

AGRIAUTO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR NINE MONTHS & QUARTER ENDED MARCH 31, 2010

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 condensed interim 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 International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan. These condensed interim 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, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2009, except as noted below:

- 3.1** During the year, the Company has adopted (revised) IAS-1 "Presentation of Financial Statements" which became effective from accounting period beginning on or after January 01, 2009. The standard introduces the statement of comprehensive income which presents all items of income and expenses either in one single statement or two linked statements. Accordingly, the Company has elected to present two statements; a condensed interim profit and loss account and condensed interim statement of comprehensive income. As a result of the introduction of statement of comprehensive income, the statement of changes in equity will now include only the details of transactions with owners and items of other comprehensive income will be presented as a single line in such statement.
- 3.2** During the year, the Company has adopted the changes in respect of borrowing costs to comply with the requirements of revised IAS-23 "Borrowing Costs," which became effective from accounting periods beginning on or after January 01, 2009. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged to the profit and loss account as incurred. This change in policy does not have any affect on these condensed interim financial statements for the reason that during the period the Company has not incurred any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

4. PROPERTY, PLANT AND EQUIPMENT

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

	Additions (cost) (Rupees in '000')	Deletions (book value) (Rupees in '000')
Owned		
Building on freehold land	2,947	-
Plant, machinery and equipment	10,984	-
Dies	1,903	-
Furniture and fixture	446	-
Computer equipment	1,107	-
Office Equipment	123	-
Vehicles	12,453	517
	<u>29,963</u>	<u>517</u>
Capital work-in-progress		
Tools and Dies	9,447	-
Leased		
Vehicles	2,950	417
	<u>42,360</u>	<u>934</u>
Note	March 31, 2010	June 30, 2009
	(Rupees in '000')	

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

In an unquoted company		
Makro Habib Pakistan Limited	5.1	<u>210,375</u>
	-	

- 5.1 The Company holds 24,750,000 (June 30, 2009: 24,750,000) shares of Rs.10/- per share in the above investee Company. The investment was carried at fair value and was recognized as a long term investment – available for sale. Consequent to the decision of the Board of Directors' meeting held on March 19, 2010 for disinvestment of such shares, the investment has been reclassified as a current asset - held for sale. Subsequent to the balance sheet date, the Company has agreed to sell the aforementioned shares for a consideration of Rs. 157.657 million to Thal Limited - a related party. As a result thereof, a charge of Rs. 89.843 million has been recognized in these financial statements on account of impairment in the value of the above investment.

March 31, 2010	June 30, 2009
(Rupees in '000')	

6. SHORT TERM INVESTMENTS

Term Deposit Receipts (TDRs)	400,000	150,000
Accrued profit	7,833	2,038
	<u>407,833</u>	<u>152,038</u>

Represents three months TDRs of commercial banks carrying expected profit rate of 11.75% (June 30, 2009: 12%) per annum and have maturity up to June 12, 2010.

7. CONTINGENCIES AND COMMITMENTS

Contingencies

There is no material change in the status of the contingency as reported in the annual financial statements for the year ended June 30, 2009. except as describe below;

- 7.1 Outstanding bank guarantees issued to Collector of Customs as a security against differential import duty amount to Rs. 0.126 million (June 30, 2009: Rs. 1.237 million)
- 7.2 The Additional Commissioner of Income Tax-Audit Division has amended the deemed assessment order in respect of the tax year 2005, whereby the tax liability for the said tax year has been enhanced by Rs. 14.08 million. The Company preferred an appeal against the aforesaid amended order before the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax Appeals has decided in favour of the department and has upheld the deemed revised order of Additional Commissioner FBR. Company has filled an appeal in Appellate Tribunal to contest the order of Commissioner Income Tax Appeals which is pending adjudication. The Company based on the view of its tax consultant, is confident that the outcome of the appeal will be in its favour and therefore no provision in respect of the enhanced tax liability has been made in these condensed interim financial statements.
- 7.3 There is an un-utilised portion of the bank guarantee issued in favour of Excise and Taxation Department, Government of Sindh amounting to Rs. 3.08 million (June 30, 2009 Rs. 1.49 million) against the levy of infrastructure cess on the imported goods. The utilised portion of guarantee amounting to Rs. 32.92 million (June 30, 2009: Rs. 22.51 million) has been charged in these condensed interim financial statements.

Commitments

- 7.4 Commitments in respect of outstanding letters of credit for raw material amounts to Rs. 397.524 million (June 30, 2009: Rs.101.584 million).

8. OTHER OPERATING INCOME

This includes profit on TDRs amounting to Rs. 38.060 million (March 31, 2009: Rs. 14.689 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, are as follows:

	<u>March 31,</u> <u>2010</u>	<u>March 31,</u> <u>2009</u>
	(Rupees in '000')	
Contribution to the Provident fund	<u>2,749</u>	<u>2,029</u>
Key management personnel compensation	<u>6,646</u>	<u>5,579</u>

10. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 27, 2010 by the Board of Directors of the Company.

CHAIRMAN

CHIEF EXECUTIVE