

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 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, 2009.

The presentation of these interim condensed financial statements has been amended to reflect the changes introduced by IAS-1 : Presentation of Financial Statement.

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, 2009 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		
Plant, machinery and equipment	263	-
Furniture and fixture	196	-
Computer equipment	93	-
Vehicles	126	-
	678	-
Leased		
Vehicles	-	417
	678	417
Capital work-in-progress		
Dies & Tools	657	-
	657	-
	1,335	417
	Note	
	September 30, 2009	June 30, 2009
	(Rupees in '000')	

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

In an unquoted company – at cost
Makro Habib Pakistan Limited

	210,375	210,375
	210,375	210,375

5.1 The Company holds 24.750 million (2009: 24.750 million) shares of Rs. 10/- each.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs.5/- each

Number of shares		September 30, 2009	June 30, 2009	(Rupees in '000)	
September 30, 2009	June 30, 2009			September 30, 2009	June 30, 2009
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	4,800	Issued during the period		24,000	24,000
6,000	6,000			30,000	30,000
28,800	28,800			144,000	144,000

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

7. CONTINGENCIES AND COMMITMENTS

Contingencies

- 7.1 There were no major changes in the status of contingencies as reported in the annual financial statement for the year ended June 30, 2009 except the following:
- Letter of guarantees issued by banks on behalf of the company amounting to Rs. 0.126million (June 30, 2009: Rs. 1.237 million)
 - There is an un-utilised portion of the bank guarantee issued in favour of Excise and Taxation Department, Government of Sindh amounting to Rs. 1.117 million (June 30, 2009 Rs. 1.488 millin) against the levy of infrastructure cess on the imported goods. The utilised portion of guarantee amounting to Rs. 24.883 million (2009: Rs. 22.512 million) has been charged in these interim condensed financial statements.

Commitments

- 7.2 Commitments in respect of outstanding letters of credit for raw material amounts to Rs. 203.721million (June 30, 2009: Rs.226.667 million).
- 7.3 Commitment in respect of capital expenditure amounts to Rs. 4.896 million (June 30, 2009: Rs. NIL 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:

	September 30, 2009	September 30, 2008
Contribution to the Provident fund	842	745
Key management personnel compensation	7,208	6,435

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

9. POST BALANCE SHEET EVENTS

The Board of Directors has recommended cash dividend @ 40% i.e. Rs. 2.00 per share amounting to Rs. 57.60 million for the year ended June 30, 2009. These financial statements do not reflect the proposed dividend which will be considered at the forthcoming Annual General Meeting scheduled on October 26, 2009.

10. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on **October 21, 2009** by the Board of Directors of the Company.

R.D. MINWALLA
Chairman

QAZI EBADULLAH KHAN
Chief Executive