



CONTENTS

COMPANY INFORMATION	02
DIRECTORS REPORT	03
REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION	04
INTERIM CONDENSED BALANCE SHEET	05
INTERIM CONDENSED PROFIT & LOSS ACCOUNT	06
INTERIM CONDENSED CASH FLOW STATEMENT	07
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	08
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	09
CONSOLIDATED FINANCIAL STATEMENTS	
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET	15
INTERIM CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT	16
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT	17
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	19



COMPANY INFORMATION

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

Bank Al-Habib Limited
National Bank of Pakistan
Soneri Bank Limited
The Bank of Tokyo - Mitsubishi UFJ, Limited
The Bank of Khyber
NIB Bank Limited
Faysal Bank Limited

REGISTERED OFFICE

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

SHARE REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd.
5th Floor, Karachi Chambers,
Hasrat Mohani Road, Karachi.



DIRECTORS REPORT

The Directors of your company take pleasure in presenting the un-audited Accounts for the period ended on 31st December 2008.

Financial Results

The company earned gross profit of Rs.23.914 million for the period ended on 31st December, 2008 as against gross profit of Rs.90.602 million for the corresponding period last year.

However there was gross loss of Rs.0.173 million for the quarter ended on 31st December, 2008 as against Gross Profit of Rs.31.493 million for the corresponding period last year.

Net Loss for the quarter under review was Rs.110.71 million as against Net Profit of Rs. 7.20 million for the corresponding quarter of last year. Net loss for the half year ended on 31st December, 2008 was Rs.166.39 million as against profit of Rs.30.03 million for the corresponding period last year.

The reason for the loss is lower sales due to worldwide recession, downturn of Pak economy and depreciation of the Rupee against Yen and dollar.

The Company sold 206 vehicles for the period ended on 31st December 2008 less than 50% of 452 vehicles sold during the corresponding period last year.

Future outlook

The economic downturn has hit the Economy very badly. Auto sales have dwindled profoundly due to general recession, non-availability of funds from the banks and leasing companies. Due to some expected orders from some institutions, the next six months may be a slightly better compared to first half of the year. However the company may not be able to perform better than the previous years.

The management will do all it can to minimize the losses during the remaining period of the year.

By Order of the Board

February 25, 2009

AHMAD KULI KHAN KHATTAK
Chief Executive



REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Gandhara Industries Limited** as at **December 31, 2008** and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the 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.

Date 25-02-2009
Karachi

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS



**INTERIM CONDENSED BALANCE SHEET
AS AT DECEMBER 31, 2008**

ASSETS	Note	December 31, 2008 Unaudited	June 30, 2008 Audited
		(Rupees '000')	
NON CURRENT ASSETS			
Property, plant and equipment	7	1,027,698	1,028,798
Investment Properties		91,043	91,173
Long term investments		1,400	1,400
Long term loans and advances		486	461
Long term deposits		4,231	3,999
CURRENT ASSETS			
Stores, spares & loose tools		53	21
Stock-in-trade	8	879,498	468,052
Trade debts	9	127,996	56,903
Loans and advances		185,464	178,340
Deposits and prepayments		25,684	150,662
Other receivables		160,353	140,583
Cash and bank balances		7,305	22,919
		1,386,353	1,017,480
		<u>2,511,211</u>	<u>2,143,311</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	10	213,044	213,044
Reserves		43,200	43,200
Accumulated loss		<u>(203,096)</u>	<u>(38,378)</u>
		53,148	217,866
SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES			
		1,074,871	1,076,546
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases		5,630	8,165
Deferred liabilities	11	17,341	17,935
CURRENT LIABILITIES			
Trade and other payables		438,600	583,403
Accrued mark-up / interest		30,287	9,520
Running finance under mark up		751,898	90,339
Current maturity of liabilities against assets subject to finance leases		7,888	7,989
Provision for taxation		131,548	131,548
		1,360,221	822,799
CONTINGENCIES & COMMITMENTS			
	12	<u>2,511,211</u>	<u>2,143,311</u>

The annexed notes 1 to 17 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, 2008**

	Quarter ended		Half year ended	
	December 31,		December 31,	
	2008	2007	2008	2007
	(Rupees '000')			
Net sales	209,122	299,354	426,898	639,014
Cost of sales	13 (209,295)	(267,861)	(402,984)	(548,412)
Gross (loss)/ profit	(173)	31,493	23,914	90,602
Distribution cost	(10,035)	(6,023)	(19,113)	(19,799)
Administrative expenses	(7,402)	(9,483)	(15,113)	(18,029)
Other operating income	359	7,549	399	7,788
Other operating expenses	-	(3,610)	-	(3,610)
(Loss)/Profit from operations	(17,251)	19,926	(9,913)	56,952
Finance cost	(94,713)	(7,506)	(158,158)	(10,146)
(Loss) / Profit before tax	(111,964)	12,420	(168,071)	46,806
Taxation				
Current	-	(7,033)	-	(19,068)
Deferred	1,255	1,814	1,678	2,287
	1,255	(5,219)	1,678	(16,781)
(Loss) / Profit after tax	(110,709)	7,201	(166,393)	30,025
(Loss) / Earnings per share - basic and diluted (Rupees)	14 (5.20)	0.34	(7.81)	1.41

The annexed notes 1 to 17 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, 2008**

	Half year ended	
	2008	December 31, 2007
	(Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	15	(518,265)
Interest paid		(200,221)
Income tax paid (including tax deducted at source)		(136,360)
Long term loans and advances		(6,355)
Long term deposits and prepayments		(12,245)
Net cash flows from operating activities		(6,930)
		(25)
		97
		(232)
		(102)
		(667,127)
		(213,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure		(5,174)
Interest received		(5,353)
Net cash used in investing activities		126
Net cash flows before financing activities		(5,048)
		(672,175)
		(218,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease rentals		(4,987)
Dividend paid		(4,506)
Net cash flows from financing activities		(11)
		(4,998)
		(4,542)
Net decrease in cash & cash equivalents		(677,173)
		(223,094)
Cash and cash equivalents at July 1		(67,420)
		46,263
Cash and cash equivalents at December 31		(744,593)
		(176,831)

The annexed notes 1 to 17 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, 2008**

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

Rupees in thousand

Balance as at June 30, 2007 (Audited)	213,044	5,500	10,000	25,300	2,400	(60,022)	196,222
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)	213,044	5,500	10,000	25,300	2,400	(28,241)	228,003
Loss for the period	-	-	-	-	-	(11,893)	(11,893)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	1,756	1,756
Balance as at June 30, 2008 (Audited)	213,044	5,500	10,000	25,300	2,400	(38,378)	217,866
Loss for the period	-	-	-	-	-	(166,393)	(166,393)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	1,675	1,675
Balance as at December 31, 2008 (Unaudited)	213,044	5,500	10,000	25,300	2,400	(203,096)	53,148

The annexed notes 1 to 17 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, 2008**

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 condensed interim financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders 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. These condensed 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 for the year ended June 30, 2008.

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, 2008.

4 JUDGMENTS AND ESTIMATES

Judgment and estimates made by the management were the same as those that were applied to the financial statements for the year ended June 30, 2008.

5 APPROVAL OF FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Board of Directors and authorised for issue on February 25, 2009.

6 PRESENTATION

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

	Note	December 31, 2008 Unaudited	June 30, 2008 Audited
(Rupees '000')			
7 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	1,027,473	1,028,573
Capital work in progress		225	225
		<u>1,027,698</u>	<u>1,028,798</u>
7.1 Book value at the beginning of the period / year			
-Owned		1,010,180	1,006,003
-Leased		18,393	22,665
		1,028,573	1,028,668
Add: Additions during the period / year	7.2	6,494	18,887
Less: Depreciation charged during the period / year			
-Owned		4,935	13,777
-Leased		2,659	5,205
		7,594	18,982
		<u>1,027,473</u>	<u>1,028,573</u>



	December 31, 2008 Unaudited	June 30, 2008 Audited		
	(Rupees '000')			
7.2 Additions during the period / year				
-Owned				
Plant & machinery	192	719		
Permanent tools	33	141		
Furniture & Fixtures	468	1,573		
Motor vehicles	4,206	4,482		
Lift trucks	-	6,096		
Office machines and equipment	79	4,444		
Computers	196	499		
	<u>5,174</u>	<u>17,954</u>		
-Leased				
Motor vehicles	1,320	933		
	<u>6,494</u>	<u>18,887</u>		
8 STOCK IN TRADE				
Raw material	607,550	374,759		
Work in process	6,086	-		
Manufactured stock including components	220,819	57,931		
Trading stock	45,043	35,362		
	<u>879,498</u>	<u>468,052</u>		
9 TRADE DEBTS				
Government and semi-government agencies	58,892	39,380		
Others	69,104	17,523		
	<u>127,996</u>	<u>56,903</u>		
10 SHARE CAPITAL				
Issued, subscribed & paid-up capital				
	December 31, 2008 Unaudited	June 30, 2008 Audited		
	(No. of shares)			
			Authorised Capital	
<u>50,000,000</u>	<u>50,000,000</u>		Ordinary shares of Rs. 10 each	<u>500,000</u>
			Issued, subscribed and paid up capital	
17,650,862	17,650,862		Fully paid up in cash	176,509
3,295,354	3,295,354		Fully paid bonus shares	32,953
358,206	358,206		Issued for consideration other than cash	3,582
<u>21,304,422</u>	<u>21,304,422</u>			<u>213,044</u>



	December 31, 2008 Unaudited (Rupees '000')	June 30, 2008 Audited
11 DEFERRED LIABILITIES		
Deferred taxation	14,264	15,942
Gain on sale and lease back of fixed asset	231	462
Provision for gratuity	2,846	1,531
	17,341	17,935

12 CONTINGENCIES & COMMITMENTS

12.1 Contingencies

There is no change in contingent liabilities as reported in Note 26.1 to the financial statements for the year ended June 30, 2008.

12.2 Guarantees

Issued by banks	49,638	74,546
-----------------	--------	--------

12.3 Commitments

Confirmed letters of credit-CKD	5,186	153,896
---------------------------------	-------	---------

		Quarter ended		Half year ended	
	Note	December 31,		December 31,	
		2008	2007	2008	2007
		(Rupees '000')			
13 COST OF SALES					
Stock at beginning		176,323	88,012	57,931	164,578
Cost of goods manufactured	13.1	252,238	297,588	561,791	496,865
Trading stock	13.2	1,553	1,266	4,081	5,974
		253,791	298,854	565,872	502,839
		430,114	386,866	623,803	667,417
Stock at end		(220,819)	(119,005)	(220,819)	(119,005)
		209,295	267,861	402,984	548,412
13.1 Cost of goods manufactured					
Work in process at beginning		36,303	2,743	-	-
Raw materials & components consumed		196,503	307,662	515,915	488,315
Direct labour and overheads		25,518	35,488	51,962	56,855
		222,021	343,150	567,877	545,170
		258,324	345,893	567,877	545,170
Work in process at end		(6,086)	(48,305)	(6,086)	(48,305)
		252,238	297,588	561,791	496,865
13.2 Trading stock					
Stock at beginning		33,729	24,503	35,362	28,469
Purchases		12,867	903	13,762	1,645
		46,596	25,406	49,124	30,114
Stock at end		(45,043)	(24,140)	(45,043)	(24,140)
		1,553	1,266	4,081	5,974



	<u>Quarter ended</u>		<u>Half year ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	2008	2007	2008	2007
	(Rupees '000')			
14 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE				
Earnings for purposes of basic earnings per share [(net loss) / profit after tax for the period]	<u>(110,709)</u>	<u>7,201</u>	<u>(166,393)</u>	<u>30,025</u>
Weighted average number of outstanding ordinary shares for the purposes of basic earnings per share	<u>21,304</u>	<u>21,304</u>	<u>21,304</u>	<u>21,304</u>
Basic and diluted (loss) / earnings per share - Rupees	<u>(5.20)</u>	<u>0.34</u>	<u>(7.81)</u>	<u>1.41</u>
			<u>Half year ended</u>	
			<u>December 31,</u>	
			2008	2007
			(Rupees '000')	
15 CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / profit before taxation			(168,071)	46,806
Adjustment for:				
Depreciation				16,837
Fixed assets			7,594	
Investment properties			130	
Interest income			(126)	(312)
Amortisation of gain on sale and lease back of fixed asset			(231)	(231)
Interest expense			157,127	8,880
Finance cost on finance leased assets			1,031	1,266
Provision for gratuity			1,315	-
Operating profit before working capital changes			<u>(1,231)</u>	<u>73,246</u>
Working capital changes:				
(Increase)/decrease in current assets:				
Stores, spares & loose tools			(32)	(18)
Stock in trade			(411,446)	(213,893)
Trade debtors			(71,093)	(21,349)
Loans and advances			5,121	3,400
Trade deposits and prepayments			124,978	13,172
Other receivables			(19,770)	(28,345)
			<u>(372,242)</u>	<u>(247,033)</u>
Increase in current liabilities:				
Trade and other payables			<u>(144,792)</u>	<u>(26,434)</u>
Cash used in operations			<u>(518,265)</u>	<u>(200,221)</u>



16 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	Half year ended December 31,	
		2008	2007
		(Rupees '000')	
(a) Subsidiary company			
Marghazar Industries (Private) Limited	Financial charges	104	102
(b) Associated companies (Common Directorship)			
General Tyre & Rubber Company of Pakistan Limited	Purchase of tyres	13,770	22,559
Gandhara Nissan Limited	Assembly charges	21,387	27,138
Universal Insurance Limited	Insurance premium	3,213	6,003
Rehman Cotton Mills Limited	Rent paid	248	210
(d) Technology suppliers			
Isuzu Motors Limited, Japan	Running royalty charges	2,052	2,666
	Purchase of parts	7,101	13,307
Marubeni Corporation, Japan	Purchase of CKD	506,543	437,432
(a) Subsidiary company			
(c) Ultimate holding company			
Bibojee Services (Private) Limited	Sale of vehicle	-	8,480
		December 31,	June 30,
		2008	2008
		Unaudited	Audited
		(Rupees '000')	
(a) Subsidiary company			
Marghazar Industries (Private) Limited	Amount due to	2,104	2,086
(b) Associated companies (Common Directorship)			
General Tyre & Rubber Company of Pakistan Limited	Amount due to	7,878	7,365
Gandhara Nissan Limited	Amount due to	10,761	9,051
Universal Insurance Limited	Amount due to	5,615	2,402
Rehman Cotton Mills Limited	Amount due to	248	210
(c) Ultimate holding company			
Bibojee Services (Private) Limited	Amount due to	89,401	48,001

**17 COMPARATIVES**

Previous figures have been rearranged and reclassified wherever necessary for better presentation in the financial statements. The following items have been reclassified for the purpose of better presentation:

	<u>Reclassification</u>		<u>Half year ended</u>
	<u>from component</u>	<u>to component</u>	<u>December 31,</u>
			<u>2007</u>
			(Rupees in '000)
Commission	Sales	Distribution expenses	9,758

Chief Executive

Director



INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2008

	Note	December 31, 2008 Unaudited	June 30, 2008 Audited
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	1,027,698	1,028,798
Investment Properties		91,043	91,173
Long term loans and advances		486	461
Long term deposits		4,231	3,999
CURRENT ASSETS			
Stores, spares & loose tools		53	21
Stock-in-trade	8	879,498	468,052
Trade debts	9	127,996	56,903
Loans and advances		185,464	178,620
Deposits and prepayments		25,684	150,662
Other receivables		160,353	140,583
Cash and bank balances		7,325	22,939
		1,386,373	1,017,780
		2,509,831	2,142,211
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	10	213,044	213,044
Reserves		43,200	43,200
Accumulated loss		(202,659)	(37,950)
		53,585	218,294
Minority Interest		188	184
		53,773	218,478
SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES		1,074,871	1,076,546
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases		5,630	8,165
Deferred liabilities	11	17,341	17,935
CURRENT LIABILITIES			
Trade and other payables		436,585	581,397
Accrued mark-up / interest		30,287	9,520
Running finance under mark up		751,898	90,339
Current maturity of liabilities against assets subject to finance leases		7,888	7,989
Provision for taxation		131,558	131,842
		1,358,216	821,087
CONTINGENCIES & COMMITMENTS		12	
		2,509,831	2,142,211

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**INTERIM CONDENSED CONSOLIDATED PROFIT & LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

	Quarter ended		Half year ended	
	December 31, 2008	2007	December 31, 2008	2007
	(Rupees '000')			
Net sales	209,122	299,354	426,898	639,014
Cost of sales	13 (209,295)	(267,861)	(402,984)	(548,412)
Gross (loss)/ profit	(173)	31,493	23,914	90,602
Distribution cost	(10,035)	(6,023)	(19,113)	(19,799)
Administrative expenses	(7,476)	(9,518)	(15,187)	(18,097)
Other operating income	359	7,549	399	7,788
Other operating expenses	-	(3,610)	-	(3,610)
(Loss)/Profit from operations	(17,325)	19,891	(9,987)	56,884
Finance cost	(94,609)	(7,454)	(158,054)	(10,043)
(Loss)/Profit before tax	(111,934)	12,437	(168,041)	46,841
Taxation				
Current	(12)	(7,039)	(17)	(19,080)
Deferred	1,255	1,814	1,678	2,287
	1,243	(5,225)	1,661	(16,793)
(Loss) / Profit after tax	(110,691)	7,212	(166,380)	30,048
Attributed to :				
Equity holders of the parent	(110,692)	7,207	(166,384)	30,041
Minority interest	1	5	4	7
	(110,691)	7,212	(166,380)	30,048
(Loss) / Earnings per share - basic and diluted (Rupees)	14 (5.20)	0.34	(7.81)	1.41

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

	<u>Half year ended</u>	
	2008	December 31, 2007
	(Rupees '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	15	(518,349)
Interest paid		(200,221)
Income tax paid (including tax deducted at source)		(136,256)
Long term loans and advances		(6,355)
Long term deposits and prepayments		(12,265)
Net cash flows from operating activities		(6,930)
		(25)
		97
		(232)
		(102)
		(667,127)
		(213,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure		(5,174)
Interest received		(5,353)
Net cash used in investing activities		126
Net cash flows before financing activities		(5,048)
		(672,175)
		(218,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease rentals		(4,987)
Dividend paid		(4,506)
Net cash flows from financing activities		(11)
		(4,998)
		(4,542)
Net decrease in cash & cash equivalents		(677,173)
		(223,094)
Cash and cash equivalents at July 1		(67,400)
		46,263
Cash and cash equivalents at December 31		(744,573)
		(176,831)

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

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, 2007 (Audited)	213,044	5,500	10,000	25,300	2,400	(59,620)	196,624	172	196,796
Profit 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)	213,044	5,500	10,000	25,300	2,400	(27,823)	228,421	179	228,600
(Loss)/Profit for the period	-	-	-	-	-	(11,883)	(11,883)	5	(11,878)
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 June 30, 2008 (Audited)	213,044	5,500	10,000	25,300	2,400	(37,950)	218,294	184	218,478
(Loss)/Profit for the period	-	-	-	-	-	(166,384)	(166,384)	4	(166,380)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year	-	-	-	-	-	1,675	1,675	-	1,675
Balance as at December 31, 2008 (Unaudited)	213,044	5,500	10,000	25,300	2,400	(202,659)	53,585	188	53,773

The annexed notes 1 to 17 form an integral part of these interim condensed financial statements.

Chief Executive

Director



**NOTES TO THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

1 CORPORATE INFORMATION

Gandhara Industries Limited (the holding company) 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 condensed interim financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders 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. These condensed 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 for the year ended June 30, 2008.

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, 2008.

4 JUDGMENTS AND ESTIMATES

Judgment and estimates made by the management were the same as those that were applied to the financial statements for the year ended June 30, 2008.

5 APPROVAL OF FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Board of Directors and authorised for issue on February 25, 2009.

6 PRESENTATION

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

	Note	December 31, 2008 Unaudited	June 30, 2008 Audited
7 PROPERTY, PLANT AND EQUIPMENT		(Rupees '000')	
Operating fixed assets	7.1	1,027,473	1,028,573
Capital work in progress		225	225
		<u>1,027,698</u>	<u>1,028,798</u>
7.1 Book value at the beginning of the period / year			
-Owned		1,010,180	1,006,003
-Leased		18,393	22,665
		1,028,573	1,028,668
Add: Additions during the period / year	7.2	6,494	18,887
Less: Depreciation charged during the period / year			
-Owned		4,935	13,777
-Leased		2,659	5,205
		7,594	18,982
		<u>1,027,473</u>	<u>1,028,573</u>



	December 31, 2008 Unaudited	June 30, 2008 Audited
	(Rupees '000')	
7.2 Additions during the period / year		
-Owned		
Plant & machinery	192	719
Permanent tools	33	141
Furniture & Fixtures	468	1,573
Motor vehicles	4,206	4,482
Lift trucks	-	6,096
Office machines and equipment	79	4,444
Computers	196	499
	<u>5,174</u>	<u>17,954</u>
-Leased		
Motor vehicles	1,320	933
	<u>6,494</u>	<u>18,887</u>
8 STOCK IN TRADE		
Raw material	607,550	374,759
Work in process	6,086	-
Manufactured stock including components	220,819	57,931
Trading stock	45,043	35,362
	<u>879,498</u>	<u>468,052</u>
9 TRADE DEBTS		
Government and semi-government agencies	58,892	39,380
Others	69,104	17,523
	<u>127,996</u>	<u>56,903</u>
10 SHARE CAPITAL		
Issued, subscribed & paid-up capital		
December 31, 2008 Unaudited	June 30, 2008 Audited	
(No. of shares)		
		Authorised Capital
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each
		<u>500,000</u>
		<u>500,000</u>
		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
<u>21,304,422</u>	<u>21,304,422</u>	<u>176,509</u>
		<u>32,953</u>
		<u>3,582</u>
		<u>213,044</u>
		<u>213,044</u>



	December 31, 2008 Unaudited (Rupees '000')	June 30, 2008 Audited
11 DEFERRED LIABILITIES		
Deferred taxation	14,264	15,942
Gain on sale and lease back of fixed asset	231	462
Provision for gratuity	2,846	1,531
	<u>17,341</u>	<u>17,935</u>

12 CONTINGENCIES & COMMITMENTS

12.1 Contingencies

There is no change in contingent liabilities as reported in Note 26.1 to the financial statements for the year ended June 30, 2008.

12.2 Guarantees

Issued by banks	<u>49,638</u>	<u>74,546</u>
-----------------	---------------	---------------

12.3 Commitments

Confirmed letters of credit-CKD	<u>5,186</u>	<u>153,896</u>
---------------------------------	--------------	----------------

		<u>Quarter ended</u>		<u>Half year ended</u>	
	Note	December 31,		December 31,	
		2008	2007	2008	2007
		(Rupees '000')			
13 COST OF SALES					
Stock at beginning		176,323	88,012	57,931	164,578
Cost of goods manufactured	13.1	<u>252,238</u>	<u>297,588</u>	<u>561,791</u>	<u>496,865</u>
Trading stock	13.2	<u>1,553</u>	<u>1,266</u>	<u>4,081</u>	<u>5,974</u>
		<u>253,791</u>	<u>298,854</u>	<u>565,872</u>	<u>502,839</u>
		<u>430,114</u>	<u>386,866</u>	<u>623,803</u>	<u>667,417</u>
Stock at end		<u>(220,819)</u>	<u>(119,005)</u>	<u>(220,819)</u>	<u>(119,005)</u>
		<u>209,295</u>	<u>267,861</u>	<u>402,984</u>	<u>548,412</u>
13.1 Cost of goods manufactured					
Work in process at beginning		36,303	2,743	-	-
Raw materials & components consumed		<u>196,503</u>	<u>307,662</u>	<u>515,915</u>	<u>488,315</u>
Direct labour and overheads		<u>25,518</u>	<u>35,488</u>	<u>51,962</u>	<u>56,855</u>
		<u>222,021</u>	<u>343,150</u>	<u>567,877</u>	<u>545,170</u>
		<u>258,324</u>	<u>345,893</u>	<u>567,877</u>	<u>545,170</u>
Work in process at end		<u>(6,086)</u>	<u>(48,305)</u>	<u>(6,086)</u>	<u>(48,305)</u>
		<u>252,238</u>	<u>297,588</u>	<u>561,791</u>	<u>496,865</u>
13.2 Trading stock					
Stock at beginning		33,729	24,503	35,362	28,469
Purchases		<u>12,867</u>	<u>903</u>	<u>13,762</u>	<u>1,645</u>
		<u>46,596</u>	<u>25,406</u>	<u>49,124</u>	<u>30,114</u>
Stock at end		<u>(45,043)</u>	<u>(24,140)</u>	<u>(45,043)</u>	<u>(24,140)</u>
		<u>1,553</u>	<u>1,266</u>	<u>4,081</u>	<u>5,974</u>



	Quarter ended		Half year ended	
	December 31, 2008	2007	December 31, 2008	2007
	(Rupees '000')			
14 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE				
Earnings for purposes of basic earnings per share [(net loss) / profit after tax for the period]	<u>(110,691)</u>	<u>7,212</u>	<u>(166,380)</u>	<u>30,048</u>
Weighted average number of outstanding ordinary shares for the purposes of basic earnings per share	<u>21,304</u>	<u>21,304</u>	<u>21,304</u>	<u>21,304</u>
Basic and diluted (loss) / earnings per share - Rupees	<u>(5.20)</u>	<u>0.34</u>	<u>(7.81)</u>	<u>1.41</u>
			Half year ended	
			December 31,	
			2008	2007
	(Rupees '000')			
15 CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / profit before taxation			(168,041)	46,806
Adjustment for:				
Depreciation				16,837
Fixed assets			7,594	
Investment properties			130	
Interest income			(126)	(312)
Amortisation of gain on sale and lease back of fixed asset			(231)	(231)
Interest expense			157,023	8,880
Finance cost on finance leased assets			1,031	1,266
Provision for gratuity			1,315	-
Operating profit before working capital changes			<u>(1,305)</u>	<u>73,246</u>
Working capital changes:				
(Increase)/decrease in current assets:				
Stores, spares & loose tools			(32)	(18)
Stock in trade			(411,446)	(213,893)
Trade debtors			(71,093)	(21,349)
Loans and advances			5,121	3,400
Trade deposits and prepayments			124,978	13,172
Other receivables			(19,770)	(28,345)
			<u>(372,242)</u>	<u>(247,033)</u>
Increase in current liabilities:				
Trade and other payables			<u>(144,802)</u>	<u>(26,434)</u>
Cash used in operations			<u>(518,349)</u>	<u>(200,221)</u>



16 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	Half year ended December 31,	
		2008	2007
(Rupees '000')			
(a) Associated companies (Common Directorship)			
General Tyre & Rubber Company of Pakistan Limited	Purchase of tyres	13,770	22,559
Gandhara Nissan Limited	Assembly charges	21,387	27,138
Universal Insurance Limited	Insurance premium	3,213	6,003
Rehman Cotton Mills Limited	Rent paid	248	210
(c) Technology suppliers			
Isuzu Motors Limited, Japan	Running royalty charges	2,052	2,666
	Purchase of parts	7,101	13,307
Marubeni Corporation, Japan	Purchase of CKD	506,543	437,432
(b) Ultimate holding company			
Bibojee Services (Private) Limited	Sale of vehicle	-	8,480
		December 31,	June 30,
		2008	2008
		Unaudited	Audited
(Rupees '000')			
(a) Associated companies (Common Directorship)			
General Tyre & Rubber Company of Pakistan Limited	Amount due to	7,878	7,365
Gandhara Nissan Limited	Amount due to	10,761	9,051
Universal Insurance Limited	Amount due to	5,615	2,402
Rehman Cotton Mills Limited	Amount due to	248	210
(b) Ultimate holding company			
Bibojee Services (Private) Limited	Amount due to	89,401	48,001

**17 COMPARATIVES**

Previous figures have been rearranged and reclassified wherever necessary for better presentation in the financial statements. The following items have been reclassified for the purpose of better presentation:

	<u>Reclassification</u>		<u>Half year ended</u>
	<u>from component</u>	<u>to component</u>	<u>December 31,</u>
			<u>2007</u>
			(Rupees in '000)
Commission	Sales	Distribution expenses	9,758

Chief Executive

Director