

## **DIRECTORS REPORT**

The Directors of your Company are pleased to present the un-audited Accounts for the 2<sup>nd</sup> Quarter and half year ended on 31<sup>st</sup> December 2006.

### **Operating Results**

Your company earned a gross profit of Rs. 162 million for the half year ended on 31<sup>st</sup> December, 2006 as compared to Rs.87 Million for the same period last year. Results for the Quarter ending on 31<sup>st</sup> December 2006 were also much better with gross profit of Rs.77 million as compared to gross profit of Rs.42 Million for the same period last year.

Net profit before Tax for the half year was Rs. 105 million as compared to Rs. 72 Million (without extraordinary items) for the same period last year.

The Company sold 531 units for the period under review as against 454 units sold last year.

Sales Revenue of Rs.957 million for the half year ended on 31<sup>st</sup> December 2006 was 59 % higher compared with Sales Revenue of Rs. 603 million of the same period last year.

Current Ratio as on 31<sup>st</sup> December 2006 was 1.12 to1 as against 1.02 to 1 as on 30<sup>th</sup> June 2006.

Equity as on 31<sup>st</sup> December 2006 was 132 million as against negative Equity of Rs. 17 million.

### **Future Prospects**

Your Directors are hopeful that results for the future will be much better. The company has a strong product line and the principals, Isuzu Motor Corporation, Japan have been very cooperative, helpful and extending all technical cooperation with regular visits of their technical staff. You have a dedicated workforce and professionally qualified management. The Economy of the country is also showing positive signs. All these factors will insha-Allah help in achieving further growth in our business.

27<sup>th</sup> February 2007

By Order of the Board

AHMAD KULI KHAN KHATTAK

**GHANDHARA INDUSTRIES LIMITED**  
**BALANCE SHEET**  
**AS AT DECEMBER. 31, 2006**

		<i>December 31,</i> <b>2006</b>	<i>June 30,</i> <b>2006</b>
		<i>Unaudited</i>	<i>Audited</i>
	<i>Notes</i>	<i>(Rupees '000')</i>	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	<b>5</b>	<b>1,026,721</b>	1,033,099
Investment properties		<b>91,562</b>	91,691
Long Term Investment		<b>1,400</b>	1,400
Long Term Deposits		<b>1,318</b>	736
		<b>1,121,001</b>	1,126,926
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<b>25</b>	-
Stock - in - trade		<b>736,208</b>	695,713
Trade debts		<b>106,946</b>	4,389
Loans and advances		<b>52,000</b>	19,482
Deposits and Prepayments		<b>41,738</b>	92,260
Other receivables		<b>42,768</b>	21,731
Cash and bank balances		<b>124,486</b>	262,436
		<b>1,104,171</b>	1,096,011
		<b>2,225,172</b>	2,222,937
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized Capital 50,000,000 (June 2006:50,000,000) ordinary shares of Rs. 10 each		<b>500,000</b>	500,000
Issued, subscribed and paid - up capital		<b>213,044</b>	65,553
Reserves		<b>43,200</b>	43,200
Accumulated loss		<b>(124,031)</b>	(126,103)
		<b>132,213</b>	(17,350)
<b>RIGHTS SHARE SUBSCRIPTION</b>		-	61,629
<b>SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES</b>		<b>1,082,265</b>	1,083,570
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease	<b>6</b>	<b>4,475</b>	-
Deferred Liabilities		<b>20,738</b>	21,440
		<b>25,213</b>	<b>21,440</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payable		<b>546,525</b>	701,941
Accrued mark up/Interest		<b>9,828</b>	12,813
Running finances under markup arrangement		<b>346,249</b>	318,934
Current portion of liabilities against assets subject to finance lease		<b>1,848</b>	-
Provision for taxation		<b>81,031</b>	39,960
		<b>985,481</b>	1,073,648
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>7</b>	<b>2,225,172</b>	<b>2,222,937</b>

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

**CHIEF EXECUTIVE**

**DIRECTOR**

**GHANDHARA INDUSTRIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED DECEMBER 31,2006**

	<i>Notes</i>	<i>For the quarter ended</i>		<i>For the half year ended</i>	
		<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>
		<b>2006</b>	2005	<b>2006</b>	2005
<i>Unaudited</i>					
<i>Rupees in 000</i>					
Sales -Net		<b>422,789</b>	275,828	<b>956,997</b>	602,896
Cost of sales	<b>8</b>	<b>345,581</b>	234,076	<b>794,585</b>	516,304
Gross profit		<b>77,208</b>	41,752	<b>162,412</b>	86,592
Distribution cost		<b>4,172</b>	3,795	<b>7,178</b>	4,962
Administration expenses		<b>21,724</b>	6,157	<b>32,490</b>	9,443
Operating profit		<b>51,313</b>	31,799	<b>122,744</b>	72,187
Other operating expenses		<b>7,767</b>	-	<b>7,767</b>	-
Finance cost		<b>7,512</b>	5,230	<b>14,000</b>	7,109
		<b>36,033</b>	26,569	<b>100,977</b>	65,077
Gain on derecognition of accrued mark up on running finances		-	380,034	-	380,034
Other operating income		<b>1,108</b>	3,995	<b>4,074</b>	6,999
		<b>1,108</b>	384,029	<b>4,074</b>	387,033
Profit before taxation		<b>37,141</b>	410,599	<b>105,050</b>	452,110
Provision for taxation					
Current		<b>17,302</b>	1,380	<b>41,071</b>	3,052
Deferred		<b>(18)</b>	(295)	<b>(702)</b>	(590)
		<b>17,284</b>	1,085	<b>40,369</b>	2,462
Profit after taxation		<b>19,857</b>	409,514	<b>64,681</b>	449,649
Earnings per share - Basic and diluted			62.47		68.59
			Restated for Right issue		
Earnings per share - Basic and diluted		<b>2.24</b>	33.52	<b>3.13</b>	36.80

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

**CHIEF EXECUTIVE**

**DIRECTOR**

**GHANDHARA INDUSTRIES LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	<i>For the half year ended</i>	
	<i>December 31,</i>	
	<i>2006</i>	<i>2005</i>
	<i>Unaudited</i>	
	<i>Rupees in 000</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	105,050	452,111
Adjustment for non cash charges and other items		
Depreciation	14,119	3,448
Interest income	(558)	(233)
Interest expense	11,426	5,617
Liability waived	-	(380,034)
	<u>130,038</u>	<u>80,909</u>
<b>Change in operating assets and liabilities</b>		
(Increase) / Decrease in current assets		
Stores and spares	(25)	(12)
Stock-in-trade	(40,495)	(130,475)
Trade debts	(102,557)	20,529
Loans and Advances	(3,567)	(2,318)
Deposits and Prepayments	50,522	(49,314)
Other receivables	(21,071)	(176)
	<u>(117,193)</u>	<u>(161,766)</u>
Increase / (Decrease) in current liabilities		
Trade and other payable	(167,500)	237,958
Working Capital Changes	(284,693)	76,192
	<u>(154,655)</u>	<u>157,101</u>
<b>CASH (USED IN)/ GENERATED FORM OPERATIONS</b>		
Interest paid	(14,411)	(49,325)
Taxes paid (including tax deducted at source)	(28,951)	(4,825)
	<u>(198,017)</u>	<u>102,951</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(713)	(654)
Long Term deposits	(582)	(113)
Interest received	589	161
Net cash used in investing activities	<u>(706)</u>	<u>(606)</u>
<b>FINANCING ACTIVITIES</b>		
Lease rental paid	(576)	
Right Shares subscription	47,116	-
Dividend paid	(13,082)	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<u>33,458</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(165,265)	102,345
Cash and cash equivalents at beginning of the period	(56,498)	(175,123)
<b>Cash and cash equivalents as at December 31,2006</b>	<u>(221,763)</u>	<u>(72,779)</u>

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

**CHIEF EXECUTIVE**

**DIRECTOR**

Share Capital	Capital Reserves			Revenue Reserves		TOTAL	
	Tax Holiday Reserve	Fixed Assets Replacement Reserve	Contingency Reserve	Revenue Reserve	Accumulated Loss		
Rupees							
Balance as at July 1, 2005	65,553	5,500	10,000	25,300	2,400	(645,275)	<b>(536,522)</b>
Profit for the half year	-	-	-	-	-	449,649	<b>449,649</b>
Transferred from surplus on revaluation of Property, Plant and Equipment on account of incremental depreciation						1,096	<b>1,096</b>
<b>Balance as at December 31, 2005</b>	<b>65,553</b>	<b>5,500</b>	<b>10,000</b>	<b>25,300</b>	<b>2,400</b>	<b>(194,530)</b>	<b>(85,777)</b>
Profit for the half year	-	-	-	-	-	71,083	<b>71,083</b>
Interim dividend paid (Re 0.50 per share)	-	-	-	-	-	(3,278)	<b>(3,278)</b>
Transferred from surplus on revaluation of Property, Plant and Equipment on account of incremental depreciation		-	-	-	-	622	<b>622</b>
<b>Balance as at June 30, 2006</b>	<b>65,553</b>	<b>5,500</b>	<b>10,000</b>	<b>25,300</b>	<b>2,400</b>	<b>(126,103)</b>	<b>(17,350)</b>
Issue of shares	147,491	-	-	-	-		<b>147,491</b>
Profit for the half year	-	-	-	-	-	64,681	<b>64,681</b>
Final dividend paid (Rs. 3 per share)						(63,913)	<b>(63,913)</b>
Transferred from surplus on revaluation of Property, Plant and Equipment on account of incremental depreciation	-	-	-	-	-	1,304	<b>1,304</b>
<b>Balance as at December 31, 2006</b>	<b>213,044</b>	<b>5,500</b>	<b>10,000</b>	<b>25,300</b>	<b>2,400</b>	<b>(124,031)</b>	<b>132,213</b>

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

CHIEF EXECUTIVE

DIRECTOR

**1 CORPORATE INFORMATION**

Ghandhara Industries Limited was incorporated on 23 February 1963. The Company's shares are listed on Karachi and Lahore stock Exchanges. The principal activity of the company is assembly and progressive manufacture of Isuzu trucks and buses.

**2 BASIS OF PREPARATION**

The interim financial statements for the half year ended December 31, 2006 have been prepared in accordance with IAS 34 Interim Financial Reporting.

**3 ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of the interim financial statements for the half year ended December 31, 2006 are consistent with those followed in the preparation of the annual financial statements for the year ended June 30, 2006.

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements as at June 30, 2006.

**4 PRESENTATION**

Figures in the Financial statements have been rounded off to the nearest thousand of rupees.

	<i>December 31, 2006</i>	<i>June 30, 2006</i>
	<i>Unaudited</i>	<i>Audited</i>
	<i>Rupees in 000</i>	
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>		
Net book value- opening	1,033,099	230,383
Revaluation of leasehold land and buildings on leasehold land	-	817,566
Additions during the period		
Owned	713	900
Leased	6,899	0
	<u>1,040,711</u>	<u>1,048,849</u>
Less Depreciation for the period	13,990	15,750
	<u>1,026,721</u>	<u>1,033,099</u>

**6 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES**

	2006	2005	2006	2005	2006	2005
	Minimum lease payments		Financial charges		Present value of minimum lease payments	
	----- (Rupees in thousand) -----					
2007	2,769	-	779	-	1,990	-
2008	2,556	-	408	-	2,148	-
2009	2,268	-	83	-	2,186	-
	<u>7,593</u>	<u>-</u>	<u>1,270</u>	<u>-</u>	<u>6,323</u>	<u>-</u>

Less: Current maturity shown under current liabilities 1,848  
4,475

6.1 This represents finance leases entered into with Orix leasing Pakistan Limited for vehicles. The periodic lease payments include built in rate of interest ranging from 15 % to 16% per annum. The company intends to exercise its option to purchase the leased assets upon expiry of the respective lease periods at 10% of the leased amounts.

**7 CONTINGENCIES AND COMMITMENTS**

**7.1 CONTINGENCIES**

There is no change in contingent liabilities as reported in Note 24 (i) and (ii) to the financial statements for the year ended June 30, 2006.

The case regarding various demands raised by Central Excise and Sales Tax amounting to Rs. 4.896 million has been decided against the company. The company has initiated reference to the Sindh High Court. No provision has been made in these financial statements.

**7.2 COMMITMENTS**

	<i>December 31, 2006</i>	<i>June 30, 2006</i>
	<i>Unaudited</i>	<i>Audited</i>
	<i>(Rupees '000')</i>	
Bank Guarantees	55,846	64,866
In respect of sales contracts	307,865	-
Confirmed letters of credit -CKD/Parts	249,472	36,765

**8 COST OF SALES**

	<i>For the quarter ended December 31, 2006</i>		<i>For the half year ended December 31, 2005</i>	
	2006	2005	2006	2005
	<i>Unaudited</i>			
	<i>( Rupees in 000)</i>			
Stock -opening	136,432	106,271	143,073	114,872
Cost of goods manufactured	383,620	313,273	825,527	586,766
Trading Stock	204	19	660	153
	<u>520,256</u>	<u>419,563</u>	<u>969,260</u>	<u>701,791</u>
Stock - closing	174,675	185,487	174,675	185,487
	<u>345,581</u>	<u>234,076</u>	<u>794,585</u>	<u>516,303</u>

**8.1 COST OF GOODS MANUFACTURED**

Work in process -opening	14,604	12,373	26,656	12,076
Raw material & components	346,036	305,790	748,169	569,217
Direct Labour & Overheads	22,980	12,996	50,702	23,359
	<u>383,620</u>	<u>331,159</u>	<u>825,527</u>	<u>604,652</u>
Work in process- closing	-	17,886	-	17,886
	<u>383,620</u>	<u>313,273</u>	<u>825,527</u>	<u>586,766</u>

**8.2 TRADING STOCK**

Stock - opening	23,427	16,725	23,852	16,633
Purchases	5,113	6,803	5,145	7,029
	<u>28,540</u>	<u>23,528</u>	<u>28,997</u>	<u>23,662</u>
Stock - closing	28,337	23,509	28,337	23,509
	<u>204</u>	<u>19</u>	<u>660</u>	<u>153</u>

**9 BALANCES WITH RELATED PARTIES**

	<i>December 31, 2006</i>	<i>June 30, 2006</i>
	<i>Unaudited</i>	<i>Audited</i>
	<i>(Rupees '000')</i>	

<b>a) Subsidiary company</b>		
Marghazar Industries (Pvt) Limited	2,064	1,982
<b>b) Associated companies</b>		
Bibojee Services (Private) Limited (Net)	(4,000)	80,223
The General Tyre & Rubber Company of Pakistan I	3,730	11,587
Ghandhara Nissan Limited	67,830	50,065
Universal Insurance Company Limited	9,679	8,600

**9.1 RELATED PARTY TRANSACTIONS**

	<i>December 31, 2006</i>	<i>June 30, 2006</i>
	<i>Unaudited</i>	<i>Audited</i>
	<i>(Rupees '000')</i>	

<b>a) Subsidiary company</b>		
Marghazar Industries (Pvt) Limited Financial charges	99	98
<b>b) Associated companies</b> (Common Directorship)		
General Tyre & Rubber Company of Pakistan Limited Purchase of Tyres	17,403	16,769
Ghandhara Nissan Limited Assembly charges	23,940	10,200
Universal Insurance Limited Insurance Premium	2,686	2,418
Bibojee Services (PVT) Limited Sale of vehicles	21,000	-
<b>c) Technology suppliers</b>		
Isuzu Motors Limited, Japan Running Royalty charges	2,456	3,072
Purchases	588,092	371,949

**10 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on February 27, 2007 by the Board of Directors of the Company.