

Indus Motor Company Limited
Quarterly Accounts September 2008

 **TOYOTA**
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Directors' Review

For the quarter ended September 30, 2008

The Directors of Indus Motor Company are pleased to present the un-audited Financial Statements of the Company for the first quarter ended September 30, 2008.

Pakistan Automobile Market

The domestic automobile industry recorded the largest ever drop in volume with sales of locally assembled Passenger Cars (PC's) and Light Commercial Vehicles (LCV's) declining by 44% to 27,159 units from 48,559 units for the quarter ended September 30, 2007. This extraordinary decline in volume for the quarter is due to the impact of political uncertainty and drastic slow down in the economic environment of the country resulting in rising interest rates, limited credit availability for auto financing, depreciation of the Pak Rupee against all major currencies and unprecedented rise in prices of oil, steel and other inputs causing high inflation and severe volatility in the market place. Post budget measures like imposition of 5% Federal Excise Duty on cars above 850cc, imposition of Withholding Tax at the registration stage, increase in custom duty from 90 to 100% on imported cars above 1800cc and additional regulatory duty of 50% on high end vehicles all added up to create a negative impact on sales in auto industry.

Company Operating Performance

The combined sales of Toyota and Daihatsu brands, both CKD and CBU, for the quarter ended September 30, 2008 declined by 61% to 5,335 units as compared to the record 13,738 units for the corresponding period in 2007. Production of PC and LCV for the quarter ended September 30, 2008 was also down 56% to 5,785 units versus 13,158 units produced in the same period in 2007, mainly due to political and economic volatility in the country, the planned run out phase of the previous Corolla model, plant shutdown for refurbishing to cater for new Corolla launch and gradual ramp up of new model. The Company's revenues for the quarter ended September 30, 2008 was down 52% to Rs 5.2 billion compared to Rs 10.8 billion for same quarter last year, while profit after tax dropped 95% to Rs 48 million from Rs 921 million due to fall in sales volume and margin on account of rising costs which the Company was unable to pass through to customers.

Near Term Business Outlook

The business environment for the second quarter and rest of the year is likely to become more difficult in view of the worsening macro economic situation in the country and fears of global economic recession emanating from major financial crises abroad. As a result, we expect the auto sales demand in the domestic industry for the year 2008-09 to decline appreciably over last year. Raw material, energy and other input costs together with further depreciation of the Pak Rupee and higher interest rates will continue to exert upward pressure on costs and retail selling prices.

The auto industry and its vendors who invested heavily for growth are fighting hard to survive in this difficult business environment of extremely low sales. We hope that the government will take immediate measures to implement the recommendations made by the Pakistan Automobile Manufacturers Association to accelerate growth of the local industry including the withdrawal of the 5% Federal Excise Duty, 1% Sales Tax and removal of LC Margin on imports. There should also be focus on long-term sustainable steps to encourage growth of the automobile sector which is a key driver for economic growth, technology transfer and a creator of jobs.

The 10th Generation Corolla was launched on August 19 and has been reborn as a luxurious car, with advanced features and even more modern and stylish design while retaining the Toyota DNA of QRD (Quality, Reliability and Durability). It has been received well by our customers and has led to impressive order inflows. However, due to the current economic climate, our unit margins are expected to remain under pressure and our strategy will be to focus on improving our operational efficiencies, maintaining high quality standards and in delivering maximum value to customers.

In conclusion, we are thankful to our customers for their confidence in our products and acknowledge the efforts of our entire Indus team including our staff, vendors, dealers and business partners and look forward for their continued support.



Parvez Ghias

Chief Executive Officer



Yutaka Arae

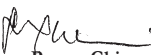
Vice Chairman & Director

Condensed Interim Balance Sheet

As at September 30, 2008

	Note	September 30 2008 (Unaudited)	June 30 2008 (Audited)
(Rupees in '000)			
ASSETS			
Non-current assets			
Fixed assets		4,042,030	4,033,762
Long-term loans and advances		54,051	42,341
Long-term deposits		7,222	7,222
		<u>4,103,303</u>	<u>4,083,325</u>
Current assets			
Stores and spares		255,510	232,142
Stock-in-trade		6,444,181	2,637,629
Trade debts		623,910	1,332,832
Loans and advances		1,164,014	737,372
Short-term prepayments and trade deposits		16,283	23,148
Accrued return on bank deposits		22,834	35,012
Other receivables		469,367	74,360
Investments - at fair value through profit or loss		55,749	54,171
Taxation - net		311,759	209,533
Cash and bank balances		1,926,286	4,328,585
		<u>11,289,893</u>	<u>9,664,784</u>
TOTAL ASSETS		<u><u>15,393,196</u></u>	<u><u>13,748,109</u></u>
EQUITY			
Share capital			
Authorised capital			
100,000,000 (June 30, 2008: 100,000,000) ordinary shares of Rs 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2008: 78,600,000) ordinary shares of Rs 10 each		786,000	786,000
Reserves		8,193,405	8,650,340
		<u>8,979,405</u>	<u>9,436,340</u>
LIABILITIES			
Non-current liabilities			
Deferred taxation		505,166	532,138
Current liabilities			
Trade and other payables		4,027,911	2,793,554
Advances from customers and dealers		1,880,641	985,972
Accrued mark-up		73	105
		<u>5,908,625</u>	<u>3,779,631</u>
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		<u><u>15,393,196</u></u>	<u><u>13,748,109</u></u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.


Parvez Ghias

Chief Executive Officer


Yutaka Arae

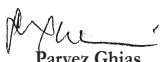
Vice Chairman & Director

Condensed Interim Profit and Loss Account

For the quarter ended September 30, 2008 (unaudited)

	Note	Quarter ended	
		September 30	
		2008	2007
(Rupees in '000)			
Net sales	6.1	5,159,871	10,759,091
Cost of sales	6.2	4,984,124	9,368,260
Gross profit	6.3	175,747	1,390,831
Distribution costs		132,566	95,562
Administrative expenses		81,223	64,654
		213,789	160,216
Other operating expenses		(38,042)	1,230,615
		7,838	108,509
Other operating income		(45,880)	1,122,106
		104,347	298,420
Finance cost		58,467	1,420,526
Profit before taxation		57,247	1,414,584
Taxation		9,122	493,996
Profit after taxation		48,125	920,588
Earnings per share - basic (Rupees)		0.61	11.71

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Parvez Ghias

Chief Executive Officer


Yutaka Arae

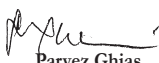
Vice Chairman & Director

Condensed Interim Statement of Changes in Equity

For the quarter ended September 30, 2008 (unaudited)

	Share Capital		Reserves			Sub-Total	Total
	Issued, subscribed and paid-up	Premium on issue of ordinary shares	Revenue		Unrealised gain / (loss) on hedging instruments		
			General reserve	Unappropriated profit			
(Rupees in '000)							
Balance as at June 30, 2007	786,000	196,500	4,733,800	2,352,714	(25,039)	7,257,975	8,043,975
Unrealised loss on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	25,039	25,039	25,039
Profit after taxation for the quarter ended September 30, 2007	-	-	-	920,588	-	920,588	920,588
Unrealised gain on revaluation of foreign exchange contracts	-	-	-	-	1,470	1,470	1,470
Balance as at September 30, 2007	786,000	196,500	4,733,800	3,273,302	1,470	8,205,072	8,991,072
Balance as at June 30, 2008	786,000	196,500	6,457,700	1,976,459	19,681	8,650,340	9,436,340
Final dividend @ 65% for the year ended June 30, 2008 declared subsequent to year end	-	-	-	(510,900)	-	(510,900)	(510,900)
Transfer to general reserve for the year ended June 30, 2008 appropriated subsequent to year end	-	-	1,465,550	(1,465,550)	-	-	-
Unrealised gain on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	(19,681)	(19,681)	(19,681)
Profit after taxation for the quarter ended September 30, 2008	-	-	-	48,125	-	48,125	48,125
Unrealised gain on revaluation of foreign exchange contracts	-	-	-	-	25,521	25,521	25,521
Balance as at September 30, 2008	786,000	196,500	7,923,250	48,134	25,521	8,193,405	8,979,405

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.


Parvez Ghias

Chief Executive Officer


Yutaka Arae

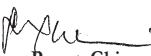
Vice Chairman & Director

Condensed Interim Cash Flow Statement

For the quarter ended September 30, 2008 (unaudited)

	Quarter ended	
	2008	2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	57,247	1,414,584
Adjustment for non-cash charges and other items		
Depreciation	150,885	96,039
Amortisation	-	247
Gain on sale of fixed assets	(299)	(1,031)
Net unrealised (gain) / loss on revaluation of creditors and foreign exchange contracts	(2,590)	768
Net unrealised gain on revaluation of investments made in listed mutual funds	(1,578)	(617)
Return on bank deposits	(80,800)	(212,453)
Return on finance under musharika arrangements	-	(36)
Workers' profit participation fund	3,102	75,986
Workers' welfare fund	1,696	29,152
Mark-up on advances from customers	110	(20,307)
Mark-up on liabilities against assets subject to finance lease	-	44
	70,526	(32,208)
Operating surplus before working capital changes	127,773	1,382,376
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(23,368)	(13,261)
Stock-in-trade	(3,806,552)	(844,151)
Trade debts	708,922	(135,148)
Loans and advances	(426,642)	237,977
Short-term prepayments and trade deposits	6,865	(1,798)
Other receivables	(390,026)	126,183
	(3,930,801)	(630,198)
Increase / (decrease) in current liabilities		
Trade and other payables	722,696	534,952
Advances from customers and dealers	894,669	(763,053)
	1,617,365	(228,101)
Cash (used in) / generated from operations	(2,185,663)	524,077
Interest paid	(142)	19,699
Workers' profit participation fund paid	-	(7,115)
Interest received	92,978	263,207
Income tax paid	(138,320)	(336,377)
Movement in long-term loans and advances	(11,710)	(40,034)
Movement in long-term deposits	-	22
	(57,194)	(100,598)
Net cash (used in) / generated from operating activities	(2,242,857)	423,479
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(159,828)	(283,472)
Proceeds from disposal of fixed assets	974	2,937
Investment made in listed mutual funds	-	(50,000)
Receipts from finance under musharika arrangements	-	155
Net cash used in investing activities	(158,854)	(330,380)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of obligation against assets subject to finance lease	-	(159)
Dividend paid	(588)	(1,807)
Net cash used in financing activities	(588)	(1,966)
Net (decrease) / increase in cash and cash equivalents	(2,402,299)	91,133
Cash and cash equivalents at beginning of the period	4,328,585	8,543,263
Cash and cash equivalents at end of the period	1,926,286	8,634,396

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.


Parvez Ghias

Chief Executive Officer


Yutaka Arae

Vice Chairman & Director

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2008 (unaudited)

1 THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as a public limited company in December, 1989 and started commercial production in May 1993. The shares of the company are quoted on all the stock exchanges in Pakistan.

The company was formed in accordance with the terms of a Joint Venture agreement concluded amongst the House of Habib, Toyota Motor Corporation and Toyota Tsusho Corporation for the purposes of assembling, progressive manufacturing and marketing of the Toyota vehicles in Pakistan. The company also acts as the sole distributor of the Toyota vehicles in Pakistan. The company is also a sole distributor of Daihatsu vehicles in Pakistan and has a license for assembling, progressive manufacturing and marketing of these vehicles in Pakistan.

The registered office of the company and the factory is situated at Plot No. NWZ/1/P-1, Port Qasim Authority, Bin Qasim, Karachi.

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 and the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 and the directives issued by SECP prevail.

The disclosures made in these financial statements have, however, been limited based on the requirements of International Accounting Standard 34, "Interim Financial Reporting". These do not include all the information and disclosures made in the annual published financial statements and therefore should be read in conjunction with the financial statements of the company for the year ended June 30, 2008.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the company for the year ended June 30, 2008.

3.1 Staff Retirement Benefits

During the period, the Company has amended the rules in respect of funded pension scheme operated for its permanent employees, effective from July 1, 2008. The revised rules will be applicable for the employees in service at that date or joined the company thereafter. The old scheme as per note 2.16 to the annual financial statements shall continue to apply to all persons whose employment with the company ceased before July 1, 2008 and are entitled to pension.

The new pension rules introduced a "defined contribution plan" for the pension scheme. Accordingly, the liability of the company will be limited only to monthly contributions to the Fund @ 9% of the basic salary of the employees and pension fund will be liable for pension payments as per revised rules.

Had there been no change in the pension scheme, the charge for the period would have been lower by Rs 0.168 million.

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2008 (unaudited)

Quarter ended	
September 30	
2008	2007
(Rupees in '000)	

4 FIXED ASSETS

4.1 Details of additions during the period are as follows:

Tangible - Owned

Plant and machinery	9,360	4,395
Motor vehicles	20,644	16,110
Furniture and fixtures	2,096	58
Office equipment	1,833	1,039
Computers and related accessories	237	1,370
Tools and equipment	5,249	6,156
Jigs and fixtures	375	-
Capital work in progress	120,034	254,344
	<u>159,828</u>	<u>283,472</u>

4.2 Details of disposals / retirements (at cost) during the period are as follows:

Motor vehicles	1,402	5,694
Office equipment	-	113
	<u>1,402</u>	<u>5,807</u>

4.3 During the period, capital work in progress amounting to Rs 5.223 million (2007: Nil) was transferred to owned assets.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 The status of contingencies, as disclosed in note 24.1 to the annual financial statements for the year ended June 30, 2008 has remained unchanged.

5.1.2 Contingencies in respect of outstanding bank guarantees at the end of the current period amounted to Rs 741.743 million (June 30, 2008: Rs 735.939 million). This includes an amount of Rs 538.896 million (June 30, 2008: Rs 537.237 million) in respect of bank guarantees from a related party.

5.2 Commitments

Commitments in respect of capital expenditure at September 30, 2008 amounted to Rs 77.199 million (June 30, 2008: Rs 224.623 million).

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2008 (unaudited)

	Quarter ended	
	2008	2007
(Rupees in '000)		
6 OPERATING RESULTS		
6.1 Sales		
Manufacturing		
Gross sales	4,869,301	10,737,806
Sales tax	(664,568)	(1,388,252)
Federal excise duty	(162,711)	(92,675)
	<u>4,042,022</u>	<u>9,256,879</u>
Commission	(106,745)	(238,262)
Discounts	(365)	(4,803)
Manufacturing net sales	<u>3,934,912</u>	<u>9,013,814</u>
Trading		
Gross sales	1,495,603	2,107,878
Sales tax	(198,820)	(270,418)
	<u>1,296,783</u>	<u>1,837,460</u>
Commission	(26,619)	(57,410)
Discounts	(45,205)	(34,773)
Trading net sales	<u>1,224,959</u>	<u>1,745,277</u>
Net sales	<u>5,159,871</u>	<u>10,759,091</u>
6.2 Cost of sales		
Raw materials and vendor parts consumed	4,430,587	7,706,791
Stores and spares consumed	100,104	155,817
Salaries, wages and other benefits	76,893	69,067
Repairs and maintenance	21,723	17,723
Depreciation	136,955	79,598
Traveling	1,475	2,867
Insurance	6,301	3,320
Vehicle running	2,431	1,052
Communication	1,487	1,650
Printing, stationary and office supplies	676	991
Fuel and power	27,233	35,959
Running royalty	37,851	93,869
Technical fee	3,490	280
Staff catering, transport and uniforms	25,977	24,142
Staff training	2,210	3,630
Others	3,332	2,891
	<u>448,138</u>	<u>492,856</u>
Opening work-in-process	71,959	64,533
Closing work-in-process	(219,088)	(112,515)
Cost of goods manufactured	<u>4,731,596</u>	<u>8,151,665</u>
Opening stock of finished goods	277,233	59,162
Closing stock of finished goods	(1,107,412)	(300,336)
Cost of sales - Manufacturing	<u>3,901,417</u>	<u>7,910,491</u>
Cost of sales - Trading	<u>1,082,707</u>	<u>1,457,769</u>
	<u>4,984,124</u>	<u>9,368,260</u>
6.3 Gross profit		
Manufacturing	33,495	1,103,323
Trading	142,252	287,508
	<u>175,747</u>	<u>1,390,831</u>

Notes to and forming part of the Condensed Interim Financial Statements

For the quarter ended September 30, 2008 (unaudited)

7 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

The associated undertakings / related parties comprise of associated companies, staff retirement funds and key management personnel. Transactions carried out with associated undertakings / related parties during the period are as follows:

	Quarter ended	
	September 30	
	2008	2007
	(Rupees in '000)	
Sales	8,574	29,922
Purchases	4,348,621	5,594,481
Insurance premium	26,406	33,627
Agency commission	17,523	35,236
Running royalty	38,967	94,747
Rent expense	3,009	-
Technical fee	3,490	280
Share registrar's fee, charges and other services	-	4,230
Return on bank deposits	34,436	52,486
Proceeds from disposal of fixed assets / insurance claim	509	969
With key management personnel:		
- Salaries and benefits	14,489	12,585
- Post employment benefits	582	577
	September 30	June 30
	2008	2008
	(Rupees in '000)	

The related party balances at period end are as follows:

Long term deposits	2,005	2,005
Trade debts	450	341
Advances to suppliers	699	268
Warranty claims, agency commission and other receivables	30,997	26,652
Trade and other payables	1,377,343	758,135

Transactions with associated undertakings / related parties are made under normal commercial terms and conditions.

8 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of appropriate presentation and comparison. There have been no significant reclassifications in these condensed interim financial statements.

9 DATE OF AUTHORIZATION OF ISSUE

These condensed interim financial statements were authorized for issue on October 28, 2008 by the Board of Directors of the company.

10 GENERAL

Figures have been rounded off to the nearest thousand rupees.


Parvez Ghias

Chief Executive Officer


Yutaka Arae

Vice Chairman & Director

Company Information

BOARD OF DIRECTORS

Ali S. Habib	Chairman
Yutaka Arae	Vice Chairman
Parvez Ghias	Chief Executive Officer
Farhad Zulficar	Director
M. Ilyas Suri	Director
A. Okabe	Director
K. Furubayashi	Director
Mohamedali R. Habib	Director

CHIEF FINANCIAL OFFICER

Muhammad Faisal

COMPANY SECRETARY

Mustafa Hasan Lakhani

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants,
State Life Building 1-C
I. I. Chundrigar Road, Karachi.

REGISTRAR

Noble Computer Service (Private) Limited
2nd Floor, Sohni Center, BS 5 & 6, Main Karimabad,
Block-4, Federal B. Area, Karachi-75950, Pakistan.

LEGAL ADVISORS

A. K. Brohi & Company
Mansoor Ahmed Khan & Co.
Mahmud & Co.
Sayeed & Sayeed Co.

FACTORY / REGISTERED OFFICE

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Bin Qasim, Karachi.
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