

Indus Motor Company Ltd.



Quarterly Accounts

September 2005



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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Ali S. Habib	Chairman & CEO
Mr. Yutaka Arae	Vice Chairman
Mr. Farhad Zulficar	Director
Mr. Ilyas Suri	Director
Mr. A. Okabe	Director
Mr. K. Furubayashi	Director
Mr. Mohammedali R. Habib	Director

CHIEF OPERATING OFFICER

Mr. Parvez Ghias

CHIEF FINANCIAL OFFICER

Mr. Shahid Mehmood Khan

COMPANY SECRETARY

Mr. Rayomand Ghadiali

Auditors:

M/s A. F. Fergusons & 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- 86-96-82
Fax : (92-21) 4720056

Website:

www.toyota-indus.com



DIRECTORS' REVIEW FOR THE QUARTER ENDED SEPTEMBER 30, 2005

By the Grace of Allah, your Company continued its strong performance during this period. Sales for the first quarter, 1st July 2005 to 30th September 2005, amounted to Rs. 7.107 billion, compared with sales of Rs. 6.521 billion during the corresponding period of last year, thereby resulting in an increase of sales by approximately 9 %. The net profit after tax also increased from Rs. 368.420 million to Rs. 466.324 million. For the industry as a whole, sales of locally manufactured cars and LCVs for the period under review were 43,274 units as against 33,459 units for the corresponding period of last year, representing a growth of about 29%.

Sales of our locally manufactured vehicles decreased to 8,328 units as against 9,086 units during the corresponding period of last year mainly on account of production shut down in August 05 for capacity enhancement.

We are continuously increasing our capacity to meet the high demand for our products. Our latest capacity enhancement to 50,000 units per annum, inaugurated in September by Minister for Industries, Production & Special Initiatives, coupled with capacity enhancement by our vendors will enable us to further reduce our delivery time and meet the challenges of growing demand of your products which is expected to grow further due to strong economic growth.

The Auto Industry along with Engineering Development Board is working to replace Industry Specific Deletion Program with the Tariff Based System in order to be compliant with TRIMS. We expect this task to be completed during this financial year.

We remain confident that the Government will continue to support the industry as it is one of the major contributor to the economy, GDP, employment, and government revenue, as the industry increases capacity its contribution will increase further.

As a responsible corporate citizen your company continues to support many projects in the health, education, environment and other sectors. Recently your Company is actively participating in the Earthquake relief operations by setting up camps in Manshera and Muzaffarabad and is providing urgently needed relief goods and medical assistance & supplies through mobile teams fully equipped with doctors and paramedics to alleviate the misery of effected.

In the conclusion, we thank our loyal customers and acknowledge the extraordinary relentless and concerted efforts made by our entire Indus team, our vendors, and our Dealers in producing these results.

We pray to Allah for His continued blessing and guidance.

INDUS MOTOR COMPANY LIMITED
BALANCE SHEET
AS AT SEPTEMBER 30, 2005

	Note	September 30 2005 <u>Unaudited</u>	June 30 2005 <u>Audited</u>
(Rupees '000)			
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	4	1,342,274	998,887
Long-term loans		548	388
Long-term deposits		5,181	5,149
Finance under musharika arrangements		<u>10,404</u>	<u>12,153</u>
		<u>1,358,407</u>	<u>1,016,577</u>
CURRENT ASSETS			
Stores and spares		148,184	137,028
Stock-in-trade		3,515,772	3,168,855
Trade debts		549,901	384,511
Current maturity of finance under musharika arrangements		20,405	29,259
Loans and advances		379,975	302,888
Short-term prepayments		18,585	4,371
Accrued mark-up		50,578	46,543
Other receivables		27,768	302,171
Taxation - net		209,201	82,315
Cash and bank balances	5	<u>12,235,467</u>	<u>6,719,999</u>
		<u>17,155,836</u>	<u>11,177,940</u>
TOTAL ASSETS		<u><u>18,514,243</u></u>	<u><u>12,194,517</u></u>
EQUITY			
SHARE CAPITAL			
Authorised capital			
100,000,000 (June 30, 2005:100,000,000)		<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		<u>3,670,916</u>	<u>3,689,805</u>
		<u>4,456,916</u>	<u>4,475,805</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		10,432	11,957
Deferred taxation		<u>40,901</u>	<u>42,693</u>
		<u>51,333</u>	<u>54,650</u>
CURRENT LIABILITIES			
Trade and other payables		3,101,233	2,022,227
Advances from customers and dealers		10,877,718	5,603,342
Accrued mark-up		6,896	10,568
Current portion of liabilities against assets subject to finance lease		<u>20,147</u>	<u>27,925</u>
		<u>14,005,994</u>	<u>7,664,062</u>
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u><u>18,514,243</u></u>	<u><u>12,194,517</u></u>

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

Ali S. Habib
Chairman & CEO

Yutaka Arai
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	Note	Quarter ended	
		September 30	
		2005	2004
		(Rupees '000)	
NET SALES	7	7,107,562	6,521,218
Cost of sales	7	6,336,539	5,804,405
GROSS PROFIT		771,023	716,813
Distribution costs	7	75,120	37,242
Administrative expenses	7	77,086	70,025
		152,206	107,267
		618,817	609,546
Other operating expenses	7	59,976	46,048
		558,841	563,498
Other operating income	7	211,127	62,004
		769,968	625,502
Finance costs		30,773	18,199
PROFIT BEFORE TAXATION		739,195	607,303
Taxation		272,871	238,883
PROFIT AFTER TAXATION		466,324	368,420
		(Rupees)	
EARNINGS PER SHARE		5.93	4.69

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

Ali S. Habib
Chairman & CEO

Yutaka Arae
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	Share Capital		Reserves			Sub-Total	Total
	Issued, subscribed and paid-up	Capital	Revenue		Unrealised gain / (loss) on hedging instruments		
		Premium on issue of ordinary shares	General reserve	Unappropriated profit			
----- (Rupees '000) -----							
Balance at June 30, 2004	786,000	196,500	1,564,000	1,158,903	66,192	2,985,595	3,771,595
Final dividend @ 50% for the year ended June 30, 2004 declared subsequent to the year end	-	-	-	(393,000)	-	(393,000)	(393,000)
Transfer to general reserve for the year ended June 30, 2004 appropriated subsequent to the year end	-	-	765,900	(765,900)	-	-	-
Net gain on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	(66,192)	(66,192)	(66,192)
Profit after taxation for the Period	-	-	-	368,420	-	368,420	368,420
Net unrealised gain on revaluation of forward foreign exchange contracts	-	-	-	-	33,395	33,395	33,395
Balance at September 30, 2004	<u>786,000</u>	<u>196,500</u>	<u>2,329,900</u>	<u>368,423</u>	<u>33,395</u>	<u>2,928,218</u>	<u>3,714,218</u>
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>

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

Ali S. Habib
Chairman & CEO

Yutaka Arae
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	Quarter ended	
	September 30	
	2005	2004
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	739,195	607,303
Adjustment for non-cash charges and other items		
Depreciation	65,981	68,037
Amortisation	1,113	103
Gain on sale of fixed assets	(1,094)	(349)
Net unrealised loss on revaluation of creditors and forward foreign exchange contracts	11,057	-
Return on bank deposits	(203,163)	(53,775)
Return on finance under musharika arrangements	(571)	(573)
Workers' Profit Participation Fund	39,628	32,621
Workers' Welfare Fund	14,193	12,470
Mark-up on advances from customers	14,491	15,841
Mark-up on liabilities against assets subject to finance lease	659	669
	<u>(57,706)</u>	<u>75,044</u>
Operating surplus before working capital changes	681,489	682,347
Movement in working capital		
(Increase) / Decrease in current assets		
Stores and spares	(11,156)	(10,145)
Stock-in-trade	(346,917)	(8,608)
Trade debts	(165,390)	36,065
Loans and advances	(77,087)	(170,510)
Short-term prepayments	(14,214)	(9,205)
Other receivables	274,403	121,591
	<u>(340,361)</u>	<u>(40,812)</u>
Increase in current liabilities		
Trade and other payables	535,950	428,772
Advances from customers	5,274,376	1,940,078
	<u>5,810,326</u>	<u>2,368,850</u>
Cash generated from operations	6,151,454	3,010,385
Interest paid	(18,822)	(18,981)
Workers' Profit Participation Fund paid	(6,547)	(5,240)
Interest received	199,699	51,058
Income tax paid	(401,549)	(209,212)
Long-term loans – net	(160)	(413)
Long-term deposits	(32)	-
	<u>(227,411)</u>	<u>(182,788)</u>
Net cash inflow from operating activities	5,924,043	2,827,597
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(414,074)	(62,492)
Proceeds from sales of fixed assets	4,689	3,161
Finance under musharika arrangements	-	(2,918)
Receipt of finance under musharika arrangements	10,602	9,229
Net cash used in investing activities	(398,783)	(53,020)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of obligation against assets subject to finance lease	(9,303)	(8,913)
Dividend paid	(489)	(495)
Net cash used in financing activities	(9,792)	(9,408)
Net increase in cash and cash equivalents	5,515,468	2,765,169
Cash and cash equivalents at the beginning of the year	6,719,999	6,962,005
Cash and cash equivalents at the end of the period	12,235,467	9,727,174

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

Ali S. Habib
Chairman & CEO

Yutaka Arae
Vice Chairman & Director

INDUS MOTOR COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2005

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, 2005.

<u>Quarter ended</u>	<u>Year ended</u>
<u>September 30</u>	<u>June 30</u>
<u>2005</u>	<u>2,005</u>
(Rupees '000)	

4. FIXED ASSETS

4.1 Details of additions during the period are as follows:

Tangible

Owned:

Buildings on leasehold land:

Factory	808	86,691
Others	-	20,097
Plant and machinery	30,397	119,347
Motor vehicles	51,533	2,328
Furniture and fixtures	583	10,726
Office equipment	364	3,184
Computers and related accessories	525	60,995
Tools and equipment	1,064	49,174
Jigs and fixtures	-	28,730
Capital work in progress	328,801	87,307
	414,075	468,579

Leased:

Plant and machinery	-	13,341
Motor vehicles	-	34,070
	-	47,411
	414,075	515,990

Intangible

Software	-	13,352
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	<u>Quarter ended</u> <u>September 30</u> <u>2005</u>	<u>Year ended</u> <u>June 30</u> <u>2,005</u>
4.2 Details of disposals / retirements (cost) during the period are as follows	(Rupees '000)	
Plant & Machinery	1,435	10,252
Motor vehicles	7,335	35,910
Furniture and fixtures	-	4,728
Office equipment	-	3,974
Computers and related accessories	-	2,190
Tools & Equipment	-	1,715
Jigs & Fixtures	-	9,448
Capital work in progress:		
Capitalized during the period	-	285,633
	<u>8,770</u>	<u>353,850</u>
5. CASH AND BANK BALANCES		
Cash in hand	1,303	441
With banks in		
- Current accounts	<u>108,684</u>	42,037
- Deposit accounts	<u>12,125,480</u>	6,677,521
	<u>12,234,164</u>	6,719,558
	<u>12,235,467</u>	6,719,999
6. CONTINGENCIES AND COMMITMENTS		
6.1 Contingencies		
The status of the contingencies, as disclosed in note 23 to the annual financial statements, has remained unchanged.		
Contingencies in respect of outstanding bank guarantees at the end of the current period amounted to Rs 403.520 (June 30, 2005: Rs 374.379) million.		
6.2 Commitments		
Commitments in respect of capital expenditure at the end of the current period amounted to Rs 567.115 (June 30, 2005: Rs 531.620) million.		
7. OPERATING RESULTS		

Note	<u>Manufacturing</u>		<u>Trading</u>		<u>Total</u>	
	<u>Quarter ended September 30</u>		<u>Quarter ended September 30</u>		<u>Quarter ended September 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	----- (Rupees '000) -----					
Gross Sales	7,630,001	7,411,239	795,872	309,644	8,425,873	7,720,883
Sales tax	<u>(993,847)</u>	(966,683)	<u>(101,912)</u>	(40,388)	<u>(1,095,759)</u>	(1,007,071)
	6,636,154	6,444,556	693,960	269,256	7,330,114	6,713,812
Commission	<u>(186,875)</u>	(185,808)	<u>(20,002)</u>	(6,786)	<u>(206,877)</u>	(192,594)
Discounts	-	-	<u>(15,675)</u>	-	<u>(15,675)</u>	-
Net sales	6,449,279	6,258,748	658,283	262,470	7,107,562	6,521,218
Cost of sales						
Opening stock	<u>214,482</u>	199,961	<u>590,579</u>	174,845	<u>805,061</u>	374,806
Cost of goods						
manufactured	<u>5,714,203</u>	5,524,890	-	-	<u>5,714,203</u>	5,524,890
Purchases	-	-	<u>518,756</u>	629,613	<u>518,756</u>	629,613
Closing stock	<u>(135,232)</u>	(125,173)	<u>(566,249)</u>	(599,731)	<u>(701,481)</u>	(724,904)
	<u>5,793,453</u>	<u>5,599,678</u>	<u>543,086</u>	<u>204,727</u>	<u>6,336,539</u>	<u>5,804,405</u>
Gross profit	655,826	659,070	115,197	57,743	771,023	716,813
Distribution costs	<u>(68,053)</u>	(35,419)	<u>(7,067)</u>	(1,823)	<u>(75,120)</u>	(37,242)
Administrative expenses	<u>(70,557)</u>	(67,471)	<u>(6,529)</u>	(2,554)	<u>(77,086)</u>	(70,025)
	<u>(138,610)</u>	(102,889)	<u>(13,596)</u>	(4,378)	<u>(152,206)</u>	(107,267)
	517,216	556,181	101,601	53,365	618,817	609,546
Other operating expenses	<u>(59,406)</u>	(46,009)	<u>(570)</u>	(39)	<u>(59,976)</u>	(46,048)
	457,810	510,171	101,031	53,327	558,841	563,498
Other operating income	<u>210,677</u>	61,687	<u>450</u>	317	<u>211,127</u>	62,004
	<u>668,487</u>	<u>571,858</u>	<u>101,481</u>	<u>53,644</u>	<u>769,968</u>	<u>625,502</u>

Quarter ended	
September 30	
2005	2004
(Rupees '000)	

7.1 **Cost of goods manufactured**

Raw material and vendor parts consumed	5,372,297	5,203,470
Stores and spares consumed	118,103	111,880
Salaries, wages and allowances	46,004	31,326
Repair and maintenance	18,237	31,464
Depreciation	54,313	61,224
Travelling	1,912	1,929
Insurance	6,047	606
Vehicle running	1,239	1,115
Communication	1,042	436
Printing, stationery and office supplies	1,000	761
Fuel and power	20,851	24,585
Running royalty	56,367	58,948
Technical fees	4,021	9,656
Others	993	1,123
	330,128	335,053
Add: Opening work-in-process	106,130	104,553
Less: Closing work-in-process	94,353	118,186
	5,714,203	5,524,890

8. **TRANSACTIONS WITH RELATED PARTIES AND 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, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Quarter ended	
September 30	
2005	2004
(Rupees '000)	

Purchases	3,482,631	3,259,673
Insurance premium	25,412	33,713
Agency commission	1,170	7,230
Running royalty	56,934	59,478
Technical fee	4,021	9,656
Share registrar's fee, charges and other services	1,553	2,158
Return on bank deposits	40,851	-
Proceeds from sale of fixed assets/ insurance claim	1,431	-

Transactions with related parties 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.

10. **DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorized for issue on October 22, 2005 by the Board of Directors of the company.

11. **GENERAL**

Figures have been rounded off to the nearest thousand rupees.

Ali S. Habib
Chairman & CEO

Yutaka Arae
Vice Chairman & Director