



BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak	Chairman
Mr. Ahmad Kuli Khan Khattak	Chief Executive
Lt. Gen. (R) Ali Kuli Khan Khattak	Director
Mr. Mushtaq Ahmed Khan (FCA)	Director
Dr. Parvez Hassan	Director
Mr. Jamil Ahmed Shah	Director
Mr. Sher Muhammad	Director

SECRETARY

Mr. Iftikhar A. Khan

AUDITORS

Hameed Chaudhri & Co.
Chartered Accountants

AUDIT COMMITTEE

Lt. Gen. (R) Ali Kuli Khan Khattak	Chairman
Mr. Mushtaq Ahmed Khan (FCA)	Member
Mr. Jamil Ahmed Shah	Member

LEGAL ADVISORS

Syed Iqbal Ahmad Barrister at Law
S. Abid Shirazi & Co.
Syed Qamaruddin Hassan

BANKERS

The Bank of Khyber
PICIC Commercial Bank Limited.
MCB Bank Limited
Habib Bank Limited
Faysal Bank Limited
National Bank of Pakistan
Crescent Bank Limited
Bank Al-Habib Limited

REGISTERED OFFICE

F-3, Hub Chowki Road, S.I.T.E.,
Post Box No.2706,
Karachi-75730



DIRECTOR'S REPORT

The directors of your Company take pleasure in presenting the un-audited account for the Quarter and Half Year Ended December 31, 2007

Industry

During the Half Year ended December 31, 2007, the drop in volume sales as a whole was 3.6% which represented 8.9% fall in the Truck market & 22% increase in Bus market segment compared to same period last year. Sales in the last quarter of the Half Year under review were worst affected due to the law & order situation in the Country

GIL Operating Results

The Company achieved a market share of 17.6% during the current six months compared to 20.4% market share in the same period last year. The last quarter sales were below expectation in view of delay in the finalization of the Institutional contracts and prevailing law & order situation.

The drop in sales volume, increase in Yen value and inflationary trend in the Country during the Half Year under review reduced the gross margin from 17.0% (PKR 162.4 M) to 12.8% (PKR 80.8 M) of same period last year. Compared with last year, the net margin also dropped from 6.8% (PKR 64.7 M) to 4.8% (PKR 30.0 M) during the current period under review. The savings in Admin expenses and Financial Cost did improve the net margin a little but could not bring it upto the level of last year.

Outlook for the year

During the next six months i.e. January - June, 2008 the Company's Management hopes to increase market share through increase in Commercial and Institutional Sales in anticipation of political stability in the Country. However, rising Yen value vis-a-vis Pak Rupees, adverse balance of payment will cast a shadow on the Automobile market in the Country which is mainly dominated by the Japanese brands.

By Order of the Board

AHMAD KULI KHAN KHATTAK
Chief Executive

14th February 2008



REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Gandhara Industries Limited** as at **December 31, 2007** and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity, together with the notes forming part thereof for the half year then ended (here-in-after) referred to as “the interim financial information”). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Date: February 14, 2008
Karachi



**INTERIM CONDENSED BALANCE SHEET
AS AT DECEMBER 31, 2007**

ASSETS	Note	December 31, 2007 Unaudited	June 30, 2007 Audited
		(Rupees '000')	
NON CURRENT ASSETS			
Property, plant and equipment	6	1,018,247	1,028,668
Investment Properties		91,303	91,432
Long term investments		1,400	1,400
Long term loans and advances		538	635
Long term deposits		3,948	3,846
CURRENT ASSETS			
Stores, spares & loose tools		18	-
Stock-in-trade	7	863,162	649,269
Trade debts		104,805	83,457
Loans and advances		123,580	120,050
Deposits and prepayments		95,905	109,077
Other receivables		98,402	70,057
Cash and bank balances		31,186	128,467
		1,317,058	1,160,377
		<u>2,432,494</u>	<u>2,286,358</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8	213,045	213,045
Reserves		43,200	43,200
Accumulated loss		(28,241)	(60,022)
		228,004	196,223
SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES			
		1,078,301	1,080,058
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases		12,022	15,226
Deferred liabilities	9	16,054	18,572
CURRENT LIABILITIES			
Trade and other payables		734,515	760,985
Accrued mark-up / interest		10,669	8,144
Running finance under mark up		208,017	82,205
Current maturity of liabilities against assets subject to finance leases		7,332	6,433
Provision for taxation		137,580	118,512
		1,098,113	976,279
CONTINGENCIES & COMMITMENTS			
	10	2,432,494	2,286,358

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**INTERIM CONDENSED PROFIT & LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

		Quarter ended		Half year ended	
		December 31,		December 31,	
		2007	2006	2007	2006
(Rupees '000')					
Net sales		299,354	422,789	629,256	956,997
Cost of sales	11	(267,861)	(345,581)	(548,412)	(794,585)
Gross profit		31,493	77,208	80,844	162,412
Distribution cost		(6,023)	(4,172)	(10,041)	(7,178)
Administrative expenses		(9,483)	(21,724)	(18,029)	(32,490)
Other operating income		7,549	1,108	7,788	4,074
Other operating expenses		(3,610)	(7,767)	(3,610)	(7,767)
Profit from operations		19,926	44,653	56,952	119,051
Finance cost		(7,506)	(7,512)	(10,146)	(14,001)
Profit before tax		12,420	37,141	46,806	105,050
Taxation					
Current		(7,033)	(17,302)	(19,068)	(41,071)
Deferred		1,814	18	2,287	702
		(5,219)	(17,284)	(16,781)	(40,369)
Profit after tax		7,201	19,857	30,025	64,681
Earnings per share - basic and diluted (Rupees)	12	0.34	2.24	1.41	3.13

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Half year ended	
	2007	December 31, 2006
	(Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	13	(200,221)
Interest paid		(6,355)
Income taxes paid (including tax deducted at source)		(6,930)
Long term loans and advances		97
Long term deposits and prepayments		(102)
Net cash flows from operating activities		(213,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure		(5,353)
Interest received		312
Net cash used in investing activities		(5,041)
Net cash flows before financing activities		(218,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease rentals		(4,506)
Right shares subscription		-
Dividend paid		(36)
Net cash flows (used in) generated from financing activities		(4,542)
Net decrease in cash & cash equivalents		(223,094)
Cash and cash equivalents at July 1		46,263
Cash and cash equivalents at December 31		(176,831)

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Share Capital Issued, subscribed and paid-up	Capital Reserves			Revenue Reserve	Accumulated Loss	TOTAL
		Tax Holiday Reserve	Fixed Assets Replacement Reserve	Contingency Reserve			
<i>Rupees in thousand</i>							
Balance as at June 30, 2006 (Audited)	65,553	5,500	10,000	25,300	2,400	(126,103)	(17,350)
Issue of shares	147,492	-	-	-	-	-	147,492
Profit for the period	-	-	-	-	-	64,681	64,681
Final Dividend paid (Rs.3 per share)	-	-	-	-	-	(63,913)	(63,913)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	1,304	1,304
Balance as at December 31, 2006 (Unaudited)	213,045	5,500	10,000	25,300	2,400	(124,031)	132,214
Profit for the period	-	-	-	-	-	61,801	61,801
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	2,208	2,208
Balance as at June 30, 2007 (Audited)	213,045	5,500	10,000	25,300	2,400	(60,022)	196,223
Profit for the period	-	-	-	-	-	30,025	30,025
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	1,756	1,756
Balance as at December 31, 2007 (Unaudited)	213,045	5,500	10,000	25,300	2,400	(28,241)	228,004

The annexed notes 1 to 15 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

1 CORPORATE INFORMATION

Gandhara 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 PRESENTATION

These interim condensed financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS)-34, "Interim Financial Reporting", as applicable in Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2007.

4 APPROVAL OF FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Board of Directors and authorised for issue on February 14, 2008.

5 PRESENTATION

Figures in these interim condensed financial statements have been rounded off to the nearest thousand rupees.

6 PROPERTY, PLANT AND EQUIPMENT

	Note	December 31, 2007 Unaudited (Rupees '000')	June 30, 2007 Audited
Book value at the beginning of the period / year		1,028,668	1,033,099
Additions during the period / year	6.1	6,286	41,005
Less:			
Disposal during the period / year - at book value	6.2	-	13,613
Depreciation charged during the period / year		16,707	31,823
		<u>1,018,247</u>	<u>1,028,668</u>
6.1 Additions during the period / year			
Plant & machinery		460	-
Lift trucks		2,920	-
Office machines and equipment		18	783
Computers		455	477
Motor vehicles			
-Owned		1,500	14,422
-Leased		933	25,323
		<u>6,286</u>	<u>41,005</u>
6.2 Disposals during the period / year - at book value			
Motor vehicles		-	13,613
		<u>-</u>	<u>13,613</u>



		December 31, 2007 Unaudited (Rupees '000')	June 30, 2007 Audited
7	STOCK IN TRADE		
	Raw material	671,712	456,222
	Work in process	48,305	-
	Manufactured stock including components	119,005	164,578
	Trading stock	24,140	28,469
		<u>863,162</u>	<u>649,269</u>
8	SHARE CAPITAL		
	Issued, subscribed & paid-up capital		
	December 31, 2007 Unaudited (No. of shares)		June 30, 2007 Audited
	Authorised Capital		
	50,000,000	50,000,000	Ordinary shares of Rs. 10 each
		500,000	500,000
			Issued, subscribed and paid up capital
	17,650,862	17,650,862	Fully paid up in cash
	3,295,354	3,295,354	Fully paid bonus shares
	358,206	358,206	Issued for consideration other than cash
		176,509	176,509
		32,954	32,954
		3,582	3,582
		<u>213,045</u>	<u>213,045</u>
9	DEFERRED LIABILITIES		
	Deferred taxation	15,361	17,648
	Gain on sale and lease back of fixed asset	693	924
		<u>16,054</u>	<u>18,572</u>
10	CONTINGENCIES & COMMITMENTS		
10.1	Contingencies		
	There is no change in contingent liabilities as reported in Note 26.1 to the financial statements for the year ended June 30, 2007.		
		December 31, 2007 Unaudited (Rupees '000')	June 30, 2007 Audited
10.2	Guarantees		
	Issued by banks	<u>68,713</u>	<u>95,928</u>
10.3	Commitments		
	In respect of sale contracts	<u>223,940</u>	-
	Confirmed letters of credit-CKD	<u>59,391</u>	<u>105,157</u>



	Note	Quarter ended		Half year ended	
		December 31,		December 31,	
		2007	2006	2007	2006
(Rupees '000')					
11 COST OF SALES					
Stock at beginning		88,012	136,432	164,578	143,073
Cost of goods manufactured	11.1	297,588	383,620	496,865	825,527
Trading stock	11.2	1,266	204	5,974	660
		298,854	383,824	502,839	826,187
		386,866	520,256	667,417	969,260
Stocks at end		(119,005)	(174,675)	(119,005)	(174,675)
		267,861	345,581	548,412	794,585
11.1 Cost of goods manufactured					
Work in process at beginning		2,743	14,604	-	26,656
Raw materials & components consumed		307,662	346,036	488,315	748,169
Direct labour and overheads		35,488	22,980	56,855	50,702
		343,150	369,016	545,170	798,871
		345,893	383,620	545,170	825,527
Work in process at end		(48,305)	-	(48,305)	-
		297,588	383,620	496,865	825,527
11.2 Trading stock					
Stock at beginning		24,503	23,427	28,469	23,852
Purchases		903	5,114	1,645	5,145
		25,406	28,541	30,114	28,997
Stocks at end		(24,140)	(28,337)	(24,140)	(28,337)
		1,266	204	5,974	660
12 EARNINGS PER SHARE					
Basic and diluted earnings per share					
Earnings for purposes of basic earnings per share (net profit after tax for the period)		7,201	19,857	30,025	64,681
Weighted average number of outstanding ordinary shares for the purposes of basic earnings per share		21,304	21,304	21,304	21,304
Basic and diluted earnings per share - Rupees		0.34	2.24	1.41	3.13



	Half year ended	
	December 31, 2007	June 30, 2007
	(Rupees '000')	
13 CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	46,806	105,050
Adjustment for:		
Depreciation	16,837	14,120
Interest income	(312)	(558)
Amortisation of gain on sale and lease back of fixed asset	(231)	-
Interest expense	8,880	11,426
Finance cost on finance leased assets	1,266	-
Operating profit before working capital changes	73,246	130,038
Working capital changes:		
(Increase)/decrease in current assets:		
Stores, spares & loose tools	(18)	(25)
Stock in trade	(213,893)	(40,495)
Trade debtors	(21,349)	(102,557)
Loans and advances	3,400	(3,567)
Trade deposits and prepayments	13,172	50,522
Other receivables	(28,345)	(21,071)
	(247,033)	(117,193)
Increase in current liabilities:		
Trade and other payables	(26,434)	(167,500)
Cash generated from operations	(200,221)	(154,655)

14 RELATED PARTY TRANSACTIONS

Related parties comprise of a subsidiary company, associated companies, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. All transactions with related parties have been carried out on commercial terms and conditions. Significant transactions with related parties are as follows:

Name of Related Party and nature of relationship Nature of transaction

(a) Subsidiary company

Marghazar Industries (Private) Limited	Financial charges	102	99,084
--	-------------------	-----	--------

(b) Associated companies

General Tyre & Rubber Company of Pakistan Limited (Common Directorship)	Purchase of tyres	22,559	17,403
--	-------------------	--------	--------

Ghandhara Nissan Limited (Common Directorship)	Assembly charges	27,138	23,940
---	------------------	--------	--------

Universal Insurance Limited (Common Directorship)	Insurance premium	6,003	2,686
--	-------------------	-------	-------



		Half year ended		
		December 31, 2007	June 30, 2007	
		(Rupees '000')		
(c)	Ultimate holding company			
	Bibojee Services (Private) Limited	Sale of vehicle	8,480	21,000
(d)	Technology suppliers			
	Isuzu Motors Limited, Japan	Running royalty charges	2,666	2,456
		Purchase of parts/CKD	13,307	588,092
	Marubeni Corporation, Japan	Purchase of CKD	437,432	-

15 COMPARATIVES

Previous figures have been rearranged and reclassified wherever necessary for better presentation in the financial statements. There were no major reclassifications or rearrangements for the period.

Chief Executive

Director



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2007

	Note	December 31, 2007 Unaudited	June 30, 2007 Audited
(Rupees '000')			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	1,018,247	1,028,668
Investment Properties		91,303	91,432
Long term loans and advances		538	635
Long term deposits		3,948	3,846
CURRENT ASSETS			
Stores, spares & loose tools		18	-
Stock-in-trade	7	863,162	649,269
Trade debts		104,805	83,457
Loans and advances		123,580	120,312
Deposits and prepayments		95,905	109,077
Other receivables		98,402	70,057
Cash and bank balances		31,206	128,487
		1,317,078	1,160,659
		2,431,114	2,285,240
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8	213,045	213,045
Reserves		43,200	43,200
Accumulated loss		(27,823)	(59,620)
		228,422	196,625
Minority interest		179	172
Total equity		228,601	196,797
SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES		1,078,301	1,080,058
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases		12,022	15,226
Deferred liabilities	9	16,054	18,572
CURRENT LIABILITIES			
Trade and other payables		732,532	759,019
Accrued mark-up / interest		10,669	8,144
Running finance under mark up		208,017	82,205
Current maturity of liabilities against assets subject to finance leases		7,332	6,433
Provision for taxation		137,586	118,786
		1,096,136	974,587
CONTINGENCIES & COMMITMENTS	10	2,431,114	2,285,240
		2,431,114	2,285,240

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chief Executive

Director



**INTERIM CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Note	Quarter ended		Half year ended	
		December 31,		December 31,	
		2007	2006	2007	2006
(Rupees '000')					
Net sales		299,354	422,789	629,256	956,997
Cost of sales	11	(267,861)	(345,581)	(548,412)	(794,585)
Gross profit		31,493	77,208	80,844	162,412
Distribution cost		(6,023)	(4,172)	(10,041)	(7,178)
Administrative expenses		(9,518)	(21,758)	(18,097)	(32,558)
Other operating income		7,549	1,108	7,788	4,074
Other operating expenses		(3,610)	(7,767)	(3,610)	(7,767)
Profit from operations		19,891	44,619	56,884	118,983
Finance cost		(7,454)	(7,463)	(10,043)	(13,901)
Profit before tax		12,437	37,156	46,841	105,082
Taxation					
Current		(7,039)	(17,302)	(19,080)	(41,082)
Deferred		1,814	18	2,287	702
		(5,225)	(17,284)	(16,793)	(40,380)
Profit after tax		7,212	19,872	30,048	64,702
Attributable to:					
Equity holders of the parent		7,207	19,868	30,041	64,696
Minority interest		5	4	7	6
		7,212	19,872	30,048	64,702
Earnings per share - basic and diluted (Rupees)	12	0.34	2.24	1.41	3.13

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chief Executive

Director



**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Half year ended	
	2007	December 31, 2006
	(Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	(200,304)	(154,649)
Interest paid	(6,253)	(14,411)
Income taxes paid (including tax deducted at source)	(6,948)	(28,951)
Long term loans and advances	97	
Long term deposits and prepayments	(102)	(582)
Net cash flows from operating activities	(213,510)	(198,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(5,353)	(713)
Interest received	312	589
Net cash used in investing activities	(5,041)	(124)
Net cash flows before financing activities	(218,551)	(198,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease rentals	(4,506)	(576)
Right shares subscription	-	47,116
Dividend paid	(36)	(13,082)
Net cash flows (used in) generated from financing activities	(4,542)	33,458
Net decrease in cash & cash equivalents	(223,093)	(165,259)
Cash and cash equivalents at July 1	46,282	(56,478)
Cash and cash equivalents at December 31	(176,811)	(221,737)

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chief Executive

Director



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

Share Capital Issued, subscribed and paid-up	Capital Reserves			Revenue Reserve	Accumulated Loss	TOTAL	Minority Interest	Total Equity
	Tax Holiday Reserve	Fixed Assets Replacement Reserve	Contingency Reserve					

Rupees in thousand

Balance as at June 30, 2006 (Audited)	65,553	5,500	10,000	25,300	2,400	(125,724)	(16,971)	162	(16,809)
Issue of shares	147,492	-	-	-	-	-	147,492	-	147,492
Profit for the period	-	-	-	-	-	64,696	64,696	6	64,702
Final Dividend paid (Rs.3 per share)	-	-	-	-	-	(63,913)	(63,913)	-	(63,913)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	1,304	1,304	-	1,304
Balance as at December 31, 2006 (Unaudited)	213,045	5,500	10,000	25,300	2,400	(123,637)	132,608	168	132,776
Profit for the period	-	-	-	-	-	61,809	61,809	4	61,813
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	2,208	2,208	-	2,208
Balance as at June 30, 2007 (Audited)	213,045	5,500	10,000	25,300	2,400	(59,620)	196,625	172	196,797
Profit / loss for the period	-	-	-	-	-	30,041	30,041	7	30,048
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	1,756	1,756	-	1,756
Balance as at December 31, 2007 (Unaudited)	213,045	5,500	10,000	25,300	2,400	(27,823)	228,422	179	228,601

The annexed notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Chief Executive

Director



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

1 CORPORATE INFORMATION

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

Gandhara Industries Limited holds 70% equity in Marghzar Industries (Private) Limited.

2 BASIS OF PRESENTATION

These interim condensed consolidated financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS)-34, "Interim Financial Reporting", as applicable in Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the holding Company's annual financial statements for the year ended June 30, 2007.

4 APPROVAL OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on February 14, 2008.

5 PRESENTATION

Figures in these interim condensed consolidated financial statements have been rounded off to the nearest thousand rupees.

	Note	December 31, 2007 Unaudited	June 30, 2007 Audited
		(Rupees '000')	
6 PROPERTY, PLANT AND EQUIPMENT			
Book value at the beginning of the period / year		1,028,668	1,033,099
Additions during the period / year	6.1	6,286	41,005
Less:			
Disposal during the period / year - at book value	6.2	-	13,613
Depreciation charged during the period / year		16,707	31,823
		<u>1,018,247</u>	<u>1,028,668</u>
6.1 Additions during the period / year			
Plant & machinery		460	-
Lift trucks		2,920	-
Office machines and equipment		18	783
Computers		455	477
Motor vehicles			
-Owned		1,500	14,422
-Leased		933	25,323
		<u>6,286</u>	<u>41,005</u>
6.2 Disposals during the period / year - at book value			
Motor vehicles		-	13,613
		<u>-</u>	<u>13,613</u>



		December 31, 2007 Unaudited (Rupees '000')	June 30, 2007 Audited
7	STOCK IN TRADE		
	Raw material	671,712	456,222
	Work in process	48,305	-
	Manufactured stock including components	119,005	164,578
	Trading stock	24,140	28,469
		<u>863,162</u>	<u>649,269</u>
8	SHARE CAPITAL		
	Issued, subscribed and paid up capital		
	December 31, 2007 Unaudited (No. of shares)		June 30, 2007 Audited
	Authorised Capital		
	50,000,000 50,000,000	Ordinary shares of Rs. 10 each	500,000 500,000
		Issued, subscribed and paid up capital	
	17,650,862	17,650,862	Fully paid up in cash
	3,295,354	3,295,354	Fully paid bonus shares
	358,206	358,206	Issued for consideration other than cash
			176,509 176,509
			32,954 32,954
			3,582 3,582
	<u>21,304,422</u>	<u>21,304,422</u>	<u>213,045</u> <u>213,045</u>
9	DEFERRED LIABILITIES		
	Deferred taxation	15,361	17,648
	Gain on sale and lease back of fixed asset	693	924
		<u>16,054</u>	<u>18,572</u>
10	CONTINGENCIES & COMMITMENTS		
10.1	Contingencies		
	There is no change in contingent liabilities as reported in Note 26.1 to the financial statements for the year ended June 30, 2007.		
10.2	Guarantees		
	Issued by banks	<u>68,713</u>	<u>95,928</u>
10.3	Commitments		
	In respect of sale contracts	<u>223,940</u>	<u>-</u>
	Confirmed letters of credit-CKD	<u>59,391</u>	<u>105,157</u>



	Note	Quarter ended		Half year ended	
		December 31,		December 31,	
		2007	2006	2007	2006
(Rupees '000')					
11 COST OF SALES					
Stock at beginning		88,012	136,432	164,578	143,073
Cost of goods manufactured	11.1	297,588	383,620	496,865	825,527
Trading stock	11.2	1,266	204	5,974	660
		298,854	383,824	502,839	826,187
		386,866	520,256	667,417	969,260
Stocks at end		(119,005)	(174,675)	(119,005)	(174,675)
		267,861	345,581	548,412	794,585
11.1 Cost of goods manufactured					
Work in process at beginning		2,743	14,604	-	26,656
Raw materials & components consumed		307,662	346,036	488,315	748,169
Direct labour and overheads		35,488	22,980	56,855	50,702
		343,150	369,016	545,170	798,871
		345,893	383,620	545,170	825,527
Work in process at end		(48,305)	-	(48,305)	-
		297,588	383,620	496,865	825,527
11.2 Trading stock					
Stock at beginning		24,503	23,427	28,469	23,852
Purchases		903	5,114	1,645	5,145
		25,406	28,541	30,114	28,997
Stocks at end		(24,140)	(28,337)	(24,140)	(28,337)
		1,266	204	5,974	660
12 EARNINGS PER SHARE					
Basic and diluted earnings per share					
Earnings for purposes of basic earnings per share (net profit after tax for the period)		7,212	19,872	30,048	64,702
Weighted average number of outstanding ordinary shares for the purposes of basic earnings per share		21,304	21,304	21,304	21,304
Basic and diluted earnings per share - Rupees		0.34	2.24	1.41	3.13



	Half year ended	
	December 31, 2007	June 30, 2007
	(Rupees '000')	
13 CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	46,841	105,082
Adjustment for:		
Depreciation	16,837	14,119
Interest income	(312)	(558)
Amortisation of gain on sale and lease back of fixed asset	(231)	-
Interest expense	8,778	11,327
Finance cost on finance leased assets	1,266	-
Operating profit before working capital changes	73,179	129,970
Working capital changes:		
(Increase)/decrease in current assets:		
Stores, spares & loose tools	(18)	(25)
Stock in trade	(213,893)	(40,495)
Trade debtors	(21,349)	(102,557)
Loans and advances	3,400	(3,567)
Trade deposits and prepayments	13,172	50,522
Other receivables	(28,345)	(21,071)
	(247,033)	(117,193)
Increase in current liabilities:		
Trade and other payables	(26,450)	(167,426)
Cash generated from operations	(200,304)	(154,649)

14 RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. All transactions with related parties have been carried out on commercial terms and conditions. Significant transactions with related parties are as follows:

Name of Related Party and nature of relationship Nature of transaction

(a) Associated companies			
General Tyre & Rubber Company of Pakistan Limited (Common Directorship)	Purchase of tyres	22,559	17,403
Gandhara Nissan Limited (Common Directorship)	Assembly charges	27,138	23,940
Universal Insurance Limited (Common Directorship)	Insurance premium	6,003	2,686
(b) Ultimate holding company			
Bibojee Services (Private) Limited	Sale of vehicle	8,480	21,000
(c) Technology suppliers			
Isuzu Motors Limited, Japan	Running royalty charges	2,666	2,456
	Purchase of parts/CKD	13,307	588,092
Marubeni Corporation, Japan	Purchase of CKD	437,432	-

15 COMPARATIVES

Previous figures have been rearranged and reclassified wherever necessary for better presentation in the financial statements. There were no major reclassifications or rearrangements for the period.

Chief Executive

Director