

Indus Motor Company Limited
Quarterly Accounts September 2007

 **TOYOTA**
moving forward ▶



Directors' Review

For the quarter, July 2007 to September 2007

The Directors of Indus Motor Company are pleased to present the un-audited accounts of the Company for the first quarter ended September 30, 2007.

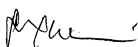
Overall, the automobile industry sales for passenger cars and light commercial vehicles registered a marginal increase of 2% to 48,546 units for the first quarter as against 47,694 units sold for the corresponding period in 2006. During the quarter, your Company's sales for the locally manufactured vehicles were up 4% to 12,846 compared to 12,314 units achieved for the same period last year. The combined sales revenue of CKD, CBU and parts sales grew by 11% to Rs. 10.8 billion over Rs. 9.7 billion while the profit after tax was up 46% to Rs 920.6 million from Rs 629.5 million compared to same period last year. The profit after tax is a new record for any quarter.

In November 2007, the Company plans to re-launch its light commercial vehicle - Toyota Hilux, which enjoys huge popularity with our customers. The new model size with its stylish features offers greater comfort, luxury and engine power compared to the old model which was discontinued in late 2005. Our manufacturing capacity is now at an all time high of 200 cars a day and we are continuously examining options to achieve greater efficiency and volume to meet the growing consumer demand. During the quarter, the Company commissioned an environmentally friendly co-generation facility which will ensure greater power reliability and also help in reduction of carbon dioxide emissions. Last month, Indus Motor was internationally recognized and awarded the 1st prize for its initiatives in the area of road safety education by the Asian Institute of Management at the Asian Corporate Social Responsibility Award Ceremony in Vietnam.

We are grateful to the government for its efforts to reduce the inflow of used cars into the country by restricting imports of vehicles older than three years. Although the implementation decision was delayed until September 2007 and its impact will start to occur from the second quarter, nonetheless, this decision together with the finalization of 5 years tariff structure augurs well for the local producers and will go a long way to enhance the industry confidence and encourage future investment leading to greater employment and sustainable growth for the domestic auto industry.

Although the industry recorded nominal growth for July-September 2007 quarter over same period in 2006, going forward we expect the market to be sluggish and full year outlook to remain flat given the emerging uncertain political environment in the country and the likely scenario of rising interest rates and tightening of auto finance that is impeding on consumer demand. However, your Company is well positioned to meet these challenges and will aggressively work towards selling its plant production.

We are grateful to our customers for their confidence in all our products. These achievements would not have been possible without the tremendous efforts of the entire Indus team including our staff, vendors, dealers and other business partners. We look forward to their continued support in future.



Parvez Ghias
Chief Executive Officer



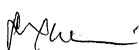
Yutaka Arae
Vice Chairman & Director

Condensed Interim Balance Sheet

As at September 30, 2007

	Note	September 30 2007 (Unaudited)	June 30 2007 (Audited)
(Rupees '000)			
ASSETS			
Non-Current Assets			
Fixed assets	4	2,279,134	2,093,852
Long-term loans		4,943	4,240
Long-term deposits		6,607	6,629
		2,290,684	2,104,721
Current Assets			
Stores and spares		240,452	227,191
Stock-in-trade		3,704,102	2,859,951
Trade debts		800,795	665,647
Current maturity of finance under musharika arrangements		3,553	3,710
Loans and advances		227,519	426,165
Short-term prepayments and trade deposits		49,321	47,523
Accrued mark-up		81,916	132,634
Other receivables		481,012	605,725
Short term investments at fair value through profit or loss		50,617	-
Taxation -net		-	48,520
Cash and bank balances		8,634,396	8,543,263
		14,273,683	13,560,329
TOTAL ASSETS		16,564,367	15,665,050
EQUITY			
Share Capital			
Authorised capital			
100,000,000 (June 30, 2007:100,000,000)			
Ordinary shares of Rs 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2007:78,600,000)			
Ordinary shares of Rs 10 each		786,000	786,000
Reserves		8,205,072	7,257,975
		8,991,072	8,043,975
LIABILITIES			
Non-Current Liabilities			
Deferred taxation		193,764	210,149
Current Liabilities			
Trade and other payables		3,498,913	2,892,017
Advances from customers and dealers		3,751,428	4,514,480
Accrued mark-up		151	715
Current portion of liabilities against assets subject to finance lease		3,555	3,714
Taxation- Net		125,484	-
		7,379,531	7,410,926
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		16,564,367	15,665,050

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



Parvez Ghias
Chief Executive Officer



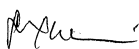
Yutaka Arae
Vice Chairman & Director

Condensed Interim Profit and Loss Account (Unaudited)

For the quarter ended September 30, 2007

	Note	Quarter ended September 30	
		2007	2006
(Rupees '000)			
Net Sales	6.1	10,765,575	9,699,129
Cost of sales	6.2	9,374,744	8,681,271
Gross profit	6.3	1,390,831	1,017,858
Distribution costs		95,562	109,488
Administrative expenses		64,654	59,613
		160,216	169,101
		1,230,615	848,757
Other operating expenses		108,509	73,157
		1,122,106	775,600
Other operating income		276,936	209,156
		1,399,042	984,756
Finance cost		(15,542)	17,015
Profit before taxation		1,414,584	967,741
Taxation		493,996	338,261
Profit after taxation		920,588	629,480
Earnings per share (Rupees)		11.71	8.01

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



Parvez Ghias
Chief Executive Officer



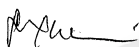
Yutaka Arai
Vice Chairman & Director

Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended September 30, 2007

	Share Capital	Reserves			Sub-Total	Total	
		Capital	Revenue	Unrealised			
	Issued, subscribed and paid-up	Premium on issue of ordinary shares	General reserve	Unappropriated profit	gain/(loss) on hedging instruments		
(Rupees '000)							
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)	-	-	-
Unrealised 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 ended September 30, 2006	-	-	-	629,480	-	629,480	629,480
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>
Balance 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 period ended September 30, 2007	-	-	-	920,588	-	920,588	920,588
Unrealised gain on revaluation of forward foreign exchange contracts	-	-	-	-	1,470	1,470	1,470
Balance at September 30, 2007	<u>786,000</u>	<u>196,500</u>	<u>4,733,800</u>	<u>3,273,302</u>	<u>1,470</u>	<u>8,205,072</u>	<u>8,991,072</u>

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



Parvez Ghias
Chief Executive Officer



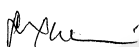
Yutaka Arai
Vice Chairman & Director

Condensed Interim Cash Flow Statement (Unaudited)

For the quarter ended September 30, 2007

	Quarter ended	
	September 30	
	2007	2006
	(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,414,584	967,741
Adjustment for non-cash charges and other items		
Depreciation	96,040	89,647
Amortisation	247	1,124
Gain on sale of fixed assets	(1,031)	(1,942)
Net unrealised loss on revaluation of creditors and forward foreign exchange contracts	768	8,372
Unrealized gain on revaluation of investments made in listed mutual funds	(617)	-
Return on bank deposits	(212,453)	(216,353)
Return on finance under musharika arrangements	(36)	(171)
Workers' Profit Participation Fund	75,986	52,008
Workers' Welfare Fund	29,152	20,408
Mark-up on advances from customers	(20,307)	3,510
Mark-up on liabilities against assets subject to finance lease	44	133
	(32,207)	(43,264)
Operating surplus before working capital changes	1,382,377	924,477
Movement in working capital		
(Increase)/ Decrease in current assets		
Stores and spares	(13,261)	6,177
Stock-in-trade	(844,151)	489,556
Trade debts	(135,148)	359,262
Loans and advances	198,646	(60,934)
Short-term prepayments and trade deposits	(1,798)	(2,391)
Other receivables	126,183	492,199
	(669,529)	1,283,869
(Decrease) in current liabilities		
Trade and other payables	534,952	268,841
Advances from customers and dealers	(763,053)	(1,625,748)
	(228,101)	(1,356,907)
Cash generated from operations	484,747	851,439
Interest paid	19,699	(18,839)
Workers' Profit Participation Fund paid	(7,115)	(7,618)
Interest received	263,207	260,510
Income tax paid	(336,377)	(101,343)
Long-term loans – net	(703)	(518)
Long-term deposits	22	(6,300)
	(61,267)	125,892
Net cash inflow from operating activities	423,480	977,331
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(283,473)	(136,803)
Proceeds from disposal of fixed assets	2,937	31,029
Investment made in listed mutual fund	(50,000)	-
Receipt from finance under musharika arrangements	155	1,212
Net cash used in investing activities	(330,381)	(104,562)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of obligation against assets subject to finance lease	(159)	(986)
Dividend paid	(1,807)	(581)
Net cash used in financing activities	(1,966)	(1,567)
Net increase in cash and cash equivalents	91,133	871,202
Cash and cash equivalents at the beginning of the year	8,543,263	7,416,180
Cash and cash equivalents at the end of the period	8,634,396	8,287,382

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



Parvez Ghias

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2007

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 condensed interim 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 Financial Reporting Standards 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 condensed interim 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 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, 2007.

<u>Quarter ended</u> <u>September 30</u> <u>2007</u>	<u>Year ended</u> <u>June 30</u> <u>2007</u>
(Rupees '000)	

4. FIXED ASSETS

4.1 Details of additions during the period are as follows:

Tangible

Owned:

Buildings on leasehold land:

Factory	-	159,139
Plant and machinery	4,395	531,292
Motor vehicles	16,110	52,917
Furniture and fixtures	58	14,374
Office equipment	1,039	15,797
Computers and related accessories	1,370	13,417
Tools and equipment	6,156	22,808
Jigs and fixtures	-	108,123
Capital work in progress	254,344	187,372
	283,472	1,105,239

Intangible

Software	-	2,173
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Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2007

4.2 Details of disposals / transfers (cost) during the period are as follows

Plant and Machinery	-	2,299
Motor vehicles	5,694	62,613
Office equipment	113	443
Computers and related accessories	-	1,011
Capital work in progress		
capitalized during the period	-	599,761
	5,807	666,127

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

The status of contingency, as disclosed in note 23 to the annual financial statements for the year ended June 30, 2007 has remained unchanged except for the matter relating to alleged demand of income tax from Azad Jammu and Kashmir tax authorities of Rs.14.471 million for assessment year 1997-1998 to 2001-2002 (refer note 23.2 to the said financial statements). An appeal was pending before the Income Tax Appellate Tribunal (ITAT) against this matter, which was forwarded to Commissioner of Income Tax- Appeals (CITA) for reassessment. The CITA has given the decision in favor of the company and therefore the said demand has been waived.

Contingencies in respect of outstanding bank guarantees at the end of the current period amounted to Rs 1,198.285 (June 30, 2007: Rs 1,185.235) million.

5.2 Commitments

Commitments in respect of capital expenditure at the end of the current period amounted to Rs 1,248.436 (June 30, 2007: Rs 858.614) million.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2007

6. OPERATING RESULTS

	Quarter ended	
	September 30	
	2007	2006
	(Rupees '000)	
6.1 Sales		
Manufacturing		
Gross sales	10,737,806	10,149,091
Sales tax	(1,388,252)	(1,323,467)
Federal excise duty	(92,675)	-
	<u>9,256,879</u>	8,825,624
Commission	(238,262)	(233,415)
Discounts	(4,803)	(15)
Net sales	<u>9,013,814</u>	8,592,194
Trading		
Gross sales	2,114,362	1,339,470
Sales tax	(270,418)	(171,268)
	<u>1,843,944</u>	1,168,202
Commission	(57,410)	(37,095)
Discounts	(34,773)	(24,172)
Net sales	<u>1,751,761</u>	1,106,935
	<u><u>10,765,575</u></u>	<u><u>9,699,129</u></u>
6.2 Cost of sales		
Raw materials and vendor parts consumed	7,706,791	7,106,321
Stores and spares consumed	155,817	174,017
Salaries, wages and other benefits	69,067	56,157
Repair and maintenance	17,723	19,138
Depreciation	79,598	75,510
Travelling	2,867	2,670
Insurance	3,320	4,787
Vehicle running	1,052	975
Communication	1,650	1,236
Printing, stationery and office supplies	991	763
Fuel and power	35,959	37,023
Running royalty	93,869	83,444
Technical fees	280	5,742
Staff catering , transport and uniforms	24,142	20,863
Staff training	3,630	3,691
Others	2,891	6,559
	<u>492,856</u>	492,575
Add: Opening work-in-process	64,533	95,520
Less: Closing work-in-process	112,515	92,623
Cost of goods manufactured	<u>8,151,665</u>	7,601,793
Opening stock of finished goods	59,162	744,469
Closing stock of finished goods	(300,336)	(576,358)
Cost of sales - Manufacturing	<u>7,910,491</u>	7,769,904
Cost of sales - Trading	<u>1,464,253</u>	911,367
	<u><u>9,374,744</u></u>	<u><u>8,681,271</u></u>
6.3 Gross profit		
Manufacturing	1,103,323	822,290
Trading	287,508	195,568
	<u>1,390,831</u>	<u>1,017,858</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter ended September 30, 2007

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	
	2007	2006
	(Rupees '000)	
Sales	29,922	3,304
Purchases	5,596,974	4,304,133
Insurance premium	33,627	37,803
Agency commission	35,236	10,786
Running royalty	94,747	84,685
Technical fee	280	5,742
Share registrar's fee, charges and other services	4,230	3,101
Return on bank deposits	52,486	54,796
Proceeds from sale of fixed assets / insurance claim	969	934
Key management personnel compensation		
- Salaries and benefits	13,327	15,188
- Post employment benefits	279	251

	September 30	June 30
	2007	2007
	(Rupees '000)	

Related party balances at period / year end are as follows:

Warranty claims, agency commission and other receivable	63,000	32,476
Trade and other payables	1,448,844	1,149,805

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

8. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

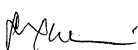
The Shareholders in the Annual general meeting held on October 08, 2007 have approved Final cash dividend in respect of the financial year ended June 30, 2007 of Rs 8 per share (2006: cash dividend of Rs 7 per share). This is in addition to the interim cash dividend of Rs 5 (2006: Rs 5) per share resulting in a total dividend for the year of Rs13 (2006: Rs 12) per share. The Shareholders have also approved appropriation of Rs 1,723.900 million (2006: Rs 1,705.300 million) to general reserve. The condensed interim financial statements for the quarter ended September 30, 2007 do not include the effect of these appropriations.

9. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on October 22, 2007 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
Ilyas Suri	Director
A. Okabe	Director
K. Furubayashi	Director
Mohammedali R. Habib	Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Shahid Mahmood Khan

Auditors

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

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

Factory / Registered Office

Plot No. NWZ/ 1/ P - 1,
Port Qasim Industrial Estate,
Bin Qasim, Karachi
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