GHANDHARA INDUSTRIES LIMITED
BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007	2006
ASSETS		(Rupees in '000')	
NON CURRENT ASSETS			
Property, Plant & Equipment	5	**1,028,668**	1,033,099
Investment Properties	6	**91,432**	91,691
Long Term Investment	7	**1,400**	1,400
Long term loans and advances	8	**635**	189
Long Term Deposits	9	**3,846**	736
CURRENT ASSETS			
Stores,spares parts and loose tools	10	**-**	-
Stock-in-trade	11	**649,269**	695,713
Trade debts	12	**83,457**	4,389
Loans and advances	13	**120,050**	19,293
Deposits and Prepayments	14	**109,077**	92,260
Other receivables	15	**70,057**	21,731
Cash and Bank balances	16	**128,467**	262,436
		1,160,377	1,095,822
TOTAL ASSETS		**2,286,358**	2,222,937
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
50,000,000 ordinary shares of Rs. 10 each		**500,000**	500,000
Issued, subscribed and paid-up capital	17	**213,045**	65,553
Reserves	18	**43,200**	43,200
Accumulated Loss		**(60,022)**	(126,103)
		196,223	(17,350)
RIGHT SHARES SUBSCRIPTION		**-**	61,629
SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES	19	**1,080,058**	1,083,570
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases	20	**15,226**	-
Deferred Liabilities	21	**18,572**	21,440
CURRENT LIABILITIES			
Trade and other payable	22	**760,985**	701,941
Accrued mark up/Interest	23	**8,144**	12,813
Running Finance under mark up	24	**82,205**	318,934
Current maturity of liabilities against assets subject to finance leases	20	**6,433**	-
Provision for taxation	25	**118,512**	39,960
		976,279	1,073,648
CONTINGENT LIABILITIES & COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		**2,286,358**	2,222,937

The annexed notes 1 to 46 form an integral part of the financial statements

Chief Executive Officer **Director**

GHANDHARA INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		(Rupees in '000')	
Net sales	27	**1,872,326**	1,505,870
Cost of sales	28	**1,567,128**	1,280,167
Gross profit		**305,198**	225,703
Distribution expenses	29	**24,932**	18,425
Administrative expenses	30	**54,550**	24,391
		79,482	42,816
Operating profit		**225,716**	182,887
Other operating expenses	31	**16,134**	9,873
		209,582	173,014
Foreign liability waived		**-**	22,777
Gain on settlement of bank liabilities	32	**-**	380,034
Other operating income	33	**18,339**	5,244
		227,921	581,069
Finance cost	34	**26,678**	22,844
Profit for the year before taxation		**201,243**	558,225
Taxation	35	**74,761**	37,493
Profit for the year after taxation		**126,482**	520,732
		---------------Rupees-----------	
Earning per share - basic and diluted	36	**6.07**	57.77

The annexed notes 1 to 46 form an integral part of the financial statements

Chief Executive Officer **Director**

GHANDHARA INDUSTRIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		(Rupees in '000')	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	37	**205,400**	135,542
Interest paid		**(31,347)**	(5,685)
Taxes paid (including tax deducted at source)		**(92,460)**	(12,923)
Long term loans and advances		**(446)**	(189)
Long terms deposits		**(3,110)**	(113)
Net cash inflow from operating activities		**78,038**	116,632
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(15,682)**	(900)
Sale proceeds of fixed assets		**2,721**	-
Interest received		**-**	714
Proceeds of sale and lease back of motor vehicle		**15,000**	-
Net cash flow from investing activities		**2,039**	(186)
CASH FLOW FROM FINANCING ACTIVITIES			
Right shares subcription		**85,862**	2,990
Dividend paid		**(59,516)**	(811)
Payment of lease rentals		**(3,663)**	-
Net cash inflow from investing activities		**22,683**	2,179
Net increase in cash and cash equivalents		**102,760**	118,625
Cash and cash equivalents at beginning of the year		**(56,498)**	(175,123)
Cash and cash equivalents at end of the year	38	**46,262**	(56,498)

The annexed notes 1 to 46 form an integral part of the financial statements

Chief Executive Officer | **Director**

GHANDHARA INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Share Capital	Capital Reserves					
	Issued, subscribed and paid-up	Tax Holiday Reserve	Fixed Assets Replacement Reserve	Contingency Reserve	Revenue Reserve	Accumulated Loss	Total
	---------------	---------------	---------------	(Rupees in '000')	---------------	---------------	---------------
Balance as at 1 July 2005	65,553	5,500	10,000	25,300	2,400	(645,275)	(536,522)
Profit for the year						520,732	520,732
Dividend Paid						(3,278)	(3,278)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year						1,718	1,718
Balance as at 30 June 2006	65,553	5,500	10,000	25,300	2,400	(126,103)	(17,350)
Issue of shares	147,491					-	147,491
Profit for the year						126,482	126,482
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						3,512	3,512
Balance as at 30 June 2007	**213,044**	**5,500**	**10,000**	**25,300**	**2,400**	**(60,022)**	**196,222**

The annexed notes 1 to 46 form an integral part of the financial statements

Chief Executive Officer

Director

GHANDHARA INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. 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 these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

2.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after July 1, 2007 and are either not relevant to the company's operations or are not expected to have a significant impact on the company's financial statements other than certain increased disclosures in the certain cases:

IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures;

IAS 41- Agriculture;

IFRS 2 - Share Based Payments;

IFRS 3 - Business Combinations;

IFRS 5 - Non Current Assets Held for Sale and Discontinued Operations;

IFRS 6 - Exploration for and Evaluation of Mineral Resources;

IFRIC 8 - Scope of IFRS 2 Share Bases Payments;

IFRIC 9 - Reassessment of Embedded Derivatives;

IFRIC 10 - Interim Financial Reporting and Impairment;

IFRIC 11- Group and Treasury Shares Transactions;

IFRIC 12 - Service Concession Arrangements;

IFRIC 13 – Customer Loyalty Programmes.

3 BASIS OF PREPARATION

3.1 MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for revaluation of certain fixed assets and investment properties, certain financial instruments at fair value.

3.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for taxation

b) Accrued liabilities

c) Useful life of depreciable assets

d) Provision for doubtful receivables and slow moving inventories

3.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees which is the company’s functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are stated at cost or valuation less accumulated depreciation and any identified impairment loss.

The company has adopted the revaluation model for its Lease hold land.

Surplus arising on revaluation of leasehold land and building on leasehold land is credited to the surplus on revaluation account. Valuations are performed frequently enough to ensure that the fair value of the revalued asset does not differ materially from its carrying amount. An amount equivalent to difference between depreciation based on the revalued carrying amount of the assets and depreciation based on original cost is transferred from Surplus on revaluation and deferred taxation to unappropriated profit and Profit and loss account respectively.

The company has adopted the cost model for its Plant and Machinery. Consequently, the revalued figures of such assets as at July 1, 2005 have been treated as deemed cost. The surplus on revaluation on these assets shall be held on the balance sheet tell realisation in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

Capital work-in-progress is stated at cost accumulated up to the balance sheet date.

Property, plant & equipment acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses.

Depreciation on all operating assets, except leasehold land, is charged to profit on a straight line method so as to write off the cost or valuation of an asset less its estimated salvage value over its useful life. Depreciation is charged at the annual rates mentioned in note 5 to these accounts.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The depreciation method and useful lives of items of fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future years.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gain/losses on sale of property, plant and equipment are charged to profit and loss account currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Maintenance and normal repairs are charged to expenses as and when incurred. Major renewals and improvements are capitalised and are depreciated over the remaining useful life of the related asset.

4.2 INVESTMENT

Investment properties

Property held for capital appreciation and rental yield, which is not in use of the company is classified as investment property. Investment properties comprise of leasehold land and buildings.

The company has adopted the cost model for its investment properties. Consequently, the revalued figures of such assets as at July 1, 2005 have been treated as deemed cost. The surplus on revluation on these assets shall be held on the balance sheet till relisation in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

Investment properties are depreciated on straight line method at the annual rates mentioned in note 6 to these accounts, depending upon the class of assets.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and repairs are capitalised.

If an investment property becomes owner occupied, it is reclassified as fixed asset.

In shares

Investments held by the company other than investments in subsidiary are classified as being available for sale and stated at fair value.

Investment in subsidiary is stated at cost

All purchases and sales are recognised on the trade dates. Realised gains and losses are included in the period in which they arise.

4.3 LONG TERM DEPOSITS

These are stated at cost which represents the fair value of the consideration given.

4.4 STORES, SPARES AND LOOSE TOOLS

These are valued at the lower of cost computed principally on a first-in-first-out basis and net realizable value. Items in transit are stated at cost accumulated to balance sheet date.

4.5 STOCK IN TRADE

Stock-in-trade is valued at the lower of cost and net realizable value except for goods in transit which are stated at invoice values plus other charges paid thereon. Cost in relation to raw materials and components and trading stock (except for parts and accessories included in trading stock which are valued on average basis) is arrived at principally on first in first out basis. Cost of work in process and manufactured stocks including components includes direct wages and applicable manufacturing overheads.

Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

4.6 TRADE DEBTS AND OTHER RECEIVABLES

These are carried at original invoice amount less an estimate made for doubtful receivable balances based on review of age analysis of outstanding debts. Debts considered irrecoverable are written off.

4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, cash at banks and running finances which are payable on demand.

4.8 TAXATION

Current

Provision for current year's taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax liability at the rate of 0.5% of turnover.

Deferred

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

4.10 TRADE AND OTHER PAYABLES

Trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services received.

4.11 REVENUE RECOGNITION

Sales are recognized when goods are invoiced and dispatch to customers. Rental and interest income is recorded on accrual basis.

4.12 BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are those assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are dealt with income in the period in which they are incurred.

4.13 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into pak rupees at the exchange rates prevailing on the balance sheet date.

Exchange gain and losses are recognised in the income currently.

4.14 FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognised when the company become a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be.

4.15 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liability is set-off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.16 PROVISIONS AND CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

4.17 WARRANTY

The company recognises the estimated liability to repair or replace products still under warranty at the balance sheet date to the extent of non-reimbursable portion from the principal.

4.18 DIVIDEND

Dividend distribution to the shareholders is accounted for as a liability in the period in which it is approved by the shareholders.

4.19 INTEREST / MARK-UP BEARING LOANS AND BORROWINGS

Loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the periods in which they arise.

4.20 RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at arm's length price determined in accordance with the methods prescribed in the Companies Ordinance, 1984. Royalty is stated in accordance with Technical agreement duly registered with the State Bank of Pakistan .