Contents

Vision

To acquire market leadership and contribute to the society by providing high quality and environment friendly Isuzu Vehicle in Pakistan market.

Mission

- To assist the society in fight against pollution hazards by introducing environment friendly vehicles.
- To maximize share of Isuzu in Pakistan.
- To be a market & customer oriented organization.
- To provide effective & efficient after sales services to the customers.
- To enhance performance in all operating areas, ensuring growth of the company and optimum return to the stakeholders.
- To create conducive operational environments for optimum productivity, job satisfaction, carrier development and well being of employees.

Board of Directors

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.

NOTICE OF MEETING

Notice is hereby given that 45th Annual General Meeting of the Shareholders of Ghandhara Industries Limited will be held on Friday, 31st October 2008 at 3:00 P.M., at F-3 Ghandhara Industries Limited, Hub Chauki Road, S.I.T.E., Karachi, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on 31st October 2007.

2. To receive, consider and approve the Audited Accounts of the Company for the year ended 30th June, 2008 together with Directors' and Auditors' Report thereon.

3. To appoint Auditors for the year ending 30th June, 2009 and fix their remuneration. The retiring Auditors, M/s. Hameed Chaudhri & Co., Chartered Accountants being eligible offer themselves for reappointment.

Special Business

To discuss and approve the matter regarding investment in the equity of The General Tyre & Rubber Co. of Pakistan Ltd. and if thought fit to pass the following special resolution with or without modification.

"Resolved that the Company is hereby authorized to invest an amount upto Rs.100 million in the shares of an associated undertaking namely The General Tyre & Rubber Co. of Pakistan Ltd. in compliance with Section 208 of the Companies Ordinance, 1984.

Further Resolved that any Director or the Company Secretary singly or jointly be and is/are hereby authorized to take all such steps as may be necessary or incidental to complete the legal formalities in this behalf."

4. To transact any other business with the permission of the chair.

By Order of the Board
IFTIKHAR AHMED KHAN
(COMPANY SECRETARY)

Karachi: 10th October, 2008

Statements under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to special business are attached to this notice.

NOTES:

1. The Share Transfer Books of the Company will be closed from 22nd October 2008 to 31st October 2008 (both days inclusive).

2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/her vote by proxy. Proxies must be deposited at the Company's Registered Office at F-3 Ghandhara Industries Limited, Hub Chauki Road, S.I.T.E, Karachi not later than 48 hours before the time for holding the meeting.

3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring their participant ID and account/sub-account numbers along with original CNIC or passport to verify his/her identity. In case of Corporate entity, resolution of the Board of Director/Power of Attorney with specimen signature of the nominees shall be produced (unless submitted earlier) at the time of meeting.

4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement alongwith participant ID and account / sub-account number together with attested copy of their CNIC or passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of Attorney with specimen signature of the proxy shall be produced at the time of meeting (unless submitted earlier) alongwith the proxy form.

5. Members are requested to notify any change in their address, immediately to our Share Registrar's Office - M/s. Hameed Majeed Associates (Pvt.) Ltd., 5th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.

Statement of Material Facts U/S-160(1)(b) of the Companies Ordinance 1984

Ghandhara Industries Limited (GIL) being an associated company of The General Tyre & Rubber Company of Pakistan Limited (GTR) intends to invest in the shares of GTR.

The investment in GTR will ensure constant and timely supply of Tyres for our Commercial Vehicles.

The investee Company is engaged in the manufacture of Tyres for Passenger Cars and Heavy Commercial vehicles in Pakistan. This is a Joint Venture with world renowned Continental Tyre AG of Germany. The Company has great potential to cater for the growing requirements of the market.

GTR has recently made investment in expansion/BMR which has improved quality and increased the production capacity of the GTR plant. The investee Company will produce larger volume of Tyres and generate increased revenue which will be passed on to the stakeholders including GIL.

The material facts relating to this investment are as follows:-

1.	Name of the investee Company	:	The General Tyre & Rubber Co. of Pakistan Ltd.
2.	Nature, amount and extent of Investment		Equity investment to the extent of Rs.100 million
3.	Average market Price during last six months	:	Rs.25.67
4.	Breakup value on the basis of Last published financials	:	Rs.20.45
5.	Price at which shares will be purchased	:	At negotiated price
6.	Earning per share during last 3 years	:	2008 : (Rs.0.28) 2007 : Rs.1.05 2006 : Rs.2.12
7.	Payout to shareholders during the last six years.	:	2007 : 20% 2006 : 17.5% 2005 : - 2004 : - 2003 : 20% 2002 : 50% & 250% (Bonus issue)
8.	Source of Funds	:	**Company Operation**
9.	Period for which investment will be made	:	As long as the Company derives financial & other benefit from the operations of investee Company.
10.	Purpose of investment	:	To ensure continuity of the supply of Tyres of required specification as detailed above and just in time delivery, thus saving substantial amount of foreign exchange and local funds to the Company. We also expect fair return on investment from the year 2010.
11.	Benefits of Investment to the Company		Presently the management of GTR is vested in three major groups i.e. Bibojee Services (Pvt.) Ltd., Continental A.G., Pak Kuwait Investment Co. Ltd., Bibojee and Continental have a close link with the business of the Company, Bibojee being holding Company of two public companies in the Automobile Sector, and Continental being the technology supplier of GTR, the proposed investment will help the management in taking timely and effective decisions for improved performance of the Company, eventually passing on higher yield to the shareholders of the investee Company.
12.	Interest of Directors or relatives in Investee company.		The sponsor Directors are also sponsors of the investee Company.

DIRECTORS REPORT

The Directors of your company take pleasure in presenting to you the Annual Accounts for the year ended on 30th June 2008.

Financial Results

The Financial Results for the year ended on 30th June 2008 are summarized below:

	2008	2007
	(Rupees in '000')	
Net Sales	1,857,058	1,908,051
Cost of Sales	1,714,031	1,567,128
Gross Profit	143,027	340,923
Operating Expenses	96,823	131,341
Other operating Income	11,522	18,339
	57,726	227,921
Financial Cost	28,264	26,678
Profit before Taxation	29,462	201,243
Taxation	11,330	74,761
Profit for the Year before taxation	18,132	126,482
Earning per share - basic & diluted	Rupees 0.85	6.07

The position in regard to point raised in Auditor's Report at (e) is clarified as under:

In view of the legal opinion obtained by the management and constitution petitions pending adjudication in Sindh High Court, the Board is of the view that the Company is not liable for Workers Profit Participation Fund.

Operational Performance

Your company produced 1004 Vehicles during the year under review as against 1128 Vehicles produced during the corresponding period last year.

The company sold 1110 Vehicles during the year ended on 30th June 2008, which is 3.55 % higher, compared to last years sale of 1072 vehicles.

Financial performance

Net Sales recorded during the year were Rs.1,857 million as against sales of Rs.1,908 million for the year 2006-2007. This shows a decrease of Rs 51 million in sales. The reason for this decline in value is the product mix, in spite of the fact that 3.55 % more vehicles were sold this year as compared to last year.

Cost of sales was Rs.1,714 million which is 92.30 % of Sales as compared to cost of sales of Rs.1,567 million which was 82.13 % for the correspondence period last year. The reason for higher cost of sales this year was depreciation of Pak Rupee viz-a viz Japanese Yen, (Japanese Yen was traded at Rs.0.4920 per yen on 30th June, 2007 whereas it was traded at Rs.0.6418 per yen on 30th June, 2008), unprecedented rise in steel prices and higher manufacturing expenses.

The Distribution cost, Administration expenses and other operating expenses for the year under review amounted to Rs. 96,823 million that is 5.21 % of sales as against last years figure of Rs.131,341 million which was 6.88 % of sales.

Profit before tax for the year under review was Rs. 29.462 million as against last year's pre- tax profit of Rs. 201.243 million. The decrease in profit before tax is attributed to higher cost of sales as explained above.

Earnings per share amounted to Rs.0.85 as against Rs.6.07 last year.

Future Prospects

The steep depreciation of the Pak Rupee, inflationary trend in steel and oil prices, higher cost of vendorized parts and the overall gloomy picture of the economy pose a big challenge to the management. A 35% margin on opening Letter of credit imposed by State Bank of Pakistan in May, 2008 is yet another blow to the already precarious business conditions. Your management however is fully alive to face these challenges. The management has already started introduction of new products to beat the competition. A short wheel Isuzu bus and Prime Movers are being added to strengthen the existing model line of 65 seater Isuzu bus MT-133, 30 seater Isuzu NPR bus, Isuzu 4x2 FTR truck, Isuzu 4x4 FTS and NPS trucks. Similarly engine of an NPR Diesel Bus has been converted into CNG engine and test and trials of this converted bus are underway. Efforts are also afoot to convert engine of an NPR Truck into CNG operated engine.

Isuzu Motors Limited introduced new model line in Japan last year and the project has been named as P-700. Your management has also in studied and selected new models for Pakistan under P-700 keeping in view the demand of the local market. It is hoped that these new models with latest technology will be introduced in Pakistani market around end of 2009.

Audit Committee

An audit committee is working in accordance with the code of Corporate Governance with the following Members:

Lt General ® Ali Kuli Khan Khattak	Chairman
Mr. Mushtaq Ahmad Khan (FCA)	Member
Mr. Jamil Ahmad Shah	Member

Proposed Investment upto Rs.100 million in the equity of The General Tyre & Rubber Company of Pakistan Ltd.

Ghandhara Industries Limited (GIL) being an associated company of the General Tyre & Rubber Company of Pakistan Limited (GTR) intends to invest in the shares of GTR. The Investment in GTR will ensure constant and timely supply of tyres for our commercial vehicles.

The investee Company is engaged in the manufacture of Tyres for Passenger Cars and Heavy Commercial vehicles in Pakistan. This is a Joint Venture with world renowned Continental Tyre AG of Germany. The Company has great potential to cater for the growing requirements of the market.

GTR has recently made investment in expansion/BMR which has improved quality and increased the production capacity of the GTR plant. The investee Company will produce larger volume of tyres and generate increased revenue which will be passed on to the stakeholders including GIL.

Board Meetings

During the year 4 Board meetings were held for approval of Accounts and other important matters. Attendance at the Board meetings was as below

Name of Director	No. of Meetings attended
Mr. Raza Kuli Khan Khattak	3
Lt.Gen ® Ali Kuli Khan Khattak	3
Mr. Ahmad Kuli Khan Khattak	4
Mr. Mushtaq Ahmad Khan (FCA)	3
Dr. Parvez Hassan	1
Mr. Jamil Ahmad Shah	4
Mr. Sher Muhammad	4

Market Share Price at Karachi Stock Exchange

The maximum and minimum share price at the Karachi Stock Exchange during the year under review was Rs.64.50 and Rs.23.35 respectively.

Auditors

M/s Hameed Chaudhri & Co. Chartered Accountants, the present Auditors of the company, retire and being eligible offer themselves for re-appointment. As required by the Code of Corporate Governance the Board Audit Committee has recommended their appointment as Auditors of the company for the year 2008-09.

Key Operating and Financial Data

The key operating and financial data for the last six years is annexed.

Statement of compliance with best practices on transfer pricing

The company has fully complied with the best practices as contained in the listing regulations of the stock exchange.

Pattern of Shareholding

The pattern of shareholding as on 30th June 2008 is enclosed.

Subsequent Events

No material changes or commitments affecting the financial position of the company have taken place between the end of the financial year and date of the report.

For and on behalf of the Board of Directors

Ahmad Kuli Khan Khattak
Chief Executive

Dated 8 October 2008

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation No.37 of the Karachi Stock Exchange for the purpose of establishing a framework of Good Governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

1. The Company encourages representation of independent non-executive Directors on its Board of Directors.
   At present, the Board includes six independent non-executive Directors.

2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. To the best of our knowledge all the Directors of the Company are registered as tax payers in Pakistan and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by the Directors and employees of the Company.

5. The Company has a vision/mission statement and overall corporate strategy. All policies of the Company are governed by the "Corporate Governance Charter" which has been approved by BOD.

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, have been taken by the Board.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board of Directors is in the process of arranging orientation courses for its directors to further apprise them of their duties and responsibilities.

9. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. However, their remuneration and terms & condition of employment, in case of future appointments, will be approved by the Board.

10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by the CEO and the CFO, before approval of the Board.

12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an Audit Committee. It comprises three members, all are non-executive Directors.

15. The meetings of the Audit Committee were held at least once every quarter prior to the approval of quarterly, half yearly and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

16. The Board has set up an effective Internal Audit Function.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other material principles contained in the Code have been complied with.

20. The Company has fully complied with the best practices on Transfer Pricing as contained in the regulation No.38 of the Karachi Stock Exchange.

For and on behalf of the Board of Directors

Ahmad Kuli Khan Khattak
Chief Executive

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Ghandhara Industries Limited** to comply with the Listing Regulation No.37 of the Karachi Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at 30th June 2008.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Karachi, October 08, 2008

Key Operating and Financial Data

(Rs in '000')

Particulars	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Sale Net	1,857,058	1,908,051	1,528,611	1,014,582	640,675	225,894
Gross Profit/ (Loss)	143,027	340,923	248,444	97,065	70,574	33,010
Porfit / (Loss before tax)	29,462	201,243	558,225	(4,042)	50,319	35,132
Porfit / (Loss after tax)	18,132	126,482	520,732	96,288	49,411	36,150
Share Capital	213,044	213,044	65,553	65,553	65,553	65,553
Shareholders equity	1,294,413	1,276,281	1,066,220	(346,790)	(443,078)	(492,489)
Fixed Assets - Net	1,028,798	1,028,668	1,033,099	230,383	288,305	289,650
Total Assets	2,143,311	2,286,358	2,222,937	782,918	1,106,458	824,900
Units Produced	1,004	1,128	1,012	804	359	162
Units Sold	1,110	1,072	1,010	755	443	123
Dividend- Cash	-	-	35 %	-	-	-
Dividend - (Bonus)	-	-	-	-	-	-
Ratios						
Profitability						
Gross profit margin	7.70%	17.87%	16.25%	9.57%	11.02%	14.61%
Profit before tax (inculding Extra ordinary items)	1.59%	10.54%	36.52%	0.00%	7.85%	15.55%
Profit after tax (inculding Extra ordinary items)	0.98%	6.63%	34.06%	9.49%	7.71%	16.00%
Return to Shareholders:						
Return on Equity (BT)	2.28%	15.77%	52.35%	-	-	-
Return on Equity (AT)	1.40%	9.90%	48.84%	-	-	-
Earning per share (BT)-Rs.	1.38%	9.44%	85.15	-	7.68	5.36
Earning per share (AT)-Rs.	0.85%	5.94%	79.44	14.67	7.54	5.51
Activity						
Sales to total assets -Times	0.87	0.82	0.68	1.29	0.58	0.27
Sales to fixed assets - Times	1.81	1.82	1.46	4.37	2.22	0.78
Liquidity						
Current ratio - Times	1.24	1.19	1.02	0.45	0.36	0.18
Break -up value per share - Rs.	60.75	59.91	162.64	(52.90)	(67.59)	(75.13)

Breakup Value and Shareholders Equity takes into consideration the surplus on revaluation of Property, Plant & Equipment & Investment Properties.

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2008

Number of Shareholders	From	Categories	To	Number of Shares Held	Percentage
3308	1	-	100	62,368	0.29%
645	101	-	500	192,939	0.91%
234	501	-	1,000	201,598	0.95%
289	1,001	-	5,000	684,039	3.21%
62	5,001	-	10,000	474,577	2.23%
21	10,001	-	15,000	254,016	1.19%
9	15,001	-	20,000	157,809	0.74%
8	20,001	-	25,000	187,469	0.88%
6	25,001	-	30,000	172,300	0.81%
5	30,001	-	35,000	160,310	0.75%
2	40,001	-	45,000	88,431	0.42%
1	45,001	-	50,000	50,000	0.23%
1	55,001	-	60,000	59,000	0.28%
1	80,001	-	85,000	85,000	0.40%
1	95,001	-	100,000	97,000	0.46%
1	100,001	-	105,000	100,700	0.47%
1	130,001	-	135,000	130,293	0.61%
1	255,001	-	260,000	258,577	1.21%
1	265,001	-	270,000	266,357	1.25%
1	295,001	-	300,000	300,000	1.41%
1	385,001	-	390,000	386,500	1.81%
1	600,001	-	605,000	602,500	2.83%
1	1,180,001	-	1,185,000	1,184,148	5.56%
1	1,635,001	-	1,640,000	1,638,926	7.69%
1	2,255,001	-	2,260,000	2,258,242	10.60%
1	5,165,001	-	5,170,000	5,166,168	24.25%
1	6,085,001	-	6,090,000	6,085,155	28.56%
4605				**21,304,422**	**100.00%**

Shareholders Category	Number of Shareholders	Number of Share Held	Percentage of Holding
Individuals	4538	3,912,482	18.36%
Associated Companies	7	14,823,821	69.58%
Financial Institutions	9	527,202	2.47%
Investment Companies	8	17,981	0.08%
ICP	1	4,514	0.02%
Insurance Companies	6	176,524	0.83%
Joint Stock Companies	24	186,361	0.87%
Modarabas Management Companies	1	8,400	0.04%
Cooperative Societies	1	2,000	0.01%
Charitable Trusts	1	5,000	0.02%
Private Companies	7	1,639,950	7.70%
Public Sector Company	1	100	0.00%
Others	1	87	0.00%
	4605	**21,304,422**	**100.00%**

CATEGORIES OF SHAREHOLDERS
As at June 30, 2008

Categories of Shareholders
As at June 30, 2008

SHARES HELD BY:	SHARE HELD
Individual	3,912,482
Associated Companies, Undertakings & Related Parties	
Bibojee Services (Pvt) Ltd.	8,343,397
Ghandhara Nissan Limited	5,166,168
Universal Insurance Co. Ltd.	1,192,148
The General Tyre & Rubber Co. of Pakistan Ltd.	100,700
Bibojee Investment (Pvt) Ltd.	21,408
ICP	
Investment Corporation of Pakistan	4,514
Directors, CEO, their Spouses & Minor Childern	
Mr. Ahmad Kuli Khan Khattak	12,000
Mr. Raza Kuli Khan Khattak	10,000
Lt. Gen. (R) Ali Kuli Khan Khattak	9
Mr. Mushtaq Ahmed Khan	52
Dr. Parvez Hassan	4
Mr. Jamil Ahmed Shah	400
Mr. Sher Muhammad	2,024
Banks, Development Financial Institutions, Non-banking Financial Institutions, Modaraba & Mutual Funds etc.	
National Bank Of Pakistan (T-Dept.)	259,127
NBP Trustee - NI(U) T (LOC) Fund	266,357
National Bank Of Pakistan F.T.Centre	371
National Bank Of Pakistan	252
United Bank Limited	313
Muslim Commercial Bank Limited	139
Allied Bank Of Pakistan Limited	388
The American Express International Banking Corporation	2
National Industrial Co-Op..Bank Ltd.	255
National Industrial Co-Op. Finance Corporation Ltd.	7,400
RS Holdings (Private) Limited	8,500
Combined Investment (Pvt) Ltd..	228
Sherian F. Irani Investment (Trust) Ltd.	6
Pak-Libya Holding Co. Ltd.	200
Pakistan Masonic Institution	1,645
Premier Insurance Co. Of Pakistan	500
E F U General Insurance Limited	100
Central Insurance Corporation	1,700
Pakistan Re-Insurance Company Ltd.	173,724
State Life Insurance Corporation	500
Trustees Moosa Lawai Foundation	5,000
Sultan Textile Mills Karachi Limited	2,000
Moosa, Noor Mohammad, Shahzada & Co. Pvt. Ltd.	10,000
Amz Securities (Pvt) Ltd.	2,132
Ali Husain Rajabali Ltd.	9,000

Moosani Securities (Pvt) Ltd.	16,509
Y. S. Securities & Services (Pvt) Ltd.	1,500
Sultan Textile Mills (K) Limited	16,000
Azee Securities (Private) Limited	6,500
N. H. Securities (Pvt) Ltd.	200
M. H. Investments (Pvt) Ltd.	20
Mazhar Hussain Securities (Pvt) Ltd.	500
Sat Securities (Pvt) Ltd.	8,000
Dosslani's Securities (Pvt) Limited	500
Capital Vision Securities (Pvt) Ltd.	1,000
Time Securities (Pvt) Ltd.	27,500
B & B Securities (Priavate) Limited	15,500
Apex Capital Securities (Pvt) Ltd.	7,000
Cliktrade Limited	1,500
Darson Securities (Pvt) Ltd.	1,000
Progressive Securities (Pvt) Ltd.	3,500
Pasha Securities (Pvt) Ltd.	3,000
Bhayani Securities (Pvt) Ltd.	30,000
Ismail Abdul Shakoor Securities (Private) Limited	15,500
Zahid Mahmood Equities (Pvt) Ltd.	4,000
Stock Master Securities (Private) Limited	6,000
First Prudential Modaraba	8,400
Islamabad Stock Exchange (G) Limited	87
PUBLIC SECTORS COMPANIES & CORPORATIONS	
Fateh Textile Mills Limited	100
PRIVATE COMPANIES	
Pakistan Shipping Agency Ltd.	3
The Alamgir Rayon Mills (Pvt) Ltd.	266
The Imperial Electric Co. Ltd.	227
Globe Automobile (Pvt) Ltd.	215
The Cloth Merchants Asso(Karachi)	113
Zam Zam (Pvt) Ltd.	200
Essar Asset Management (Pvt) Ltd.	1,638,926
TOTAL	**21,304,422**

VOTING INTEREST IN THE COMPANY

	Shares	% age
Bibojee Services (Pvt) Limited	8,343,397	39.16%
Ghandhara Nissan Limited	5,166,168	24.25%

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Ghandhara Industries Limited ("the Company") as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

(e) Without qualifying our opinion, we draw attention to the note 26.1 (iv) to the financial statements, the company has written back in the financial statements for the year ended as on June 30, 2007 provision for Workers' Profit Participation Fund for the year ended 30 June 2006 based on a legal opinion and in a view of constitutional petition pending adjudication in the Sindh High Court on this matter.

If it is established that the provisions of the the Companies Profits (Workers' Participation) Act, 1968 are applicable to the Company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalties may be become payable.

Date: 08 October 2008
KARACHI

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000')	
ASSETS			
NON CURRENT ASSETS			
Property, Plant & Equipment	5	**1,028,798**	1,028,668
Investment Properties	6	**91,173**	91,432
Long term Investments	7	**1,400**	1,400
Long term loans and advances	8	**461**	635
Long Term Deposits	9	**3,999**	3,846
CURRENT ASSETS			
Stores,spares parts and loose tools	10	**21**	-
Stock-in-trade	11	**468,052**	649,269
Trade debts	12	**56,903**	83,457
Loans and advances	13	**178,340**	120,050
Deposits and Prepayments	14	**150,662**	109,077
Other receivables	15	**140,583**	70,057
Cash and Bank balances	16	**22,919**	128,467
		1,017,480	1,160,377
TOTAL ASSETS		**2,143,311**	2,286,358
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**	213,045
Reserves	18	**43,200**	43,200
Accumulated Loss		**(38,378)**	(60,022)
		217,867	196,223
SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES	19	**1,076,546**	1,080,058
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases	20	**8,165**	15,226
Deferred Liabilities	21	**17,935**	18,572
CURRENT LIABILITIES			
Trade and other payable	22	**583,402**	760,985
Accrued mark up / Interest	23	**9,520**	8,144
Running Finance and Borrowings	24	**90,339**	82,205
Current maturity of liabilities against assets subject to finance leases		**7,989**	6,433
Provision for taxation	25	**131,548**	118,512
		822,798	976,279
CONTINGENT LIABILITIES & COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		**2,143,311**	2,286,358

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive Director

PROFIT AND LOSS ACCOUNT
AS AT 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000')	
Net sales	27	**1,857,058**	1,908,051
Cost of sales	28	**1,714,031**	1,567,128
Gross profit		**143,027**	340,923
Distribution expenses	29	**52,372**	60,657
Administrative expenses	30	**42,280**	54,550
		94,652	115,207
Operating profit		**48,375**	225,716
Other operating expenses	31	**2,171**	16,134
		46,204	209,582
Other operating income	32	**11,522**	18,339
		57,726	227,921
Finance cost	33	**28,264**	26,678
Profit for the year before taxation		**29,462**	201,243
Taxation	34	**(11,330)**	(74,761)
Profit for the year after taxation		**18,132**	126,482
Earning per share - basic and diluted	35	**0.85**	6.07

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000')	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used) / generated from operations	36	**(542)**	205,400
Interest paid		**(24,413)**	(31,346)
Taxes paid (including tax deducted at source)		**(61,400)**	(92,460)
Long term loans and advances		**174**	(446)
Long terms deposits		**(153)**	(3,110)
Net cash flows from operating activities		**(86,334)**	78,038
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(18,179)**	(15,682)
Sale proceeds of fixed assets		**239**	2,721
Proceeds of sale and lease back of motor vehicle		**-**	15,000
Net cash flows from investing activities		**(17,940)**	2,039
CASH FLOWS FROM FINANCING ACTIVITIES			
Right shares subcription		**-**	85,862
Dividend paid		**(495)**	(59,516)
Payment of lease rentals		**(8,913)**	(3,663)
Net cash flows from financing activities		**(9,408)**	22,683
Net increase/(decrease) in cash and cash equivalents		**(113,682)**	102,760
Cash and cash equivalents at beginning of the year		**46,262**	(56,498)
Cash and cash equivalents at end of the year	37	**(67,420)**	46,262

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2008

	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 Thousand						
Balance as at 1 July 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
Profit for the year						18,132	18,132
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 2008	**213,044**	**5,500**	**10,000**	**25,300**	**2,400**	**(38,378)**	**217,866**

The annexed notes from 1 to 43 form an integral part of these financial statements

Chief Executive

Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2008

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Amendments to published standard and new interpretation effective in 2007 - 2008:

The following standards, amendments and interpretations to existing approved accounting standards have been published that are mandatory for the company's accounting periods beginning on or after July 1, 2007 or later periods:

- Amendments to IAS 1, 'Presentation of financial statements - Capital disclosures' introduces new disclosures relating to capital risk management and does not have any impact on the classification and valuation of the company's financial statements.

- Islamic Financial Accounting Standard 2 - Íjarah is mandatory for the company's accounting period beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this. It requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit loss account on a straight line basis over the ijarah term. Presently, this standard does not have any affect on the company's financial statements.

2.3 Standards, amendments and interpretations effective in 2007-2008 but not relevant:

There are certain new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the company's operations and are therefore not disclosed in these financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2008 or later periods:

- IFRS 7, 'Financial instruments: Disclosures'(effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

- IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

- IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have a material impact on the Company's financial statements.

3 BASIS OF PREPARATION

3.1 MEASUREMENT

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the accounting policies below.

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 companies 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

e) Estimation of net realisable value

f) Accounting for retirement benefits

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. 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.

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

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.

During the year, the company has changed its accounting estimate in respect of depreciation of lease hold land which is now charged on original cost as compared to previously charging the same on revalued amount. This change in accounting estimate has been applied prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in these estimate, the profit before taxation would have been lower by Rs. 13.719 million.

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.

Any surplus arising on revaluation of leasehold land, building on leasehold land, plant and machinery 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.

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.

Investment properties are carried at cost or valuation (i.e. deemed cost) less accumulated depreciation and impairment if any.

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 are comprise of cash in hand, cash at banks and running finances which are payable on demand.

4.8 STAFF RETIREMENT BENEFITS

The Company has established unfunded gratuity scheme for all of its employees. Contributions under the schemes are made on the basis of actuarial valuation and are charged to Profit and Loss account. The valuation of both schemes was carried out on June 30, 2008 using the "Projected Unit Credit Method".

Actuarial gains and losses arising from the actuarial valution are recognised over the average remaining service lives of employees.

4.9 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, 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 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value.

4.20 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.

4.21 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 .

	Note	2008	2007
		(Rupees in '000')	

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2008	2007
Operating fixed assets	5.1	**1,028,573**	1,028,668
Capital work in progress	5.7	**225**	-
		1,028,798	1,028,668

5.1 Operating fixed assets

	OWNED										LEASED	TOTAL
	Leasehold land	Building on lease hold land	Plant & Machinery	Permanent tools	Furniture & fixtures	Motor vehicles	Lift trucks	Office machines & equipments	Computers	Jigs and special tools	Motor vehicles	
	(Rupees in '000)											
At June 30, 2006												
Cost	946,500	68,450	47,112	3,023	935	14,936	3,123	3,830	1,416	25,630	-	1,114,955
Accumulated depreciation	-	-	46,486	3,022	918	12,820	3,122	3,507	1,086	10,895	-	81,856
Book value	946,500	68,450	626	1	17	2,116	1	323	330	14,735	-	1,033,099
Year ended June 30, 2007												
Additions	-	-	-	-	-	14,422	-	783	477	-	25,323	41,005
Disposals:												
- Cost	-	-	-	-	-	15,305	-	-	-	-	-	15,305
- depreciation	-	-	-	-	-	(1,692)	-	-	-	-	-	(1,692)
	946,500	68,450	626	1	17	2,925	1	1,106	807	14,735	25,323	1,060,491
Depreciation charge	13,719	5,322	78	-	3	1,289	-	115	188	8,451	2,658	31,823
Net book value as at June 30, 2007	932,781	63,128	548	1	14	1,636	1	991	619	6,284	22,665	1,028,668
Year ended June 30, 2008												
Additions	-	-	719	141	1,573	4,482	6,096	4,444	499	-	933	18,887
Disposals:												
- Cost	-	-	-	-	-	263	-	-	-	-	-	263
- depreciation	-	-	-	-	-	(263)	-	-	-	-	-	(263)
	932,781	63,128	1,267	142	1,587	6,118	6,097	5,435	1,118	6,284	23,598	1,047,555
Depreciation charge	-	5,322	117	1	30	1,067	394	350	210	6,286	5,205	18,982
Net book value at June 30, 2008	932,781	57,806	1,150	141	1,557	5,051	5,703	5,085	908	(2)	18,393	1,028,573
As at June 30, 2007												
Cost	946,500	68,450	47,112	3,023	935	14,053	3,123	4,613	1,893	25,630	25,323	1,140,655
Accumulated depreciation	13,719	5,322	46,564	3,022	921	12,417	3,122	3,622	1,274	19,346	2,658	111,987
Book value	932,781	63,128	548	1	14	1,636	1	991	619	6,284	22,665	1,028,668
As at June 30, 2008												
Cost	946,500	68,450	47,831	3,164	2,508	18,272	9,219	9,057	2,392	25,630	26,256	1,159,279
Accumulated depreciation	13,719	10,644	46,681	3,023	951	13,221	3,516	3,972	1,484	25,632	7,863	130,706
Book value	932,781	57,806	1,150	141	1,557	5,051	5,703	5,085	908	(2)	18,393	1,028,573
Depreciation rate %	1.47	2.5 to 6.25	10	12.5	6 to 6.25	20	20	12.5	20	33	20	

	Note	2008	2007
		(Rupees in '000')	
5.2 Depreciation for the year is allocated as follows:			
Cost of goods manufactured	28.1	**11,375**	24,099
Distribution expenses	29	**2,804**	2,908
Administrative expenses	30	**4,803**	4,816
		18,982	31,823

5.3 The company's leasehold land and buildings thereon were revalued on 31 March 1971, 27 June 1992 and 30 June 1995 (including plant and machinery). The leasehold land was again revalued on 30 June 1996. The latest valuation was carried out by Yunus Mirza & Co. (Pvt) Limited, Incorporated Architects, Engineers, Town Planner and Bank's Approved Surveyors on 30 June 2006. The valuation of leasehold land was based on current market trends and prevailing value in the vicinity of the plot and valuation of buildings was based on current construction cost minus the accumulated depreciation.

5.4 Jigs and special tools having book value of Rs. Nil (2007: Rs. 6.28) million are held with Ghandhara Nissan Limited, associated undertaking for assembly of Trucks and Buses on behalf of the Company.

5.5 The dates and amounts of revaluation surplus included in the book value of fixed assets as at 30 June 2008 is given below:

	Leasehold land	Buildings on leasehold land	Plant & machinary	Total
		(Rupees in '000')		
(a) At March 31,1971				
Revaluation surplus	3,000	2,792		5,792
Less:Depriciation surplus	30	140	-	170
	2,970	2,652	-	5,622
(b) At June 27, 1992				
Revaluation surplus	91,891	32,734	-	124,625
Less:Depriciation surplus	1,138	3,493	-	4,631
	90,753	29,241	-	119,994
(c) At June 27, 1995				
Revaluation surplus	88,723	14,834	23,474	127,031
Less:Depriciation surplus	1,141	1,886	23,474	26,501
	87,582	12,948	-	100,530
(d) At 30 June 1996				
Revaluation surplus	11,782	-	-	11,782
Less:Depriciation surplus	154	-	-	154
	11,628	-	-	11,628
(e) At 30 June 2006				
Revaluation surplus	751,104	11,279	-	762,383
Less:Depriciation surplus	11,256	4,786	-	16,042
	739,848	6,493	-	746,341
Total cost or revaluation	946,501	68,450	47,831	1,062,782
Less: Depriciation there on	13,719	10,645	46,681	71,045
Net Book Value	932,782	57,805	1,150	991,737

5.6 Had there been no revaluation, the book value of buildings on leasehold land and plant and machinery as on 30 June 2008 would have been as under:

	Cost	Accumulated Depreciation	Book Value
		(Rupees in '000')	
Building on Leasehold Land	6,810	341	6,469
Plant and Machinery	24,357	23,207	1,150

5.7 This reperesents advance given for acquisition of software.

6 INVESTMENT PROPERTIES

	Leasehold land	Buildings on leasehold land	Total
		(Rupees in '000')	
At June 30, 2006			
Cost	97,392	416	97,808
Accumulated depreciation	5,827	290	6,117
Book value	91,565	126	91,691
Year ended June 30, 2007			
Additions	-	-	-
Disposals:			
- Cost	-	-	-
- depreciation	-	-	-
	91,565	126	91,691
Depreciation charge	243	16	259
Net book value as at June 30, 2007	**91,322**	**110**	**91,432**
Year ended June 30, 2008			
Additions	-	-	-
Disposals:			
- Cost	-	-	-
- depreciation	-	-	-
	91,322	110	91,432
Depreciation charge	243	16	259
Net book value at June 30, 2008	**91,079**	**94**	**91,173**
As at June 30, 2007			
Cost	97,392	416	97,808
Accumulated depreciation	6,070	306	6,376
Book value	**91,322**	**110**	**91,432**
As at June 30, 2008			
Cost	97,392	416	97,808
Accumulated depreciation	6,313	322	6,635
	91,079	**94**	**91,173**
	0.25	2.5 to 6.25	

6.1 Depreciation for the year is allocated as follows:

	Note	2008	2007
		(Rupees in '000')	
Administrative expenses	30	259	259
		259	259

6.2 The execution of a lease deed for land at Haroonabad in Sindh Industrial Trading Estate, Karachi has not been finalised.

6.3 The company's leasehold land and buildings thereon were revalued on 27 June 1992 and 30 June 1995. The leasehold land was again revalued on 30 June 1996. The latest revaluation was carried out by Iqbal A. Nanjee & Co. Valuation Consultants on 30 June 1996. The valuation was based on curent market values.

6.4 The Market value as on 30 June, 2008 was Rs. 377 (2007: Rs. 377) million.

6.5 The dates and amounts of revaluation surplus included in the book value of investment properties as at 30 June 2008 is given below:

	Leasehold land	Buildings on leasehold land	Total
		(Rupees in '000')	
(a) At June 27 1992			
Revaluation surplus	47,889	33	47,922
Less:Depriciation surplus	4,008	13	4,021
	43,881	20	43,901
(b) At 30 June 1995			
Revaluation surplus	37,780	146	37,926
Less:Depriciation surplus	1,587	119	1,706
	36,193	27	36,220
(c) At 30 June 1996			
Revaluation surplus	10,634	-	10,634
Less:Depriciation surplus	292	-	292
	10,342	-	10,342
Total cost or revaluation	97,392	416	97,808
Less: Depriciation there on	6,071	321	6,392
Net Book Value	91,321	95	91,416

	Note	2008	2007
		(Rupees in '000')	
7 LONG TERM INVESTMENTS			
7.1 Subsidiary Company - Un-quoted			
Marghzar Industries (Private) Limited			
140,000 Fully paid-up ordinary shares of Rs.10 each (2007: 140,000 shares)		**1,400**	1,400
Equity held 70%			
Break up value per share Rs. 10.06 (2007: Rs.14.08)			
7.2 Other Company - Listed			
Available for sale investment			
Bela Engineers Limited			
160 Fully paid-up ordinary shares of Rs. 10 each - at cost (2007: 160 shares)		**1**	1
Less: Provision for impairment in value of investment		-	1
Less: Written off against provision		**1**	-
		-	-
		1,400	1,400

8 LONG TERM LOANS AND ADVANCES

	Note	2008	2007
		(Rupees in '000')	
Unsecured			
Considered Good			
Executives		**663**	917
Non executives		**257**	118
		920	1,035
Less: Installments recoverable within twelve months			
Executives		**273**	342
Non executives		**186**	58
		459	400
		461	635

8.1 Reconciliation of loans and advances to executives

	2008	2007
Balance at beginning of the year	**917**	267
Add: Disbursement	**75**	990
	992	1,257
Less: Recovered during the year	**329**	340
	663	917

8.2 Interest free loans have been provided to executives for purchase / construction of house and to employees forpersonal use. These are repayable in monthly installments over a period of one to five years.

8.3 Maximum amount due from executives at the end of any month was Rs. 0.887 million (2007: Rs.1.305 million).

9 LONG TERM DEPOSITS

	2008	2007
Considered Good		
Deposits	**3,999**	3,846

10 STORES, SPARES PARTS AND LOOSE TOOLS

	2008	2007
Stores	**21**	-
Spares parts	**6,316**	6,316
	6,337	6,316
Less: Provision for Obsolesence	**6,316**	6,316
	21	-

11 STOCK IN TRADE

	Note	2008	2007
Raw materials and components			
In hand	11.2	**392,551**	472,014
Less: Provision for slow moving raw material		**21,076**	21,076
		371,475	450,938
In transit		**3,284**	5,284
		374,759	456,222
Manufactured stock including components	11.3	**57,931**	164,578
Trading stocks		**50,531**	43,638
Less: Provision for slow moving trading stock		**15,169**	15,169
		35,362	28,469
		468,052	649,269

	Note	2008	2007
		(Rupees in '000')	

11.1 Of the aggregate amount, stocks which were in the custody of third parties are as follows:

	2008	2007
Precision Engineering Works	**1,368**	1,406
Ghandhara Nissan Limited (Associated Undertaking)	**392,104**	568,351
Multan Motors	**2,250**	-
Punjab Motors	**3,400**	-
Meraj (Pvt.) Ltd.	**1,250**	-
Aries International	**1,250**	-
A.R. Engineering	**2**	-
	401,624	569,757

11.2 This includes raw material carried at net realisable value, amounting to Rs. 21.1 million (2007: Rs. 21.1 million).

11.3 This includes manufactured stock carried at net realisable value, amounting to Rs. 8.5 million (2007: 8.5 million).

12 TRADE DEBTS

	2008	2007
Unsecured		
Considered Good		
Government and semi-government agencies	**39,380**	43,752
Others	**17,523**	39,705
	56,903	83,457
Considered Doubtful		
Government and semi-government agencies	**688**	688
Less: Provision there against	**688**	688
	-	-
	56,903	83,457

13 LOANS AND ADVANCES

	2008	2007
Unsecured		
Considered Good		
Employees	**135**	305
Advances to Suppliers and others	**11,806**	14,805
	11,941	15,110
Considered Doubtful		
Advances to Suppliers	**1,175**	1,175
Less: Provision thereagainst	**1,175**	1,175
	-	-
Income Tax Deducted at source / Paid in Advance	**165,940**	104,540
Current portion of loans and advances	**459**	400
	178,340	120,050

14 DEPOSIT AND PREPAYMENTS

	2008	2007
Tender Deposits	**42,246**	22,959
Margins Against Bank Guarantees	**588**	2,843
Less: Provision for doubtful margin against bank guarantees	**330**	330
	258	2,513
L/C Margin	**108,158**	71,274
FIM Margin	**-**	12,331
	150,662	109,077

15 OTHER RECEIVABLES

	2008	2007
Sales tax refundable - considered good	**137,745**	70,057
Sundry receivables - Considered good	**2,838**	-
Considered Doubtful-Sundry Receivables	**1,948**	1,948
Less: Provision there against	**1,948**	1,948
	-	-
	140,583	70,057

16 CASH AND BANK BALANCES

	Note	2008	2007
		(Rupees in '000')	
Cash in hand		**211**	591
With banks			
In current accounts		**16,986**	129,530
In deposit accounts	**16.1**	**3,457**	556
In foreign currency accounts	**16.2**	**28**	23
		20,471	130,109
Less: Provision for doubtful bank account	**16.3**	**2,233**	2,233
		18,238	127,876
Term deposit	**16.4**	**4,470**	-
		22,919	128,467

16.1 This includes deposits amounting to Rs. 1.060 million under lien against bank guarantee.

16.2 Foreign currency accounts include J¥ 31,532 equivalent to Rs. 20,237 and US$ 126 equivalent to Rs.7,386 (2007:J¥ 31,523 equivalent to Rs.15,459 and US$ 126 equivalent to Rs.7,386)

16.3 This represents provision made against balances held with Indus Bank Limited under liquidation.

16.4 Term deposit is under lien against bank guarantee.

17 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

No.of shares 2008	No.of shares 2007		2008	2007
		Ordinary shares of Rs.10 each		
17,650,862	17,650,862	Fully paid up in cash	**176,509**	176,509
3,295,354	3,295,354	Fully paid bonus shares	**32,953**	32,953
358,206	358,206	Issued for consideration other than cash	**3,582**	3,582
21,304,422	21,304,422		**213,044**	213,044

17.1 Movement in share capital during the year

No.of shares 2008	No.of shares 2007		2008	2007
21,304,422	6,555,300	As at June 30	**213,044**	65,553
-	14,749,122	Issued right shares of Rs 10 each as fully paid up shares	-	147,491
21,304,422	21,304,422		**213,044**	213,044

17.2 The company has one class of ordinary shares which carry no right to fixed income.

17.3 6,480,424 (2007:6,480,424) ordinary shares of Rs. 10/- each were held by associated companies as at the year end.

17.4 Bibojee Services (Private) Limited, the ultimate holding company, held 8,343,397 (2007: 8,343,397) ordinary shares of Rs. 10/- each as at the year end.

18 RESERVES

	Note	2008	2007
Capital Reserves	**18.1**	**40,800**	40,800
Revenue Reserves	**18.2**	**2,400**	2,400
		43,200	43,200

18.1 Capital Reserves

	2008	2007
Tax holiday reserve		
Balance as at beginning and end	**5,500**	5,500
Fixed assets replacement reserve		
Balance as at beginning and end	**10,000**	10,000
Contingency reserve		
Balance as at beginning and end	**25,300**	25,300
	40,800	40,800

18.2 Revenue Reserves

	2008	2007
Balance as at beginning and end	**2,400**	2,400

19 SURPLUS ON REVALUATION OF FIXED ASSETS AND IMMOVABLE PROPERTIES

	Note	2008	2007
		(Rupees in '000')	
Balance as at 1 July		**1,095,542**	1,100,945
Deferred Taxation on unrealisd surplus reversed as no longer considered necessary		-	
Add: Revaluation during the year		-	
Transferred to accumulated profit:			
Surplus relating to incremental depriciation charged during the year		**(5,403)**	(5,403)
		1,090,139	1,095,542
Less: Related deferred tax			
Deferred Tax on revaluation as at 1st July		**15,484**	17,375
Transferred to accumulated loss on account of incremental depreciation charged during the year		**(1,891)**	(1,891)
		13,593	15,484
		1,076,546	1,080,058

20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The company has acquired motor vehicles under finance lease arrangements from leasing companies. The arrangements are secured by title of assets leased. Rentals are payable in monthly installments. Repair and insurance cost are to be borne by the company. The rate of financial charges applied ranges from 13.78 % to 18.37 % per annum (2007: 13.78% to 16%).

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	June 30, 2008		June 30, 2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees '000'			
Year ended June 30, 2008	-	-	8,660	6,433
Year ended June 30, 2009	**9,400**	**7,989**	8,842	7,593
Year ended June 30, 2010	**6,581**	**6,244**	6,207	5,977
Year ended June 30, 2011	**1,984**	**1,921**	1,736	1,656
Total minimum lease payments	**17,965**	**16,154**	25,445	21,659
Less: Financial charges allocated to future periods	**1,811**	-	3,786	-
Present value of minimum lease payments	**16,154**	**16,154**	21,659	21,659
Less: Current maturity shown under current liabilities	**7,989**	**7,989**	6,433	6,433
	8,165	**8,165**	15,226	15,226

21 DEFERRED LIABILITIES

	Note	2008	2007
		(Rupees in '000')	
21.1 Deferred Taxation	21.1	**15,942**	17,648
21.2 Gain on sale and lease back of fixed assets	21.2	**462**	924
21.3 Provision for gratuity	21.3	**1,531**	-
		17,935	18,572

	Note	2008	2007
		(Rupees in '000')	
21.1 Deferred Taxation		**15,942**	17,648

The following are the major tax liabilities and assets recognised by the company:

		2008	2007
Accelerated tax depreciation		**19,391**	20,199
Revaluation of fixed assets		**13,593**	1,891
Obligation under finance lease		**784**	
Gain on sale and lease back of fixed assets		**(162)**	
Provision for gratuity		**(536)**	
Provision for obsolescence:			
Stores and spares		**(2,210)**	(2,210)
Stock in trade		**(12,686)**	-
Provision for bad / doubtful:			
Trade Debts		**(241)**	(241)
Advance to Supplier		**(411)**	(411)
Bank Guarantee		**(116)**	(116)
Sundry Receivables		**(682)**	(682)
Cash at bank		**(782)**	(782)
Deferred taxation		**15,942**	17,648

21.2 Gain on sale and lease back of fixed asset

		2008	2007
Gain on sale and lease back of motor vehicle		**1,386**	1,386
Amortised to date		**(924)**	(462)
		462	924

The company had entered into a sale and leaseback transaction with Orix Leasing Pakistan Limited during the year ended June 30, 2007 which has resulted in a finance lease. The excess of sale proceeds over the net book value of motor vehicle under a sale and leaseback arrangement has been recognised as deferred income and is being amortised over the period of the lease term.

21.3 PROVISION FOR GRATUITY

		2008	2007
Balance at beginning		-	-
Add: Charge for the year		**1,531**	-
		1,531	-
Less: Benefits paid during the year		-	-
		1,531	-

Movement in the present value of defined benefit obligation is as follows:

		2008	2007
Present value of defined benefit obligation as at July 1		-	-
Current service cost		**1,531**	-
Interest cost		-	-
Benefit paid		-	-
Actuarial (gain) / loss		-	-
Present value of defined benefit obligation as at June 30		**1,531**	-

The expense is recognized in the following line items in the income statement:

	Note	2008	2007
Cost of goods manufactured	29.3	**427**	-
Distribution cost	30.1	**314**	-
Administrative expenses	31.1	**791**	-
		1,532	-

Principal actuarial assumptions at the balance sheet date for:

		2008	2007
Discount rate		**12%**	-
Future salary increases		**11%**	-
Average expected remaining working life time of employees		**9 years**	-

22 TRADE AND OTHER PAYABLE

	Note	2008	2007
		(Rupees in '000')	
Creditors		**120,737**	74,368
Blls payable		**271,111**	365,563
Accrued liabilities		**40,278**	40,236
Customers credit balances		**22,971**	64,592
Other dealers' credit balances		**1,085**	1,085
Advance against sale of investment in immovable property		**5,000**	5,000
Custom duty payable		**5,969**	24,092
Payable to trustees' provident fund		**178**	178
Unclaimed dividends		**6,872**	7,367
Retention money		-	433
Earnest money		-	24
Withholding tax		**1,150**	1,096
Due to associated companies	22.1	**67,029**	134,626
Due to subsidiary company		**2,086**	2,032
Royalty payable		**13,981**	11,231
Federal Excise Duty payable		**423**	423
Drawing fee payable		-	625
Corporate assets tax		**2,000**	2,000
Waqf-e-Kuli Khan		**8,318**	8,318
Sales Tax Payable		**14**	14
Worker profit participation fund	22.2	**12,410**	10,828
Worker Welfare fund		**589**	4,489
Others		**1,202**	2,366
		583,403	760,986

22.1 Due to associated companies

	2008	2007
Bibojee Services (Private) Limited	**48,001**	56,848
The General Tyre & Rubber Company of Pakistan Limited	**7,365**	14,387
Ghandhara Nisan Limited	**9,051**	57,583
Universal Insurance Company Limited	**2,402**	5,335
Rehman Cotton Mills Limited	**210**	473
	67,029	134,626

22.2 Worker profit participation fund

	2008	2007
Balance at beginning of year	**10,828**	7,723
Add: Charge for the year	**1,582**	10,828
	12,410	18,551
Less: Reversal /Payments during the year	-	7,723
Balance at end of year	**12,410**	10,828

23 ACCRUED MARK UP/ INTEREST

Mark up on

	2008	2007
Short term loan / Running finances & Borrowings		
secured	**5,006**	3,630
Long term loans		
unsecured	**4,514**	4,514
	9,520	8,144

	Note	2008	2007
		(Rupees in '000')	

24 RUNNING FINANCES AND BORROWINGS

	Note	2008	2007
Secured			
Finance against imported material		-	82,205
Running finance from bank	24.2	**90,339**	-
		90,339	82,205

24.1 The facility for opening letters of credit as at 30 June 2008 amounted to Rs. 713 million (30 June 2007: Rs. 660 million) of which the amount remaining unutilized at the year-end was 205 million (2007: Rs. 151 million). These facilities are secured against hypothecation of books debts, stocks and other receivables amounting to Rs. 160 million (2007: Rs.160 million) and mortagage of company property amounting to Rs. 375 million and pledge of company's stock. Further, it is also secured against personal guarantees of chief executive and a director of the company. These facilities will expire on September 30, 2008 (2007: February 28, 2008).

24.2 The Company has facility for short-term running finance amounting to Rs. 150 million (2007: Rs. 50 million) from a bank. The rate of mark up is based on 3 months KIBOR plus 3% payable quarterly. The arrangement is secured by way of equitable charge over fixed assets with a token registered charge of Rs. 0.5 million over company property bearing F-3 SITE, Karachi and hypothecation charge over moveables and receivables of Rs. 200 million.

25 PROVISION FOR TAXATION

	2008	2007
Balance at beginning	**118,512**	39,960
Provided during the year	**13,036**	78,552
Adjustment during the year	-	-
	131,548	118,512

26 CONTINGENCIES & COMMITMENTS

26.1 Contingent Liabilities

(i) Claims against the company not acknowledged as debt Rs. 27.043 million (2006: Rs.27.0430) relating to sales tax on 10,000 units of gear boxes and rear axles each claimed by a supplier which has been contested by the company.

(ii) Suit against the company by the supplier for the recovery of Rs. 25.867 million (2006: Rs. 25.867 million) as compensation for breach of agreement. The suit is being defended by the company on a number of legal grounds. The suit is at present in evidence stage and the company has plausible defense.

(iii) Various demands have been raised by the Central Excise and Sales Tax Departments amounting to Rs. 4.896 million (2006: Rs. 4.896 million). No provision has been made in these financial statements as, in the opinion of legal advisors, the company will have favorable decision.

(iv) The Company had obtained legal advice in connection with the establishement of Worker's Participation Fund (the Fund) under the Companies Profits (Workers' Participation) Act, 1968 (the Act). The legal advisor is of the view that since, during the year ended 30 June 2006, the Company did not employ any person who falls under the definition of worker as defined in the Act of 1968, it was not legally or factually possible to constitute the Fund as required by section 3 of the Act. As a consequence, the Company was not required to make contributions to the fund established pursuant to Workers' Welfare Fund Ordinance 1971. The company based on legal advice has written back in the financial statements for the year ended as on June 30, 2007 the amount of Worker's Profit Partiipation Fund provided during the year 30 June 2006.

Furthermore, the question whether a company to which the Act of 1968 and its scheme applies but which does not employ any worker is nevertheless obliged to establish and pay contributions into the fund under the act and thereafter transfer the same to the fund established under the Workers' Welfare Fund Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another compny in December 2003.

If it is established that the above provisions of the Act are applicable to the Company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalities may become payable.

	Note	**2008**	2007
		(Rupees in '000')	

26.2 Guarantees

Issued by banks		**74,546**	95,928

Guarantees are issued to Government and Semi-government institutions and shall be released on delivery of trucks and buses. These are issued under normal operations.

26.3 Post dated cheques		**103,760**	460,891

Post dated cheques have been issued in favour of Collector of Customs on account of duty differential. These cheques will be returned after necessary verification by the authorities.

26.4 Commitments

Confirmed letters of credit-CKD		**153,896**	105,157

27 NET SALES

	Note	2008	2007
Manufactured goods			
Sales		**1,858,850**	1,918,746
Sale tax		**(12,637)**	(13,447)
		1,846,213	1,905,299
Trading stock			
Sales		**11,152**	3,117
Sales Tax		**(307)**	(365)
		10,845	2,752
		1,857,058	1,908,051

28 COST OF SALES

	Note	2008	2007
Manufactured goods			
Stock at beginning of year		**164,578**	143,073
Cost of goods manufactured	28.1	**1,594,532**	1,586,114
		1,759,110	1,729,187
Stock at end of year		**(57,931)**	(164,578)
		1,701,179	1,564,609
Trading stock			
Stock at beginning of year		**28,469**	23,852
Purchases		**19,745**	7,136
		48,214	3,098,8
Stock at end of year		**(35,362)**	(28,469)
		12,852	2,519
		1,714,031	1,567,128

	Note	2008	2007
		(Rupees in '000')	

28.1 COST OF GOODS MANUFACTURED

	Note	2008	2007
Work-in-process at beginning of year		-	26,656
Raw material and components consumed	28.2	**1,466,826**	1,451,935
Stores and spares consumed		**488**	62
Salaries, wages and other benefits	28.3	**23,501**	14,839
Fuel and power		**3,249**	2,764
Rent, rates and taxes		**585**	553
Insurance		**4,549**	2,701
Research & development		**10**	672
Repairs and maintenance		**94**	635
Travelling & entertainment		**778**	842
Out side assembly charges		**70,348**	50,760
Depreciation on fixed assets	5.2	**11,375**	24,099
Running Royalty		**11,201**	8,454
Federal Excise Duty on royalty		-	423
Other Expenses		**1,528**	719
		1,594,532	1,586,114
Work-in-process at end of year		-	-
		1,594,532	1,586,114

28.2 RAW MATERIAL & COMPONENTS CONSUMED

	2008	2007
Stock at beginning of year	**456,222**	502,132
Purchases including duties, taxes and other charges	**1,385,363**	1,406,025
	1,841,585	1,908,157
Stock at end of year	**(374,759)**	(456,222)
	1,466,826	1,451,935

28.3 The following amounts have been charged to cost of sales during the year in respect of gratuity:

	2008	2007
Current service cost	**427**	-

29 DISTRIBUTION EXPENSES

	Note	2008	2007
Salaries, wages and benefits	29.1	**8,370**	3,594
Commission		**28,721**	35,725
Rent, rates and taxes		**396**	104
Insurance		**425**	229
Repairs and maintenance		**756**	1,564
Utilities		**59**	37
Travelling and entertainment		**1,528**	1,046
Communication and stationery		**918**	327
After sale services and warranty		**2,159**	740
Advertisement		**3,486**	659
Legal and professional charges		-	72
Subscriptions		**86**	109
Late Delivery Charges		-	7,992
Depreciation on fixed assets	5.2	**2,804**	2,908
Freight farwarding		**2,024**	4,398
Other expenses		**640**	1,153
		52,372	60,657

29.1 The following amounts have been charged to distribution expenses during the year inrespect of gratuity:

	2008	2007
Current service cost	**314**	-

30 ADMINISTRATION EXPENSES

	Note	2008	2007
		(Rupees in '000')	
Salaries, wages and benefits	30.1	**15,045**	12,704
Rent, rates and taxes	30.2	**438**	689
Insurance		**1,092**	590
Repairs and maintenance		**7,149**	11,856
Utilities		**24**	13
Travelling and entertainment		**4,327**	4,360
Communication and stationery		**2,616**	3,671
Advertisement		**285**	768
Auditor's remuneration			
Audit fee		**250**	250
Out of pocket expenses		**10**	10
		260	260
Legal and professional charges	30.3	**1,617**	1,514
Subscriptions		**528**	655
Donation	30.4	**1,423**	10,298
Depreciation on fixed assets	5.2	**4,803**	4,816
Depreciation on investment in immovable properties	6.1	**259**	259
Security Expenses		**1,810**	1,468
Other expenses		**604**	629
		42,280	54,550

30.1 The following amounts have been charged to administration expenses during the year in respect of gratuity:

Current service cost	**791**	-

30.2 This includes rent paid to Rehman Cotton Mills Limited (Associated Company) amounting to Rs. 0.110 million.

30.3 This includes retainership fee amounting to Rs. 0.120 million paid to Hasan & Hasan. Dr. Parvez Hasan, director of the company, is the partner of the firm.

30.4 Donation of Rs. Nil (2007: Rs. 8.168 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gardee Trust Building, Napier Road, Lahore, a trust. Lt. Gen. (Retd) Ali Kuli Khan Khattak, Mr. Ahmed Kuli Khan Khattak, Mr. Raza uli Khan Khattak and Mr. Mustaq Ahmed Khan, the directors of the company, are trustees of the trust.

31 OTHER OPERATING EXPENSES

	2008	2007
Worker Profit Particiapation Fund	**1,582**	10,828
Worker Welfare fund	**589**	4,489
Commission paid	-	817
	2,171	16,134

32 OTHER OPERATING INCOME

	Note	2008	2007
From financial assets			
Profit on bank deposits		**651**	1,439
From non financial assets			
Scrap sales		-	1,432
Gain on sale of fixed assets		**239**	2,707
Amortisation of gain on sale and lease back of fixed asset	21.2	**462**	462
Commission received			3,870
Others		**35**	168
Reversal of WPPF		-	7,723
Exchange gain		-	538
Late delivery charges recovered		**7,081**	-
Reversal of long outstanding credit balances		**3,054**	-
		11,522	18,339

33 FINANCE COST

	Note	2008	2007
		(Rupees in '000')	
Finance charge on finance lease		**2,475**	860
Markup on finance against merchandise		**3,512**	12,707
Markup on payments against documents		-	6,398
Markup on running finance		**16,744**	-
Discounting of bills		**459**	2,821
L/G charges		**1,044**	568
Amount due to subsidiary company		**204**	199
Bank charges and commission		**1,543**	3,125
Exchange loss		**1,739**	-
Loss on remeasurement of derivatives		**544**	-
		28,264	26,678

34 TAXATION

	2008	2007
Current		
for the year	**(13,036)**	(78,552)
prior year		-
Deferred	**1,706**	3,791
	(11,330)	(74,761)

34.1 Relationship between tax expense and accounting profit

	2008	2007
Profit before taxation	**29,462**	201,243
Tax at the applicable income tax rate 35% (2007: 35%)	**10,313**	70,435
Tax effect of expenses that are not deductible for tax purposes	**8,750**	11,530
Deductible for tax purposes	**(6,027)**	(3,413)
Deferred tax charge	**(1,706)**	(3,791)
	11,330	74,761

35 BASIC EARNING PER SHARE

	2008	2007
Profit after taxation for the year	**18,132**	126,482
	Numbers	
Weighted average number of outstanding ordinary shares outstanding during the year	**21,304**	20,842
	Rupees	
Basic and diluted earnings per share	**0.85**	6.07

36 CASH GENERATED FROM OPERATIONS

	Note	2008	2007
		(Rupees in '000')	
Profit /(Loss) before taxation		**29,462**	201,243
Adjustment for non cash charges and other items			
Depreciation			
Fixed assets		**18,982**	31,823
Investment properties		**259**	259
Gain on sale of fixed assets		**(239)**	(2,707)
Amortisation of gain on sale and lease back of fixed asset		**(462)**	(462)
Interest expense		**28,264**	26,678
Provision for gratuity		**1,531**	-
Operating profit before working capital changes		**77,797**	256,834
Working capital changes	36.1	**(78,339)**	(51,434)
		(542)	205,400

36.1 Working Capital Changes

	2008	2007
(Increase) / Decrease in current assets		
Stores and spares	**(21)**	-
Stock-in-trade	**181,217**	46,444
Trade debts	**26,554**	(79,068)
Loans and Advances	**3,110**	(8,314)
Deposits and Prepayments	**(41,585)**	(16,817)
Other receivables	**(70,526)**	(48,326)
	98,749	(106,081)
(Decrease) / Increase in current liabilities		
Trade and other payable	**(177,088)**	54,647
	(78,339)	(51,434)

37 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the Balance sheet.

	2008	2007
Cash and bank balances	**22,919**	128,467
Short-term loan and running finances	**(90,339)**	(82,205)
	(67,420)	46,262

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date.

	Intrest/Markup bearing			Non Intrest/Markup bearing bearing			Total	Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity after one year	Maturity after one year	Sub total	2008	2007
	(R u p e e s 000)							
Financial assets								
Investments	-	-	-	-	1,400	1,400	1,400	1,400
Long term loan and advances	-	-	-	459	461	920	920	1,035
Long term Deposits	-	-	-	-	3,999	3,999	3,999	3,846
Loans and advances	-	-		178,340	-	178,340	178,340	120,050
Trade debts	-	-	-	56,903	-	56,903	56,903	83,457
Other receivables	-	-	-	140,583	-	140,583	140,583	70,057
Deposits -	-	-	-	150,662	-	150,662	150,662	109,077
Cash and bank balances	7,955	-	7,955	14,964	-	14,964	22,919	128,467
2008	**7,955**	-	**7,955**	**541,911**	**5,860**	**547,771**	**555,726**	**517,389**
2007	556	-	556	510,952	5,881	516,833	517,389	
Financial liabilities								
Liabilities against assets subject to finance leases	7,989	8,165	16,154	-	-	-	16,154	21,659
Running finances under mark-up arrangements	90,339	-	90,339	-	-	-	90,339	82,205
Trade and other payables	-	-	-	583,389	-	583,389	583,389	760,346
Accrued mark-up	-	-	-	9,520	-	9,520	9,520	8,144
2008	**98,328**	**8,165**	**106,493**	**592,909**	-	**592,909**	**699,402**	**872,354**
2007	88,638	15,226	103,864	768,490	-	768,490	872,354	

38.2 The effective interest rates for financial assets and liabilities are as follows:

	2008	2007
Financial Assets		
Cash and Bank Balances	**2.5% to 9%**	2.5% to 3.5%

	2008	2007
Financial Liabilities		
Finance against imported merchandise	-	one year KIBOR plus 3% with a floor of 14 %
Running finance	**Three months KIBOR plus 3%**	-
Liabiliies against asset subject to finance lease	**13.78 % to 18.37 %**	13.78% to 16%

38.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its receivables.

To manage exposure to credit risk, the company applies credit limits to its customers. Further, it obtains advance against sales and coverage under the agreements. Receivables includes balances due from the Government of Pakistan and other government departments. The company believes that it is not exposed to any specific credit risk in respect of these balances.

38.4 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to imports of goods. Foreign currency risks relating to payables are covered through forward foreign exchange contracts if the company assesses that the exposure would have an unfavourable impact. As at the year end the company had liabilities in foreign currencies aggregating Rs. 285.515 million (2007: Rs. 377.419 million).

38.5 Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue new shares.

38.6 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. The company implies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines.

38.7 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, trade deposits and other receivables which are stated at cost / amortised cost.

39 RELATED PARTY TRANSACTIONS

Name of Related Party and nature of relationship	Nature of transaction	2008	2007
		(Rupees in '000')	
(a) Subsidiary company			
Marghzar Industries (Private) Limited	Financial charges	**204**	199
(b) Associated companies			
The General Tyre & Rubber Company of Pakistan Limited (Common Directorship)	Purchase of Tyres	**52,739**	44,674
	Advance received against right shares (302,100 ordinary shares of Rs 10 each) and adjusted against shares issued to Bibojee Services (Private) Limited	-	3,021
	Dividend paid	-	290
Ghandhara Nissan Limited (Common Directorship)	Assembly charges	**70,348**	50,760
	Right shares issued (3,874,626 ordinary shares of Rs 10 each)	-	38,746
	Dividend paid	-	15499
	Sales - Fabrication	**2,328**	-
	Reimbursement of expenses	**9**	-
Universal Insurance Limited (Common Directorship)	Insurance Premium	**8,045**	5,890
	Insurance Claim	**181**	1,836
	Right shares issued (1,187,507 ordinary shares of Rs 10 each)	-	11,875
	Dividend paid	-	3,576
Bibojee Services (Private) Limited (Common Directorship)	Sale of Vehicle	**10,830**	21,000
	Purchase of Vehicle	**2,300**	-
	Right shares issued (6,388,773 ordinary shares of Rs 10 each)	-	63,888
	Dividend paid	-	24,597
Rehman Cotton Mills Limited	Rent paid	**110**	-
Hasan & Hasan Advocates	Retainership fee	**120**	-
(c) Technology suppliers			
Isuzu Motors Limited, Japan	Running Royalty charges	**7,149**	7,798
	Initial royalty	**3,460**	-
	Technical assistance/ training fee	**592**	656
	CKD Purchased	-	588,207
	Parts Purchased	**20,119**	1,772
	Reimbursement of advertisement expenses	**782**	1,254

40 REMUNERATION OF THE DIRECTORS AND EXECUTIVES

	2008	2007
	Executives (Rupees in '000')	
Managerial remuneration and allowances	**12,528**	11,148
	12,528	11,148
Number of persons	**12**	12

40.1 Some executives are provided with free use of car maintained by the company.

40.2 The amount charged in these financial statements in addition to those that are shown above is Rs 0.245 million (2007: Rs 0.175 million) in relation to fee for seven (2007: seven) directors.

41 PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends upon the mix of various product assembly of trucks, buses & fabrication of commercial bodies.

The Company has outsourced the assembly of trucks and buses to Ghandhara Nissan Limited (Associated Undertaking) therefore figures for the actual production for the current year has not been given.

42 CORRESPONDING FIGURES

The following items have been reclassified for the purpose of better presentation. Accordingly prior year figures have been reclassified.

	Reclassification from component	Reclassification to component	(Rupees in '000')
Commission	Sales	Distribution expenses	35,725

43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 8, 2008 by the board of directors of the Company.

Chief Executive

Director

Ghandhara Industries Limited
And its subsidiary
Consolidated Financial Statements
For the year ended
June 30, 2008

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Ghandhara Industries Limited and its subsidiary company, Marghzar Industries (Private) Limited as at 30 June 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed seperate opinions on the financial statements of Ghandhara Industries Limited and its subsidiary company, Marghzar Industries (Pvt.) Limited. These financial statements are responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of Ghandhara Industries Limited and its subsidiary company, Marghzar Industries (Private) Limited as at 30 June 2008 and the results of its operations for the year then ended.

Without qualifying our opinion, we draw attention to the note 27.1 (iv) to the financial statements, the holding company has written back for the year ended as on June 30, 2007 provision for Workers' Profit Participation Fund for the year ended 30 June 2006 based on a legal opinion and in a view of constitutional petition pending adjudication in the Sindh High Court on this matter.

If it is established that the provisions of the Companies Profits (Workers' Participation) Act, 1968 are applicable to the holding company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalties may be become payable.

Date 08 October 2008
Karachi

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000')	
ASSETS			
NON CURRENT ASSETS			
Property, Plant & Equipment	5	**1,028,798**	1,028,668
Investment Properties	7	**91,173**	91,432
Long term Investments	8	**-**	-
Long term loans and advances	9	**461**	635
Long Term Deposits	10	**3,999**	3,846
CURRENT ASSETS			
Stores, spares parts and loose tools	11	**21**	-
Stock-in-trade	12	**468,052**	649,269
Trade debts	13	**56,903**	83,457
Loans and advances	14	**178,620**	120,312
Deposits and Prepayments	15	**150,662**	109,077
Other receivables	16	**140,583**	70,057
Cash and Bank balances	17	**22,939**	128,487
		1,017,780	1,160,659
TOTAL ASSETS		**2,142,211**	2,285,240
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	18	**213,045**	213,045
Reserves	19	**43,200**	43,200
Accumulated Loss		**(37,950)**	(59,620)
		218,295	196,625
Minority Interest		**184**	172
		218,479	196,797
SURPLUS ON REVALUATION OF FIXED ASSETS AND INVESTMENT PROPERTIES	20	**1,076,546**	1,080,058
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance leases	21	**8,165**	15,226
Deferred Liabilities	22	**17,935**	18,572
CURRENT LIABILITIES			
Trade and other payable	23	**581,396**	759,019
Accrued mark up / Interest	24	**9,520**	8,144
Running Finance and Borrowings	25	**90,339**	82,205
Current maturity of liabilities against assets subject to finance leases		**7,989**	6,433
Provision for taxation	26	**131,842**	118,786
		821,086	974,587
CONTINGENT LIABILITIES & COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		**2,142,211**	2,285,240

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive | Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
AS AT 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000')	
Net sales	28	**1,857,058**	1,908,051
Cost of sales	29	**1,714,031**	1,567,128
Gross profit		**143,027**	340,923
Distribution expenses	30	**52,372**	60,657
Administrative expenses	31	**42,426**	54,698
		94,798	115,355
Operating profit		**48,229**	225,568
Other operating expenses	32	**2,171**	16,134
		46,058	209,434
Other operating income	33	**11,522**	18,339
		57,580	227,773
Finance cost	34	**28,060**	26,479
Profit for the year before taxation		**29,520**	201,294
Taxation	35	**(11,350)**	(74,779)
Profit for the year after taxation		**18,170**	126,515
Attributable to:			
Equity holders of the parent		**18,158**	126,505
Minority interest		**12**	10
		18,170	126,515
Combined earning per share - basic and diluted Rs.	36	**0.85**	6.07

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		(Rupees in '000')	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used) / generated from operations	37	**(728)**	205,218
Interest paid		**(24,209)**	(31,148)
Taxes paid (including tax deducted at source)		**(61,418)**	(92,476)
Long term loans and advances		**174**	(446)
Long terms deposits		**(153)**	(3,110)
Net cash flows from operating activities		**(86,334)**	78,038
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(18,179)**	(15,682)
Sale proceeds of fixed assets		**239**	2,721
Proceeds of sale and lease back of motor vehicle		**-**	15,000
Net cash flows from investing activities		**(17,940)**	2,039
CASH FLOWS FROM FINANCING ACTIVITIES			
Right shares subscription		**-**	85,862
Dividend paid		**(495)**	(59,516)
Payment of lease rentals		**(8,913)**	(3,663)
Net cash flows from financing activities		**(9,408)**	22,683
Net increase/(decrease) in cash and cash equivalents		**(113,682)**	102,760
Cash and cash equivalents at beginning of the year		**46,282**	(56,478)
Cash and cash equivalents at end of the year	38	**(67,400)**	46,282

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive   Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2008

	Share Capital	Capital Reserves							
	Issued, subscribed and paid-up	Tax Holiday Reserve	Fixed Assets Replacement Reserve	Contingency Reserve	Revenue Reserve	Accumulated Loss	Total	Minority Interest	Total Equity
	Rupees in '000'								
Balance as at 1 July 2006	65,553	5,500	10,000	25,300	2,400	(125,724)	(16,971)	162	(16,809)
Issue of shares	147,491						147,491	-	147,491
Profit for the year						126,505	126,505	10	126,515
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						3,512	3,512	-	3,512
Balance as at 30 June 2007	213,044	5,500	10,000	25,300	2,400	(59,620)	196,624	172	196,796
Profit for the year						18,158	18,158	12	18,170
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation charged for year						3,512	3,512	-	3,512
Balance as at 30 June 2008	**213,044**	**5,500**	**10,000**	**25,300**	**2,400**	**(37,950)**	**218,294**	**184**	**218,478**

The annexed notes from 1 to 44 form an integral part of these financial statements

Chief Executive

Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1 CORPORATE INFORMATION

Ghandhara 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.

Ghandhara Industries Limited hold 70% equity in Marghzar Industries (Private) Limited.

2 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Amendments to published standard and new interpretation effective in 2007 - 2008:

The following standards, amendments and interpretations to existing approved accounting standards have been published that are mandatory for the company's accounting periods beginning on or after July 1, 2007 or later periods:

- Amendments to IAS 1, 'Presentation of financial statements - Capital disclosures' introduces new disclosures relating to capital risk management and does not have any impact on the classification and valuation of the company's financial statements.

- Islamic Financial Accounting Standard 2 - Íjarah is mandatory for the company's accounting period beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this. It requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit loss account on a straight line basis over the ijarah term. Presently, this standard does not have any affect on the company's financial statements.

2.3 Standards, amendments and interpretations effective in 2007-2008 but not relevant:

There are certain new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the company's operations and are therefore not disclosed in these financial statements.

2.4 Standards, interpretations and amendments to approve accounting standards that are not yet effective:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2008 or later periods:

- IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

- IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

- IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have a material impact on the Company's financial statements.

3 BASIS OF CONSOLIDATION

These consolidated financial statements comprise the financial statements of Ghandhara Industries Limited and its subsidiary, Marghzar Industries (Private) Limited. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences, until the date when that control ceases. The financial statements of the subsidiary have been consolidated on line by line basis.

All material inter-group transactions and balances have been eliminated.

4 BASIS OF PREPARATION

4.1 MEASUREMENT

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the accounting policies below.

4.2 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 companies 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

e) Estimation of net realisable value

f) Accounting for retirement benefits

4.3 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.

5 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.

5.1 PROPERTY, PLANT & EQUIPMENT

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

The holding 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 balance sheet till 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.

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 6 to these accounts.

During the year, the holding company has changed its accounting estimate in respect of depreciation of lease hold land which is now charged on original cost as compared to previously charging the same on revalued amount. This change in accounting estimate has been applied prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in these estimate, the profit before taxation would have been lower by Rs. 13.719 million.

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.

Any surplus arising on revaluation of leasehold land, building on leasehold land, plant and machinery 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.

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.

5.2 INVESTMENT

Investment properties

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

The holding 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 revaluation on these assets shall be held on the balance sheet till realisation 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 holding company are classified as being available for sale and stated at fair value.

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

5.3 LONG TERM DEPOSITS

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

5.4 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.

5.5 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.

5.6 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.

5.7 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 are comprise of cash in hand, cash at banks and running finances which are payable on demand.

5.8 STAFF RETIREMENT BENEFITS

The holding company has established unfunded gratuity scheme for all of its employees. Contributions under the schemes are made on the basis of actuarial valuation and are charged to Profit and Loss account. The valuation of both schemes was carried out on June 30, 2008 using the "Projected Unit Credit Method".

Actuarial gains and losses arising from the actuarial valuation are recognised over the average remaining service lives of employees.

5.9 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.

5.10 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.

5.11 REVENUE RECOGNITION

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

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 PROVISIONS, 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.

5.17 WARRANTY

The holding 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.

5.18 DIVIDEND

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

5.19 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value.

5.20 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.

5.21 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 .

	Note	2008	2007
		(Rupees in '000')	
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**1,028,573**	1,028,668
Capital work in progress	6.7	**225**	-
		1,028,798	1,028,668

6.1 Operating fixed assets

	OWNED										LEASED	TOTAL
	Leasehold land	Building on lease hold land	Plant & Machinery	Permanent tools	Furniture & fixtures	Motor vehicles	Lift trucks	Office machines & equipments	Computers	Jigs and special tools	Motor vehicles	
At June 30, 2006						(Rupees in '000)						
Cost	946,500	68,450	47,112	3,023	935	14,936	3,123	3,830	1,416	25,630	-	1,114,955
Accumulated depreciation	-	-	46,486	3,022	918	12,820	3,122	3,507	1,086	10,895	-	81,856
Book value	946,500	68,450	626	1	17	2,116	1	323	330	14,735	-	1,033,099
Year ended June 30, 2007												
Additions	-	-	-	-	-	14,422	-	783	477	-	25,323	41,005
Disposals:												
- Cost	-	-	-	-	-	15,305	-	-	-	-	-	15,305
- depreciation	-	-	-	-	-	(1,692)	-	-	-	-	-	(1,692)
	946,500	68,450	626	1	17	2,925	1	1,106	807	14,735	25,323	1,060,491
Depreciation charge	13,719	5,322	78	-	3	1,289	-	115	188	8,451	2,658	31,823
Net book value as at June 30, 2007	932,781	63,128	548	1	14	1,636	1	991	619	6,284	22,665	1,028,668
Year ended June 30, 2008												
Additions	-	-	719	141	1,573	4,482	6,096	4,444	499	-	933	18,887
Disposals:												
- Cost	-	-	-	-	-	263	-	-	-	-	-	263
- depreciation	-	-	-	-	-	(263)	-	-	-	-	-	(263)
	932,781	63,128	1,267	142	1,587	6,118	6,097	5,435	1,118	6,284	23,598	1,047,555
Depreciation charge	-	5,322	117	1	30	1,067	394	350	210	6,286	5,205	18,982
Net book value at June 30, 2008	932,781	57,806	1,150	141	1,557	5,051	5,703	5,085	908	(2)	18,393	1,028,573
As at June 30, 2007												
Cost	946,500	68,450	47,112	3,023	935	14,053	3,123	4,613	1,893	25,630	25,323	1,140,655
Accumulated depreciation	13,719	5,322	46,564	3,022	921	12,417	3,122	3,622	1,274	19,346	2,658	111,987
Book value	932,781	63,128	548	1	14	1,636	1	991	619	6,284	22,665	1,028,668
As at June 30, 2008												
Cost	946,500	68,450	47,831	3,164	2,508	18,272	9,219	9,057	2,392	25,630	26,256	1,159,279
Accumulated depreciation	13,719	10,644	46,681	3,023	951	13,221	3,516	3,972	1,484	25,632	7,863	130,706
Book value	932,781	57,806	1,150	141	1,557	5,051	5,703	5,085	908	(2)	18,393	1,028,573
Depreciation rate %	1.47	2.5 to 6.25	10	12.5	6 to 6.25	20	20	12.5	20	33	20	

	Note	2008	2007
		(Rupees in '000')	

6.2 Depreciation for the year is allocated as follows:

	Note	2008	2007
Cost of goods manufactured	29.1	**11,375**	24,099
Distribution expenses	30	**2,804**	2,908
Administrative expenses	31	**4,803**	4,816
		18,982	31,823

6.3 The holding company's leasehold land and buildings thereon were revalued on 31 March 1971, 27 June 1992 and 30 June 1995 (including plant and machinery). The leasehold land was again revalued on 30 June 1996. The latest valuation was carried out by Yunus Mirza & Co. (Pvt) Limited, Incorporated Architects, Engineers, Town Planner and Bank's Approved Surveyors on 30 June, 2006. The valuation of leasehold land was based on current market trends and prevailing value in the vicinity of the plot and valuation of buildings was based on current construction cost minus the accumulated depreciation.

6.4 Jigs and special tools having book value of Rs. Nil (2007: Rs. 6.28) million are held with Ghandara Nissan Limited, associated undertaking for assembly of Trucks and Buses on behalf of the holding company.

6.5 The dates and amounts of revaluation surplus included in the book value of fixed assets as at 30 June 2008 is given below:

	Leasehold land	**Buildings on leasehold**	**Plant and machinary**	**Total**
		(Rupees in '000')		
(a) At March 31,1971				
Revaluation surplus	3,000	2,792	-	5,792
Less: Depreciation surplus	30	140	-	170
	2,970	2,652	-	5,622
(b) At June 27, 1992				
Revaluation surplus	91,891	32,734	-	124,625
Less: Depreciation surplus	1,138	3,493	-	4,631
	90,753	29,241	-	119,994
(c) At June 27, 1995				
Revaluation surplus	88,723	14,834	23,474	127,031
Less: Depreciation surplus	1,141	1,886	23,474	26,501
	87,582	12,948	-	100,530
(d) At 30 June 1996				
Revaluation surplus	11,782	-	-	11,782
Less: Depreciation surplus	154	-	-	154
	11,628	-	-	11,628
(e) At 30 June 2006				
Revaluation surplus	751,104	11,279	-	762,383
Less: Depreciation surplus	11,256	4,786	-	16,042
	739,848	6,493	-	746,341
Total cost or revaluation	946,501	68,450	47,831	1,062,782
Less: Depreciation there on	13,719	10,645	46,681	71,045
Net Book Value	932,782	57,805	1,150	991,737

6.6 Had there been no revaluation, the book value of buildings on leasehold land and plant and machinery as on 30 June 2008 would have been as under:

	Cost	Accumulated Depreciation	Book Value
		(Rupees in '000')	
Building on Leasehold Land	6,810	341	6,469
Plant and Machinery	24,357	23,207	1,150

6.7 This represents advance given for acquisition of software.

7 INVESTMENT PROPERTIES

	Leasehold land	Building on leasehold land	Total
		(Rupees in '000')	
At June 30, 2006			
Cost	97,392	416	97,808
Accumulated depreciation	5,827	290	6,117
Book value	91,565	126	91,691
Year ended June 30, 2007			
Additions	-	-	-
Disposals:			
- Cost	-	-	-
- depreciation	-	-	-
	91,565	126	91,691
Depreciation charge	243	16	259
Net book value as at June 30, 2007	**91,322**	**110**	**91,432**
Year ended June 30, 2008			
Additions	-	-	-
Disposals:			
- Cost	-	-	-
- depreciation	-	-	-
	91,322	110	91,432
Depreciation charge	243	16	259
Net book value at June 30, 2008	**91,079**	**94**	**91,173**
As at June 30, 2007			
Cost	97,392	416	97,808
Accumulated depreciation	6,070	306	6,376
Book value	**91,322**	**110**	**91,432**
As at June 30, 2008			
Cost	97,392	416	97,808
Accumulated depreciation	6,313	322	6,635
	91,079	**94**	**91,173**
	0.25	2.5 to 6.25	

	Note	2008	2007
		(Rupees in '000')	

7.1 Depreciation for the year is allocated as follows:

	Note	2008	2007
Administrative expenses	31	**259**	259
		259	259

7.2 The execution of a lease deed for land at Haroonabad in Sindh Industrial Trading Estate, Karachi has not been finalised.

7.3 The holding company's leasehold land and buildings thereon were revalued on 27 June 1992 and 30 June 1995. The leasehold land was again revalued on 30 June 1996. The latest revaluation was carried out by Iqbal A. Nanjee & Co. Valuation Consultants on 30 June 1996. The valuation was based on current market values.

7.4 The Market value as on 30 June, 2008 was Rs 377 (2007: Rs. 377) million.

7.5 The dates and amounts of revaluation surplus included in the book value of investment properties as at 30 June 2008 is given below:

	Leasehold land	**Building on leasehold land**	**Total**
		(Rupees in '000)	
(a) At June 27 1992			
Revaluation surplus	47,889	33	47,922
Less: Depreciation surplus	4,008	13	4,021
	43,881	20	43,901
(b) At 30 June 1995			
Revaluation surplus	37,780	146	37,926
Less: Depreciation surplus	1,587	119	1,706
	36,193	27	36,220
(c) At 30 June 1996			
Revaluation surplus	10,634	-	10,634
Less: Depreciation surplus	292	-	292
	10,342	-	10,342
Total cost or revaluation	97,392	416	97,808
Less: Depreciation there on	6,071	321	6,392
Net Book Value	91,321	95	91,416

8 LONG TERM INVESTMENTS

	Note	2008	2007
		(Rupees in '000')	
- Listed			
Available for sale investment			
Bela Engineers Limited			
160 Fully paid-up ordinary shares			
of Rs. 10 each - at cost (2007: 160 shares)		1	1
Less: Provision for impairment in value of investment		-	1
Less: Written off against provision		1	-
		-	-

	2008	2007
	(Rupees in '000')	
9 LONG TERM LOANS AND ADVANCES		
Unsecured		
Considered Good		
Executives	**663**	917
Non executives	**257**	118
	920	1,035
Less: Installments recoverable within twelve months		
Executives	**273**	342
Non executives	**186**	58
	459	400
	461	635

9.1 Reconciliation of loans and advances to executives

	2008	2007
Balance at beginning of the year	**917**	267
Add: Disbursement	**75**	990
	992	1,257
Less: Recovered during the year	**329**	340
	663	917

9.2 Interest free loans have been provided to executives for purchase / construction of house and to employees for personal use. These are repayable in monthly installments over a period of one to five years.

9.3 Maximum amount due from executives at the end of any month was Rs. 0.887 million (2007: Rs.1.305 million).

10 LONG TERM DEPOSITS

	2008	2007
Considered Good		
Deposits	**3,999**	3,846

11 STORES, SPARES PARTS AND LOOSE TOOLS

	2008	2007
Stores	**21**	-
Spares parts	**6,316**	6,316
	6,337	6,316
Less: Provision for Obsolescence	**6,316**	6,316
	21	-

	Note	2008	2007
		(Rupees in '000')	

12 STOCK IN TRADE

	Note	2008	2007
Raw materials and components			
In hand	12.2	**392,551**	472,014
Less: Provision for slow moving raw material		**21,076**	21,076
		371,475	450,938
In transit		**3,284**	5,284
		374,759	456,222
Manufactured stock including components	12.3	**57,931**	164,578
Trading stocks		**50,531**	43,638
Less: Provision for slow moving trading stock		**15,169**	15,169
		35,362	28,469
		468,052	649,269

12.1 Of the aggregate amount, stocks which were in the custody of third parties are as follows:

	2008	2007
Precision Engineering Works	**1,368**	1,406
Ghandhara Nissan Limited (Associated Undertaking)	**392,104**	568,351
Multan Motors	**2,250**	-
Punjab Motors	**3,400**	-
Meraj (Pvt.) Ltd.	**1,250**	-
Aries International	**1,250**	-
A.R. Engineering	**2**	-
	401,624	569,757

12.2 This includes raw material carried at net realisable value, amounting to Rs. 21.1 million (2007: Rs. 21.1 million).

12.3 This includes manufactured stock carried at net realisable value, amounting to Rs. 8.5 million (2007: 8.5 million).

13 TRADE DEBTS

	2008	2007
Unsecured		
Considered Good		
Government and semi-government agencies	**39,380**	43,752
Others	**17,523**	39,705
	56,903	83,457
Considered Doubtful		
Government and semi-government agencies	**688**	688
Less: Provision there against	**688**	688
	-	-
	56,903	83,457

14 LOANS AND ADVANCES

	2008	2007
Unsecured		
Considered Good		
Employees	**135**	305
Advances to Suppliers and others	**11,806**	14,805
	11,941	15,110
Considered Doubtful		
Advances to Suppliers	**1,175**	1,175
Less: Provision there against	**1,175**	1,175
	-	-
Income Tax Deducted at source / Paid in Advance	**166,220**	104,802
Current portion of loans and advances	**459**	400
	178,620	120,312

		2008	2007
		(Rupees in '000')	

15 DEPOSIT AND PREPAYMENTS

		2008	2007
Tender Deposits		**42,246**	22,959
Margins Against Bank Guarantees		**588**	2,843
Less: Provision for doubtful margin against bank guarantees		**330**	330
		258	2,513
L/C Margin		**108,158**	71,274
FIM Margin		**-**	12,331
		150,662	109,077

16 OTHER RECEIVABLES

		2008	2007
Sales tax refundable - considered good		**137,745**	70,057
Sundry receivables - Considered good		**2,838**	-
Considered Doubtful-Sundry Receivables		**1,948**	1,948
Less: Provision there against		**1,948**	1,948
		-	-
		140,583	70,057

17 CASH AND BANK BALANCES

		2008	2007
Cash in hand		**211**	591
With banks			
In current accounts		**17,006**	129,550
In deposit accounts	17.1	**3,457**	556
In foreign currency accounts	17.2	**28**	23
		20,491	130,129
Less: Provision for doubtful bank account	17.3	**2,233**	2,233
		18,258	127,896
Term deposit	17.4	**4,470**	-
		22,939	128,487

17.1 This includes deposits amounting to Rs. 1.060 million under lien against bank guarantee.

17.2 Foreign currency accounts include J¥ 31,532 equivalent to Rs. 20,237 and US$ 126 equivalent to Rs.7,386 (2007:J¥ 31,523 equivalent to Rs.15,459 and US$ 126 equivalent to Rs.7,386)

17.3 This represents provision made against balances held with Indus Bank Limited under liquidation.

17.4 Term deposit is under lien against bank guarantee.

			2008	2007
			(Rupees in '000')	

18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

No. of Shares				
2008	**2007**			
		Ordinary shares of Rs.10 each		
17,650,862	17,650,862	Fully paid up in cash	**176,509**	176,509
3,295,354	3,295,354	Fully paid bonus shares	**32,953**	32,953
358,206	358,206	Issued for consideration other than cash	**3,582**	3,582
21,304,422	21,304,422		**213,044**	213,044

18.1 Movement in share capital during the year

No. of Shares				
2008	**2007**			
21,304,422	6,555,300	As at June 30	**213,044**	65,553
-	14,749,122	Issued right shares of Rs 10 each as fully paid up shares	-	147,491
21,304,422	21,304,422		**213,044**	213,044

18.2 The company has one class of ordinary shares which carry no right to fixed income.

18.3 6,480,424 (2007:6,480,424) ordinary shares of Rs. 10/- each were held by associated companies as at the year end.

18.4 Bibojee Services (Private) Limited, the ultimate holding company, held 8,343,397 (2007: 8,343,397) ordinary shares of Rs. 10/- each as at the year end.

19 RESERVES

		2008	2007
Capital Reserves	19.1	**40,800**	40,800
Revenue Reserves	19.2	**2,400**	2,400
		43,200	43,200

19.1 Capital Reserves

	2008	2007
Tax holiday reserve		
Balance as at beginning and end	**5,500**	5,500
Fixed assets replacement reserve		
Balance as at beginning and end	**10,000**	10,000
Contingency reserve		
Balance as at beginning and end	**25,300**	25,300
	40,800	40,800

19.2 Revenue Reserves

	2008	2007
Balance as at beginning and end	**2,400**	2,400

	2008	2007
	(Rupees in '000')	

20 SURPLUS ON REVALUATION OF FIXED ASSETS AND IMMOVABLE PROPERTIES

	2008	2007
Balance as at 1 July	**1,095,542**	1,100,945
Deferred Taxation on unrealisd surplus reversed as no longer considered necessary	-	
Add: Revaluation during the year	-	
Transferred to accumulated profit:		
Surplus relating to incremental depreciation charged during the year	**(5,403)**	(5,403)
	1,090,139	1,095,542
Less:Related deferred tax		
Deferred Tax on revaluation as at 1st July	**15,484**	17,375
Transferred to accumulated loss on account of incremental depreciation charged during the year	**(1,891)**	(1,891)
	13,593	15,484
	1,076,546	1,080,058

21 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The holding company has acquired motor vehicles under finance lease arrangements from leasing companies. The arrangements are secured by title of assets leased. Rentals are payable in monthly installments. Repair and insurance cost are to be borne by the company. The rate of financial charges applied ranges from 13.78 % to 18.37 % per annum (2007: 13.78% to 16%).

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	June 30, 2008		June 30, 2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	------Rupees '000------			
Year ended June 30, 2008	-	-	8,660	6,433
Year ended June 30, 2009	**9,400**	**7,989**	8,842	7,593
Year ended June 30, 2010	**6,581**	**6,244**	6,207	5,977
Year ended June 30, 2011	**1,984**	**1,921**	1,736	1,656
Total minimum lease payments	**17,965**	**16,154**	25,445	21,659
Less: Financial charges allocated to future periods	**1,811**	-	3,786	-
Present value of minimum lease payments	**16,154**	**16,154**	21,659	21,659
Less: Current maturity shown under current liabilities	**7,989**	**7,989**	6,433	6,433
	8,165	**8,165**	15,226	15,226

		2008	2007
		(Rupees in '000')	

22 DEFERRED LIABILITIES

22.1 Deferred Taxation	22.1	**15,942**	17,648
22.2 Gain on sale and lease back of fixed assets	22.2	**462**	924
22.3 Provision for gratuity	22.3	**1,531**	-
		17,935	18,572

22.1 Deferred Taxation

22.1 Deferred Taxation	**15,942**	17,648

The following are the major tax liabilities and assets recognised by the company:

Accelerated tax depreciation	**19,391**	20,199
Revaluation of fixed assets	**13,593**	1,891
Obligation under finance lease	**784**	
Gain on sale and lease back of fixed assets	**(162)**	
Provision for gratuity	**(536)**	
Provision for obsolescence:		
Stores and spares	**(2,210)**	(2,210)
Stock in trade	**(12,686)**	-
Provision for bad / doubtful:		
Trade Debts	**(241)**	(241)
Advance to Supplier	**(411)**	(411)
Bank Guarantee	**(116)**	(116)
Sundry Receivables	**(682)**	(682)
Cash at bank	**(782)**	(782)
Deferred taxation	**15,942**	17,648

22.2 Gain on sale and lease back of fixed asset

Gain on sale and lease back of motor vehicle	**1,386**	1,386
Amortised to date	**(924)**	(462)
	462	924

The holding company had entered into a sale and leaseback transaction with Orix Leasing Pakistan Limited during the year ended June 30, 2007 which has resulted in a finance lease. The excess of sale proceeds over the net book value of motor vehicle under a sale and leaseback arrangement has been recognised as deferred income and is being amortised over the period of the lease term.

22.3 PROVISION FOR GRATUITY

Balance at beginning	-	-
Add: Charge for the year	**1,531**	-
	1,531	-
Less: Benefits paid during the year	-	-
	1,531	-

Movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation as at July 1	-	-
Current service cost	**1,531**	-
Interest cost	-	-
Benefit paid	-	-
Actuarial (gain) / loss	-	-
Present value of defined benefit obligation as at June 30	**1,531**	-

The expense is recognized in the following line items in the income statement:

Cost of goods manufactured	29.3	**427**	-
Distribution cost	30.1	**314**	-
Administrative expenses	31.1	**791**	-
		1,532	-

Principal actuarial assumptions at the balance sheet date for:

Discount rate	**12%**	-
Future salary increases	**11%**	-
Average expected remaining working life time of employees	**9 years**	-

		2008	2007
		(Rupees in '000')	

23 TRADE AND OTHER PAYABLE

Creditors		**120,737**	74,368
Bills payable		**271,111**	365,563
Accrued liabilities		**40,358**	40,302
Customers credit balances		**22,971**	64,592
Other dealers' credit balances		**1,085**	1,085
Advance against sale of investment in immovable property		**5,000**	5,000
Custom duty payable		**5,969**	24,092
Payable to trustees' provident fund		**178**	178
Unclaimed dividends		**6,872**	7,367
Retention money		-	433
Earnest money		-	24
Withholding tax		**1,150**	1,096
Due to associated companies	23.1	**67,029**	134,626
Royalty payable		**13,981**	11,231
Federal Excise Duty payable		**423**	423
Drawing fee payable		-	625
Corporate assets tax		**2,000**	2,000
Waqf-e-Kuli Khan		**8,318**	8,318
Sales Tax Payable		**14**	14
Worker profit participation fund	23.2	**12,410**	10,828
Worker Welfare fund		**589**	4,489
Others		**1,202**	2,366
		581,397	759,020

23.1 Due to associated companies

Bibojee Services (Private) Limited	**48,001**	56,848
The General Tyre & Rubber Company of Pakistan Limited	**7,365**	14,387
Ghandhara Nisan Limited	**9,051**	57,583
Universal Insurance Company Limited	**2,402**	5,335
Rehman Cotton Mills Limited	**210**	473
	67,029	134,626

23.2 Worker profit participation fund

Balance at beginning of year	**10,828**	7,723
Add: Charge for the year	**1,582**	10,828
	12,410	18,551
Less: Reversal /Payments during the year	-	7,723
Balance at end of year	**12,410**	10,828

24 ACCRUED MARK UP/ INTEREST

Mark up on

Short term loan / Running finances & Borrowings		
secured	**5,006**	3,630
Long term loans		
unsecured	**4,514**	4,514
	9,520	8,144

	Note	2008	2007
		(Rupees in '000')	

25 RUNNING FINANCES AND BORROWINGS

	Note	2008	2007
Secured			
Finance against imported material		-	82,205
Running finance from bank	25.2	**90,339**	-
		90,339	82,205

25.1 The facility for opening letters of credit as at 30 June 2008 amounted to Rs. 713 million (30 June 2007: Rs. 660 million) of which the amount remaining unutilized at the year-end was 205 million (2007: Rs. 151 million). These facilities are secured against hypothecation of books debts, stocks and other receivables amounting to Rs. 160 million (2007: Rs.160 million) and mortgage of company property amounting to Rs. 375 million and pledge of company's stock. Further, it is also secured against personal guarantees of chief executive and a director of the company. These facilities will expire on September 30, 2008 (2007: February 28, 2008).

25.2 The holding company has facility for short-term running finance amounting to Rs. 150 million (2007: Rs. 50 million) from a bank. The rate of mark up is based on 3 months KIBOR plus 3% payable quarterly. The arrangement is secured by way of equitable charge over fixed assets with a token registered charge of Rs. 0.5 million over company property bearing F-3 SITE, Karachi and hypothecation charge over moveables and receivables of Rs. 200 million.

26 PROVISION FOR TAXATION

	2008	2007
Balance at beginning	**118,786**	40,216
Provided during the year	**13,056**	78,570
Adjustment during the year		-
	131,842	118,786

27 CONTINGENCIES & COMMITMENTS

27.1 Contingent Liabilities

(i) Claims against the holding company not acknowledged as debt Rs. 27.043 million (2007: Rs.27.043 million) relating to sales tax on 10,000 units of gear boxes and rear axles each claimed by a supplier which has been contested by the company.

(ii) Suit against the holding company by the supplier for the recovery of Rs. 25.867 million (2007: Rs. 25.867 million) as compensation for breach of agreement. The suit is being defended by the holding company on a number of legal grounds. The suit is at present in evidence stage and the company has plausible defense.

(iii) Various demands have been raised by the Central Excise and Sales Tax Departments amounting to Rs. 4.896 million (2007: Rs. 4.896 million). No provision has been made in these financial statements as, in the opinion of legal advisors, the company will have favourable decision.

(iv) The holding company had obtained legal advice in connection with the establishment of Worker's Participation Fund (the Fund) under the Companies Profits (Workers' Participation) Act, 1968 (the Act). The legal advisor is of the view that since, during the year ended 30 June 2006, the holding company did not employ any person who falls under the definition of worker as defined in the Act of 1968, it was not legally or factually possible to constitute the Fund as required by section 3 of the Act. As a consequence, the holding company was not required to make contributions to the fund established pursuant to Workers' Welfare Fund Ordinance 1971. The holding company based on legal advice has written back in the financial statements for the year ended as on June 30, 2007 the amount of Worker's Profit Participation Fund provided during the year 30 June 2006.

Furthermore, the question whether a company to which the Act of 1968 and its scheme applies but which does not employ any worker is nevertheless obliged to establish and pay contributions into the fund under the act and thereafter transfer the same to the fund established under the Workers' Welfare Fund Ordinance, 1971 is pending adjudication in Sindh High Court at Karachi on a constitutional petition filed by another company in December 2003.

If it is established that the above provisions of the Act are applicable to the holding company, provision in respect of year ended 30 June 2006 amounting to Rs. 7.722 million including any penalties may become payable.

		Note	2008	2007
			(Rupees in '000')	
27.2	**Guarantees**			
	Issued by banks		**74,546**	95,928

Guarantees are issued to Government and Semi-government institutions and shall be released on delivery of trucks and buses. These are issued under normal operations.

27.3	**Post dated cheques**		**103,760**	460,891

Post dated cheques have been issued in favour of Collector of Customs on account of duty differential. These cheques will be returned after necessary verification by the authorities.

27.4	**Commitments**			
	Confirmed letters of credit-CKD		**153,896**	105,157

28 NET SALES

	Note	2008	2007
Manufactured goods			
Sales		**1,858,850**	1,918,746
Sale tax		**(12,637)**	(13,447)
		1,846,213	1,905,299
Trading stock			
Sales		**11,152**	3,117
Sales Tax		**(307)**	(365)
		10,845	2,752
		1,857,058	1,908,051

29 COST OF SALES

	Note	2008	2007
Manufactured goods			
Stock at beginning of year		**164,578**	143,073
Cost of goods manufactured	29.1	**1,594,532**	1,586,114
		1,759,110	1,729,187
Stock at end of year		**(57,931)**	(164,578)
		1,701,179	1,564,609
Trading stock			
Stock at beginning of year		**28,469**	23,852
Purchases		**19,745**	7,136
		48,214	30,988
Stock at end of year		**(35,362)**	(28,469)
		12,852	2,519
		1,714,031	1,567,128

	Note	2008	2007
		(Rupees in '000')	

29.1 COST OF GOODS MANUFACTURED

	Note	2008	2007
Work-in-process at beginning of year		-	26,656
Raw material and components consumed	29.2	**1,466,826**	1,451,935
Stores and spares consumed		**488**	62
Salaries, wages and other benefits	29.3	**23,501**	14,839
Fuel and power		**3,249**	2,764
Rent, rates and taxes		**585**	553
Insurance		**4,549**	2,701
Research & development		**10**	672
Repairs and maintenance		**94**	635
Travelling & entertainment		**778**	842
Out side assembly charges		**70,348**	50,760
Depreciation on fixed assets	6.2	**11,375**	24,099
Running Royalty		**11,201**	8,454
Federal Excise Duty on royalty		-	423
Other Expenses		**1,528**	719
		1,594,532	1,586,114
Work-in-process at end of year		-	-
		1,594,532	1,586,114

29.2 RAW MATERIAL & COMPONENTS CONSUMED

	2008	2007
Stock at beginning of year	**456,222**	502,132
Purchases including duties, taxes and other charges	**1,385,363**	1,406,025
	1,841,585	1,908,157
Stock at end of year	**(374,759)**	(456,222)
	1,466,826	1,451,935

29.3 The following amounts have been charged to cost of sales during the year in respect of gratuity:

	2008	2007
Current service cost	**427**	-

30 DISTRIBUTION EXPENSES

	Note	2008	2007
Salaries, wages and benefits	30.1	**8,370**	3,594
Commission		**28,721**	35,725
Rent, rates and taxes		**396**	104
Insurance		**425**	229
Repairs and maintenance		**756**	1,564
Utilities		**59**	37
Travelling and entertainment		**1,528**	1,046
Communication and stationery		**918**	327
After sale services and warranty		**2,159**	740
Advertisement		**3,486**	659
Legal and professional charges		-	72
Subscriptions		**86**	109
Late Delivery Charges		-	7,992
Depreciation on fixed assets	6.2	**2,804**	2,908
Freight forwarding		**2,024**	4,398
Other expenses		**640**	1,153
		52,372	60,657

30.1 The following amounts have been charged to distribution expenses during the year in respect of gratuity:

	2008	2007
Current service cost	**314**	-

31 ADMINISTRATION EXPENSES

	Note	2008	2007
		(Rupees in '000')	
Salaries, wages and benefits	31.1	**15,175**	12,836
Rent, rates and taxes	31.2	**438**	689
Insurance		**1,092**	590
Repairs and maintenance		**7,149**	11,856
Utilities		**24**	13
Travelling and entertainment		**4,327**	4,360
Communication and stationery		**2,616**	3,671
Advertisement		**285**	768
Auditor's remuneration			
Audit fee		**254**	254
Out of pocket expenses		**10**	10
		264	264
Legal and professional charges	31.3	**1,629**	1,526
Subscriptions		**528**	655
Donation	31.4	**1,423**	10,298
Depreciation on fixed assets	6.2	**4,803**	4,816
Depreciation on investment in immovable properties	7.1	**259**	259
Security Expenses		**1,810**	1,468
Other expenses		**604**	629
		42,426	54,698

31.1 The following amounts have been charged to administration expenses during the year in respect of gratuity:

	2008	2007
Current service cost	**791**	-

31.2 This includes rent paid to Rehman Cotton Mills Limited (Associated Company) amounting to Rs. 0.110 million.

31.3 This includes retainership fee amounting to Rs. 0.120 million paid to Hasan & Hasan. Dr. Parvez Hasan, director of the company, is the partner of the firm.

31.4 Donation of Rs. Nil (2007: Rs. 8.168 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gardee Trust Building, Napier Road, Lahore, a trust. Lt. Gen. (Retd) Ali Kuli Khan Khattak, Mr. Ahmed Kuli Khan Khattak, Mr. Raza Kuli Khan Khattak and Mr. Mustaq Ahmed Khan, the directors of the company, are trustees of the trust.

32 OTHER OPERATING EXPENSES

	2008	2007
Worker Profit Participation Fund	**1,582**	10,828
Worker Welfare fund	**589**	4,489
Commission paid	-	817
	2,171	16,134

33 OTHER OPERATING INCOME

	Note	2008	2007
From financial assets			
Profit on bank deposits		**651**	1,439
From non financial assets			
Scrap sales		-	1,432
Gain on sale of fixed assets		**239**	2,707
Amortisation of gain on sale and lease back of fixed asset	22.2	**462**	462
Commission received		-	3,870
Others		**35**	168
Reversal of WPPF		-	7,723
Exchange gain		-	538
Late delivery charges recovered		**7,081**	-
Reversal of long outstanding credit balances		**3,054**	-
		11,522	18,339

	2008	2007
	(Rupees in '000')	

34 FINANCE COST

Finance charge on finance lease	**2,475**	860
Markup on finance against merchandise	**3,512**	12,707
Markup on payments against documents	**-**	6,398
Markup on running finance	**16,744**	-
Discounting of bills	**459**	2,821
L/G charges	**1,044**	568
Bank charges and commission	**1,543**	3,125
Exchange loss	**1,739**	-
Loss on remeasurement of derivatives	**544**	-
	28,060	26,479

35 TAXATION

Current		
for the year	**(13,056)**	(78,570)
prior year	**-**	-
Deferred	**1,706**	3,791
	(11,350)	(74,779)

35.1 Relationship between tax expense and accounting profit

Profit before taxation	**29,520**	201,294
Tax at the applicable income tax rate 35% (2007: 35%)	**10,333**	70,453
Tax effect of expenses that are not deductible for tax purposes	**8,750**	11,530
Deductible for tax purposes	**(6,027)**	(3,413)
Deferred tax charge	**(1,706)**	(3,791)
	11,350	74,779

36 COMBINED EARNING PER SHARE

Net profit after taxation for the year attributable to equity holders	**18,158**	126,505
	Numbers	
Weighted average number of outstanding ordinary shares outstanding during the year	**21,304**	20,842
	Rupees	
Combined basic and diluted earnings per share	**0.85**	6.07

37 CASH GENERATED FROM OPERATIONS

	Note	2008	2007
		(Rupees in '000')	
Profit /(Loss) before taxation		**29,520**	201,294
Adjustment for non cash charges and other items			
Depreciation			
Fixed assets		**18,982**	31,823
Investment properties		**259**	259
Gain on sale of fixed assets		**(239)**	(2,707)
Amortisation of gain on sale and lease back of fixed asset		**(462)**	(462)
Interest expense		**28,060**	26,479
Provision for gratuity		**1,531**	-
Operating profit before working capital changes		**77,651**	256,686
Working capital changes	37.1	**(78,379)**	(51,468)
		(728)	205,218

37.1 Working Capital Changes

	2008	2007
(Increase) / Decrease in current assets		
Stores and spares	**(21)**	-
Stock-in-trade	**181,217**	46,444
Trade debts	**26,554**	(79,068)
Loans and Advances	**3,110**	(8,314)
Deposits and Prepayments	**(41,585)**	(16,817)
Other receivables	**(70,526)**	(48,326)
	98,749	(106,081)
(Decrease) / Increase in current liabilities		
Trade and other payable	**(177,128)**	54,613
	(78,379)	(51,468)

38 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the Balance sheet.

	2008	2007
Cash and bank balances	**22,939**	128,487
Short-term loan and running finances	**(90,339)**	(82,205)
	(67,400)	46,282

39 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date.

	Interest/Markup bearing			Non-Interest/Markup bearing			Total	Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	2008	2007
Financial assets	(Rupees in '000)							
Long term loan and advances	-	-	-	459	461	920	920	1,035
Long term Deposits	-	-	-	-	3,999	3,999	3,999	3,846
Loans and advances	-	-	-	178,620	-	178,620	178,620	120,312
Trade debts	-	-	-	56,903	-	56,903	56,903	83,457
Other receivables	-	-	-	140,583	-	140,583	140,583	70,057
Deposits	-	-	-	150,662	-	150,662	150,662	109,077
Cash and bank balances	7,955	-	7,955	14,984	-	14,984	22,939	128,487
2008	**7,955**	-	**7,955**	**542,211**	**4,460**	**546,671**	**554,626**	516,271
2007	556	-	556	511,234	4,481	515,715	516,271	
Financial liabilities								
Liabilities against assets subject to finance leases	7,989	8,165	16,154	-	-	-	16,154	21,659
Running finances under mark-up arrangements	90,339	-	90,339	-	-	-	90,339	82,205
Trade and other payables	-	-	-	581,383	-	581,383	581,383	760,346
Accrued mark-up	-	-	-	9,520	-	9,520	9,520	8,144
2008	**98,328**	**8,165**	**106,493**	**590,903**	-	**590,903**	**697,396**	872,354
2007	88,638	15,226	103,864	768,490	-	768,490	872,354	

39.2 The effective interest rates for financial assets and liabilities are as follows:

	2008	2007
Financial Assets		
Cash and Bank Balances	**2.5% to 9%**	2.5% to 3.5%

Financial Liabilities	**2008**	2007
Finance against imported merchandise	-	one year KIBOR plus 3% with a floor of 14 %
Running finance	**Three months KIBOR plus 3%**	-
Liabilities against asset subject to finance lease	**13.78 % to 18.37 %**	13.78% to 16%

39.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its receivables.

To manage exposure to credit risk, the company applies credit limits to its customers. Further, it obtains advance against sales and coverage under the agreements. Receivables includes balances due from the Government of Pakistan and other government departments. The company believes that it is not exposed to any specific credit risk in respect of these balances.

39.4 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to imports of goods. Foreign currency risks relating to payables are covered through forward foreign exchange contracts if the company assesses that the exposure would have an unfavourable impact. As at the year end the company had liabilities in foreign currencies aggregating Rs. 285.515 million (2007: Rs. 377.419 million).

39.5 Capital risk management

The company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to the shareholders or issue new shares.

39.6 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. The company implies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines.

39.7 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, trade deposits and other receivables which are stated at cost / amortised cost.

40 RELATED PARTY TRANSACTIONS

Name of Related Party and nature of relationship	Nature of transaction	2008	2007
		(Rupees in '000')	
(a) Associated companies			
The General Tyre & Rubber Company of Pakistan Limited	Purchase of Tyres	**52,739**	44,674
(Common Directorship)	Advance received against right shares (302,100 ord inary shares of Rs 10 each) and adjusted against shares issued to Bibojee Services (Private) Limited	-	3,021
	Dividend paid	-	290
Ghandhara Nissan Limited (Common Directorship)	Assembly charges	**70,348**	50,760
	Right shares issued (3,874,626 ordinary shares of Rs 10 each)	-	38,746
	Dividend paid	-	15,499
	Sales - Fabrication	**2,328**	-
	Reimbursement of expenses	**9**	-
Universal Insurance Limited (Common Directorship)	Insurance Premium	**8,045**	5,890
	Insurance Claim	**181**	1,836
	Right shares issued (1,187,507 ordinary shares of Rs 10 each)	-	11,875
	Dividend paid	-	3,576
Bibojee Services (Private) Limited (Common Directorship)	Sale of Vehicle	**10,830**	21,000
	Purchase of Vehicle	**2,300**	-
	Right shares issued (6,388,773 ordinary shares of Rs 10 each)	-	63,888
	Dividend paid	-	24,597
Rehman Cotton Mills Limited	Rent paid	**110**	-
Hasan & Hasan Advocate	Retainership fee	**120**	-
(b) Technology suppliers			
Isuzu Motors Limited, Japan	Running Royalty charges	**7,149**	7,798
	Initial royalty	**3,460**	-
	Technical assistance/ training fee	**592**	656
	CKD Purchased	-	588,207
	Parts Purchased	**20,119**	1,772
	Reimbursement of advertisement expenses	**782**	1,254

41 REMUNERATION OF THE DIRECTORS AND EXECUTIVES

	2008	2007
	Executives (Rupees in '000')	
Managerial remuneration and allowances	**12,660**	11,226
House rent and utilities	-	54
	12,660	11,280
Number of persons	**13**	13

41.1 Some executives are provided with free use of car maintained by the company.

41.2 The amount charged in these financial statements in addition to those that are shown above is Rs 0.245 million (2007: Rs 0.175 million) in relation to fee for seven (2007: seven) directors.

42 PRODUCTION CAPACITY

The production capacity of the plant cannot be determined as this depends upon the mix of various product assembly of trucks, buses & fabrication of commercial bodies.

The holding company has outsourced the assembly of trucks and buses to Ghandhara Nissan Limited (Associated Undertaking) therefore figures for the actual production for the current year has not been given.

43 CORRESPONDING FIGURES

The following items have been reclassified for the purpose of better presentation. Accordingly prior year figures have been reclassified.

	Reclassification from component	to component	(Rupees in '000')
Commission	Sales	Distribution expenses	**35,725**

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 8, 2008 by the board of directors of the Company.

Chief Executive

Director

Proxy Form

The Company Secretary,
Ghandhara Industries Limited,
F-3, Hub Chauki Road, S.I.T.E,
Karachi-75730

I / We ____ of

____ being a member(s)

of Ghandhara Industries Limited and holder of ______________ Ordinary Shares as per Registered Folio

No. ________________ and / or CDC Participant's I.D No.________________ and Account / Sub-Account

No.______________________________ hereby appoint ___________________________________ of

____ or failing him / her

____ as my / our Proxy to vote for

me / us and on my / our behalf at the 45th Annual General Meeting of the Company to be held at F-3, Ghandhara Industries Limited, S.I.T.E., Karachi on Friday October 31, 2008 at 03:00 P.M. and any adjournment thereof.

Signature of Shareholder ______________________

Name of Shareholder _________________________

Folio No. / CDC No. ___________________________

Signature on
Revenue Stamp
of Rs. 5/-

WITNESSES:

Signature___________________________________	Signature ___________________________________
Name _____________________________________	Name _____________________________________
NIC / Passport No. __________________________	NIC / Passport No.__________________________
Address : __________________________________	Address : __________________________________

Notes:

1. This Proxy, duly completed, signed and witnessed, must be deposited at the registered office of the Company not later than forty eight (48) hours before the time appointed for the Meeting.
2. No person shall be act as proxy who is not a Member of the Company
3. If a Member appoints more than one proxy and more than one instruments of proxy are deposited by a Member with the Company, all such instruments or proxy shall be rendered invalid.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of a corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signature of the nominee shall be submitted alongwith this Proxy (unless it has been provided earlier).