

## CONTENTS

### COMPANY OVERVIEW

- 02 Vision
- 03 Mission
- 04 Core Values
- 06 Corporate Information
- 10 Corporate Social Responsibility
- 11 Quality Management System
- 12 Environment Management System
- 14 Customer Segments
- 19 Products & Services
- 22 Directors' Report

### CORPORATE GOVERNANCE

- 33 Code of Conduct
- 36 Statement of Compliance
- 39 Review Report to the Members
- 40 The Terms of Reference of the Audit Committee
- 42 Terms of Reference of HR&R Committee
- 43 Jama Punji

### STAKEHOLDER'S INFORMATION

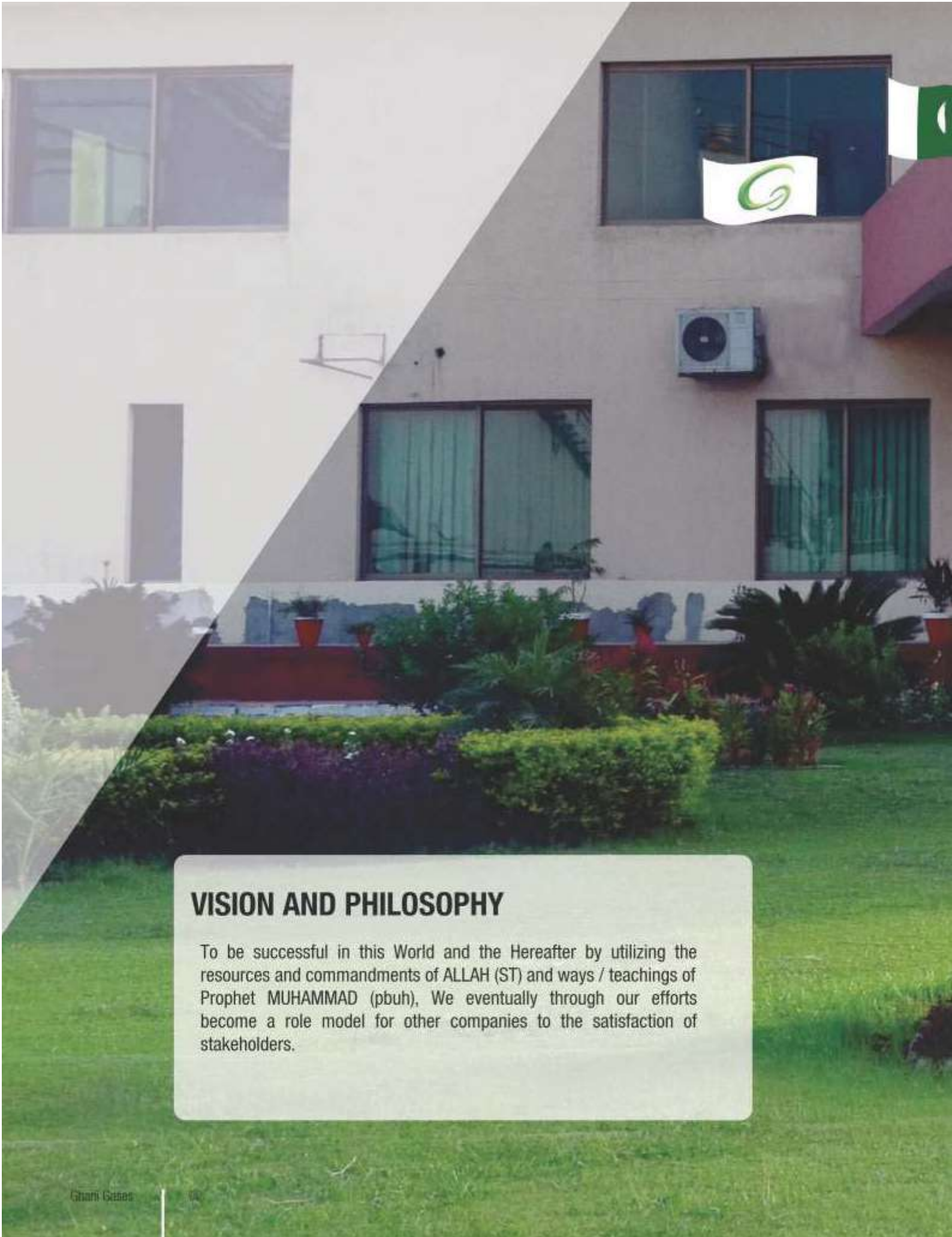
- 45 Value Added Statement
- 46 Six Years at a Glance

### ANNUAL AUDITED FINANCIAL STATEMENTS

- 48 Auditors' Report
- 49 Balance Sheet
- 50 Profit & Loss Account
- 51 Statement of Comprehensive Income
- 52 Statement of Changes in Equity
- 53 Cash Flow Statement
- 54 Notes to the Financial Statements
- 84 Consolidated Audited Financial Statements

### PATTERN OF SHAREHOLDING, NOTICE & FORMS

- 122 Pattern of Shareholding
- 125 Notice of Annual General Meeting
- 131 Form of Proxy



## VISION AND PHILOSOPHY

To be successful in this World and the Hereafter by utilizing the resources and commandments of ALLAH (ST) and ways / teachings of Prophet MUHAMMAD (pbuh), We eventually through our efforts become a role model for other companies to the satisfaction of stakeholders.





## MISSION STATEMENT

To achieve and maintain a high standard of quality product and customers' satisfaction in a manner that is superior to anyone by a wide-margin and to become the leader amongst gases manufacturers.

## CORE VALUES





Our corporate values are to build and sustain a high performance culture, with a continuous improvement through an 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 deeds at GGL are in accordance with the SHARIA.

### **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 an effective implementation of Vision, Mission, and Corporate objectives.

### **SHEQ**

Our core value is to develop Safety, Health, Environment and Quality oriented culture and lay emphasis upon maintaining the related standards.

### **Professionalism**

Ghani Gases is committed to professionalism in their appropriate skills and deal with customers and all stakeholders.



**Integrity**

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



exercise a high level of work, use most competencies to



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Masroor Ahmad Khan  
Atique Ahmad Khan  
Hafiz Farooq Ahmad  
Mian Zahid Said  
Ayesha Masroor  
Rabia Atique  
Saira Farooq  
Farzand Ali

Chairman  
Chief Executive Officer  
Director  
Director  
Director  
Director  
Director  
Director

### AUDIT COMMITTEE

Mian Zahid Said - Chairman  
Masroor Ahmad Khan  
Rabia Atique  
Farzand Ali

### HR & R COMMITTEE

Mian Zahid Said - Chairman  
Atique Ahmad Khan  
Ayesha Masroor  
Farzand Ali

### COMPANY SECRETARY

Farzand Ali, FCS

### CHIEF FINANCIAL OFFICER

Asim Mahmud, FCA

### AUDITORS

Rizwan & Company,  
Chartered Accountants  
Member Firm of DFK International

### SHARE REGISTRAR

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





#### **GGL-I Plant**

52-K.M. Lahore Multan Road,  
Phool Nagar Distt. Kasur  
Ph: (042) 37006353-54, Fax: (042) 37006356  
E-mail: [ggl1plant@ghaniglobal.com](mailto:ggl1plant@ghaniglobal.com)

#### **GGL-II Plant**

53-A, Chemical Area, Eastern Industrial Zone,  
Port Qasim, Karachi.  
Ph : (021) 34740540-41 Fax: (021) 34740542  
E-mail: [ggl2plant@ghaniglobal.com](mailto:ggl2plant@ghaniglobal.com)

#### **GGL - III**

Main G.T. Road, Tarnol, Islamabad  
Email: [sales.west@ghaniglobal.com](mailto:sales.west@ghaniglobal.com)

#### **REGIONAL MARKETING OFFICE**

301-302, 3rd Floor Yousaf Chamber,  
KCHSU, Block 7/8, Near MCB Bank,  
Shara-e-Faisal, Karachi.  
Phone: 021-34330595  
Email: [sales.south@ghaniglobal.com](mailto:sales.south@ghaniglobal.com)

#### **LEGAL ADVISOR**

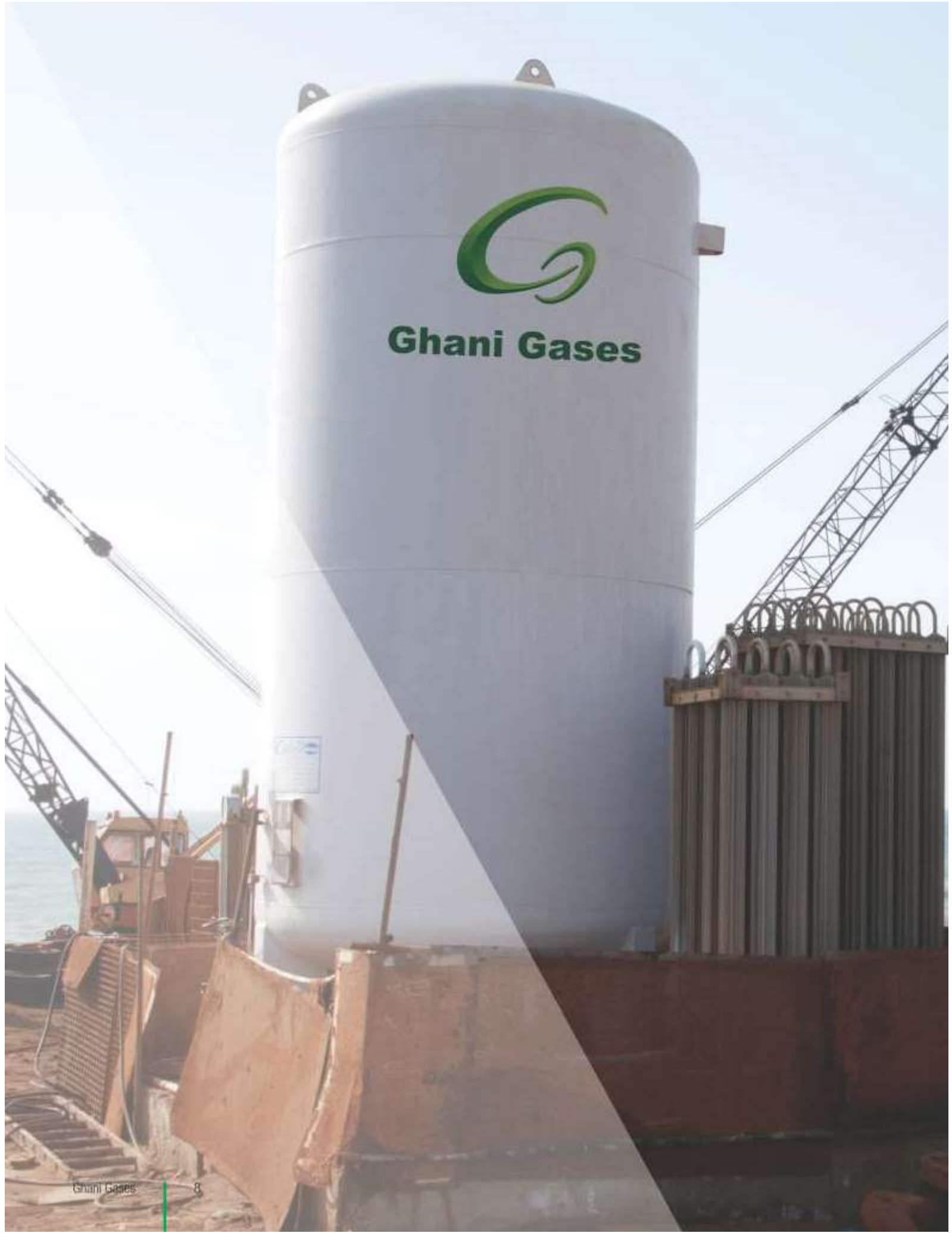
DSK Law, Lahore

#### **BANKERS**

Al Baraka Bank (Pakistan) Limited  
Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Burj Bank Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank Pakistan Limited  
Habib Metropolitan Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank  
Summit Bank Limited  
The Bank of Punjab  
The Bank of Khayber  
United Bank Limited

#### **REGISTERED / CORPORATE OFFICE**

10-N, Model Town Ext. Lahore-54000, Pakistan  
UAN: (042)111-ghani1(442-641)  
Phone: 042-35161424-5, Fax: 042-35160393  
Email: [info@ghaniglobal.com](mailto:info@ghaniglobal.com)  
Website: [www.ghaniglobal.com](http://www.ghaniglobal.com)  
[www.ghanigases.com](http://www.ghanigases.com)





A large red and white ship is being lifted by a crane at a port. The ship is positioned horizontally, with its bow to the left and stern to the right. It is supported by several large, dark, rectangular blocks. A yellow crane is visible on the left side of the frame, with its arm extending over the ship. The ship has a white superstructure with a yellow funnel. The background shows a clear blue sky and a body of water. In the foreground, there is a sandy area with some equipment and a man standing. The text "Serving the Nation" is written in a stylized font across the upper part of the image.

# *Serving the Nation*

# CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility (CSR) is undertaking the role of a "Corporate Citizen". It ensures that the business values and policies are aligned in such a way that it strikes a balance between improving and developing the wealth of business and contributing for betterment of society in an effective manner.

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

GGL is committed to both the sustainable business practices and its responsibilities as a corporate citizen. We believe that the Corporate Social Responsibility is primarily about conducting business in a transparent and ethical way that not only enhances value for all of our stakeholders but also supports the events that enhance the wellbeing of the community.

The Corporate Social Responsibilities and guidelines for corporate governance are steps in the right direction. The customer relation management is a strategic business philosophy and processes are rooted through ethical practices.

GGL supports a clean environment and motivates its customers for this cause.

GGL also tries its level best that business activities of customer must be environment-friendly and not be hazardous to that Society.



## QUALITY MANAGEMENT SYSTEM

We are committed to ensure that the Ghani Gases become the industry leader in quality for every product and service it renders to all segments that it serves.

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

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 system, and
- Ensures that our products and services satisfy the highest standards through the application of best practices.

*ISO - 9001 - 2008 Certified*



## ENVIRONMENT MANAGEMENT SYSTEM



**Ghani Gases!**

commits to minimize any adverse  
effect of its operation on the environment

*“Do more, feel better, live longer”*

**ISO 14001: 2004 Certified**



## SAFETY HEALTH QUALITY



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

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

- Complies strictly with all the SHEQ legislations 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,
- Contributes to the permanent improvement of operational efficiency and customers' satisfaction through a risk management program to protect our people, assets and business viability.

*"We endeavor to achieve our objective of zero accidents."*



## CUSTOMER SEGMENTS

→ Oil & Gas



→ Chemical & Fertilizer



→ Ship Breaking & Scrap Cutting



→ Pharmaceutical



→ Health Care



→ Food & Beverage



→ Steel & Iron Mills



→ Light & Medium Engineering Works



→ Livestock



→ Merchandise Market



*Ghani Gases! A Good solution for every situation...*

## CUSTOMERS' SATISFACTION

Excellent  
Very Good  
Good  
Average  
Poor

<input checked="" type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

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

Besides "Safety", our corporate slogan is "Customer First". We always lay emphasis upon providing in the best quality service to our customers. We continuously develop and improve customer - service oriented culture within GGL.

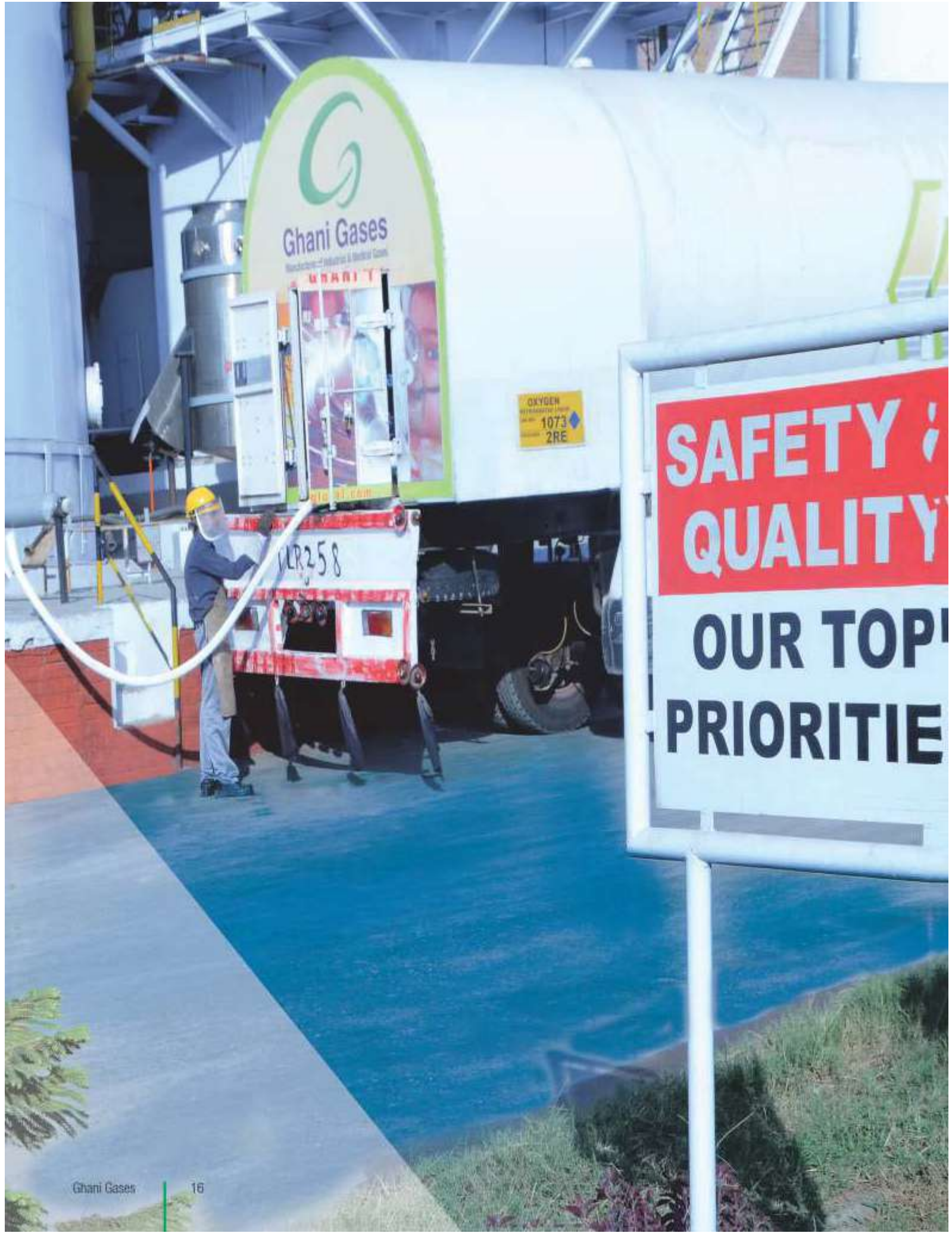
Knowing our customers and their need is the key to our business success. Our team of professionals are well-equipped and well-trained to provide the most efficient and personalized service to our customers.

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.

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 programmes, a team of safety engineers is on board which ensures that all the safety aspects including human, machines, buildings, vehicles tankers and storage are met and taken care of.

*Customer First*







## SAFETY FIRST PERFORMANCE OF THE YEAR

### Safety First

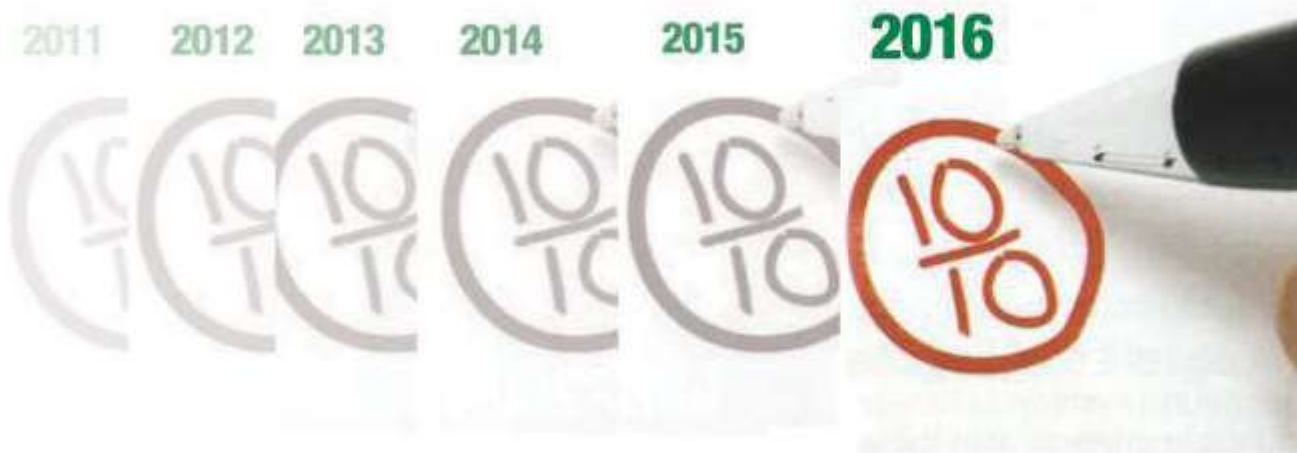
Number of Incidents	<del>0</del>	1	2	3	4
Loss Work Days	<del>0</del>	1	2	3	4
Injury to Staff			YES	<del>NO</del>	

### Safety on Site

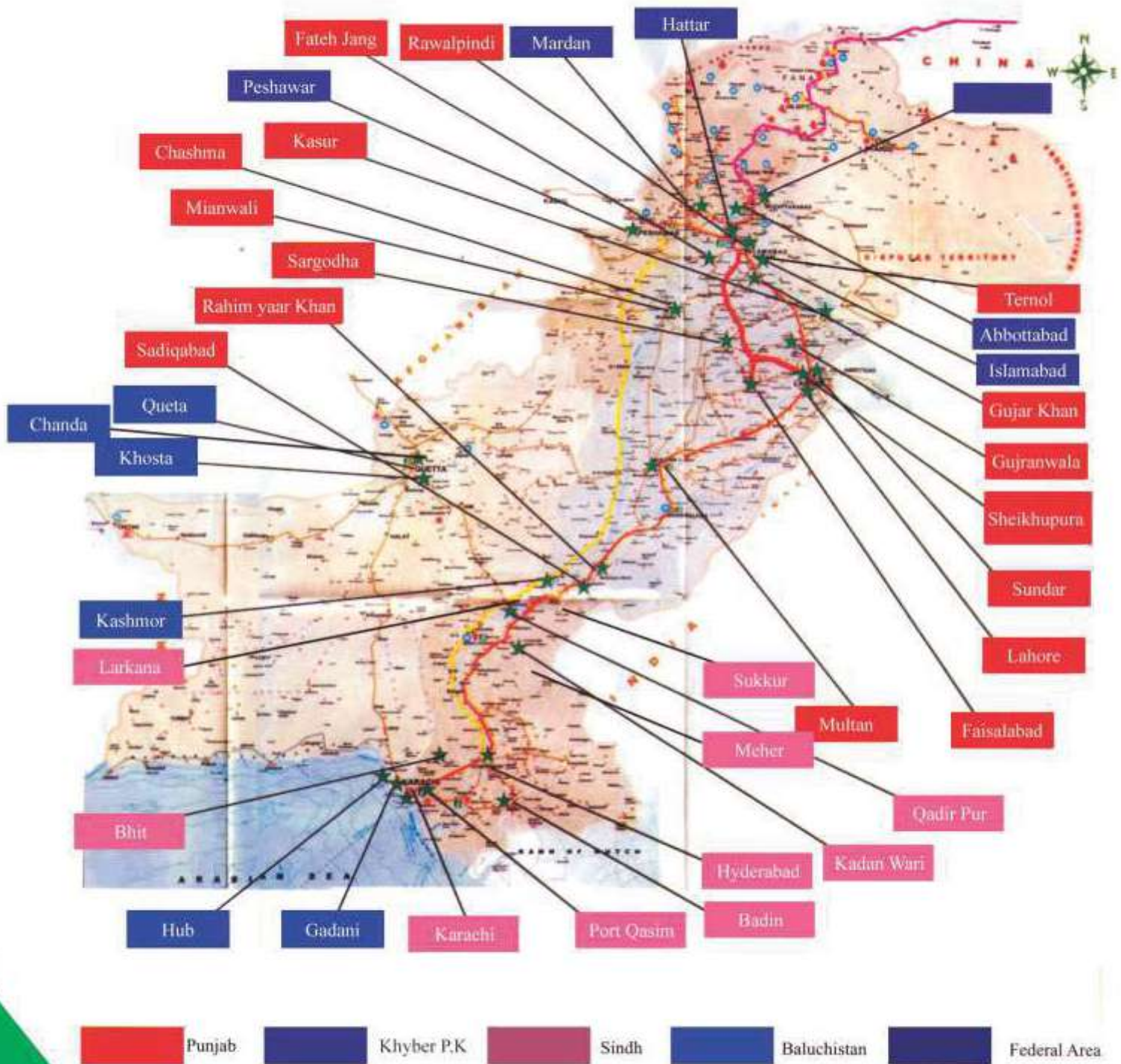
Mileage Without Accident	5,680,027 KM
Vehicle Accident	YES <del>NO</del>
Injury to Drivers	YES <del>NO</del>
Casualty	YES <del>NO</del>

### Safety on Site

Incidents at Industries	<del>0</del>	1	2	3	4
Incidents at Compressing Stations	<del>0</del>	1	2	3	4



## KEY LOCATIONS AROUND PAKISTAN

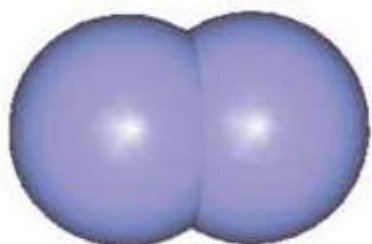


*We are where our customers are*



## PRODUCTS & SERVICES

### Industrial Gases



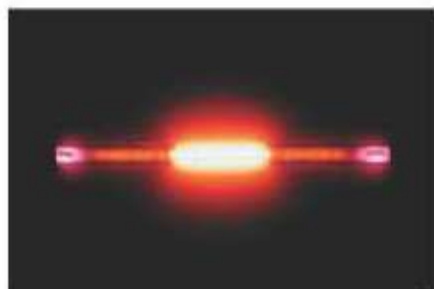
Liquid Oxygen



Liquid Nitrogen



Liquid Argon



Liquid Helium



Liquid CO<sub>2</sub>



Dissolve Acetylene



Industrial Gases Pipeline



Industrial Cryogenic /  
Gases Cylinders



Calcium Carbide



# PRODUCTS & SERVICES

## Health Care



Compressed Medical Oxygen



Liquid Medical Oxygen



Nitrous Oxide



Pain Relief Mixture



Liquid Medical Cryogenic /  
Gases Cylinders



Helium



Gas Handling Equipment



Oxygen Therapy Equipment



Medical Gas Pipeline



Gas Outlet Points



Gas Manifold

# PRODUCTS & SERVICES

## Compressed Industrial Gases



Aviation Oxygen



Compressed Air



Compressed Argon



Compressed Acetylene



Compressed Nitrogen



Compressed Oxygen

## Specialty Gases



CO<sub>2</sub> Mixture



High Purity Gases



Lab Mixture Gas



Lamp Mixture Gas



Argon Mixture Gas



# DIRECTORS' REPORT



## National Economy

Pakistan's economy maintained its growth momentum during FY16, despite suffering from heavy losses in the crop sector within agriculture. The growth in the industrial sector, in particular, accelerated on the back of better energy supply and improvement in security situation. This growth, in turn, had significant spillover to the services sector. Other key macro-economic indicators also improved during FY16. Average inflation also declined as compared to level in the corresponding period of last year. Fiscal deficit was contained at lower level than the last year; exchange rate remained stable in general; and foreign exchange reserves continued to increase. Some of these developments were

due to subdued commodity prices (particularly oil) in the global market.

Policy support also played a key role in improving macro fundamentals: expansionary monetary policy for the last one and half year, and development focus of fiscal spending (particularly on infrastructure project which also encouraged construction and related activities). Beside introduction sector specific policy initiatives, the government also ensured better energy management; for instance, LNG imports allowed adequate gas availability for fertilizer and other industries. Finally, the initiative under China-Pakistan Economic Corridor (CPEC) not only attracted foreign direct investment (FDI), but also helped in reviving the confidence of local businesses.

Some challenges still exist for the economy. Investment rate continues to remain low, whereas the non-CPEC FDI has not picked up the pace. The tax base stays narrow, despite stop-gap measure by the government to increase tax revenues. Furthermore, low commodity prices (and continued slowdown in the global economy) have also had an adverse impact on some sectors of the economy.

Despite global economic slowdown, GDP growth in Pakistan maintained its modest pace, reaching an eight-year high of 4.7 percent in FY16, from 4.0 percent in the previous year. A strong performance from the industry and services sector led this growth in GDP. Agriculture, on the other hand, suffered particularly from significant losses to the cotton crop, which recorded a massive 27.8 percent decline over the last year.

In this backdrop, acceleration in the industrial growth from 4.8 percent last year to 6.8 percent in FY16 is a positive sign. More encouragingly, this growth was achieved despite sluggish external demand as evident from a persistent decline in exports since May 2015. Another positive for the economy was the considerable ease in overall inflationary pressure during FY 16.

Another positive indicator during the FY 16 was sharp and impressive rise in PSX-100 index which was at the level of 34,398 at the end of last financial year and crossed 37,000 level by the end of June 2106.

In current FY it is expected that Industrial growth would gain from better energy supply, robust demand of consumer durables, and investment under CPEC. While cement manufactures would be the immediate beneficiaries of infrastructure development, the steel industry would continue to face competition from cheap Chinese products. At the same time, low external demand (due to uncertainties in EU recovery and continued slowdown in Chinese economy) would hinder growth in export-oriented industries.



Similarly, while the government aims to complete several energy-related fast track projects under CPEC in the current fiscal year, the existing gaps in the supporting infrastructure to handle import of coal and its transportation to power plants needs to be addressed at the earliest. Finally, besides attracting FDI, there is a need to pace-up the restricting and privatization process of loss making PSEs.

China-Pakistan Economic Corridor (CPEC) is an opportunity of bringing Pakistan into global economic mainstream for which formulation of Industrial Policy is need of the hour. Without proper industrial policy and system reforms



Pakistan will only play role of trading hub for Chinese products. Business community wanted early completion of game changer project of the CPEC so that Pakistan could enjoy the fruit of massive Chinese investment. Business community was poised to offer all out cooperation to the Chinese companies involved in the CPEC projects.

### **Operations & Performance**

Alhamdulillah the company has completed another successful year of operations. During the year under review both the plants of your company performed satisfactorily. European and Chinese teams of experts remained on board to support the local team of professionals.

Storage was maintained at upper limit to meet the customer's need at any given time. The specific power remained close to design which has resulted into economical cost of production.

Management of your company is highly focused on the need of the customers and putting-in all out efforts for improvements and modifications of the existing facilities to ensure best services and product availability to all the hospitals, industries and merchant market on 24/7 basis.

Ghani Gases has continuously focused on BMR based on experience, research and updating of technology. Company has invested on technological up gradation and improvement in manufacturing process. To make the product available to the customers, company installed three 250,000 liters each capacity vacuum insulated industrial storage tanks in December 2015 and two numbers in April 2016 with the forced liquid injection system at GGL-I and one of the same capacity at GGL-II. This investment has improved the product storage and reliability of the company.

Management of your company also taken a bold decision to improve the air supply to ASU plant at GGI-I and GGL-II and technological upgraded air compressors of both the plants. This improvement has enhanced the production of

oxygen, nitrogen and argon and reduction in power consumption and strengthened standing of the company in competitive environment.

Continuity of quality water with cheap price is main issue at Karachi as well as Port Qasim. To overcome this situation, the company has obtained bulk water supply connection from KW&SB to meet the water requirements at GGL-II. From connection point to GGL-II site, company has successfully laid 14.5 kilometer exclusive underground water pipeline. Alhamdulillah this challenging project has been completed under the supervision of our team of engineers.

Supply of quality products and exclusive services to the customers remained basic strategy of company's business. In the result year by year we have continuously been breaking our own production and sale records.

### Financial Performance

Your Company's sales during the year have increased to Rs. 2,013 million against Rs. 1,967 million as compared to last year depicting growth of 2.32% ALHAMDULILLAH. Gross profit has increased to Rs. 575.64 million against the gross profit of Rs. 569.92 million in relation to corresponding year. Distribution cost increased in absolute terms as well as in term of percentage of net sales from 6.95% to 7.78% and administrative expenses increased in absolute term and in terms of percentage of net sales from 4.82% to 6.12%. During the year profit before taxation stands at Rs. 276.61 million as compared to last year profit of Rs. 249.24 million. Profit after tax has also increased to Rs. 161.98 million from Rs. 158.50 million, and earnings per share (EPS) decreased from 2.04 to 1.90 if compared with the last year mainly due to dilution effect of shares on account of right shares issue.

A comparison of the key financial results of your Company for the year ended June 30, 2016 with the last year is as under:

Particulars	Rupees in '000' except EPS			%
	June 2016	June 2015	Variance	
Sales	2,013,015	1,967,317	45,698	2.32
Net Sales	1,766,743	1,720,131	46,612	2.71
Gross Profit	575,635	569,924	5,711	1.00
- As %age of net sales	32.58%	33.13%		
Distribution cost	137,463	119,625	17,838	14.91
- As %age of net sales	7.78%	6.95%		
Administrative expenses	108,153	82,830	25,323	30.57
- As %age of net sales	6.12%	4.82%		
Profit before taxation	276,612	249,239	27,373	10.98
Net Profit	161,981	158,496	3,485	2.20
Earnings per share	1.90	2.04	(0.14)	(6.86)

### Expansion Plans

To capture the projected increase in demand of industrial and medical gases in southern market, the Board of Directors of your company has decided to setup another 110 tons per day ASU plant at Port Qasim, Karachi (GGL-II) by way of expansion plan. Total estimated cost of this expansion is PKR 900 million. Work on this plan is in progress.



In addition to above your company has also decided to setup a calcium carbide manufacturing plant under the umbrella of a subsidiary of your company. It shall be an import substitute product and your company has already captured handsome market share (of this product) in the country. In addition to calcium carbide, the project will produce CO<sub>2</sub>. Your company has already formed the subsidiary in the name of Ghani Chemical Industries (Pvt) Limited. Estimated cost of this project is PKR 1,000 million. Land for this project has acquired near GGL-I plant of your company at Phool Nagar, District Kasur.

To meet the financial requirements (from company's side as equity) of above expansion plans, the company has raised the funds PKR 1,010 million by way of 68% right shares at price of PKR 20 per share (which includes a premium of PKR 10 per share). Debit arrangement from banks are in progress to close the financial needs of above plans.

### How is looking 2017 and onward

By the grace of Almighty Allah we are looking a continued recovery in business during the years to come. Keeping the projected increase in demand of industrial and medical gases your company has already announced the expansion plan in southern region. On the other hand, we are expecting the continuity in price war with competitor(s).



However, to meet the challenge of price war and in the same time to improve the profitability of the company, we have been taking different in time measures like cost reduction strategy(s), investment in technological upgradation and better fund management.

Power supply situation to the industry has improved from last few months. Liquefied gases business is interlinked with business and industrial activities and human healthcare. It is expected that after completion of ongoing power generation projects of the government(s) and overcoming the power supply shortages, the business as well as industrial activities will drastically improve.

Ongoing and planned projects of China-Pakistan Economic Corridor (CPEC), commencement of Gwadar Port operations and setup of planned industrial zones will be the game changer for the country. Your company is already meeting the requirements of different ongoing projects linked with CPEC. However, to meet the challenging requirements of industrial and medical gases of changing scenario of CPEC we have started planning for setup of ASU plant in Gwadar. So we are seeing a bright future of the country as well as of your company.



Work on setup of another ASU plant at Port Qasim is in progress in accordance with the planned targets. On the other hand, subsidiary of your company (Ghani Chemical Industries (Pvt) Limited) is setting up calcium carbide manufacturing plant. For this purpose, land has been acquired and prerequisites for setup of a chemical project are under process. After completion of these ventures sales as well as profitability of your company are expected to be improve.

Overall economy seems to be on right path after the improvement of law and order situation in the wake of the military and rangers' operations. Government's concentration on economic reforms, startup of Pak-China Economic Corridor project and improvement in energy crisis will help improve the business activities.

### **Pay out to the Shareholders**

The management of your company strongly believes to pass on return of investment to their shareholders. However in view of the on-going expansion plan(s), the board of directors of your company has not recommended any pay out to the shareholders for the year ended June 30, 2016.

### **Status of investment in Associated Company**

After obtaining shareholders' approval as required under the law, your company invested Rs. 45.000 million during June 2014 in shape of equity in Ghani Global Glass Limited (GGGL) an associated company. Accordingly, 4,500,000 shares of GGGL at par value of Rs. 10 per share were allotted to the company. During August 2015 these shares have been sold through stock market. Gain on disinvestment Rs. 59.950 million is included under the head other income in profit and loss of the company for the year ended June 30, 2016.

In addition to above, the company has provided corporate guarantee for Rs. 650 million to bank(s) for GGGL and has been charging commission @ 0.10% per quarter from the associated company. Commission charged by the company on corporate guarantee Rs. 2.600 million (2015: Rs. 2.600 million) is included under the head other income in profit and loss of the company for the year ended June 30, 2016.

### **Riba-Free Business**

Alhamdulillah at the GGL all the business transactions and financial deeds are ensured in accordance with the SHARIA. 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 conditions. All the safety programs, in-house and at customer's premises, have been installed. To ensure continuity in the safety programs, a full time safety engineer is on board who ensures that all the safety aspects including human, machines buildings, vehicles, tankers and storage are met and taken care of.

Since commissioning of our first plant during May 2009 and by the grace of Almighty Allah all sites of Ghani Gases have completed 3181 days without any loss of time or incident Alhamdulillah.



### Environmental Quality Management System

Ghani Gases is environmentally alive and is ensuring zero air, water and ground pollution. The company is maintaining gardens and plants at the sites to make the work places attractive and give comfortable environment to the employees as well as customers. Recently your company has been certified by "UKAS" for adoption of Environment Management System ISO 14001:2004.

### Quality Management System

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 known "UKAS". Annual surveillance audit is conducted by the certification agency to ensure the compliance of the quality management system.



### Human Resource

Development of Human Resources is one of the priority areas in Ghani Gases as the management considers human capital as the most precious asset of the Company.

Alhamdulillah Ghani Gases has hired highly qualified, experienced staff and all the areas such as marketing, plant operations, customer engineering services, finance and corporate have been covered.

Ghani Gases employees' commitment, professionalism and focus on quality and customers' care have helped us gain a reasonable market share in a short period.

To ensure the high standard of performance, the GGL hires fresh engineers and train them on site to take the plant operation responsibilities. The on-job and regular classroom training sessions, covering operation and maintenance of plant/equipment and managing the distribution fleet, are conducted on regular basis.

GGL is equipped with the country's state-of-the-art and efficient distribution fleet consisting of 20 VIT's having capacity to deliver on more than 266,000 cubic meters at a time. To get the best performance, a competent team is employed to maintain the fleet and ensure that no customer gets high and dry at any given time.

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.

The share price of Rs. 10 each of your company at one stage rose as high as Rs.39.9 during August 2015, lowered as low as Rs. 18.75 during June 2016 and closed at Rs. 19.59 as on June 30, 2016.



Keeping in view the merger of all stock exchanges, your company has been listed at Pakistan Stock Exchange Limited.

Ghani Gases has adopted the requirements of the code of Corporate Governance set out by the Pakistan Stock Exchange in their Rule Book, relevant for the year ended June 30, 2016 and have been duly complied with.

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

The board of Ghani Gases has adopted code of conduct for its Board of Directors and the employees. All concerns are informed of these codes and are required to observe the rules of conduct in relation to customers, suppliers and regulations.



### Contribution to National Exchequer

During the year under review Ghani Gases has contributed Rs. 794.823 million (2015: Rs. 778.444 million) in shape of taxes, duties and levies paid to central, provincial government and local authorities.

### Audit Committee

The board has formed an Audit Committee. It comprises four members, of whom one is independent, two are non-executive and one is executive director.

Four meetings of the audit committee were held during the year ended June 30, 2016 . The names of audit committee members and their attendance is as follow:

Name	Designation	Attendance
Mian Zahid Said	Chairman	04
Masroor Ahmad Khan	member	03
Rabia Atique	member	04
Farzand Ali	member	04

### Relations with Stakeholders

Ghani Gases is committed to establishing 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 the Corporate Social Responsibility is primarily about conducting business in a transparent and ethical way that not only enhances value of all of our stakeholders but also gives support to the events that enhance the well-being of the community.

The Corporate Social Responsibility and guidelines for corporate governance are steps in the right direction. Customer Relation Management is a strategic business philosophy and processes are rooted through ethical practice. With the growth of our business, we have assumed an even greater responsibility towards our society and stakeholders, including employees, their families and our business partner etc.

The GGL also supports a clean environment and motivates its customers for this cause, the GGL, also tries its level best that the business activities of customers must be environment-friendly and not be hazardous to the society.

During the last seven years, we have been sending every year one employee of the company, selected through balloting, to perform Hajj (with pay on company's expense) .

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

### Board of Directors

The present board of directors has been elected under section 178 of the Companies Ordinance, 1984 in the annual general meeting held on October 31, 2014 for a term of three years commencing from October 31, 2014.

Composition of the board of directors is as under:

Independent director	01
Non-Executive directors	04
Executive directors	03
Total	08

The Chairman board of directors is among the non-executive directors.

The Board of Directors 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 paper was sent to the members seven days before meetings. A total of seven meetings of the Board of Directors were held during the year ended June 30, 2016. The attendance of the board members' is as follows:

<b>Name of the Director</b>	<b>No. of meetings attended</b>
Masroor Ahmad Khan	05
Atique Ahmad Khan	06
Hafiz Farooq Ahmad	06
Mian Zahid Said	07
Rabia Atique	07
Saira Farooq	06
Farzand Ali	07

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

### **Remunerations to the CEO and Executive Directors**

The board of directors has revised the monthly remuneration of the CEO and two other executive directors:

<b>Name</b>	<b>Designation</b>	<b>Remuneration before revision</b>	<b>Revised remuneration</b>	<b>Effective date of revision</b>
Atique Ahmad Khan	Chief Executive Officer	708,000/-	800,000/-	01-09-2015
Hafiz Farooq Ahmad	Director	708,000/-	800,000/-	01-09-2015
Farzand Ali	Director & Company Secretary	190,000/-	210,000/-	15-02-2015

### **Corporate and Financial Framework**

In compliance with the code of Corporate Governance, we give statement 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 result 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.



- 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 growing 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. 38.644 million (2015 Rs. 37.372 million).

#### Pattern of Shareholding Under Code of Corporate Governance

A statement of the pattern of shareholding of certain class of shareholders as on June 30, 2016, 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.

#### Acknowledgement

The directors express their deep appreciation to our valued customers who placed their confidence in the 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 functionaries as well as the commandments of Allah Subhanatallah and Sunnah of our Prophet Muhammad (peace be upon him).

Lahore  
October 08, 2016

For and on behalf of the Board of Directors



Atique Ahmad Khan  
Chief Executive Officer

# **CORPORATE GOVERNANCE**





## CODE OF CONDUCT

Ghani Gases Limited (the Company) is engaged in the manufacturing of industrial and medical gases, trading of chemicals and other allied products with the objective to achieve sustainable productivity, profitability and high standards of safety, occupational health and environmental care. This entails human resource development, enhancing value addition, implementing conservation measures and growth by up-graduation and addition of newer generation technologies.

The Company requires all its Board Members and Employees to act within the authority conferred upon them and in the best interests of the Company and observe all the Company's policies and procedures as well as relevant laws and regulations, as are applicable in individual capacity or otherwise, but not limited to the corporate value, business principles and the acceptable and unacceptable behavior (hereinafter called the Company's Code of Conduct) embodied in this document.

The Company believes that the credibility, goodwill and repute earned over the year can be maintained through continued conviction in our corporate values of honesty, justice, integrity and respect for people. The Company strongly promotes trust, openness, teamwork and professionalism in its entire business activities.

- The business principles are derived from the above stated corporate values and are applied to all facets of business through well-established procedures. These procedures define behavior expected from each employee in the discharge of his/her responsibility.
- Ghani Gases recognizes following obligations, which need to be discharged with best efforts, commitment and efficiency:
  - o Safeguarding of shareholders' interest and a suitable return on equity.
  - o Service customers by providing product, which offer value in terms of price, quality, safety and environment impact.
  - o Respect human rights, provide congenial working environment, offer competitive terms of employment, develop human resource and be an equal opportunity employer.
  - o Seek mutually beneficial business relationship with contractors, suppliers and investment partners.
- The Company believes that profit is essential for business survival. It is a measure of efficiency and the value that the customer places on products and services produced by the Company.
- The Company requires honesty and fairness in all aspects of its business and in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and accepting of bribe in any form is undesirable.
- The Company is fully committed to reliability and accuracy of financial statement and transparency of transactions in accordance with established procedures and practices.
- The Company does not support any political party or contribute funds to groups having political interests.

The Company will however, promote its legitimate business interests through trade associations.

- The Company, consistent with its commitments to sustainable development, has a systematic approach to the management of health, safety and environment.
- The Company is committed to observe laws of Pakistan and is fully aware of its social responsibility. It would assist the community in activities such as education, sports, environment preservation, training programs, skill development and employment within the parameters of its commercial objectives.
- The Company supports free market system. It seeks to compete fairly and ethically within the framework of applicable competition laws in the country. The Company will not stop others from competing freely with it.
- In view of the critical importance of its business and impact on national economy, the Company provides all relevant information about its activities to legitimate interested parties, subject to any overriding constraints of confidentiality and cost.
- The company requires all its board members and employees to essentially avoid conflict of interest between private financial and/or other activities and their professional role in the conduct of company business.
- No board member or employee shall in any manner disclose to any person or cause disclosure of any information or documents, official or otherwise, relating to the company, except those published, and unless he/she is authorized by the management.
- All papers, books, drawings, sketches, photographs, documents and similar papers containing analysis, formulas, notes or information relating to the company's business affairs or operations shall always be treated as the company property, whether prepared by the employee or otherwise and no employee shall be permitted to carry any of these outside business premises unless specifically authorized to do so by the management.
- The company's property, funds facilities and services must be used only for authorized purposes.
- The board members or employees of the company specifically those coming in direct contact with the vendors doing or seeking to do business with the Company shall not receive favours or incur obligations. In case any contractor/supplier to have business relations with the company happen to be a relative of an official who is entrusted the responsibility of opening/evaluation/award of supply/contract job or with execution or certification of material/.services, he/she shall immediately bring the fact to the notice of Chief Executive Officer who may entrust the responsibility to another.
- Each employee shall devote his full time and energy exclusively to the business and interests of the Company. In particular, no employee (including those on leave) unless otherwise permitted by the Company, shall directly or indirectly engage in any other profession or business or enter the services of or be employed in any capacity for any purpose whatsoever and for any part of his time by any other person,



government department, firm or company and /or shall not have any private financial dealing with any other persons or firms having business relations with the company for sale or purchase of any material or equipments or supply of labour or for any other purpose. Every employee shall hold himself in readiness to perform any duties required of him by his/her superiors to the best of his/her ability.

- No board member or employee of the Company shall, directly or indirectly, deal in the shares of the Company in any manner during the closed period, as determined and informed by the Company.
- No board member or employee of the Company shall practice insider trading.

Without prejudice to any penal action defined in any statute, as applicable, against any kind of non-compliance/violations, non compliance with The Company's Code of Conduct may expose the person involved to disciplinary actions as Company's rules and/or as determined by the management or the Board of Directors, as the case may be, on case to case basis.

**On behalf of the Board of Directors**



Atique Ahmad Khan  
Chief Executive Officer

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED ON 30 JUNE 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulations No. 5.19.23 of Pakistan Stock Exchange Rule Book for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Mian Zahid Said
Executive Directors	Atique Ahmad Khan Hafiz Farooq Ahmad Farzand Ali
Non-Executive Directors	Masroor Ahmad Khan Ayesha Masroor Rabia Atique Saira Farooq



The independent director meets the criteria of independence as contained in the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy on the board is filled up by the directors within 90 days.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.



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 paper, 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 well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such are fully aware of their duties and responsibilities. The Board arranged training program for one of its director.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises four members, of whom one is independent, two are non-executive, and one is executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises four members of whom two directors are executive and one each is non executive and independent director.
18. The board has set up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore  
October 08, 2016.

**On behalf of the Board of Directors**



(ATIQUE AHMAD KHAN)  
Chief Executive Officer



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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **30 June 2016** prepared by the Board of Directors of **GHANI GASES LIMITED** (the Company) comply with the regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of Company. Our responsibility is to review, to extent where such compliance can objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the code.

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

Further, Listing Regulations of Pakistan 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 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 for 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 requirement to the extent of approval of related party transactions by the Board 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended on **30 June 2016**.

Lahore: 08 OCT 2016



**Rizwan & Company**  
Chartered Accountants

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Board has constituted a fully functional Audit Committee. The features of the terms of reference of the Committee in accordance with the Code of Corporate Governance are as follows:

- a) Determination of appropriate measures to safeguard the company's assets;
- b) Review of preliminary announcements of results prior to publication;
- c) Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards;
  - compliance with listing regulations and other statutory and regulatory requirements; and
  - significant related party transactions
- d) Facilitating the external audit and discussion with the external auditors of major observations arising from the interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) Review of management letter issued by external auditors and managements response thereto;
- f) Ensuring coordination between the internal and external auditors;
- g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed;
- h) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;



- i) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and reporting structure are adequate and effective;
- j) Review of company's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- l) Determination of compliance with relevant statutory requirements;
- m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
- n) Consideration of any other issue or matter as may be assigned by the Board of Directors; and
- o) Recommend to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the company in addition to audit of its financial statements.

## **TERMS OF REFERENCE OF HUMAN RESOURCE AND REMUNERATION (HR&R) COMMITTEE**

The Board adopted the responsibilities contained in clause (xxv) of the Code 2012 from (i) to (iv) as the Terms of Reference (TOR) of the HR&R Committee.

The committee shall be responsible for:

- i) recommending human resource management policies to the board;
- ii) recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- iii) recommending to the board the selection, evaluation, compensation (including retirement benefits) of Chief Executive Officer, Working Director(s), Company Secretary, and Head of Internal Audit; and
- iv) consideration and approval on recommendations of CEO on such matters for key management positions who report to the CEO or MD.



www.jamapunji.pk

An investor education initiative of the SECP

 jamapunji.pk

 @jamapunji\_pk



## INVEST IN STOCK MARKET WITH CONFIDENCE



**To protect your assets, we advise you to follow the guidelines below:**

- You cannot trade unless you have a Central Depository Company (CDC) Account
- Use Central Depository Company (CDC), free-of-cost eAlert, eStatement and SMS "Alert" services. Make sure that your correct mobile number and email address is entered in Central Depository System to ensure receipt of alert every time you move your securities from your account
- Ensure the correctness of securities balances and their status appearing in the statement received from the broker by comparing it with a statement directly obtained from CDC (Physical or eStatement)
- Please make sure that updated contact details are appearing in Central Depository System (contact details include: mailing address, email address and phone / mobile number); You can ensure this by obtaining registration details from CDC Web Access or Physical reports from any CDC office



For more information or to get registered in Investor Awareness Programs contact us on 800-2375 (CDCPL) or Email us at [info@cdcpak.com](mailto:info@cdcpak.com)



Securities & Exchange Commission of Pakistan  
[www.secp.gov.pk](http://www.secp.gov.pk)

Visit SECP's educational  
webportal [jamapunji.pk](http://jamapunji.pk)  
for secure investments

UAN: 051 111 11 7327 >>>

# **STAKE HOLDER INFORMATION**

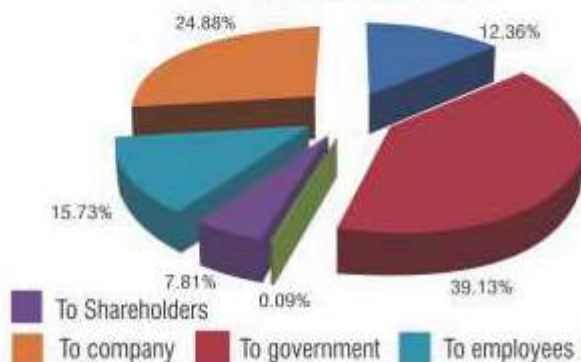




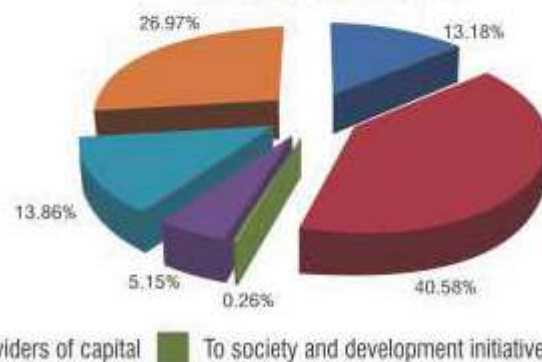
## VALUE ADDED STATEMENT

	2016 (Rupee in '000)	(%)	2015 (Rupee in '000)	(%)
<b>Wealth Generated / Value added:</b>				
Turnover (including sales tax)	2,013,015		1,967,318	
Less: Purchased materials and services	(1,139,942)		(1,112,379)	
<b>Valued added</b>	873,073		854,939	
Other income	78,426		10,057	
<b>Wealth Created</b>	<b>951,499</b>	<b>100</b>	<b>864,996</b>	<b>100</b>
<b>Wealth Distribution</b>				
To employees				
Salaries, benefits and other costs	149,682	15.73	119,894	13.86
To Government				
Income tax, sales tax, WPPF	372,306	39.13	351,040	40.58
To society and development initiatives				
Donations to education, health and environment	850	0.09	2,207	0.26
To providers of capital				
Dividend to shareholders	74,275	7.81	44,565	5.15
Profit on borrowed funds	117,597	12.36	114,012	13.18
To company				
Depreciation, amortization and Retained profit	236,789	24.88	233,278	26.97
	<b>951,499</b>	<b>100</b>	<b>864,996</b>	<b>100</b>

Value Allocated 2016



Value Allocated 2015



## SIX YEARS AT A GLANCE

Rs. (in 000)

	2016	2015	2014	2013	2012	2011
<b>Operating Results</b>						
Sales (gross)	2,013,015	1,967,317	1,558,692	1,401,534	849,749	520,773
Gross profit	575,635	569,924	327,306	390,607	275,302	145,531
Profit/(Loss) before tax	276,612	249,239	103,536	158,003	94,392	85,013
<b>Financial data</b>						
Fixed assets	2,682,306	2,525,060	2,334,225	1,398,107	1,322,416	1,222,849
Capital work in progress	79,409	41,612	14,030	171,827	96,913	12,102
Intangible assets	70	70	350	630	910	11,20
Long term deposits	68,909	68,151	64,162	79,169	65,865	42,153
Long term assets	500	45,133	45,000	-	-	-
Current assets	2,070,629	963,017	679,629	898,157	404,189	254,612
Current liabilities	1,534,421	821,671	676,662	462,651	355,658	252,257
<b>Financed by:</b>	<b>3,367,402</b>	<b>2,821,372</b>	<b>2,460,734</b>	<b>2,085,239</b>	<b>1,534,638</b>	<b>1,280,579</b>
Ordinary capital	1,247,813	742,746	742,746	724,630	724,630	724,500
Reserves	535,067	30,000	30,000	30,000	30,000	30,000
Un appropriated profit/(Loss)	429,333	341,627	227,696	172,674	57,000	(29,489)
<b>Shareholder's equity</b>	<b>2,212,213</b>	<b>1,114,373</b>	<b>1,000,442</b>	<b>927,304</b>	<b>811,630</b>	<b>725,011</b>
Loan from sponsors (interest fee)	501,200	1,027,969	1,004,104	611,381	437,433	250,137
Banks and others	653,989	679,030	456,188	546,554	285,575	305,431
<b>Finances and deposits</b>		<b>1,706,999</b>	<b>1,460,292</b>	<b>1,157,935</b>	<b>723,008</b>	<b>555,568</b>
<b>Funds invested</b>	<b>3,367,402</b>	<b>2,821,372</b>	<b>2,460,734</b>	<b>2,085,239</b>	<b>1,534,638</b>	<b>1,280,579</b>
Earning per-share (Rs.)	1.90	2.13	0.98	2.05	1.19	1.10
Break-up-value (Rs.)	17.73	15.00	13.47	12.80	11.20	10.01
Cash Dividend %	-	16	5	-	-	-
Bonus Share %	-	-	5	-	-	-
Right Share % (at premium of Rs 10)	68	-	-	-	-	-





# **ANNUAL AUDITED FINANCIAL STATEMENTS**

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **GHANI GASES LIMITED** as at **30 JUNE 2016** 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, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at **30 June 2016** and of the profit, comprehensive profit, its cash flows and charges in equity for the year then ended; and
- (d) In our opinion Zakat deductible at source under the Zakat and Ushr ordinance, 1980 (XVII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore: 08 OCT 2016

  
Rizwan & Company  
Chartered Accountants  
Engagement Partner : Rizwan Bashir

Rizwan & Company is an independent member firm of DFK International- A worldwide association of independent accounting firms and business advisors  
Address: 204-205-206, 2<sup>nd</sup> Floor, Al-Qadir Heights, 1- Babar Block, New Garden Town, Lahore, Pakistan.  
Tel: + 92 42 35 84 66 44 - 5, Fax: +92 42 35 84 66 46, Email: [rcolhr@cyber.net.pk](mailto:rcolhr@cyber.net.pk); [info@dfk.pk](mailto:info@dfk.pk); web: [www.dfk.pk](http://www.dfk.pk)



# BALANCE SHEET

AS AT 30 JUNE 2016

		2016	2015
	Note	(Rupees '000)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment			
Operating fixed assets	5	2,529,455	2,293,837
Assets subject to ijarah financing	6	152,851	231,223
Capital work in progress	7	79,409	41,612
		2,761,715	2,566,672
Intangible assets- Goodwill	8	70	70
Long term investment	9	500	45,133
Long term deposits and prepayments	10	68,909	68,151
		2,831,194	2,680,026
<b>Current assets</b>			
Stores, spare parts and loose tools	11	103,532	70,765
Stock in trade	12	26,282	36,206
Trade debts	13	406,397	294,870
Loans and advances	14	150,296	139,002
Trade deposits and short term prepayments	15	48,053	43,843
Balance with statutory authorities	16	24,076	7,419
Other receivables	17	1,759	78
Advance tax		220,593	144,095
Cash and bank balances	18	1,089,641	226,739
		2,070,629	963,017
<b>TOTAL ASSETS</b>		<b>4,901,823</b>	<b>3,643,043</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital			
125,000,000 (2015: 125,000,000) ordinary shares of Rs. 10 each		1,250,000	1,250,000
Issued, subscribed and paid up share capital	19	1,247,813	742,746
Capital reserve - share premium	20	535,067	30,000
Unappropriated profit		429,333	341,627
Loan from sponsors	2.5	501,200	1,027,969
		2,713,413	2,142,342
<b>Non-current liabilities</b>			
Long term financing	21	399,408	494,111
Liabilities against assets subject to ijarah financing	22	40,554	81,153
Long term security deposits	23	19,800	19,450
Deferred taxation	24	194,227	84,316
		653,989	679,030
<b>Current liabilities</b>			
Trade and other payables	25	296,823	139,271
Accrued profit on financing	26	24,733	12,712
Short term borrowings	27	431,034	420,689
Current portion of long term liabilities	28	734,807	206,695
Provision for taxation	36.1	47,024	42,304
		1,534,421	821,671
<b>Contingencies and commitments</b>	29	-	-
<b>Total liabilities</b>		<b>2,188,410</b>	<b>1,500,701</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,901,823</b>	<b>3,643,043</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

ATIQUE AHMAD KHAN  
(CHIEF EXECUTIVE OFFICER)

HAFIZ FAROOQ AHMAD  
(DIRECTOR)

Annual Report 2016

# PROFIT AND LOSS ACCOUNT

FOR YEAR ENDED 30 JUNE 2016

	Note	2016 (Rupees '000)	2015
Gross sales - Local		2,013,015	1,967,317
Less:			
Sales tax		(246,272)	(247,186)
Net sales		1,766,743	1,720,131
Cost of sales	30	(1,191,108)	(1,150,207)
Gross profit		575,635	569,924
Distribution cost	31	(137,463)	(119,625)
Administrative expenses	32	(108,153)	(82,830)
Other operating expenses	33	(14,236)	(14,407)
		(259,852)	(216,862)
Other income	34	315,783	353,062
		78,426	10,057
		394,209	363,119
Finance cost	35	(117,597)	(114,013)
Share of profit of associated companies	9	-	133
Profit before taxation		276,612	249,239
Taxation	36	(114,631)	(90,743)
Profit after taxation		161,981	158,496
Earnings per share			
- basic and diluted	37	1.90	2.04

The annexed notes from 1 to 47 form an integral part of these financial statements.

ATIQUE AHMAD KHAN  
(CHIEF EXECUTIVE OFFICER)

Ghani Gases

50

*Hafiz Farooq Ahmad*

HAFIZ FAROOQ AHMAD  
(DIRECTOR)



# STATEMENT OF COMPREHENSIVE INCOME

## FOR YEAR ENDED 30 JUNE 2016

	2016	2015
	(Rupees '000)	
Net profit for the year	161,981	158,496
Other comprehensive income	-	-
Total comprehensive income for the year	161,981	158,496

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
**ATIQUE AHMAD KHAN**  
 (CHIEF EXECUTIVE OFFICER)

  
**HAFIZ FAROOQ AHMAD**  
 (DIRECTOR)

# STATEMENT OF CHANGES IN EQUITY

## FOR YEAR ENDED 30 JUNE 2016

	Share capital	Capital reserve - share premium	Unappropriated profit	Loan from sponsors	Total
	(Rupees '000)				
<b>Balance as at 30 June 2014</b>	742,746	30,000	227,696	1,004,104	2,004,546
Total comprehensive income	-	-	158,496	-	158,496
Loan received during the year	-	-	-	23,865	23,865
<b>Transactions with owners:</b>					
Interim dividend @ Rs. 0.6 per share	-	-	(44,565)	-	(44,565)
<b>Balance as at 30 June 2015</b>	742,746	30,000	341,627	1,027,969	2,142,342
Total comprehensive income	-	-	161,981	-	161,981
Shares issued during the year	505,067	505,067	-	-	1,010,134
Loan paid during the year	-	-	-	(526,769)	(526,769)
<b>Transactions with owners:</b>					
Final dividend @ Rs. 1.0 per share	-	-	(74,275)	-	(74,275)
<b>Balance as at 30 June 2016</b>	<b>1,247,813</b>	<b>535,067</b>	<b>429,333</b>	<b>501,200</b>	<b>2,713,413</b>

The annexed notes from 1 to 47 form an integral part of these financial statements.

**ATIQUAH AHMAD KHAN**  
(CHIEF EXECUTIVE OFFICER)

**HAFIZ FAROOQ AHMAD**  
(DIRECTOR)



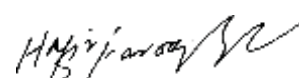
# CASH FLOW STATEMENT

## FOR YEAR ENDED 30 JUNE 2016

	Note	2016 (Rupees '000)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operating activities	38	481,343	191,607
Finance cost paid		(105,575)	(115,377)
Income tax paid		(76,498)	(56,127)
		(182,073)	(171,504)
<b>Net cash from operating activities</b>		<b>299,270</b>	<b>20,103</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(11,290)	(158,925)
Addition in capital work in progress		(262,711)	(153,572)
Proceeds from disposal of property, plant and equipment		5,832	25,789
Long term investments		44,633	-
Long term deposits paid		(758)	(3,989)
<b>Net cash used in investing activities</b>		<b>(224,294)</b>	<b>(290,697)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares		505,067	-
Share premium		505,067	-
Long term financing - net		454,002	164,298
Loan from sponsors - net		(526,769)	23,865
Short term borrowings - net		10,345	44,106
Dividend paid		(98,944)	(19,110)
Long term security deposit payable		350	(2,100)
Liabilities against assets subject to ijarah financing - net		(61,192)	51,785
<b>Net cash generated from financing activities</b>		<b>787,926</b>	<b>262,844</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>862,902</b>	<b>(7,750)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>226,739</b>	<b>234,489</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1,089,641</b>	<b>226,739</b>

The annexed notes from 1 to 47 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 2016

### 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, converted into public limited company on February 12, 2008 and became listed on Pakistan Stock Exchange on January 05, 2010. The registered office of the company is situated at 10-N Model Town Extension, Lahore. The Company is 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS AND FORTHCOMING REQUIREMENTS

#### 2.2.1 New / revised accounting standards, amendments to published accounting standards, and interpretations 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)
IFRS 2	–Share - based Payments – Classification and Measurement of Share-based Payments Transactions	01 January 2018
IFRS 7	–Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IFRS 10	–Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10	–Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11	–Joint Arrangements Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016



IAS 1	–Presentation of Financial Statements – Disclosure Initiative (Amendment)	01 January 2016
IAS 12	–Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 16	–Property, Plant and Equipment – Clarification of Acceptable Method of Depreciation (Amendment)	01 January 2016
IAS 16	–Property, Plant and Equipment IAS 41 Agriculture – Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27	–Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. 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.

### 2.3 ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT HAVE NOT BEEN NOTIFIED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Standard or Interpretation	IASB Effective date (accounting periods beginning on or after)
IFRS 9	–Financial Instruments - Classification and Measurement	01 January 2018
IFRS 14	–Regulatory Deferral Accounts	01 January 2016
IFRS 15	–Revenue from Contracts with Customers	01 January 2018
IFRS 16	–Leases	01 January 2019

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

### 2.4 ACCOUNTING STANDARDS, IFRS AND INTERPRETATIONS TO EXISTING STANDARDS THAT BECOME EFFECTIVE

The Company has adopted the following amendments to IFRSs which became effective during the year:

IFRS 10	–Consolidated Financial Statements (Amendment)
IFRS 12	–Disclosure of Interests in Other Entities (Amendment)
IAS 28	–Investment in Associates (Amendment) – Investment Entities: Applying the Consolidation Exception
IFRS 11	–Joint Arrangements (Amendment) – Accounting for Acquisition of Interest in Joint Operation
IAS 1	–Presentation of Financial Statements (Amendment) – Disclosure Initiative (Amendment)
IAS 16	–Property, Plant and Equipment – (Amendment)
IAS 38	–Intangible assets (Amendment) – Clarification of Acceptable Method of Depreciation and Amortization
IAS 16	–Property, Plant and Equipment – (Amendment)

- IAS 41 –Agriculture (Amendment) – Bearer Plants
- IAS 27 –Separate Financial Statements (Amendment)  
– Equity Method in Separate Financial Statements (Amendment)

#### **Improvements to Accounting Standards Issued by the IASB**

- IFRS 5 –Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- IFRS 7 –Financial Instruments: Disclosures – Servicing contracts
- IFRS 7 –Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements
- IAS 19 –Employee Benefits – Discount rate: regional market issue
- IAS 34 –Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

## **2.5 CHANGE IN ACCOUNTING POLICY**

The company has applied the accounting TR - 32 issued by ICAP for accounting of Director's loan for classification of 'Loans from sponsors' as an equity instrument. Previously, the Company has been classifying it as a long term liability of the Company as a financial instrument. The Company has chosen the early adoption of TR - 32 and applied the policy retrospectively in accordance with IAS - 8. There is no retrospective impact on early adoption of TR - 32.

## **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 period end, if any. Provisions are made against that are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.



### 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 is based on taxable income at current rates after taking into account tax rebates and credits available, if any or minimum tax on turnover or alternate corporate tax on accounting profit and tax paid under final tax regime under relevant provisions of Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from orders under Income Tax Ordinance, 2001 passed during the year of any previous year(s).

#### 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 and leasehold land on which depreciation is charged on straight line basis so as to write off the cost over the expected useful life of assets at rates, which are disclosed in notes 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 assets. 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 and loss account.

Depreciation on assets subject to Ijarah financing is recognized in the same manner as for owned assets on the rates specified in note 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 for use.

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 valued 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. Financial assets and liabilities are recognized initially at cost, which is the fair value of the consideration given or received as appropriate, plus any directly attributable transaction costs. These financial assets and liabilities are subsequently measured at fair value or amortized cost using the effective rate of interest method, as the case may be.

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 Ijarah Rentals**

Ujrah payments made under Ijarah contracts are charged to the Profit and Loss Account on a straight-line basis over the Ijarah term.

#### **4.16 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.

#### **4.17 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 employees of the Company on un-availed balance of leave in the period in which the absences are earned.

#### **4.18 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.

#### **4.19 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.

#### **4.20 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.

#### **4.21 Dividends**

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

#### **4.22 Intangible assets**

##### ***Goodwill***

Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any identified impairment loss.

##### ***Other intangible assets***

Other 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 notes 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.

#### **4.23 Operating segments**

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company's format for segment reporting is based on its products and services.

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those income, expenses, assets, liabilities and other balances which can not be allocated to a particular segment on a reasonable basis are reported as unallocated.

Transaction among the business segments are recorded at cost. Inter segment sales and purchases are eliminated from the total.

#### **4.24 Investment in associated undertakings**

Investment in associated undertaking where the company can exercise significant influence; has intention and ability to hold the investment for more than twelve months of acquisition and are not held for sale are accounted for using the equity method of accounting. Under this method the investments are stated at cost plus the Company's equity in undistributed earnings and losses after acquisition, less any impairment in the value of individual investment.

Unrealised gains on transactions between the company and its associate are eliminated to the extent of the Company's interest in the associate.

Impairment in value, if any, is recognized in profit and loss in the period it arises.

#### **4.25 Investment in subsidiary**

Investment in subsidiary is stated at cost net of provision for impairment, if any. This investment is classified as long-term investment.



2016

DESCRIPTION	BALANCE AS AT 01 JULY 2015			FOR THE YEAR				BALANCE AS AT 30 JUNE 2016			DEPRECIATION RATES	
	Cost	Accumulated Depreciation	Net Book Value	Additions	Transfer Cost / (Accumulated Depreciation)	Disposal		Depreciation Charge	Cost	Accumulated Depreciation		Net Book Value
						(Cost) / Accumulated Depreciation	(Cost) / Accumulated Depreciation					
Land - Freehold	49,637	-	49,637	2,200	-	-	-	-	51,837	-	51,837	
Land - Leasehold	25,826	1,813	24,013	-	-	-	-	527	25,826	2,340	23,486	-
Buildings	237,983	77,236	160,747	6,909	-	-	-	16,133	244,892	93,369	151,523	
Plant and machinery	2,199,206	190,640	2,008,566	218,005	72,052 (6,617)	-	-	40,567	2,489,263	297,824	2,251,439	
Furniture and fixtures	23,280	7,801	15,479	2,740	-	-	-	1,729	26,020	9,530	16,490	10
Office equipment	2,527	799	1,728	1,331	-	-	-	209	3,858	1,008	2,850	10
Computers	5,114	2,937	2,182	1,862	-	-	-	894	6,976	3,826	3,150	30
Vehicles	41,666	10,181	31,485	2,929	10,025 (1,719)	16,717 (2,567)	-	6,890	47,903	19,223	28,680	20
	2,585,239	291,402	2,293,837	235,976	82,077 (11,336)	16,717 (2,567)	-	66,949	2,496,575	367,120	2,129,455	

2015

2015											
DESCRIPTION	BALANCE AS AT 01 JULY 2014			FOR THE YEAR				BALANCE AS AT 30 JUNE 2015			DEPRECIATION RATES
	Cost	Accumulated Depreciation	Net Book Value	Additions	Transfer	Disposal	Depreciation Charge	Cost	Accumulated Depreciation	Net Book Value	
					(Accumulated Depreciation)	(Cost) / Accumulated Depreciation					
					{Rupees '000}						%
Land - Freehold	49,637	-	49,637	-	-	-	-	49,637	-	49,637	-
Land - Leasedhold	25,826	1,282	24,540	-	-	-	527	25,826	1,813	24,013	-
Buildings	237,218	59,402	177,816	735	-	-	17,844	247,984	77,758	170,247	10
Plant and machinery	2,004,010	147,794	1,856,217	125,225	30,971 (2,352)	-	41,245	2,189,205	190,640	2,006,566	-
Furniture and fixtures	21,021	6,205	14,817	2,258	-	-	1,506	23,286	7,801	15,779	10
Office equipment	2,363	619	1,744	1,84	-	-	180	2,527	694	1,778	10
Computers	4,823	2,797	1,526	1,292	-	-	705	5,214	2,532	2,162	30
Vehicles	24,912	8,565	16,346	3,450	10,183 (4,938)	(27,888) 9,648	5,316	41,666	10,181	31,485	20
	2,407,810	227,467	2,180,343	164,152	47,154 (17,110)	(27,888) 9,648	67,463	2,189,209	291,402	2,293,837	



7	CAPITAL WORK IN PROGRESS	Note	2016	2015
			(Rupees '000)	
	Beginning balance		41,612	14,030
	Additions during the year	7.1	262,711	153,572
	Transfer during the year	7.2	(224,914)	(125,990)
			79,409	41,612
7.1	<b>Additions during the year</b>			
	Building		35,206	24,027
	Plant and machinery		227,505	129,545
			262,711	153,572
7.2	<b>Transfer during the year</b>			
	Building		6,909	765
	Plant and machinery		218,005	125,225
			224,914	125,990

7.3 Borrowing cost amounting to Rupees 8.57 million (2015: Nil) has been capitalized during the year.

## 8 INTANGIBLE ASSETS-Goodwill

8.1 Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired at the time of merger of Ghani Gases Limited with Ghani Southern Gases (Private) Limited.

8.2 The company assessed the recoverable amount at 30 June 2016 and determined that as of this date there is no indication of impairment of goodwill. The recoverable amount was calculated on the basis of five year financial business plan which assumes cash inflows from investing and financing activities.

9	LONG TERM INVESTMENTS	Note	2016	2015
			(Rupees '000)	
	Beginning balance		45,133	45,000
	Investment disposed off during the year	9.1	(45,133)	-
	Share of profit of associated companies		-	133
	Investment in wholly owned subsidiary	9.5	500	-
	Ending balance		500	45,133

9.1 Share of profit of associated companies is based on audited financial statements for the year ended 30 June 2016 (2015: audited financial statements for the year ended 30 June 2015). The company disposed off investment in associated company on 21 August 2015, gain on disposal of investment has been disclosed in note 35.

9.2 The company's interest in associated companies is as follows:

### ***Ghani Global Glass Limited - Unquoted***

Nil (2015: 4,500,000 fully paid ordinary shares of Rupees 10 each)

**Country of incorporation:** Pakistan

**Cost:** Nil (2015: 45 million)

Value based on net assets as at 30 June 2016

Carrying value on equity method

Note	2016	2015
	(Rupees '000)	
	-	45,000
	-	45,133
	-	45,133



- 9.3 The Company's share in assets, liabilities, revenues and profit of associated company based on most recent available financial statements is as follows:

	Assets	Liabilities	Revenues	Profit / (Loss) after tax	Holding
	(Rupees '000)				%
<b>30 June 2016</b>					
Ghani Global Glass Limited	-	-	-	-	-
<b>30 June 2015</b>					
Ghani Global Glass Limited	110,800	-	-	133	9.00

- 9.4 Although the Company has no shareholding in Ghani Global Glass Limited, however, this company has been treated as associated company since the Company has representation on its Board of Directors.

- 9.5 The Ghani Chemical Industries (Private) Limited was incorporated in Pakistan as a private limited company on November 23, 2015 under Companies Ordinance, 1984. This is a wholly owned subsidiary of the company by holding 50,000 shares of Rs. 10 each.

#### 10 LONG TERM DEPOSITS AND PREPAYMENTS

Note

**Considered good:**

	2016	2015
	(Rupees '000)	
Security deposits for utilities	51,777	49,075
Security deposits for rented premises	846	846
Deposits against fuel supply	5,113	113
Deposits against Ijarah facilities	11,173	18,117
	68,909	68,151

#### 11 STORES, SPARE PARTS AND LOOSE TOOLS

Stores	31,193	16,604
Spare parts	72,144	53,848
Loose tools	195	313
	103,532	70,765

#### 12 STOCK IN TRADE

Finished goods- industrial gases	26,248	34,188
Finished goods- industrial chemicals	34	2,018
	26,282	36,206

#### 13 TRADE DEBTS

**Considered good:**

Unsecured	13.1	406,397	294,870
-----------	------	---------	---------

#### 13.1 The age of trade debts at balance sheet date was:

Not past due	267,367	212,324
0 - 180 Days	119,413	54,661
180 - 365 Days	9,870	20,936
1 - 2 Years	3,113	1,416
More than two years	6,634	5,533
	406,397	294,870

14	LOANS AND ADVANCES	Note	2016	2015
			(Rupees '000)	
	<i>Unsecured and Considered good:</i>			
	Loans to employees - interest free		325	277
	Advances			
	To employees against expenses		2,038	916
	To suppliers and contractors		147,933	137,809
			149,971	138,725
			150,296	139,002
15	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	<i>Considered good:</i>			
	Security deposits		28,300	19,984
	Short term prepayments		1,399	252
	Bank guarantee margin		18,354	23,607
			48,053	43,843
16	BALANCE WITH STATUTORY AUTHORITIES			
	Sales tax refundable		24,076	7,419
17	OTHER RECEIVABLES			
	<i>Considered good:</i>			
	Bank profit receivables		1,759	78
18	CASH AND BANK BALANCES			
	Cash in hand		163	844
	Balances with banks in:			
	Current accounts		196,892	135,624
	Deposit accounts	18.1	892,586	90,271
			1,089,478	225,895
			1,089,641	226,739
18.1	The rate of return on deposit accounts ranges from 2% to 6% (2015: 3.2% to 4.9%) per annum.			
19	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
			2016	2015
			(Rupees '000)	
	122,956,711 (2015: 72,450,000) Ordinary shares of Rupees 10 each fully paid in cash		1,229,567	724,500
	13,000 (2015: 13,000) Ordinary shares of Rupees 10 each issued for consideration other than cash		130	130
	1,811,575 (2015: 1,811,575) Ordinary shares of Rupees 10 each issued as fully paid bonus shares		18,116	18,116
		19.1	1,247,813	742,746