

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS & QUARTER ENDED MARCH 31, 2009
(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. 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. 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		
Leasehold land	-	6,318
Building on freehold land	23,353	-
Plant, machinery and equipment	40,943	531
Furniture and fixture	365	-
Dies	8,485	-
Office equipment	520	-
Computer equipment	244	-
Vehicles	734	434
	74,644	7,283
Leased		
Vehicles	1,167	585
	75,811	7,868
	March 31,	June 30,
Note	2009	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
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- 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

<u>Number of shares</u>			March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008
March 31, 2009	June 30, 2008		(Rupees in '000)			
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		
28,800	24,000		144,000	120,000		

The shares held by the related parties as at March 31, 2009 were 2,115,600 (June 30, 2008: 1,838,666) ordinary shares of Rs. 5/- each.

7. CONTINGENCIES AND COMMITMENTS

Contingencies

7.1 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. 20.059 million (2008: Rs. 13.262 million) has been provided in these financial statements.

Commitments

7.2 Commitments in respect of outstanding letters of credit for raw material amounts to Rs. 226.667million (June 30, 2008: Rs.178.345 million).

7.3 Commitment in respect of capital expenditure amounts to Rs. Nil million (June 30, 2008: Rs. 16.692 million).

8. 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:

	March 31, 2009	March 31, 2008
	(Rupees in '000')	
Insurance premium	-	2,343
Contribution to the Provident fund	2,029	1,690
Key management personnel compensation	7,837	4,871
Insurance claim received	-	807

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

9 DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on April 24, 2009 by the Board of Directors of the Company.

R.D. MINWALLA
Chairman

QAZI EBADULLAH KHAN
Chief Executive