

Indus Motor Company Ltd.



Quarterly Accounts

September 2006

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

CHIEF FINANCIAL OFFICER

Mr. Shahid Mahmood Khan

COMPANY SECRETARY

Mr. Rayomand Ghadiali

Auditors:

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

Registrar:

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

Legal advisors:

M/s A. K. Brohi & Co.
M/s Mansoor Ahmed Khan & Co.
M/s Mahmud & Co.
M/s Sayeed & Sayeed Co.

Factory / Registered Office:

Plot No. NWZ/ 1/ P – 1,
Port Qasim Industrial Estate,
Bin Qasim, Karachi
Phone : (UAN) (92-21) 111- 869-682
Fax : (92-21) 4720056

Website:

www.toyota-indus.com



DIRECTORS' REVIEW
For the quarter, July 2006 to September 2006

By the Grace of Allah, your Company demonstrated another quarter of impressive performance as the automobile industry continues to show growth backed by strong consumer demand. Overall, the industry sales for passenger car and light commercial vehicles increased by 10% to 47,694 units as against 43,274 units for the corresponding period last year.

Your Company sales for the locally manufactured vehicles at 12,314 units were a new record for the first quarter versus 8,328 units achieved for the same period last year. Full impact of the production capacity expansion to 200 units/day undertaken during first quarter 2005/06 and deferment of the current year annual plant maintenance shutdown to the second quarter contributed to this enhanced volumes. The sales revenue for the period increased by 37% to Rs. 9.7 billion, compared to Rs. 7.1 billion for the first quarter last year, while the profit after tax was up 35% to Rs 629 million from Rs 466 million despite the decline in other income.

The import of used cars continues to be a matter of concern for the auto industry. Though the liberal policy has been curtailed to some extent by limiting imports of vehicles older than 5 years, we believe more needs to be done to create a level playing field. The capacity expansions already undertaken by the industry has cut down the delivery time to service customer orders ex-stock. The new requirement for customers to possess NTN for purchase of locally assembled vehicles, whereas it's exemption in case of imported used car purchase is creating competitive disadvantage for the local manufacturers which the Government should immediately address. Also, there is an urgent need for the Government to quickly finalize the long a waited automotive policy to provide the OEMs and the vendor industry the confidence to effectively plan future capacity expansions. Well defined policy augers well for the country in terms creating employment opportunities, human resource skill development and large scale manufacturing growth to meet the country domestic demand.

Effective July 1, 2006, a Tariff Based System (TBS) has replaced the former deletion program for the automotive sector. Under the TBS, imports of auto parts already localized are placed in a higher custom tariff of 50% as against normal CKD duty of 35%. We hope smooth implementation of TBS will benefit the OEMs and vendors alike to realize maximum potential and ensure competitiveness.

The business outlook for remainder of the year given the current macro economic fundamentals looks promising and the industry is expected to perform well despite the increased volume base. The rise in bank interest rates coupled with large inventory carry over of used cars and consumer preference to defer purchase for sake of obtaining car registration in the new calendar year will create some selling pressure in the second quarter, which the Company plans to counter through effective sales promotion.

We thank our customers and acknowledge the tremendous efforts of our entire Indus team including our Vendors and our Dealers in the continuing success of our company.

We pray to Allah for His continued blessings and guidance.



INDUS MOTOR COMPANY LIMITED
BALANCE SHEET
AS AT SEPTEMBER 30, 2006

	Note	September 30 2006 Unaudited	June 30 2006 Audited
(Rupees '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	4	1,733,537	1,716,590
Long-term loans		1,537	1,019
Long-term deposits		11,481	5,181
Finance under musharika arrangements		3,673	4,021
		<u>1,750,228</u>	<u>1,726,811</u>
CURRENT ASSETS			
Stores and spares		219,992	226,169
Stock-in-trade		3,469,760	3,959,316
Trade debts		379,019	738,281
Current maturity of finance under musharika arrangements		4,945	5,811
Loans and advances		475,272	414,338
Short-term prepayments		11,525	9,134
Accrued mark-up		32,225	76,211
Other receivables		758,018	1,250,217
Cash and bank balances	5	8,287,382	7,416,180
		<u>13,638,138</u>	<u>14,095,657</u>
TOTAL ASSETS		<u>15,388,366</u>	<u>15,822,468</u>
EQUITY			
SHARE CAPITAL			
Authorised capital 100,000,000 (June 30, 2006:100,000,000)		<u>1,000,000</u>	<u>1,000,000</u>
Ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		786,000	786,000
Reserves		5,537,715	5,471,879
		<u>6,323,715</u>	<u>6,257,879</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		3,675	3,871
Deferred taxation		98,934	116,164
		<u>102,609</u>	<u>120,035</u>
CURRENT LIABILITIES			
Trade and other payables		3,504,985	2,599,911
Advances from customers and dealers		4,995,121	6,620,869
Accrued mark-up		7,054	22,250
Current portion of liabilities against assets subject to finance lease		4,945	5,735
Taxation- Net		449,937	195,789
		<u>8,962,042</u>	<u>9,444,554</u>
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u>15,388,366</u>	<u>15,822,468</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

Parvez Ghias
Chief Executive Officer

Yutaka Arae
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Note	Quarter ended September 30	
		2006	2005
(Rupees '000)			
NET SALES	7	9,699,129	7,107,562
Cost of sales	7	8,681,271	6,354,450
GROSS PROFIT		1,017,858	753,112
Distribution costs	7	109,488	82,742
Administrative expenses	7	59,613	51,553
		169,101	134,295
		848,757	618,817
Other operating expenses	7	73,157	59,976
		775,600	558,841
Other operating income	7	209,156	211,127
		984,756	769,968
Finance costs		17,015	30,773
PROFIT BEFORE TAXATION		967,741	739,195
Taxation		338,261	272,871
PROFIT AFTER TAXATION		629,480	466,324
EARNINGS PER SHARE		8.01	5.93
		(Rupees)	

The annexed notes 1 to 11 form an integral part of these financial statements.

Parvez Ghias
Chief Executive Officer

Yutaka Arae
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Share Capital		Revenue		Reserves	Sub-Total	Total
	Issued, subscribed and paid-up	Premium on issue of ordinary shares	General reserve	Unappropriated profit	Unrealised gain / (loss) on hedging instruments		
	(Rupees '000)						
Balance at June 30, 2005	786,000	196,500	2,329,900	1,170,249	(6,844)	3,689,805	4,475,805
Final dividend @ 60% for the year ended June 30, 2005 declared subsequent to the year end	-	-	-	(471,600)	-	(471,600)	(471,600)
Transfer to general reserve for the year ended June 30, 2005 appropriated subsequent to the year end	-	-	698,600	(698,600)	-	-	-
Net loss on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	6,844	6,844	6,844
Profit after taxation for the Period	-	-	-	466,324	-	466,324	466,324
Net unrealised loss on revaluation of forward foreign exchange contracts	-	-	-	-	(20,457)	(20,457)	(20,457)
Balance at September 30, 2005	<u>786,000</u>	<u>196,500</u>	<u>3,028,500</u>	<u>466,373</u>	<u>(20,457)</u>	<u>3,670,916</u>	<u>4,456,916</u>
Balance at June 30, 2006	786,000	196,500	3,028,500	2,255,513	(8,634)	5,471,879	6,257,879
Final dividend @ 70% for the year ended June 30, 2006 declared subsequent to the year end	-	-	-	(550,200)	-	(550,200)	(550,200)
Transfer to general reserve for the year ended June 30, 2006 appropriated subsequent to the year end	-	-	1,705,300	(1,705,300)	-	-	-
Net loss on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	8,634	8,634	8,634
Profit after taxation for the Period	-	-	-	629,480	-	629,480	629,480
Net unrealised loss on revaluation of forward foreign exchange contracts	-	-	-	-	(22,078)	(22,078)	(22,078)
Balance at September 30, 2006	<u>786,000</u>	<u>196,500</u>	<u>4,733,800</u>	<u>629,493</u>	<u>(22,078)</u>	<u>5,537,715</u>	<u>6,323,715</u>

The annexed notes 1 to 11 form an integral part of these financial statement

Parvez Ghias
Chief Executive Officer

Yutaka Arae
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Quarter ended	
	September 30	
	2006	2005
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	967,741	739,195
Adjustment for non-cash charges and other items		
Depreciation	89,647	65,981
Amortisation	1,124	1,113
Gain on sale of fixed assets	(1,942)	(1,094)
Net unrealised loss on revaluation of creditors and forward foreign exchange contracts	8,372	11,057
Return on bank deposits	(216,353)	(203,163)
Return on finance under musharika arrangements	(171)	(571)
Workers' Profit Participation Fund	52,008	39,628
Workers' Welfare Fund	20,408	14,193
Mark-up on advances from customers	3,510	14,491
Mark-up on liabilities against assets subject to finance lease	133	659
	(43,264)	(57,706)
Operating surplus before working capital changes	924,477	681,489
Movement in working capital		
Decrease/ (Increase) in current assets		
Stores and spares	6,177	(11,156)
Stock-in-trade	489,556	(346,917)
Trade debts	359,262	(165,390)
Loans and advances	(60,934)	(77,087)
Short-term prepayments	(2,391)	(14,214)
Other receivables	492,199	(147,249)
	1,283,869	(762,013)
(Decrease)/ Increase in current liabilities		
Trade and other payables	268,841	167,415
Advances from customers	(1,625,748)	6,064,563
	(1,356,907)	6,231,978
Cash generated from operations	851,439	6,151,454
Interest paid	(18,839)	(18,822)
Workers' Profit Participation Fund paid	(7,618)	(6,547)
Interest received	260,510	199,699
Income tax paid	(101,343)	(401,549)
Long-term loans – net	(518)	(160)
Long-term deposits	(6,300)	(32)
	125,892	(227,411)
Net cash inflow from operating activities	977,331	5,924,043
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(136,803)	(414,074)
Proceeds from sales of fixed assets	31,029	4,689
Receipt of finance under musharika arrangements	1,212	10,602
Net cash used in investing activities	(104,562)	(398,783)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of obligation against assets subject to finance lease	(986)	(9,303)
Dividend paid	(581)	(489)
Net cash used in financing activities	(1,567)	(9,792)
Net increase in cash and cash equivalents	871,202	5,515,468
Cash and cash equivalents at the beginning of the year	7,416,180	6,719,999
Cash and cash equivalents at the end of the period	8,287,382	12,235,467

The annexed notes 1 to 11 form an integral part of these financial statements

Parvez Ghias
Chief Executive Officer

Yutaka Arae
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

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. 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 Industrial Estate, Bin Qasim, Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence. The disclosures made in these financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these 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, 2006.

Quarter ended	Year ended
September 30	June 30
2006	2006
(Rupees '000)	

4. FIXED ASSETS

4.1 Details of additions / Transfers during the period are as follows:

Tangible

Owned:

Buildings on leasehold land:

Factory	-	72,724
Plant and machinery	700	584,707
Motor vehicles	11,776	80,575
Furniture and fixtures	319	11,253
Office equipment	451	10,023
Computers and related accessories	990	33,277
Tools and equipment	924	32,909
Jigs and fixtures	9,223	127,870
Capital work in progress	112,419	302,153
	136,802	1,255,491

Intangible

Software	-	43
	136,802	1,255,491

	Quarter ended	Year ended
	September 30	June 30
	2006	2006
(Rupees '000)		
4.2 Details of disposals / retirements (cost) during the period are as follows		
Plant & Machinery	-	28,735
Motor vehicles	38,606	34,700
Office equipment	114	240
Computers and related accessories	-	323
Tools & Equipment	-	12,503
Capital work in progress:		
Capitalized during the period	-	787,940
	38,720	864,441
5. CASH AND BANK BALANCES		
Cash in hand	818	614
With banks in		
- Current accounts	37,155	44,114
- Deposit accounts	8,249,409	7,371,452
	8,286,564	7,415,566
	8,287,382	7,416,180

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

The status of the contingencies, as disclosed in note 23 to the annual financial statements for the year ended June 30, 2006, has remained unchanged.

Contingencies in respect of outstanding bank guarantees at the end of the current period amounted to Rs 530.153 (June 30, 2006: Rs 419.88) million.

6.2 Commitments

Commitments in respect of capital expenditure at the end of the current period amounted to Rs 433.091 (June 30, 2006: Rs 520.176) million.

7. OPERATING RESULTS

Note	Manufacturing		Trading		Total	
	Quarter Ended September 30		Quarter Ended September 30		Quarter Ended September 30	
	2006	2005	2006	2005	2006	2005
(Rupees '000)						
Gross Sales	10,149,091	7,630,001	1,339,470	795,872	11,488,561	8,425,873
Sales tax	1,323,467	993,847	171,268	101,912	1,494,735	1,095,759
	8,825,624	6,636,154	1,168,202	693,960	9,993,826	7,330,114
Commission	233,415	186,875	37,095	20,002	270,510	206,877
Discounts	15	-	24,172	15,675	24,187	15,675
Net sales	8,592,194	6,449,279	1,106,935	658,283	9,699,129	7,107,562
Cost of sales						
Opening stock	744,469	214,482	579,673	590,579	1,324,142	805,061
Cost of goods manufactured	7,601,793	5,732,114	-	-	7,601,793	5,732,114
Purchases	-	-	866,582	518,756	866,582	518,756
Closing stock	(576,358)	(135,232)	(534,888)	(566,249)	(1,111,246)	(701,481)
	7,769,904	5,811,364	911,367	543,086	8,681,271	6,354,450
Gross profit	822,290	637,915	195,568	115,197	1,017,858	753,112
Distribution costs	97,063	75,190	12,425	7,552	109,488	82,742
Administrative expenses	52,810	46,778	6,803	4,775	59,613	51,553
	149,873	121,968	19,228	12,327	169,101	134,295
	672,417	515,947	176,340	102,870	848,757	618,817
Other operating expenses	73,072	59,406	85	570	73,157	59,976
	599,345	456,541	176,255	102,300	775,600	558,841
Other operating income	208,723	207,571	433	3,556	209,156	211,127
	808,068	664,112	176,688	105,856	984,756	769,968

7.1 Finance costs, other operating expenses (other than charge in respect of Workers' Profit Participation Fund and Workers' Welfare Fund), administrative expenses and distribution costs (other than warranty claims and pre-delivery inspection charges, development expenditure and running royalty), have been allocated between manufacturing and trading activities on the basis of net sales. Warranty claims and pre-delivery inspection charges, development expenditure and charges in respect of Workers' Profit Participation Fund and Workers' Welfare Fund have been allocated to manufacturing activity. Running royalty has been allocated to trading activity.

Quarter ended	
September 30	
2006	2005
(Rupees '000)	

7.2 Cost of goods manufactured

Raw material and vendor parts consumed	7,106,321	5,372,297
Stores and spares consumed	174,017	118,103
Salaries, wages and allowances	56,157	46,004
Repair and maintenance	19,138	18,237
Depreciation	75,510	54,313
Travelling, Conveyance	2,670	1,912
Insurance	4,787	6,047
Vehicle Running	975	1,239
Communication	1,236	1,042
Printing and Stationary	763	1,000
Utilities	37,023	20,851
Running royalty	83,444	56,367
Technical Fees	5,742	4,021
Staff Catering, Transport and Uniform	20,863	17,911
Staff Training	3,691	-
Miscellaneous	6,559	993
	492,575	348,040
Add: Opening work-in-process	95,520	106,130
Less: Closing work-in-process	92,623	94,353
	7,601,793	5,732,114

8. TRANSACTIONS WITH RELATED PARTIES/ ASSOCIATED UNDERTAKINGS

The related parties and associated undertakings comprise associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are as follows:

Quarter ended		
September 30		
2006	2005	
(Rupees '000)		
Sales	3,304	103
Purchases	4,304,133	3,482,631
Insurance premium	37,803	25,412
Agency commission	10,786	1,170
Running royalty	84,685	56,934
Technical fee	5,742	4,021
Share registrar's fee, charges and other services	3,101	1,553
Return on bank deposits	54,796	40,851
Proceeds from sale of fixed assets / insurance claim	934	1,431
Key management personnel compensation		
- Salaries and benefits	15,188	11,860
- Post employment benefits	251	248

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

9. **CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant reclassifications include

- The element of sales tax received from customers as part of advances for sale of vehicles has been reclassified from sales tax payable which had been netted off against sales tax receivable appearing under the caption of other receivables and has been included as part of advances from customers.
- Staff transport and catering cost relating to employees belonging to the company's production and distribution functions have been reclassified from administrative expenses into cost of sales and distribution costs respectively

10. **DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorized for issue on October 17, 2006 by the Board of Directors of the company.

11. **GENERAL**

Figures have been rounded off to the nearest thousand rupees.

Parvez Ghias
Chief Executive Officer

Yutaka Arae
Vice Chairman & Director