

DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31ST DECEMBER 2005

Your Directors are pleased to present the Accounts for the first half of the fiscal year ended 31st December 2005. This shows a remarkable improvement over the corresponding half year. During the period the Company sold 732 units of Trucks & Buses as against 584 units in the corresponding period last year. The Company also sold 424 Nissan Passenger Cars and SUVs imported in CBU condition and assembled 567 units of Land Rover vehicles as against 238 units last year. The Directors are pleased to report the production of Chevrolet 1000cc Car under Contract Assembly with NEXUS Automotive (Pvt.) Limited which has commenced in December 2005.

The gross profit earned during the period was at Rs.240.03 million and the profit before taxation amounted to Rs.151.14 million.

The Company is now in advanced stage of finalizing the arrangements with Nissan Motor Co. Japan for restarting the CKD operations of Nissan Sunny Cars.

CHIEF EXECUTIVE

DIRECTOR

Karachi
Dated: 22nd February 2006

**GHANDHARA NISSAN LIMITED
BALANCE SHEET (UN AUDITED)
AS AT 31 DECEMBER 2005**

	Note	December 2005 (Rupees in '000)	June 2005
ASSETS			
NON CURRENT ASSETS			
Fixed assets	3	999,285	1,024,982
Long term Investments		-	-
Long term deposits and prepayments		25,665	7,780
CURRENT ASSETS			
Stores, spares and loose tools		35,558	32,535
Stock in trade		1,389,227	1,323,055
Trade debtors		49,457	46,393
Loans and advances		29,856	11,583
Prepayments		6,191	8,060
Other receivables		135,735	163,212
Bank balances		91,990	41,243
		1,738,014	1,626,081
		2,762,964	2,658,843
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital		450,025	450,025
Reserves (As per statement attached)		(8,894)	(28,667)
		441,131	421,358
SURPLUS ON REVALUATION OF FIXED ASSETS		325,385	335,266
NON CURRENT LIABILITIES			
Long term financing		524,063	520,730
Liabilities against assets subject to finance lease		7,322	1,265
Long term deposits		15,611	15,611
Deferred liabilities		106,576	53,615
		653,572	591,221
CURRENT LIABILITIES			
Trade and other payables		784,936	1,001,959
Accrued mark up / interest		12,680	7,082
Finance under mark-up arrangement		446,858	151,715
Current maturity of long term financing		77,333	133,333
Current maturity of liabilities against assets subject to finance lease		5,751	1,489
Provision for taxation		15,318	15,420
		1,342,876	1,310,998
CONTINGENT LIABILITIES & COMMITMENTS	6	2,762,964	2,658,843

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

CHIEF EXECUTIVE

DIRECTOR

GHANDHARA NISSAN LIMITED
PROFIT AND LOSS ACCOUNT (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	December 2005 (Rupees in '000)	December 2004
Net sales	4	2,132,714	1,252,532
Cost of sales		1,892,686	1,137,900
Gross profit		<u>240,028</u>	<u>114,632</u>
Distribution Cost		8,587	2,669
Administrative expenses		38,154	31,659
Operating profit		<u>193,287</u>	<u>80,304</u>
Other operating expenses		<u>10,267</u>	<u>4,289</u>
Finance cost		<u>41,677</u>	<u>14,482</u>
		<u>51,944</u>	<u>18,771</u>
		<u>141,343</u>	<u>61,533</u>
Other operating income		<u>9,802</u>	<u>19,965</u>
Profit before taxation		<u>151,145</u>	<u>81,498</u>
Taxation			
Current		<u>(28,000)</u>	<u>-</u>
Deferred		<u>(57,000)</u>	<u>6,537</u>
		<u>(85,000)</u>	<u>6,537</u>
Profit after taxation		<u>66,145</u>	<u>88,035</u>
Basic Earning Per Share (Rs.)	4	<u>1.47</u>	<u>1.96</u>

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

CHIEF EXECUTIVE

DIRECTOR

GHANDHARA NISSAN LIMITED
CASH FLOW STATEMENT (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

December 2005 December 2004
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	151,145	81,498
Adjustments for		
Depreciation	47,519	46,575
Provision for staff gratuity	2,954	343
Mark-up and lease finance charges	41,140	14,213
	91,613	61,131
Changes in operating assets and liabilities		
Increase in stores, spares & loose tools	(3,023)	(8,285)
Increase in Stock in trade	(66,173)	(204,443)
Decrease / (increase) in Trade debtors	(3,064)	(28,674)
Decrease / (increase) in advance, deposits, prepayments and other receivables	16,326	(84,388)
(Decrease) / increase in trade and other payables	(227,718)	216,252
	(283,652)	(109,538)
	(40,894)	33,091
Financial charges paid	(34,751)	(10,799)
Income tax paid	(29,797)	(4,251)
	(64,548)	(15,050)
Net cash flow used in operating activities	(105,442)	18,041

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(10,552)	(57,278)
Change in long term deposits and prepayments	(17,885)	-
Net cash flow used in investing activities	(28,437)	(57,278)

CASH FLOW FROM FINANCING ACTIVITIES

Change in long term financings	(52,666)	44,000
Lease rentals paid	(2,451)	(682)
Change in short term borrowings	295,143	(3,142)
Dividend paid	(55,400)	-
Net cash flow from financing activities	184,626	40,176
Net increase in cash and cash equivalents	50,747	939
Cash and cash equivalents at beginning of the half year	41,243	69,084
Cash and cash equivalents at end of the half year	91,990	70,023

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

GHANDHARA NISSAN LIMITED
STATEMENT OF CHANGES IN EQUITY (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Share Capital	Share Premium	Accumulated (Loss) / Profit	Total
	(Rupees in '000)			
Balance as at 1 July 2004	450,025	40,000	(376,975)	113,050
Profit for the half year ended 31 December 2004	-	-	88,035	88,035
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged for the half year.	-	-	12,139	12,139
Balance as at 31 December 2004	450,025	40,000	(276,801)	213,224
Profit for the half year ended 30 June 2005	-	-	182,019	182,019
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged for the half year.	-	-	26,115	26,115
Balance as at 30 June 2005	450,025	40,000	(68,667)	421,358
Profit for the half year ended 31 December 2005	-	-	66,145	66,145
Annual dividend	-	-	(56,253)	(56,253)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation charged for the half year	-	-	9,881	9,881
Balance as at 31 December 2005	450,025	40,000	(48,894)	441,131

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

GHANDHARA NISSAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN AUDITED)
FOR HALF YEAR ENDED ON 31 DECEMBER 2005

1 CORPORATE INFORMATION

Ghandhara Nissan Limited (the Company) was incorporated on 8 August 1981 in Pakistan as a Private Limited Company and subsequently converted into a Public Limited Company on 24 May 1992. The registered office of the Company is situated at Ghandhara House, 109/2 Clifton, Karachi. The Company's shares are listed on Karachi Stock Exchange. The principal activity of the Company is assembly / progressive manufacture of Nissan passenger cars, trucks and buses, import and marketing of Nissan vehicles and assembly of other vehicles under contract agreement.

2 ACCOUNTING POLICIES

2.01 The accounting policies adopted for the preparation of the financial statements for the six months ended 31 December 2005 are same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2005 except that during the period policy for amortisation of leasehold land over the lease period was adopted. Had there been no change the profit for the period would have been higher by Rs. 750 thousand. There is no effect on the profit for the prior period.

2.02 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standard (IAS 34) "Interim Financial Reporting" as applicable in Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

2.03 PRESENTATION

Figures in the financial statements have been rounded off to the nearest thousand rupee. All figures except 30 June 2005 figures appearing in the financial statements are un audited.

31 DECEMBER **31 DECEMBER**
2005 **2004**
(Rupees in '000)

3 FIXED ASSETS

PROPERTY, PLANT AND EQUIPMENT

ADDITIONS

Owned

Vehicles
 Plant and machinery
 Office equipment
 Computers
 Other equipments

-	1,690
3,795	-
612	35
386	799
259	1,719
5,052	4,243

Leased

Vehicles

12,770	-
17,822	4,243

DISPOSAL

Vehicles

-	(845)
17,822	3,398

3.01 CAPITAL WORK IN PROGRESS

Material in transit
 Advances to suppliers

-	24,782
5,500	28,253
5,500	53,035

4 OPERATING RESULTS

	For the half year ended			For the half year ended		
	31 December 2005			31 December 2004		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Sales	1,895,563	615,700	2,511,263	1,431,959	-	1,431,959
Commission and discounts	(18,645)	(11,550)	(30,195)	(13,299)	-	(13,299)
Sale return	(60,975)	-	(60,975)	-	-	-
Sales tax	(247,247)	(80,309)	(327,556)	(186,731)	-	(186,731)
Contract services	40,177	-	40,177	20,603	-	20,603
Net sales and services	1,608,873	523,841	2,132,714	1,252,532	-	1,252,532
COST OF SALES						
Stock at beginning of half year	126,635	697,275	823,910	180,989	-	180,989
Cost of goods manufactured	1,541,287	-	1,541,287	1,136,670	-	1,136,670
Purchases	-	205,343	205,343	-	-	-
Stock at end of half year	(222,382)	(455,472)	(677,854)	(179,759)	-	(179,759)
	1,445,540	447,146	1,892,686	1,137,900	-	1,137,900
GROSS PROFIT	163,333	76,695	240,028	114,632	-	114,632
Distribution cost	2,296	6,291	8,587	2,669	-	2,669
Administrative expenses	29,578	8,576	38,154	31,659	-	31,659
	31,874	14,867	46,741	34,328	-	34,328
Operating profit	131,459	61,828	193,287	80,304	-	80,304
Other operating income	3,974	5,828	9,802	19,965	-	19,965
Finance cost	17,723	23,954	41,677	14,482	-	14,482
Profit before tax	117,710	43,702	161,412	85,787	-	85,787
Earning per share			Rs. 1.47			1.96
	For the quarter ended			For the quarter ended		
	31 December 2005			31 December 2004		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
Sales	1,160,650	163,152	1,323,802	825,478	-	825,478
Commission and discounts	(10,730)	(2,800)	(13,530)	(7,595)	-	(7,595)
Sale return	(60,975)	-	(60,975)	-	-	-
Sales tax	(247,247)	(21,281)	(268,528)	(107,671)	-	(107,671)
Contract services	24,213	-	24,213	10,287	-	10,287
Net sales and services	865,911	139,071	1,004,982	720,499	-	720,499
COST OF SALES						
Stock at beginning of half year	101,769	540,178	641,947	79,952	-	79,952
Cost of goods manufactured	899,480	-	899,480	720,114	-	720,114
Purchases	-	24,487	24,487	-	-	-
Stock at end of half year	(222,382)	(455,472)	(677,854)	(140,794)	-	(140,794)
	778,867	109,193	888,060	659,272	-	659,272
GROSS PROFIT	87,044	29,878	116,922	61,227	-	61,227
Distribution cost	1,325	2,517	3,842	2,235	-	2,235
Administrative expenses	12,708	5,921	18,629	14,409	-	14,409
	14,033	8,438	22,471	16,644	-	16,644
Operating profit	73,011	21,440	94,451	44,583	-	44,583
Other operating income	1,534	5,655	7,189	17,428	-	17,428
Finance cost	12,733	15,210	27,943	8,855	-	8,855
Profit before tax	61,812	11,885	73,697	53,156	-	53,156
Earning per share			Rs. 0.20			1.19

31 DECEMBER 2005	31 DECEMBER 2004
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(Rupees in '000)

5 RELATED PARTY TRANSACTIONS

Sales and services	25,385	950
Purchases	26,259	18,560
Royalty	10,013	8,710
Contract assembly charges	10,200	8,120
Insurance premium	6,843	4,302
Technical consultancy fee	166	-

31 DECEMBER 2005	30 JUNE 2005
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PERIOD END BALANCES

Receivable from related parties	19,425	11,018
Payable to related parties	16,591	20,388
Payable to holding company	90,730	70,730

6 CONTINGENT LIABILITIES AND COMMITMENTS

There is no change in the contingent liabilities as reported in the annual accounts for the year ended 30 June, 2005.

Outstanding letters of credit amounting to Rs 456.529 million (30 June 2005: Rs 300.269 million).

7 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 22 February 2006.

CHIEF EXECUTIVE

DIRECTOR