) | Cost/ (Accumulated Depreciation) | | | | | |
| Land - Freehold | 45,143,288 | - | 45,143,288 | - | - | - | - | 45,143,288 | - | - | |
| Building on freehold land | 106,450,515 | 1,774,175 | 104,676,340 | - | - | 10,467,634 | 10,467,634 | 106,450,515 | 12,241,809 | 94,208,706 | |
| Plant and machinery | 702,805,125 | 11,713,419 | 691,091,706 | 2,667,893 | - | 42,284,812 | 42,284,812 | 705,493,018 | 53,998,231 | 651,494,787 | |
| Furniture and fixtures | 10,052,153 | 452,416 | 9,599,737 | 1,480,834 | - | 1,023,594 | 1,023,594 | 11,532,987 | 1,476,010 | 10,056,977 | |
| Office equipment | 735,856 | 47,654 | 688,202 | 242,088 | - | 78,376 | 977,944 | 977,944 | 126,030 | 851,914 | |
| Computers | 692,930 | 176,312 | 516,618 | 803,016 | - | 370,675 | 1,495,946 | 1,495,946 | 546,987 | 948,959 | |
| Vehicles | 11,091,183 | 1,885,808 | 9,205,375 | 3,084,701 | - | 2,082,932 | 14,175,884 | 3,968,740 | 3,968,740 | 10,207,144 | |
| | 876,971,050 | 16,049,784 | 860,921,266 | 8,298,532 | - | 56,308,023 | 885,269,582 | 72,357,807 | 72,357,807 | 812,911,775 | |

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

| Description | Cost | Accumulated Depreciation | Net Book Value | Sales proceeds | Mode of disposal | Particulars of purchaser |
|------------------------------|-----------|--------------------------|----------------|----------------|------------------|-----------------------------|
| (Rupees) | | | | | | |
| Plant & Machinery | | | | | | |
| Compressor pumps | 1,909,835 | - | 1,909,835 | 1,800,000 | Ijarah Financing | Al Baraka Bank Pakistan Ltd |
| Refurbished Compressor | 5,315,625 | - | 5,315,625 | 5,200,000 | Ijarah Financing | Al Baraka Bank Pakistan Ltd |
| | 7,225,460 | - | 7,225,460 | 7,000,000 | | |
| Vehicle | 960,784 | 491,068 | 469,716 | 835,000 | Negotiation | Mr. Asad Fazal Sheikh |
| 2011 | 8,186,244 | 491,068 | 7,695,176 | 7,835,000 | | |
| 2010 | - | - | - | - | | |

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

| | 2011 | 2010 |
|-------------------------|------------|------------|
| Cost of sales | 25,034,962 | 51,159,132 |
| Administrative expenses | 5,058,151 | 5,148,891 |
| | 30,093,113 | 56,308,023 |

Note (Rupees)

(30)

(32)



6. ASSETS SUBJECT TO IJARAH FINANCING - tangible

| DESCRIPTION | BALANCE AS AT 01 JULY 2010 | | | FOR THE YEAR | | | BALANCE AS AT 30 JUNE 2011 | | | RATES % |
|---------------------|----------------------------|--------------------------|-------------------|-------------------|---------------------|-------------------|----------------------------|-------------------|----|---------|
| | Cost | Accumulated Depreciation | Net Book Value | Additions | Depreciation Charge | Cost | Accumulated Depreciation | Net Book Value | | |
| | 2011 | | | | | | | | | |
| | (Rupees) | | | | | | | | | |
| Plant and machinery | 10,285,877 | 119,255 | 10,166,622 | 28,133,194 | 607,795 | 38,419,071 | 727,050 | 37,692,021 | - | |
| Vehicles | - | - | - | 11,250,000 | 937,500 | 11,250,000 | 937,500 | 10,312,500 | 20 | |
| | <u>10,285,877</u> | <u>119,255</u> | <u>10,166,622</u> | <u>39,383,194</u> | <u>1,545,295</u> | <u>49,669,071</u> | <u>1,664,550</u> | <u>48,004,521</u> | | |

| DESCRIPTION | BALANCE AS AT 01 JULY 2009 | | | FOR THE YEAR | | | BALANCE AS AT 30 JUNE 2010 | | | RATES % |
|---------------------|----------------------------|--------------------------|----------------|-------------------|---------------------|-------------------|----------------------------|-------------------|---|---------|
| | Cost | Accumulated Depreciation | Net Book Value | Additions | Depreciation Charge | Cost | Accumulated Depreciation | Net Book Value | | |
| | 2010 | | | | | | | | | |
| | (Rupees) | | | | | | | | | |
| Plant and machinery | - | - | - | 10,285,877 | 119,255 | 10,285,877 | 119,255 | 10,166,622 | - | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,285,877</u> | <u>119,255</u> | <u>10,285,877</u> | <u>119,255</u> | <u>10,166,622</u> | | |

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

| | 2011 | 2010 |
|-------------------------|------------------|----------------|
| | (Rupees) | |
| Cost of sales | 607,795 | 119,255 |
| Administrative expenses | 937,500 | - |
| | <u>1,545,295</u> | <u>119,255</u> |

Note



| | Note | 2011 | 2010 |
|---|------|-------------------|-------------------|
| | | (Rupees) | |
| 9. LONG TERM DEPOSITS & PREPAYMENTS | | | |
| Considered good: | | | |
| Security deposits for utilities | | 34,470,000 | 13,770,000 |
| Deposits against fuel supply | | 113,000 | 113,000 |
| Deposits against Ijarah facility | | 5,792,789 | 1,249,770 |
| Prepayments with National Highway Authority | | 1,777,500 | 2,251,500 |
| | | <u>42,153,289</u> | <u>17,384,270</u> |
| 10. STORES, SPARE PARTS AND LOOSE TOOLS | | | |
| Stores | | 4,632,361 | 1,769,889 |
| Spare parts | | 15,272,783 | 745,088 |
| Loose tools | | 56,079 | 50,553 |
| | | <u>19,961,223</u> | <u>2,565,530</u> |
| 11. STOCK-IN-TRADE | | | |
| Finished goods | | 31,880,087 | 19,034,784 |
| | | <u>31,880,087</u> | <u>19,034,784</u> |
| 12. TRADE DEBTS | | | |
| Considered good: | | | |
| Unsecured | | 39,731,149 | 19,603,725 |
| | | <u>39,731,149</u> | <u>19,603,725</u> |
| 12.1 The age of trade debts at balance sheet date was: | | | |
| Age of trade debts | | | |
| Not past due | | 39,731,149 | 19,603,725 |
| | | <u>39,731,149</u> | <u>19,603,725</u> |
| 13. LOANS AND ADVANCES | | | |
| Considered good: | | | |
| Loans to employees | | 22,927 | - |
| Advances | | | |
| To employees against expenses | | 658,532 | 1,124,674 |
| To suppliers and contractors | | 5,578,067 | 25,206,971 |
| | | <u>6,236,599</u> | <u>26,331,645</u> |
| | | <u>6,259,526</u> | <u>26,331,645</u> |



| | Note | 2011 | 2010 |
|--|--------|-------------|------------|
| | | (Rupees) | |
| 14. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS | | | |
| Considered good: | | | |
| Security deposits | | 2,301,500 | 1,284,500 |
| Short term prepayments | | 157,189 | 122,693 |
| Bank guarantee margin | | 1,249,063 | 1,009,063 |
| | | 3,707,752 | 2,416,256 |
| 15. BALANCES WITH STATUTORY AUTHORITIES | | | |
| Sales tax refundable | | 1,158,999 | 242,596 |
| | | 1,158,999 | 242,596 |
| 16. OTHER RECEIVABLES | | | |
| Considered good: | | | |
| Bank Profit receivables | | 18,856 | 75,605 |
| Receivable from associated company Ghani Southern Gases (Private) Limited | | 33,133,175 | |
| | | 33,152,031 | 75,605 |
| 17. ADVANCE TAX | | | |
| Advance income tax | | 14,731,250 | 22,567,299 |
| Less: prior year tax | | - | (27,651) |
| | | 14,731,250 | 22,539,648 |
| 18. CASH AND BANK BALANCES | | | |
| Cash in hand | | 137,102 | 128,191 |
| Balances with banks in: | | | |
| Current accounts | | 2,934,645 | 25,679,105 |
| Deposit accounts | (18.1) | 100,958,025 | 59,797,266 |
| | | 103,892,670 | 85,476,371 |
| | | 104,029,772 | 85,604,562 |

18.1 The rate of return on deposit accounts ranges from 5% to 12% (2010: 5% to 12%) per annum.



19. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2011 | 2010 | | 2011 | 2010 |
|-------------------|-------------------|---|--------------------|--------------------|
| (No. of Shares) | | Note | (Rupees) | |
| 72,450,000 | 72,450,000 | Ordinary shares of Rupees 10 each fully paid up in cash | 724,500,000 | 724,500,000 |
| <u>72,450,000</u> | <u>72,450,000</u> | | <u>724,500,000</u> | <u>724,500,000</u> |

19.1 Movement during year

| | (No. of Shares) | |
|--------------------|-------------------|-------------------|
| Opening balance | 72,450,000 | 72,450,000 |
| Issued during year | - | - |
| Closing balance | <u>72,450,000</u> | <u>72,450,000</u> |

20. CAPITAL RESERVE-SHARE PREMIUM

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

21. LONG TERM FINANCING

From banking companies - secured:

| | | (Rupees) | |
|--|--------|--------------------|--------------------|
| Finance 1 | | - | 129,321,380 |
| Finance 2 | (21.1) | 112,500,000 | 150,000,000 |
| Finance 3 | (21.2) | 90,000,000 | 100,000,000 |
| Finance 4 | (21.3) | 133,000,000 | - |
| | | <u>335,500,000</u> | <u>379,321,380</u> |
| Less: Current portion taken as current liability | (28) | 92,166,666 | 47,500,000 |
| | | <u>243,333,334</u> | <u>331,821,380</u> |

21.1 This facility represents the Islamic Finance obtained from Dawood Islamic Bank Limited and carry profit at the rate of 3 months KIBOR plus 300 BPS with a floor of 8% and cap of 24% (2010: 3 months KIBOR plus 300 BPS with a floor of 8% and cap of 24%). It is secured against 1st pari passu hypothecation charge over plant and machinery for Rupees 304 million with 25% risk margin, mortgage over land and building for Rupees 150 million and personal guarantees of sponsor directors of the company. This finance facility is repayable quarterly in four years including one year grace period.

21.2 This Islamic finance facility has been obtained from Bank Alfalah Limited Islamic Banking. It carries profit at the rate of 6 months KIBOR plus 2.25% per annum (2010: 6 months KIBOR plus 2.25% per annum) and is secured against 1st exclusive specific hypothecation charge over plant and machinery for Rupees 150 million and 2nd charge over entire remaining fixed assets of company and personal guarantees of all the directors of the company. This finance facility is repayable biannually in 6 years including one year grace period.

21.3 This Islamic finance facility has been obtained from Bank of Khyber. It carries profit at the rate of 6 months KIBOR plus 200 BPS (2010: Nil). It is secured against the 1st pari passu charge over all present and future fixed assets of the company for Rupees 200 Million and personal guarantees of all sponsor directors of the company. This finance facility is repayable biannually in 4 years including one year grace period.



22. LOAN FROM SPONSORS - unsecured

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

| | Note | 2011 | 2010 |
|---|--------|-------------------|------------------|
| | | (Rupees) | |
| 23. LIABILITIES AGAINST ASSETS SUBJECT TO IJARAH FINANCING | | | |
| The amount of future rentals and periods during which they fall due are as under: | | | |
| Not later than one year | | 15,277,275 | 3,774,622 |
| Later than one year and not later than five year | | 37,309,445 | 5,339,409 |
| | | <u>52,586,720</u> | <u>9,114,031</u> |
| Less : Future financial charges | | 11,365,285 | 1,172,434 |
| Present value of minimum Ijarah payments | (23.1) | 41,221,435 | 7,941,597 |
| Less : Current portion taken as current liability | (28) | 10,423,889 | 2,947,161 |
| | | <u>30,797,546</u> | <u>4,994,436</u> |
| 23.1 Break up of net Ijarah obligation | | | |
| Within one year | | 10,423,889 | 2,947,161 |
| Within two to five years | | 30,797,546 | 4,994,436 |
| | | <u>41,221,435</u> | <u>7,941,597</u> |

23.2 Minimum Ijarah payments have been discounted at an implicit profit rate ranging from 3 months KIBOR plus 2% to 6 months KIBOR plus 3% per annum with a floor of 12% and cap of 30% (2010 : 6 months KIBOR plus 3% per annum with floor of 12% and cap 22%). The balance number of rentals payable are 54 (2010: 36). In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of Ijarah agreement.

24. LONG TERM SECURITY DEPOSIT

| | | | |
|---|--------|-------------------|-------------------|
| From customers | (24.1) | <u>31,300,000</u> | <u>28,100,000</u> |
| 24.1 These represents amounts received from the customers on installation of certain equipment and can be used in ordinary course of company business. | | | |

25. TRADE AND OTHER PAYABLES

| | | | |
|------------------------------------|--------|--------------------|-------------------|
| Trade creditors | | 52,906,490 | 15,826,094 |
| Bills payable | | - | 33,653,640 |
| Advances from customers | (25.1) | 9,823,724 | 5,454,155 |
| Accrued liabilities | | 41,584,219 | 33,208,332 |
| Workers Profits Participation Fund | | 4,474,361 | - |
| With holding tax | | 111,104 | 38,690 |
| | | <u>108,899,898</u> | <u>88,180,911</u> |



25.1 This includes amount payable to Shadman Mall (associated undertaking) amounting to Rupees 3,166,000 (2010: Nil).

| | Note | 2011 (Rupees) | 2010 |
|---|--------|---------------------------|-------------------|
| 26. ACCRUED PROFIT ON FINANCING | | | |
| Long term financing | | 9,887,563 | 7,356,837 |
| Short term borrowings | | 309,797 | 274,848 |
| | | <u>10,197,360</u> | <u>7,631,685</u> |
| 27. SHORT TERM BORROWINGS | | | |
| From banking company - secured: | | | |
| Finance I | (27.1) | <u>24,999,975</u> | <u>24,978,794</u> |
| 27.1 This facility from banking company has been availed against sanctioned limit of Rupees 25 million and carry profit at the rate of 3 months KIBOR plus 2.50% (2010: 3 month KIBOR plus 2.50%) and secured against securities mentioned in note 21.1. | | | |
| 28. CURRENT PORTION OF LONG TERM LIABILITIES | | | |
| Long term financing | (21) | 92,166,666 | 47,500,000 |
| Liabilities against assets subject to ijarah financing | (23) | 10,423,889 | 2,947,161 |
| | | <u>102,590,555</u> | <u>50,447,161</u> |

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

29.1.1 Bank guarantees issued by the Company's bankers in the ordinary course of business aggregating to Rupees 3.1 million (2010: Rupees 1.9 million) against supply of petroleum products.

29.1.2 The Company has filed two separate constitutional petitions before The Hon'able Lahore High Court on the ground that the company was not required to pay any Advance Tax on electricity bills due to huge carried forward tax losses and available refunds. The Hon'able Lahore High Court has granted stay orders upon furnishing bank guarantees in favour of LESCO amounting to Rupees 3,145,315. The outcome of the cases is pending. The management is hopeful that matter shall be decided in favour of the company.

29.1.3 During the year, the Hon'able Lahore High Court, Lahore declared the amendments made in Workers' Welfare Fund Ordinance, 1971 brought through Finance Acts, 2006 and 2008 as unconstitutional. Therefore, the company has not made any provision of WWF in the financial statements in the light of this Order of the Hon'able Lahore High Court. However, the company may be liable to pay WWF amounting to Rupees 1,700,257 if the said order is challenged in the Hon'able Supreme Court and the said court decides otherwise.

29.2 Commitments

29.2.1 Commitment in respect of letter of credit amounted to Rupees 30.48 million (2010: Rupees 20.37 million).

29.2.2 Commitment for construction of building as at balance sheet date amounted to Rupees Nil (2010: Rupees 20 million).



| | Note | 2011 (Rupees) | 2010 |
|---|-------------|------------------|--------------|
| 30. COST OF SALES | | | |
| Fuel and power | | 160,051,837 | 173,147,549 |
| Consumable spare | | 5,688,812 | 2,230,928 |
| Salaries, wages and other benefits | | 20,060,902 | 18,393,801 |
| Communication | | 244,660 | 160,308 |
| Repairs and maintenance | | 7,143,106 | 281,058 |
| Traveling, vehicle running and conveyance | | 2,928,990 | 1,070,944 |
| Insurance | | 2,158,639 | 2,486,736 |
| Depreciation | (5.2 & 6.1) | 25,642,757 | 51,278,387 |
| Staff welfare | | 2,611,491 | 2,152,768 |
| Transportation | | 446,942 | - |
| Other overheads | | 5,311,462 | 3,277,030 |
| Cost of goods manufactured | | 232,289,598 | 254,479,509 |
| Finished goods | | | |
| Opening stock | | 19,034,784 | 6,734,694 |
| Purchases | | 79,487,346 | 2,928,871 |
| Closing stock | | (31,880,087) | (19,034,784) |
| | | 66,642,043 | (9,371,219) |
| | | 298,931,641 | 245,108,290 |
| 31. DISTRIBUTION COST | | | |
| Salaries, wages and other benefits | | 10,731,080 | 10,961,457 |
| Transportation charges | | 42,931,637 | 38,304,639 |
| Traveling, boarding, lodging and conveyance | | 1,958,025 | 1,119,123 |
| Communication | | 535,790 | 278,510 |
| Vehicle running and maintenance | | 1,252,080 | 846,891 |
| Staff welfare | | 357,126 | 89,137 |
| Advertisement and business promotion | | 1,739,046 | 602,180 |
| Loading and unloading | | 894,700 | - |
| Postage and courier | | 67,577 | - |
| Repair and maintenance | | 308,767 | - |
| Other expenses | | 2,315,195 | 132,903 |
| | | 63,091,023 | 52,334,840 |



| | Note | 2011 (Rupees) | 2010 |
|------------------------------------|-------------|-------------------|-------------------|
| 32. ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and other benefits | | 22,782,247 | 22,527,109 |
| Rent, rates and taxes | | 3,084,480 | 2,749,931 |
| Electricity and other utilities | | 884,263 | 880,220 |
| Traveling and conveyance | | 736,536 | 2,111,410 |
| Vehicle running and maintenance | | 1,902,368 | 3,000,359 |
| Donation & charity | (32.1) | 913,000 | 1,690,863 |
| Printing and stationery | | 1,379,983 | 1,314,960 |
| Communication | | 816,475 | 1,045,171 |
| Fee and subscription | | 1,105,177 | 644,331 |
| Advertisement | | 300,840 | 3,174,983 |
| Insurance | | 473,485 | 374,832 |
| Depreciation | (5.2 & 6.1) | 5,995,652 | 5,148,891 |
| Amortization | (8) | 280,000 | - |
| Staff welfare | | 3,270,662 | 3,549,923 |
| Repair and maintenance | | 560,098 | 254,773 |
| Others | | 2,297,491 | 2,698,224 |
| | | <u>46,782,757</u> | <u>51,165,979</u> |

32.1 None of the directors and their spouses had any interest in the donees during the year (2010: Nil)

| | | | |
|---|--|------------------|------------------|
| 33. OTHER OPERATING EXPENSES | | | |
| Legal and professional | | 1,522,760 | 786,978 |
| Workers participation fund | | 4,474,361 | - |
| Auditors' remuneration: | | | |
| Statutory audit | | 300,000 | 250,000 |
| Half yearly review and other certifications | | 97,500 | 75,000 |
| Out of pocket expenses | | 12,500 | 7,500 |
| | | 410,000 | 332,500 |
| Exchange loss | | - | 1,695,536 |
| | | <u>6,407,121</u> | <u>2,815,014</u> |

| | | | |
|--|--------|--------------------|-------------------|
| 34. OTHER INCOME | | | |
| Income from financial assets | (34.1) | 444,320 | 623,752 |
| Income from assets other than financial assets | (34.2) | 112,439,214 | 52,196,774 |
| | | <u>112,883,534</u> | <u>52,820,526</u> |
| 34.1 Income from financial assets: | | | |
| Profit on bank deposits | | 444,320 | 623,752 |
| | | <u>444,320</u> | <u>623,752</u> |



| | Note | 2011 (Rupees) | 2010 |
|---|------|--------------------|-------------------|
| 34.2 Income from assets other than financial assets: | | | |
| Rental income | | 36,000,000 | 52,196,774 |
| Consultancy income | | 42,645,750 | - |
| Credit balances waived off | | 33,653,640 | - |
| Gain/(Loss) on disposal of assets | | 139,824 | - |
| | | <u>112,439,214</u> | <u>52,196,774</u> |

35. FINANCE COST

| | | | |
|--|--|-------------------|-------------------|
| Profit on: | | | |
| Long term financing | | 50,107,533 | 29,687,157 |
| Short term borrowings | | 3,131,045 | 3,703,510 |
| Liabilities against assets subject to ijarah financing | | 3,380,179 | 1,103,555 |
| | | <u>56,618,757</u> | <u>34,494,222</u> |
| Bank charges and commission | | 501,785 | 76,857 |
| | | <u>57,120,542</u> | <u>34,571,079</u> |

36. TAXATION

| | | | |
|------------|--|------------------|------------------|
| Current | | 5,569,016 | 1,617,185 |
| prior year | | - | 28,493 |
| | | <u>5,569,016</u> | <u>1,645,678</u> |

36.1 Assessment up to tax year 2010 are finalized (deemed assessed) and the available assessed tax losses of the company are Rupees 550.782 million (2010: Rupees 494.002 million).

36.2 Due to available assessed and current year tax losses no provision of deferred tax is required.

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

37. EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)

| | | | |
|--|----------|-------------------|---------------------|
| Profit/(loss) attributable to ordinary shareholders | (Rupees) | <u>79,443,835</u> | <u>(64,203,787)</u> |
| Weighted average number of ordinary shares outstanding during the year | (Number) | <u>72,450,000</u> | <u>72,450,000</u> |
| Earnings per share - basic and diluted (in rupees) | (Rupees) | <u>1.10</u> | <u>(0.89)</u> |

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



| | Note | 2011 | 2010 |
|---|------|---------------------------|--------------------------|
| | | (Rupees) | |
| 38. CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | | |
| Profit before taxation | | 85,012,851 | (62,558,109) |
| Adjustments to reconcile profit to net cash provided by operating activities | | | |
| Depreciation on operating fixed assets | (5) | 30,093,113 | 56,308,023 |
| Depreciation on asset against ijarah financing | (6) | 1,545,295 | 119,255 |
| Amortization of intangible assets | (8) | 280,000 | - |
| Profit on financings | | 64,472,894 | 55,875,417 |
| Gain on disposal of assets | | (139,824) | - |
| | | <u>181,264,329</u> | <u>49,744,586</u> |
| Cash flows from/(used in) working capital changes (Increase) / decrease in current assets: | | | |
| Stores, spare parts and loose tools | | (17,395,693) | (1,510,230) |
| Stock-in-trade | | (12,845,303) | (12,300,090) |
| Trade debts | | (20,127,424) | (9,963,486) |
| Loans and advances | | 20,072,119 | (12,147,919) |
| Trade deposits and short term prepayments | | (1,291,496) | (317,430) |
| Balances with statutory authorities | | (916,403) | 7,952,257 |
| Other receivables | | (33,076,426) | (8,441) |
| Increase/(decrease) in current liabilities: | | | |
| Trade and other payables | | 20,718,987 | 54,143,412 |
| Net cash from/(used in) working capital changes | | (44,861,639) | 25,848,073 |
| Cash generated from/(used in) operating activities | | <u>136,402,690</u> | <u>75,592,659</u> |



39. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

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

| Description | 2011 | | | 2010 | | |
|-----------------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| Managerial remuneration | 3,384,000 | 6,768,000 | 10,311,824 | 3,384,000 | 6,768,000 | 8,282,301 |
| Medical | 216,000 | 432,000 | 658,202 | 216,000 | 432,000 | 528,662 |
| Provident fund contribution | | | 913,803 | | | 429,760 |
| | <u>3,600,000</u> | <u>7,200,000</u> | <u>11,883,829</u> | <u>3,600,000</u> | <u>7,200,000</u> | <u>9,240,723</u> |
| No. of persons | <u>1</u> | <u>2</u> | <u>8</u> | <u>1</u> | <u>2</u> | <u>7</u> |

39.1 Company maintained vehicles have been provided to Chief Executive Officer, directors and all executives of the company.

39.2 The aggregate amount charged in financial statements for the year against fees for four (4) Board meetings and four audit committee meetings was Rupees Nil (2010: Nil).

40. RELATED PARTY DISCLOSURES

The related parties and associated undertakings comprise associated companies, associates, companies in which directors are interested, staff retirement funds, directors and key management personnel. Significant transactions with related parties and associated undertakings are as under:

| Relationship with the Company | Nature of Transaction | 2011 | 2010 |
|--|---|------------|-----------|
| | | (Rupees) | |
| Associated undertakings: | | | |
| Ghani Southern Gases (Pvt) Ltd | Income against technical assistance fee | 42,645,750 | - |
| Shadman Mall | Advance against sales | 3,166,000 | - |
| Others: | | | |
| Provident fund trust | Amount contributed | 4,409,625 | 2,726,934 |
| Directors and key management personnel | These transactions have been disclosed in Note 39 | | |

All transactions with related parties are carried out on mutually agreed commercial terms and conditions.



41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

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

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

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

(a) Market risk

(i) Currency risk

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

The following analysis demonstrates the sensitivity to a reasonably possible change in US\$ exchange rate, with all other variables held constant, of the company's profit before tax.

| | 2011 | 2010 |
|---------------------|-----------------------|------------------------------|
| Reporting date rate | 86.40 | 85.60 |
| | Changes in US \$ Rate | Effects on Profit Before Tax |
| | | (Rupees) |
| 2011 | +10% | - |
| | -10% | - |
| 2010 | +10% | 3,365,364 |
| | -10% | (3,365,364) |



(ii) Equity price risk

'Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity price risk as Company does not hold any investments.

(iii) Profitrate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market Profit rates.

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

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

| | 2011 | 2010 |
|--|-------------|-------------|
| | (Rupees) | |
| Floating rate instruments | | |
| Financial assets: | | |
| Bank balances - deposit accounts | 100,958,025 | 59,797,266 |
| Financial liabilities: | | |
| Long term financing | 335,500,000 | 379,321,380 |
| Liabilities against assets subject to ijarah financing | 41,221,435 | 7,941,597 |
| Short term borrowings | 24,999,975 | 24,978,794 |

Fair value sensitivity analysis for fixed rate instruments

'The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in Profit rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

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



| | | Changes in Profit Rate | Effects on Profit Before Tax |
|--|------|------------------------------|------------------------------------|
| | | (Rupees) | |
| 'Bank balances - deposit accounts | 2011 | +1.50 | 1,514,370 |
| | | -1.50 | (1,514,370) |
| | 2010 | +1.50 | 896,959 |
| | | -1.50 | (896,959) |
| Long term financing | 2011 | +2.00 | (6,710,000) |
| | | -2.00 | 6,710,000 |
| | 2010 | +2.00 | (7,586,428) |
| | | -2.00 | 7,586,428 |
| Liabilities against assets subject to ijarah financing | 2011 | +2.00 | (824,429) |
| | | -2.00 | 824,429 |
| | 2010 | +2.00 | (158,832) |
| | | -2.00 | 158,832 |
| Short term borrowings | 2011 | +2.00 | (500,000) |
| | | -2.00 | 500,000 |
| | 2010 | +2.00 | (499,576) |
| | | -2.00 | 499,576 |

(b) Credit risk

'Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2011 | 2010 |
|--------------------|-------------|-------------|
| | (Rupees) | |
| Long term deposits | 42,153,289 | 17,384,270 |
| Trade debts | 39,731,149 | 19,603,725 |
| Loans to employees | 22,927 | - |
| Trade deposits | 2,301,500 | 1,284,500 |
| Other receivables | 33,152,031 | 75,605 |
| Bank balances | 103,892,670 | 85,476,371 |
| | 221,253,566 | 123,824,471 |



Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored.

The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

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

| | Rating | | | 2011 | 2010 |
|---------------------------------|------------|-----------|-----------|-------------|------------|
| | Short Term | Long term | Agency | | |
| | | | | (Rupees) | |
| Banks: | | | | | |
| MCB Bank Limited | A1+ | AA+ | PACRA | 1,693,357 | 43,791 |
| National Bank of Pakistan | A -1+ | AAA | JCR - VIS | 82,042 | 52,115 |
| United bank Limited | A-1+ | AA+ | JCR - VIS | 46,593 | 10,020,097 |
| Allied Bank Limited | A1+ | AA | PACRA | 516,786 | 3,616,524 |
| Faysal Bank Limited | A1+ | AA | JCR - VIS | 43,800 | 18,000,000 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 71,249,538 | 32,305,571 |
| BankIslami Pakistan Limited | A1 | A | PACRA | 28,903 | 13,704 |
| Meezan Bank Limited | A-1+ | AA- | JCR - VIS | 3,825,502 | 6,122,654 |
| Dawood Islamic Bank Limited | A-1 | A | JCR - VIS | 260,508 | 258,557 |
| Al-Baraka Islamic Bank | A2 | A - | PACRA | 25,542,972 | 10,021,488 |
| Bank Alfalah Limited | A1+ | AA | PACRA | 310,691 | 8,495 |
| The Bank of Khyber | A2 | A - | PACRA | 31,992 | 5,013,375 |
| Askari Bank Limited | A1+ | AA | PACRA | 1,083 | - |
| Soneri Bank Limited | A1+ | AA - | PACRA | 465 | - |
| Habib Bank Limited | A-1+ | AA+ | JCR - VIS | 258,438 | - |
| | | | | 103,892,670 | 85,476,371 |



At 30 June 2011 Company has 2 customers (2010: 1 customers) that owed the Company Rupees 9 million and accounted for approximately 23% (2010: 26 %) of all receivables owing.

The Company's exposure to credit risk related to trade debts is disclosed in Note No.12.

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

(c) Liquidity risk

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains flexibility in funding by maintaining availability under control committed credit lines.

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

| | Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years |
|--|--------------------|------------------------|--------------------|-----------------------|
| (Rupees) | | | | |
| 30 June 2011 | | | | |
| Long term financing | 345,387,563 | 345,387,563 | 92,166,666 | 253,220,897 |
| Liabilities against assets subject to ijarah financing | 41,221,435 | 52,586,720 | 15,277,275 | 37,309,445 |
| Loan from sponsor | 250,137,030 | 250,137,030 | - | 250,137,030 |
| Long term security deposits | 31,300,000 | 31,300,000 | - | 31,300,000 |
| Trade and other payables | 108,899,898 | 108,899,898 | 108,899,898 | - |
| Short term borrowings | 25,309,772 | 25,309,772 | 25,309,772 | - |
| | <u>802,255,698</u> | <u>813,620,983</u> | <u>241,653,611</u> | <u>571,967,372</u> |
| 30 June 2010 | | | | |
| Long term financing | 386,678,217 | 386,678,217 | 47,500,000 | 339,178,217 |
| Liabilities against assets subject to ijarah financing | 7,941,597 | 9,114,031 | 3,774,622 | 5,339,409 |
| Loan from sponsor | 100,772,030 | 100,772,030 | - | 100,772,030 |
| Long term security deposits | 28,100,00 | 28,100,000 | - | 28,100,000 |
| Trade and other payables | 88,180,911 | 88,180,911 | 88,180,911 | - |
| Short term borrowings | 25,253,642 | 25,253,642 | 24,978,794 | 274,848 |
| | <u>636,926,397</u> | <u>638,098,831</u> | <u>164,434,327</u> | <u>473,664,504</u> |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements.



41.2 Fair values of financial assets and liabilities

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

41.3 Financial instruments by categories

| | 2011 | | Total (Rupees) |
|------------------------------------|---------------------------|--------------------|--------------------|
| | Cash and cash equivalents | Loans and advances | |
| Assets as per balance sheet | | | |
| Long term deposits | - | 42,153,289 | 42,153,289 |
| Trade debts | - | 39,731,149 | 39,731,149 |
| Loans and advances | - | 6,259,526 | 6,259,526 |
| Trade deposits | - | 2,301,500 | 2,301,500 |
| Other receivables | - | 33,152,031 | 33,152,031 |
| Cash and bank balances | 104,029,772 | - | 104,029,772 |
| | <u>104,029,772</u> | <u>123,597,495</u> | <u>227,627,267</u> |

Liabilities as per balance sheet

| | | |
|--|--|--------------------|
| Long term financing | | 335,500,000 |
| Loan from sponsor | | 250,137,030 |
| liabilities against assets subject to ijarah financing | | 41,221,435 |
| Long term security deposits | | 31,300,000 |
| Accrued profit on financings | | 10,197,360 |
| Short term borrowings | | 24,999,975 |
| Trade and other payables | | 108,899,898 |
| | | <u>802,255,698</u> |

Financial Liabilities
at amortized cost

| | 2010 | | Total (Rupees) |
|------------------------------------|--------------------------|--------------------|--------------------|
| | Cash and cash equivalent | Loans and advances | |
| Assets as per balance sheet | | | |
| Long term deposits | - | 17,384,270 | 17,384,270 |
| Trade debts | - | 19,603,725 | 19,603,725 |
| Loans and advances | - | 26,331,645 | 26,331,645 |
| Trade deposits | - | 1,284,500 | 1,284,500 |
| Other receivables | - | 75,605 | 75,605 |
| Cash and bank balances | 85,604,562 | - | 85,604,562 |
| | <u>85,604,562</u> | <u>64,679,745</u> | <u>150,284,307</u> |



2010

(Rupees)

Financial Liabilities
at amortized cost

Liabilities as per balance sheet

| | |
|--|--------------------|
| Long term financing | 379,321,380 |
| Loan from sponsor | 100,772,030 |
| liabilities against assets subject to ijarah financing | 7,941,597 |
| Long term security deposits | 28,100,000 |
| Accrued profit on financings | 7,631,685 |
| Short term borrowings | 24,978,794 |
| Trade and other payables | 88,180,911 |
| | <u>636,926,397</u> |

41.4 Capital risk management

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

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

| | Note | 2011 (Rupees) | 2010 |
|---|-------------------|----------------------|----------------------|
| The gearing ratio as at year ended 30 June 2011 and 30 June 2010 is as follows: | | | |
| Total Borrowings | (21), (23) & (27) | 401,721,410 | 412,241,771 |
| Equity | | 725,010,980 | 645,567,145 |
| Total capital employed | | <u>1,126,732,390</u> | <u>1,057,808,916</u> |
| Gearing ratio | | <u>35.65%</u> | <u>38.97%</u> |



42. PLANT CAPACITY AND ACTUAL PRODUCTION

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

| | 2011 | 2010 |
|--|------------|-------------|
| | | Cubic metre |
| Liquid Oxygen / Nitrogen /Argon: | | |
| Production at normal capacity | 25,620,000 | 25,620,000 |
| Actual production - net of normal losses | 14,986,313 | 14,527,490 |

42.1 Reason for low production

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

43. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 04 October, 2011.

44. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purposes of comparison. Following significant rearrangement / reclassification have been made:

| From | To | Reason of change | Rupees |
|--------------------------|--------------------------------------|---------------------|-----------|
| Cost of sales: | | | |
| Other overheads | Staff welfare | Better presentation | 2,152,768 |
| Distribution cost: | | | |
| Other expenses | Staff welfare | Better presentation | 89,137 |
| Other expenses | Advertisement and business promotion | Better presentation | 602,180 |
| Administrative expenses: | | | |
| Other expenses | Staff welfare | Better presentation | 3,549,923 |
| Other expenses | Repair and maintenance | Better presentation | 254,773 |

45. GENERAL

Figures have been rounded off to the nearest rupees.

Atique Ahmad Khan
Chief Executive Officer

Hafiz Farooq Ahmad
Director