

AGRIAUTO INDUSTRIES LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2008
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATION

The Company was incorporated in Pakistan on June 25, 1981 as a public company limited by shares under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacture and sale of components for automotive vehicles, motor cycles and agricultural tractors. The registered office of the Company is situated at 5th Floor, House of Habib, Main Shahrah-e-Faisal, Karachi.

2. BASIS OF PREPARATION

These interim condensed financial statements are un-audited but subject to limited scope review by the auditors. These are required to be presented to the shareholders under section 245 of the Ordinance and have been prepared in a condensed form in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan. The figures of the interim condensed profit and loss account for the quarters ended December 31, 2007 and 2008 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2007 and 2008. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2008 except the following:

4. PROPERTY, PLANT AND EQUIPMENT

The following additions and deletions were made in the operating fixed assets during the period:

	Additions (cost)	Deletions (book value)
	(Rupees in '000')	
Owned		
Building on freehold land	7,514	-
Plant, machinery and equipment	20,378	531
Furniture and fixture	61	-
Office equipment	520	-
Computer equipment	839	-
Vehicles	-	372
	29,312	903
Capital work-in-progress		
Civil works	19,121	-
Plant and machinery	13,711	-
	32,832	-
Leased		
Vehicles	1,167	585
	63,311	1,488

December 31, June 30,
Note 2008 2008
(Rupees in '000')

5. LONG-TERM INVESTMENT – Available-for-sale

In an unquoted company – at cost
Makro Habib Pakistan Limited

247,500 180,000

5.1 During the year, the Company acquired further 6,750,000 shares of Makro Habib Pakistan Limited at Rs. 10/- per share

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs.5/- each

December 31, June 30,
2008 2008
(Rupees in '000')

Number of shares				
December 31, 2008	June 30, 2008			
22,800	22,800	Fully paid in cash	114,000	114,000
		Issued as fully paid bonus shares		
1,200	1,200	Opening balance	6,000	6,000
4,800	-	Issued during the period	24,000	-
6,000	1,200		30,000	6,000
<u>28,800</u>	<u>24,000</u>		<u>144,000</u>	<u>120,000</u>

The shares held by the related parties as at December 31, 2008 were 2,115,600 (June 30, 2008: 1,838,666) ordinary shares of Rs. 5/- each.

7. SHORT-TERM BORROWINGS – secured

The facilities for short term running finance available from various banks amount to Rs. 140 million (June 30, 2008: Rs. 90 million). The rate of mark-up on these finances ranges from 1 to 3 months KIBOR plus rates varying from 1.25% to 2% (June 30, 2007: 1 to 3 months KIBOR plus rates varying from 0.75% to 1%). The facilities are repayable on various dates latest by March 31, 2009 and are secured by way of pari passu hypothecation of Company's stock-in-trade, stores, spares, loose tools and trade debts.

8. CONTINGENCIES AND COMMITMENTS

Contingencie

8.1 The following changes have occurred subsequent to the year ended June 30, 2008;

The Divisional Bench of the Honourable High Court of Sindh through its order dated September 17, 2008 has declared the levy of the Infrastructure Cess/Fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the constitution. The levy subsequent to December 27, 2006 has been declared as valid and constitutional. The Company has filed an appeal before the Supreme Court of Pakistan against the above order of the High Court of Sindh. The Honorable Supreme Court of Pakistan has accepted the petition and granted stay order against the payment of levy subject to the submission of bank guarantees. The Company has decided not to reverse the liability pertaining to the period prior to December 27, 2006 as the Excise Department, Government of Sindh has also filed an appeal before the Honorable Supreme Court of Pakistan against the above order of the High Court of Sindh. Therefore, the Company continues to provide for additional liability of the charge for the period under review until the matter is finally decided by the Supreme Court of Pakistan.

The utilized portion of bank guarantee amounting to Rs. 18.526 million (2008: Rs. 13.262 million) has been provided in these financial statements.

Commitments

- 8.2** Commitments in respect of outstanding letters of credit for raw material amounts to Rs. 81.495 million (June 30, 2008: Rs.178.345 million).
- 8.3** Commitment in respect of capital expenditure amounts to Rs. Nil million (June 30, 2008: Rs. 16.692 million).

9. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the period, other than those which have been disclosed elsewhere in these interim condensed financial statements, are as follows:

	December 31, 2008	December 31, 2007
	(Rupees in '000')	
Insurance premium	-	1,338
Contribution to the Provident fund	<u>1,328</u>	<u>1,066</u>
Key management personnel compensation	<u>3,988</u>	<u>3,175</u>
Insurance claim received	<u>-</u>	<u>33</u>

Transactions with related parties are carried out at an arm's length prices determined using the admissible valuation methods.

10. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on February 17, 2009 by the Board of Directors of the Company.

R.D. MINWALLA
Chairman

QAZI EBADULLAH KHAN
Chief Executive