

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2008
(UN-AUDITED)**

1. THE COMPANY AND ITS OPERATION

The Company was incorporated in Pakistan on June 25, 1981 as a public limited company, under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on the Karachi and Lahore stock exchanges of Pakistan since June 1984. 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 Companies Ordinance, 1984 and have been prepared in 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.

4. PROPERTY, PLANT AND EQUIPMENT

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

	Additions (Cost)	Deletions (book value)
	(Rupees in '000')	
<u>Owned</u>		
Building	6,665	-
Plant, machinery and equipment	8,527	531
Office equipment	520	-
Computer equipment	669	-
	16,381	531
<u>Capital work-in-progress</u>		
Plant and machinery	2,766	-
Civil works	1,415	-
Advance to contractors	17,844	-
	22,025	-
<u>Leased</u>		
Vehicles	1,167	217
	39,571	748

Note	September 30, 2008	June 30, 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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6. SHORT TERM INVESTMENTS

Held- to- maturity - at cost

Term Deposit Receipts	-	200,000
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Available-for-sale- at fair value

Money market funds	-	59,230
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	-	259,230
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7 CONTINGENCIES AND COMMITMENTS

Contingencies

- 7.1 The following changes has occurred subsequent to the year end;

The Divisional Bench of the Honourable High Court of Sindh through its order dated September 17, 2008 has held 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. However, the learned Divisional Bench has suspended the said order for sixty (60) days enabling the parties to file an appeal against the said order before the Apex Court.

The Company is filing an appeal before the Supreme Court of Pakistan along with other companies also the department is free to appeal for review.

Based on the above, the Company has decided not to reverse the liability pertaining to the period prior to December 27, 2006 and continues to provide for additional liability of the charge for the period under review until the matter is decided by the Supreme Court of Pakistan.

An amount of Rs. 0.321 million (June 30, 2008: Rs. 0.738 million) is an un-utilized portion of the bank guarantee issued in favour of Excise and Taxation Department, Government of Sindh against the aforesaid levy.

Commitments

- 7.2 Commitments in respect of outstanding letters of credit for raw material amounts to Rs. 243.946 million (June 30, 2008: Rs.178.345 million).
- 7.3 Commitment in respect of capital expenditure amounts to Rs. 6.987 million (June 30, 2008: Rs. 16.692 million).

8. TAXATION

	September 30, 2008	September 30, 2007
	(Rupees in '000')	
- Current	13,877	45,820
- Deferred	357	(506)
	<u>14,234</u>	<u>45,314</u>

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:

	September 30, 2008	September 30, 2007
	(Rupees in '000')	
Insurance premium	-	711
Contribution to the provident fund	745	711
Key management personnel compensation	1,685	1,274
Insurance claim received	-	775

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

10. DIVIDEND AND BONUS SHARES

The Board of Directors has recommended cash dividend @ 20% i.e. Rs. 1.00 per share amounting to Rs. 24 million and bonus shares in proportion of One ordinary share for every five shares for the year ended June 30, 2008. These financial statements do not reflect the proposed dividend and bonus share which will be considered at the forthcoming Annual General Meeting scheduled on October 27, 2008.

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on **October 21, 2008** by the Board of Directors of the Company.

12 GENERAL

Figures have been rounded off to the nearest thousands.

R.D. MINWALLA
Chairman

QAZI EBADULLAH KHAN
Chief Executive