annual report 2013

# Indus Motor Company Ltd.

## 2013
## annual report

House of Habib

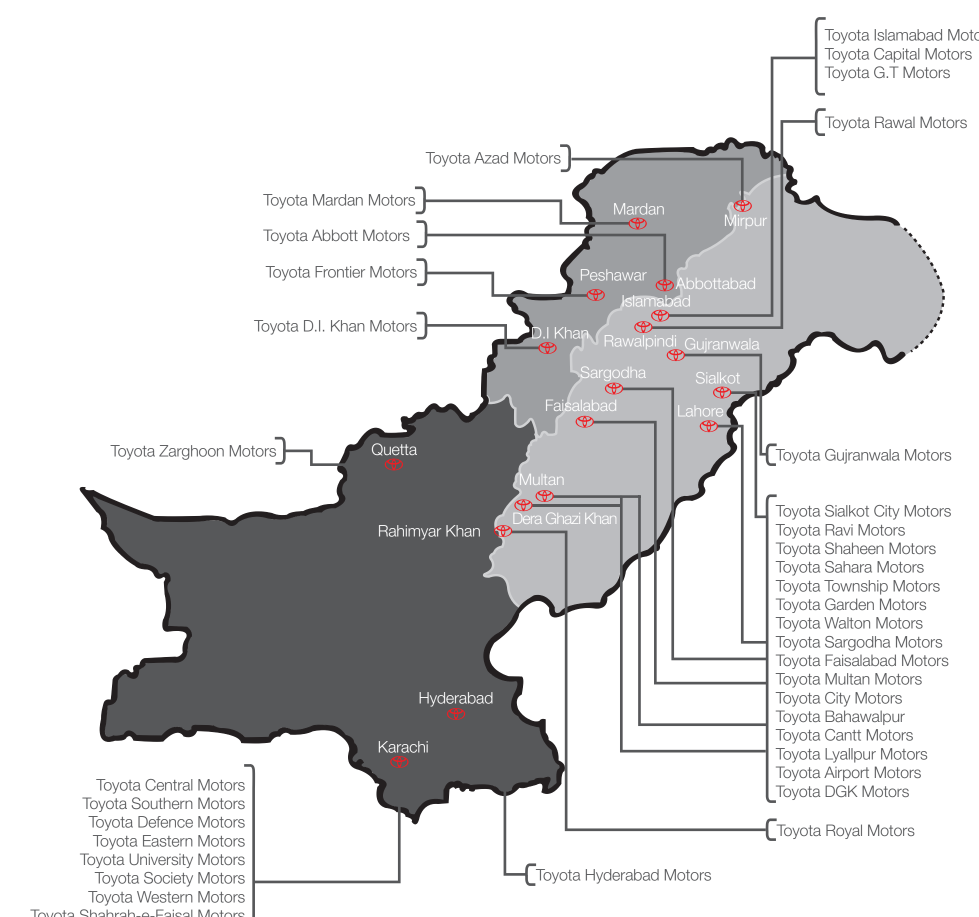
# Corporate Profile

IMC was incorporated in 1989 as a joint venture company between the House of Habib of Pakistan, Toyota Motor Corporation and Toyota Tsusho Corporation of Japan. The Company manufactures and markets Toyota and Daihatsu brand vehicles in Pakistan. The main product offerings include several variants of the flagship 'Corolla' in the passenger cars category, 'Hilux' in the light commercial vehicles segment and 'Fortuner' in Sport Utility Vehicle Segment.

The manufacturing facility and offices are located at a 105 acre site in Port Qasim, Karachi, while the product is delivered to end customers nationwide through a strong network of 37 independent 3S Dealerships spread across the country. In its 24 years history since inception, IMC has sold more than 500,000 CBU/CKD vehicles and has demonstrated an impressive growth, in terms of volumetric increase from a modest beginning of 20 vehicles per day production in 1993 to 210 units daily at present through the development of human talent embracing the 'Toyota Way' of quality and lean manufacturing. Over the years, IMC has made large scale investments in enhancing its own capacity and in meeting customer requirements for new products. Today, Corolla is the largest selling automotive brand model in Pakistan and it also has the distinction of being #1 in Toyota's Asian market.

The Company invests heavily in training its 2,000 plus workforce of team members and management employees and creating a culture of high performing empowered teams working seamlessly across processes in search of quality and continuous improvement. The core values of the Company encourage employees to pursue high standards of business ethics and safety; communicate candidly by giving bad news first and respect for people. The bi-annual TMC morale surveys show employees giving a high positive score to the IMC work environment and level of job satisfaction.

The Company has played a major role in the development of the entire value chain of the local auto industry and is proud to have contributed in poverty alleviation at the grass root level by nurturing localization that in turn has directly created thousands of job opportunities and transferred technology to 60 vendors supplying parts. IMC is also a major tax payer and significant contributor toward GOP exchequer.




FORTUNER

# Every car tells a story

It's been 24 years since the birth of Indus Motor in Pakistan. Over 20 years of making cars and making lives better, more commutable and more easy. We are humbled to be part of the everyday stories of individuals, of families and of institutions. From corporate heads on the road to success, to housewives driving their kids to school. Critical moments where our vehicles have saved lives to tales of joy and triumph which our cars have helped shape.

These stories lift our spirits... giving us the impetus to make our cars better, our vehicles stronger and our products more human, more eco-friendly and more innovative. These stories are not only the theme for this Annual Report, they continue to inspire us in everything we do everyday… because every car tells a story.

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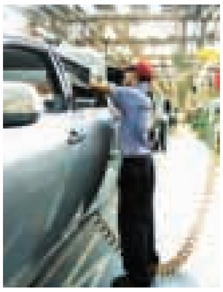


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# Our Vision

**"To be the most respected and successful enterprise, delighting customers with a wide range of products and solutions in the automobile industry with the best people and the best technology."**

# Our Mission

**IMC's Mission is reflected in our Company's Slogan**

**ACT #1**

**Action, Commitment and Teamwork to become # 1 in Pakistan.**

- **Respect & Corporate Image**
- **Quality & Safety**
- **Customer Satisfaction**
- **Production & Sales**
- **Profitability**
- **Best Employer**


## Our Core Values

- World class production quality
- Achieving the ultimate goal of complete customer satisfaction
- Being seen as the best employer
- Fostering the spirit of teamwork
- Inculcating ethical and honest practices

> My perfect companions on all the journeys in life, my family and my Corolla

**Toyota Corolla** is bolder, sportier and more fun than ever before. It's more spacious, more comfortable and more entertaining yet still boasts the same reliability you expect from a Corolla.

# Toyota Guiding Principles

**Akio Toyoda**
**President TMC**

**The Toyota business is guided by seven principles:**

1. Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.
3. Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.
4. Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.
5. Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.
6. Pursue growth in harmony with the global community through innovative management.
7. Work with business partners in research and creation to achieve stable long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

(Reference: CSR Policy Page No. 47)

# Strategic Objectives

## Achieving Market Leadership by Delivering Value to Customers

- Following our "Customer First" philosophy in manufacturing and providing high quality vehicles and services that meet the needs of Pakistani customers.
- Enhancing the quality and reach of our 3S Dealership Network.
- Employing customer insight and feedback for continuous corporate renewal, including product development, improving service and customer care.

## Bringing Toyota Quality to Pakistan

- Maximizing QRD (Quality, Reliability and Durability) by built-in engineering.
- Transferring technology and promoting indigenization at IMC and its Vendors.
- Raising the bar in all support functions to meet Toyota Global Standards.

## Optimizing Cost by Kaizen

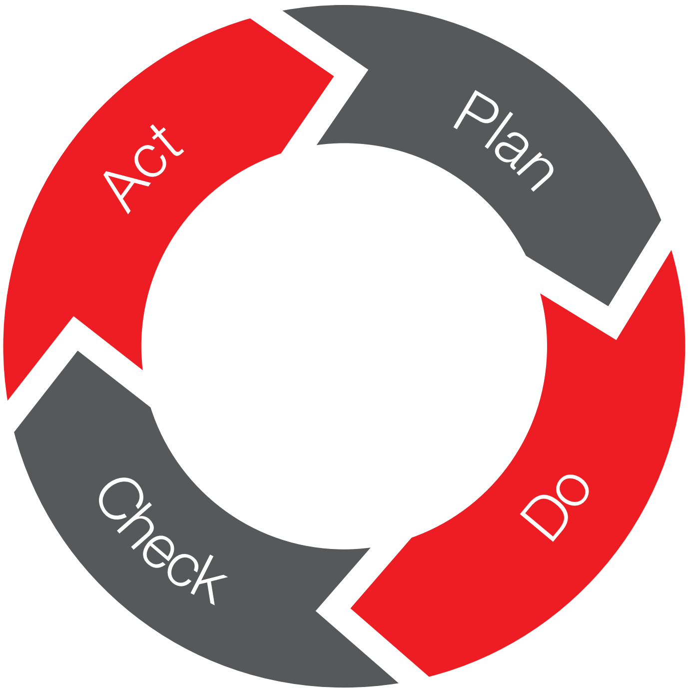
- Fostering a Kaizen culture and mindset at IMC, its Dealers and Vendors.
- Implementing Toyota Production System.
- Removing waste in all areas and operating in the lowest cost quartile of the industry.

## Respecting our People

- Treating employees as the most important sustainable competitive resource.
- Providing a continuous learning environment that promotes individual creativity and teamwork.
- Supporting equal employment opportunities, diversity and inclusion without discrimination.
- Building competitive value through mutual trust and mutual responsibility between the Indus Team and the Company.

## Becoming a Good Corporate Citizen

- Following ethical business practices and the laws of the land.
- Engaging in philanthropic and social activities that contribute to the enrichment of the Pakistani society, especially in areas that are strategic to both societal and business needs e.g. road safety, technical education, environment protection, etc.
- Enhancing corporate value and respect while achieving a stable and long term growth for the benefit of our shareholders.



# Board of Directors

## Ali S. Habib
**Chairman**

Ali S. Habib is the Chairman of Indus Motor Company Ltd. and is also the Founding Director of the Company. He also serves as a Member on the board of directors of Thal Ltd., Shabbir Tiles & Ceramics Ltd., Metro Habib Cash and Carry Pakistan (Pvt.) Ltd., and Habib Metropolitan Bank Ltd.

Ali S. Habib is a graduate in Mechanical Engineering from the University of Minnesota, USA. He has attended the PMD Program at Harvard University.

## Keiichi Murakami
**Vice Chairman**

Keiichi Murakami was elected as a Director of Indus Motor Company Ltd. and was appointed as Vice Chairman with effect from January, 2013. He has been serving at Toyota Motor Corporation for over 30 years now and has worked in different capacities primarily in the areas of Product Planning and Marketing Research. He has looked after Toyota's business in Asia, Oceania and Middle East with various Toyota distributors. He had served as an Executive Director at UMWT which is the Toyota distributor in Malaysia.

## Parvez Ghias
**Chief Executive Officer & Director**

Parvez Ghias is the Chief Executive Officer of Indus Motor Company Ltd., since 2005. Prior to joining the Company, he was the Vice President and CFO at Engro Chemical Pakistan Limited and also served as a Member of the Board of Directors. He also serves as an independent director on the boards of Standard Chartered Bank Pakistan Ltd. and Dawood Hercules Corporation Ltd.

He is a fellow of the Institute of Chartered Accountants from England & Wales and member of several faculties of the Institute and holds a Bachelors Degree in Economics and Statistics.

## Farhad Zulficar
**Director**

Farhad Zulficar is the Founding Director of Indus Motor Company Ltd. He was the first Managing Director of the Company from 1989 to 2001 and has also been a Director on a various listed and private companies. He is currently the Vice Chairman of the House of Habib and Chairman of Makro Habib Pakistan Ltd.

He is a Commerce graduate from the University of Karachi.

## Mohamedali R. Habib
**Director**

Mohamedali R. Habib is the Founding Director of Indus Motor Company Ltd. He has been an Executive Director of Habib Metropolitan Bank Ltd. since 2004 and also serves as a Member on the Board of Thal Limited and Habib Insurance Company Ltd. He was appointed as Joint-President & Division Head (Asia) & Member of General Management of Habib Bank AG Zurich in 2011.

Mohamedali R. Habib is a graduate in Business Management - Finance from Clark University, USA.

## Kyoichi Tanada
### Director

Kyoichi Tanada was appointed as a Director of Indus Motor Company Ltd. in May 2013. Currently he is serving as the President of Toyota Motor Thailand. He is also serving as a Managing Officer, Toyota Motor Corporation.

Kyoichi Tanada is a graduate in Foreign studies from Tokyo University, Japan.

## Mitoshi Okimoto
### Director

Mitoshi Okimoto was appointed as a Director of Indus Motor Company Ltd, in January 2010 and is serving the Company as Senior Director Manufacturing. He has been associated with the Company since January 2010. He has been with the Toyota Group since 1972 during which he has held various senior executive positions. He has a vast experience in the areas of production, plant engineering and quality control at various Toyota plants in the world.

He is a graduate of the Polytechnic University, Japan.

## Hiroyuki Niwa
### Director

Hiroyuki Niwa was appointed as a Director of Indus Motor Company Ltd. in July 2011. He has been associated with Toyota Motor Corporation from 1980 to 2011, during which he has held various senior positions. He joined Toyota Tsusho Corporation in May 2011, as a Member of the Management Team. He holds directorships of certain companies of the Toyota Group in various countries.

Hiroyuki Niwa is a graduate from the Tokyo University of Foreign Studies, Japan.

## Raza Ansari
### Director

Raza Ansari was elected in October 2011 as a Director of the Company. He is also a member of the audit committee. He joined Indus Motor Company Ltd. in 1989 when the company was formed and served in various positions. Raza Ansari is currently the Chief Executive Officer of Shabbir Tiles, a leading ceramic and porcelain tile manufacturer in the country. He holds a degree of Bachelor of Science and a post graduate diploma in Business Administration. Prior to joining Indus he had worked with Pakistan Papersack Limited a group company in 1986.

# Corporate Governance

### IMC's Basic Approach to Corporate Governance

IMC has a range of long-standing in-house committees responsible for monitoring and discussing management and corporate activities from viewpoints of various stakeholders to make prompt decisions for developing strategies, speed up operation while ensuring heightened transparency and the fulfillment of social obligations. IMC has a unique corporate culture that places emphasis on problem solving and preventative measures in line with Toyota Global Standards.

### Basic Concept of Compliance

IMC follows the guiding principles of Toyota and not only complies with local laws and regulations, but also meets social norms, corporate ethics and expectations of various stakeholders. IMC undertakes open and fair corporate activities to meet local standards a well as Toyota Global Standards.

### Board Human Resource and Remuneration Committee

The Remuneration Committee is a sub-committee of the Board. It recommends human resource management policies to the Board. It also recommends selection, evaluation, compensation and succession plan of the CEO and Senior Management who directly report to the CEO.

The Committee consists of three Non-Executive Directors, one Executive Director, the CEO and Secretary.

### Board Ethics Committee

The Committee has the responsibility of overseeing ethical policies and compliance by the Company. It provides expeditious actions on disclosures of wrongdoing. The Ethics Committee also reviews and investigates proceedings of the whitle-blown.

The Committee consists of the CEO the two Non-Executive Directors.

### Investment Committee

The Investment Committee assists the Board in fulfilling its oversight responsibility for the investment in assets of the company. It evaluates the capital expenditures required to be made and recommends the same to the Board for approval. The Committee is also responsible for formulating the overall policies for investment in fixed assets, subject to approval by the Board, and establishing investment guidelines in furtherance of those policies.

The Committee consists of the CEO, two Directors, the CFO and Secretary.

### Marketing Technical Co-ordination Committee

Marketing Technical Co-ordination Committee is a management committee responsible for synchronization between the marketing and technical departments. The committee also controls new products or minor model specification changes and schedules.

The Committee is chaired by the CEO every month and representation is from marketing and technical departments.

### ACT #1 Management Committee

The ACT #1 Management Committee is responsible for the monitoring of organizational KPIs and stewardship of financial performance every month. It also reviews departmental targets and accomplishments achieved during the month. In addition ACT #1 reviews government regulatory affairs including macro-economic situations which results in formation of the Company's strategy and risk management policies.

The meeting is headed by the Chairman with representation from all departments.

### Safety, Health and Environment Committee

The Committee meets on a monthly basis and keeps a close eye on company-wide S.H.E statistics, KPI trends, relevant local laws compliance, promulgating drive and focus on S.H.E right from the top; enabling Management to have a firsthand feel of S.H.E issues prevailing on the shop floor and ways to resolve them via efficient and swift decision-making.

The Safety, Health and Environment Committee, chaired by the CEO, formulates the overall policies and S.H.E framework for the company.

# Company Information

## Bankers
Askari Bank Limited
Bank Alfalah Limited
Barclays Bank PLC Pakistan
Bank Al-Habib Limited
Citibank N.A.
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Tokyo-Mitsubishi UFJ Limited
United Bank Limited

## Auditors
A.F. Ferguson & Co.
Chartered Accountants,
State Life Building No. 1-C,
I.I. Chundrigar Road, Karachi.

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

## Share Registrar
Noble Computer Services (Private) Limited
First Floor, House of Habib Building
(Siddiqsons Tower), 3-Jinnah C. H. Society,
Main Shahrah-e-Faisal, Karachi-75350.
Phone: (PABX) (92-21) 34325482-84
Fax: (92-21) 34325442

## Factory / Registered Office
Plot No. N.W.Z/1/P-1, Port Qasim Authority,
Bin Qasim, Karachi.
Phone: (PABX) (92-21) 34720041-48
(UAN) (92-21) 111-TOYOTA (869-682)
Fax: (92-21) 34720056
Website: www.toyota-indus.com

## Chief Financial Officer
Mr. Rayomand Ghadiali

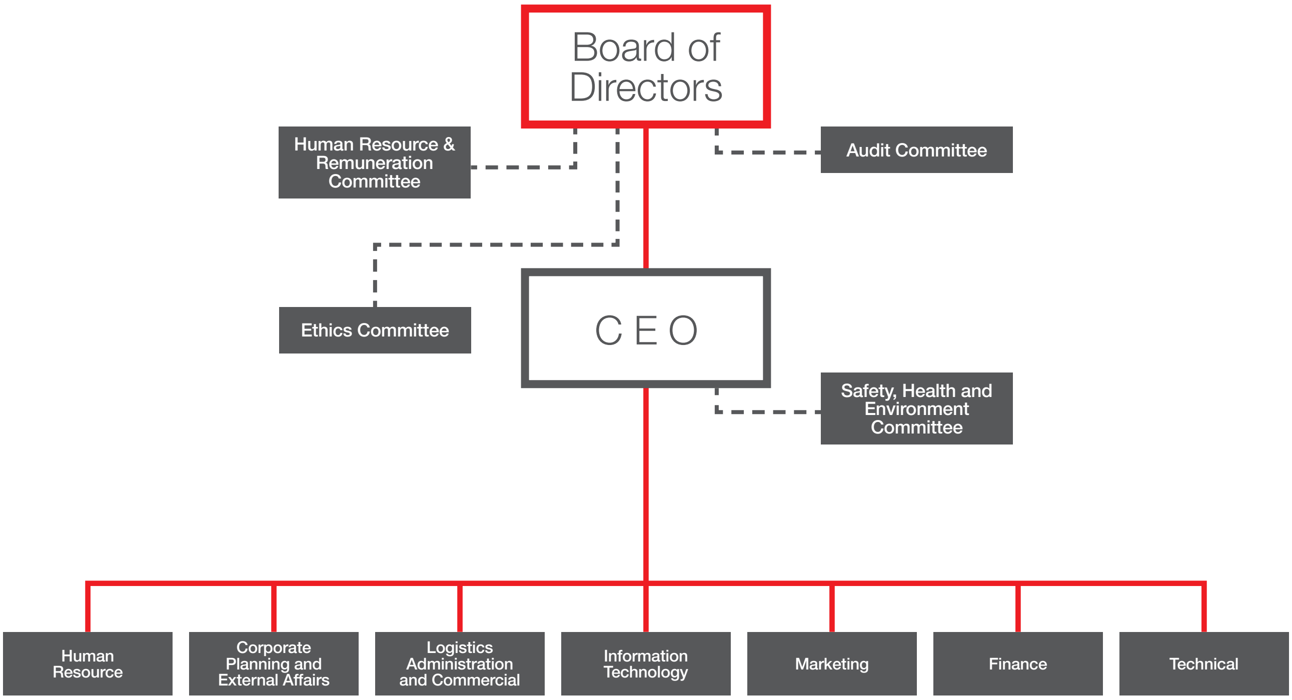
## Company Secretary
Ms. Anam Fatima Khan

## Audit Committee Members
Mr. Mohamedali R. Habib (Chairman)
Mr. Farhad Zulficar
Mr. Kyoichi Tanada
Mr. Hiroyuki Niwa
Mr. Raza Ansari
Mr. Ahmed Waseem Khan (Secretary)

## Board Human Resource and Remuneration Committee Members
Mr. Ali S. Habib (Chairman)
Mr. Farhad Zulficar
Mr. Raza Ansari
Mr. Keiichi Murakami
Mr. Parvez Ghias
Mr. Faisal Munib Khan (Secretary)

## Board Ethics Committee Members
Mr. Farhad Zulficar (Chairman)
Mr. Parvez Ghias
Mr. Raza Ansari

# Organization Chart




# Shareholder Information

## Factory / Registered Office
Plot No. N.W.Z/1/P-1, Port Qasim Authority,
Bin Qasim, Karachi.
PABX: 92-21-34720041-48
Fax: 92-21-34720056

## Shares Registrar
Noble Computer Services (Private) Limited
First Floor, House of Habib Building
(Siddiqsons Tower), 3-Jinnah C. H. Society,
Main Shahrah-e- Faisal, Karachi – 75350.
PABX: 92-21-34325482-84
Fax: 92-21-34325442

## Annual General Meeting
The Annual General Meeting will be held at 9:00 a.m. on October 8, 2013 at the Pearl Continental Hotel, Karachi.

Shareholders as at September 23, 2013 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company or Share Registrar of the company at least 48 hours before the meeting time.

## Ownership
On June 30, 2013, there were 3,341 shareholders on record of the Company's ordinary shares.

## Dividend Payment
The proposal of the Board of Directors for dividend payment will be considered at the Annual General Meeting. The dividend warrants will be sent to persons listed in the register of members on September 23, 2013. Income Tax and Zakat will be deducted in accordance with current regulations.

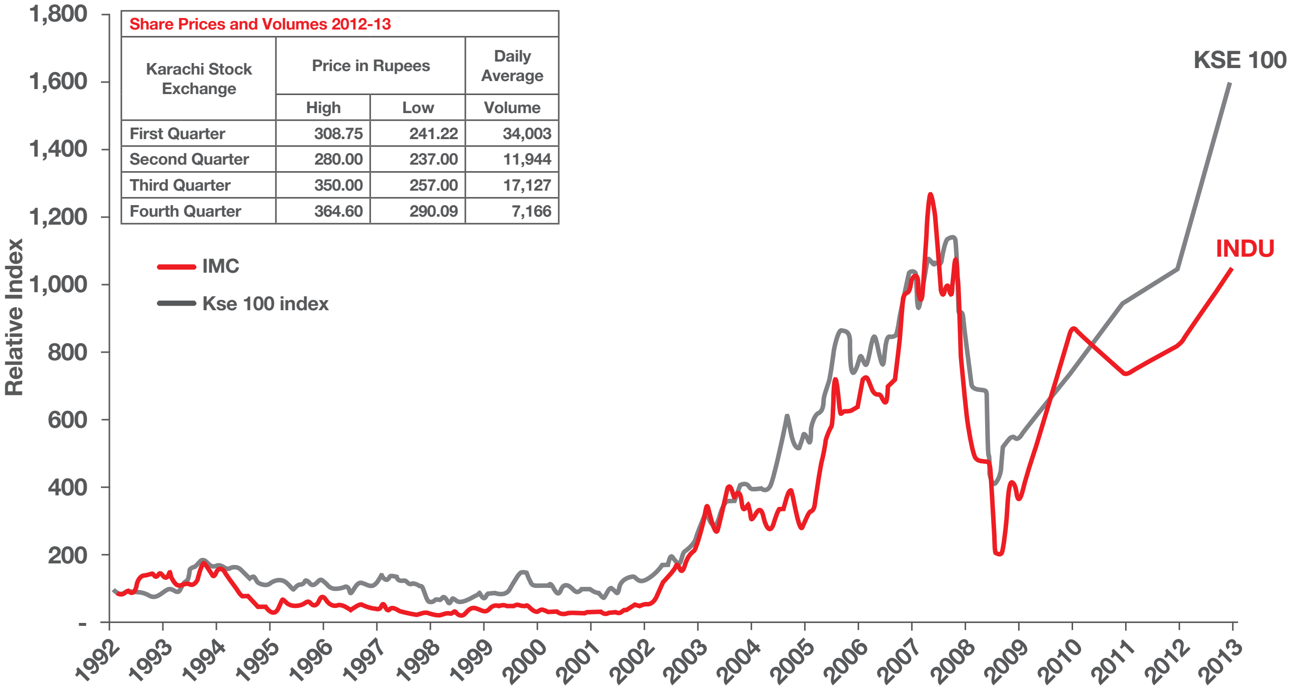
Shareholders who wish to have their dividends deposited directly in their bank accounts should contact the Shares Registrar by September 23, 2013.

## Listing on Stock Exchanges
Indus Motor Company Limited equity shares are listed on Karachi, Lahore and Islamabad Stock Exchanges.

## Stock Code
The stock code for dealer in equity shares of Indus Motor Company Limited at KSE, LSE and ISE is INDU.

## INDUS Vs KSE 100 (1992 - 2013)

As at June 30th




**Share Prices and Volumes 2012-13**

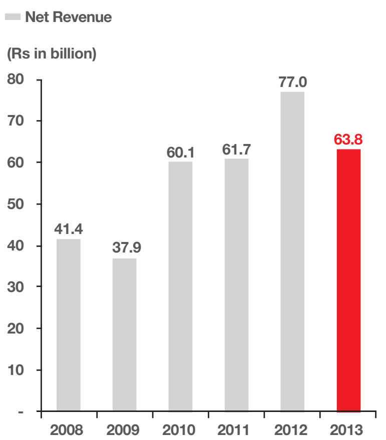
| Karachi Stock Exchange | Price in Rupees | | Daily Average |
|---|---|---|---|
| | High | Low | Volume |
| First Quarter | 308.75 | 241.22 | 34,003 |
| Second Quarter | 280.00 | 237.00 | 11,944 |
| Third Quarter | 350.00 | 257.00 | 17,127 |
| Fourth Quarter | 364.60 | 290.09 | 7,166 |

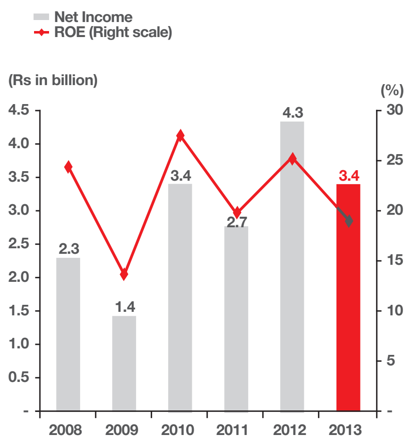
# Operating Highlights

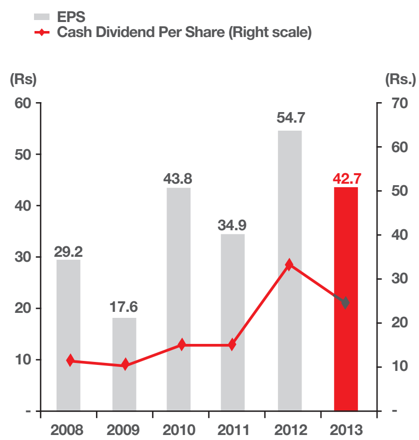
| | | Year ended June 30 | |
|---|---|---|---|
| | | 2013 | 2012 |
| Profit after Tax | Rs in billion | 3.4 | 4.3 |
| Vehicle Sales | Units | 38,517 | 55,060 |
| Vehicle Production | Units | 37,405 | 54,917 |
| Net Revenues | Rs in billion | 63.8 | 77.0 |
| Earnings Per Share | Rs | 42.7 | 54.7 |
| Annual Cash Dividend Per Share | Rs | 25 | 32 |
| Shareholders' Equity | Rs in billion | 17.7 | 17.0 |
| Contribution to National Exchequer | Rs in billion | 21.3 | 24.7 |
| Manpower | No. of employees | 2,225 | 2,292 |

# Financial Summary

| For The Year | | % Change 2013 Vs 2012 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|
| | | | | Year ended June 30 | | | | |
| Units sold | | -30% | **38,517** | 55,060 | 50,943 | 52,063 | 35,276 | 50,802 |
| Net revenues | Rs in billion | -17% | **63.8** | 77.0 | 61.7 | 60.1 | 37.9 | 41.4 |
| Profit before tax | Rs in billion | -21% | **5.0** | 6.3 | 4.0 | 5.2 | 2.0 | 3.5 |
| Net income | Rs in billion | -21% | **3.4** | 4.3 | 2.7 | 3.4 | 1.4 | 2.3 |
| Return on equity | Percentage | -25% | **19.0** | 25.3 | 19.4 | 27.4 | 13.5 | 24.3 |
| **Per Share Data** | | | | | | | | |
| Earnings (EPS) | Rs | -22% | **42.7** | 54.7 | 34.9 | 43.8 | 17.6 | 29.2 |
| Cash dividends | Rs | -22% | **25.0** | 32.0 | 15.0 | 15.0 | 10.0 | 10.5 |
| Shareholder’s equity | Rs | 4% | **225.3** | 216.5 | 179.6 | 160.3 | 131.0 | 120.1 |
| **At Year-End** | | | | | | | | |
| Total assets | Rs in billion | -9% | **25.1** | 27.6 | 26.8 | 27.1 | 20.7 | 13.7 |
| Shareholders’ equity | Rs in billion | 4% | **17.7** | 17.0 | 14.1 | 12.6 | 10.3 | 9.4 |
| **Share Performance (June 30)** | | | | | | | | |
| Price per share | Rs | 27% | **311.0** | 245.1 | 220.0 | 262.4 | 107.7 | 200.1 |
| Market capitalization | Rs in billion | 27% | **24.4** | 19.3 | 17.3 | 20.6 | 8.5 | 15.7 |



# Vertical Analysis

(Rs in million)

| | 2013 | % | 2012 | % | 2011 | % | 2010 | % | 2009 | % | 2008 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | | | | | | | | |
| Fixed Assets | 2,742 | 10.9 | 3,473 | 12.6 | 4,226 | 15.7 | 3,324 | 12.2 | 3,934 | 19.0 | 4,034 | 29.3 |
| Long-term loans and advances | 131 | 0.5 | 6 | 0.0 | 12 | 0.0 | 16 | 0.1 | 29 | 0.1 | 42 | 0.3 |
| Long-term deposits and prepayments | 10 | 0.0 | 8 | 0.0 | 9 | 0.0 | 7 | 0.0 | 7 | 0.0 | 7 | 0.1 |
| Deferred taxation | 35 | 0.14 | - | - | - | - | - | - | - | - | - | - |
| Stores and spares | 154 | 0.6 | 178 | 0.6 | 190 | 0.7 | 112 | 0.4 | 128 | 0.6 | 232 | 1.7 |
| Stock-in-trade | 7,883 | 31.4 | 7,530 | 27.3 | 5,690 | 21.2 | 5,198 | 19.2 | 4,089 | 19.9 | 2,638 | 19.2 |
| Trade debts | 1,383 | 5.5 | 1,460 | 5.3 | 1,356 | 5.1 | 1,613 | 5.9 | 1,737 | 8.4 | 1,333 | 9.6 |
| Loans and advances | 1,558 | 6.2 | 945 | 3.4 | 926 | 3.5 | 840 | 3.1 | 895 | 4.3 | 737 | 5.4 |
| Short-term prepayments | 11 | 0.0 | 21 | 0.1 | 19 | 0.1 | 19 | 0.1 | 17 | 0.1 | 23 | 0.2 |
| Accrued return on bank deposits | 12 | 0.0 | 45 | 0.2 | 53 | 0.2 | 57 | 0.2 | 51 | 0.2 | 35 | 0.3 |
| Other receivables | 162 | 0.6 | 448 | 1.6 | 150 | 0.6 | 196 | 0.7 | 68 | 0.3 | 74 | 0.5 |
| Investments | 6,698 | 26.7 | 2,691 | 9.8 | 4,993 | 18.6 | - | - | - | - | 54 | 0.4 |
| Taxation - payment less provision | 131 | 0.52 | - | - | 399 | 1.5 | - | - | - | - | 210 | 1.5 |
| Cash and bank balances | 4,195 | 16.7 | 10,771 | 39.1 | 8,812 | 32.8 | 15,756 | 58.1 | 9,731 | 47.0 | 4,329 | 31.5 |
| **Total Assets** | **25,105** | **100.0** | **27,576** | **100.0** | **26,835** | **100.0** | **27,138** | **100.0** | **20,686** | **100.0** | **13,748** | **100.0** |
| Issued, subscribed and paid-up capital | 786 | 3.1 | 786 | 2.9 | 786 | 2.9 | 786 | 2.9 | 786 | 3.8 | 786 | 5.7 |
| Reserves | 16,907 | 67.3 | 16,228 | 58.8 | 13,334 | 49.7 | 11,802 | 43.5 | 9,511 | 46.0 | 8,650 | 62.9 |
| **Shareholders' Equity** | **17,693** | **70.5** | **17,014** | **61.7** | **14,120** | **52.6** | **12,588** | **46.4** | **10,297** | **49.8** | **9,436** | **68.6** |
| Deferred taxation | - | - | 166 | 0.6 | 454 | 1.7 | 326 | 1.2 | 504 | 2.4 | 532 | 3.9 |
| Trade, other payables and provisions | 6,014 | 24.0 | 6,512 | 23.6 | 5,741 | 21.4 | 5,905 | 21.8 | 3,943 | 19.1 | 2,837 | 20.6 |
| Advances from customers and dealers | 1,399 | 5.6 | 3,824 | 13.9 | 6,520 | 24.3 | 8,075 | 29.7 | 5,927 | 28.6 | 943 | 6.9 |
| Accrued mark-up | 0 | 0.0 | - | - | - | - | 1 | 0.0 | 1 | 0.0 | - | - |
| Short-term running finance | - | - | - | - | - | - | - | - | - | - | - | - |
| Taxation - provision less payment | - | - | 60 | 0.2 | - | - | 243 | 0.9 | 15 | 0.1 | - | - |
| **Total Equity and Liabilities** | **25,105** | **100.0** | **27,576** | **100.0** | **26,835** | **100.0** | **27,138** | **100.0** | **20,686** | **100.0** | **13,748** | **100.0** |
| **PROFIT AND LOSS ACCOUNT** | | | | | | | | | | | | |
| Net Sales | 63,829 | 100.0 | 76,963 | 100.0 | 61,703 | 100.0 | 60,093 | 100.0 | 37,865 | 100.0 | 41,424 | 100.0 |
| Cost of sales | 57,972 | 90.8 | 70,401 | 91.5 | 57,614 | 93.4 | 55,237 | 91.9 | 35,541 | 93.9 | 37,576 | 90.7 |
| **Gross profit** | **5,857** | **9.2** | **6,562** | **8.5** | **4,089** | **6.6** | **4,856** | **8.1** | **2,324** | **6.1** | **3,848** | **9.3** |
| Distribution costs | 814 | 1.3 | 820 | 1.1 | 690 | 1.1 | 468 | 0.8 | 470 | 1.2 | 487 | 1.2 |
| Administrative expenses | 644 | 1.0 | 628 | 0.8 | 463 | 0.8 | 382 | 0.6 | 352 | 0.9 | 297 | 0.7 |
| Other operating expenses | 436 | 0.7 | 516 | 0.7 | 356 | 0.6 | 416 | 0.7 | 156 | 0.4 | 306 | 0.7 |
| Other income | 1,038 | 1.6 | 1,776 | 2.3 | 1,508 | 2.4 | 1,796 | 3.0 | 727 | 1.9 | 787 | 1.9 |
| **Operating profit before finance costs** | **5,000** | **7.8** | **6,373** | **8.3** | **4,088** | **6.6** | **5,386** | **9.0** | **2,073** | **5.5** | **3,545** | **8.6** |
| Finance costs | 31 | 0.0 | 61 | 0.1 | 77 | 0.1 | 144 | 0.2 | 27 | 0.1 | 3 | 0.0 |
| **Profit before taxation** | **4,970** | **7.8** | **6,312** | **8.2** | **4,011** | **6.5** | **5,242** | **8.7** | **2,046** | **5.4** | **3,542** | **8.6** |
| Taxation | 1,612 | 2.5 | 2,010 | 2.6 | 1,268 | 2.1 | 1,799 | 3.0 | 661 | 1.7 | 1,251 | 3.0 |
| **Profit after taxation** | **3,358** | **5.3** | **4,303** | **5.6** | **2,743** | **4.4** | **3,443** | **5.7** | **1,385** | **3.7** | **2,291** | **5.5** |

# Horizontal Analysis

(Rs in million)

| | 2013 | % | 2012 | % | 2011 | % | 2010 | % | 2009 | % | 2008 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE SHEET** | | | | | | | | | | | | |
| Fixed Assets | 2,742 | (21.0) | 3,473 | (17.8) | 4,226 | 27.1 | 3,324 | (15.5) | 3,934 | (2.5) | 4,034 | 92.6 |
| Long-term loans and advances | 131 | 2083.3 | 6 | (50.0) | 12 | (25.0) | 16 | (44.8) | 29 | (31.0) | 42 | 50.0 |
| Long-term deposits and prepayments | 10 | 25.0 | 8 | (11.1) | 9 | 28.6 | 7 | - | 7 | - | 7 | - |
| Deferred taxation | 35 | 120.8 | - | - | - | - | - | - | - | - | - | - |
| Stores and spares | 154 | (13.5) | 178 | (6.3) | 190 | 69.9 | 112 | (12.5) | 128 | (44.8) | 232 | 2.2 |
| Stock-in-trade | 7,883 | 4.7 | 7,530 | 32.3 | 5,690 | 9.5 | 5,198 | 27.1 | 4,089 | 55.0 | 2,638 | (7.7) |
| Trade debts | 1,383 | (5.3) | 1,460 | 7.7 | 1,356 | (15.9) | 1,613 | (7.1) | 1,737 | 30.3 | 1,333 | 100.2 |
| Loans and advances | 1,558 | 64.8 | 945 | 2.1 | 926 | 10.2 | 840 | (6.1) | 895 | 21.4 | 737 | 83.3 |
| Short-term prepayments | 11 | (47.6) | 21 | 10.5 | 19 | 0.0 | 19 | 11.8 | 17 | (26.1) | 23 | (52.1) |
| Accrued return on bank deposits | 12 | (73.3) | 45 | (15.1) | 53 | (7.0) | 57 | 11.8 | 51 | 45.7 | 35 | (73.7) |
| Other receivables | 162 | (63.8) | 448 | 198.7 | 150 | (23.5) | 196 | 188.2 | 68 | (8.1) | 74 | (87.8) |
| Investments | 6,698 | 148.9 | 2,691 | (46.1) | 4,993 | 100.0 | - | - | - | (100.0) | 54 | 100.0 |
| Taxation - payment less provision | 131 | 320.3 | - | (85.1) | 399 | 264.5 | - | - | - | (93.0) | 210 | 328.6 |
| Cash and bank balances | 4,195 | (61.1) | 10,771 | 22.2 | 8,812 | (44.1) | 15,756 | 61.9 | 9,731 | 124.8 | 4,329 | (49.3) |
| **Total Assets** | **25,105** | **(9.0)** | **27,576** | **2.8** | **26,835** | **(1.1)** | **27,138** | **31.2** | **20,686** | **50.5** | **13,748** | **(12.2)** |
| Issued, subscribed and paid-up capital | 786 | - | 786 | - | 786 | - | 786 | - | 786 | - | 786 | - |
| Reserves | 16,907 | 4.2 | 16,228 | 21.7 | 13,334 | 13.0 | 11,802 | 24.1 | 9,511 | 10.0 | 8,650 | 19.2 |
| **Shareholders' Equity** | **17,693** | **4.0** | **17,014** | **20.5** | **14,120** | **12.2** | **12,588** | **22.2** | **10,297** | **9.1** | **9,436** | **17.3** |
| Deferred taxation | - | (120.8) | 166 | (63.4) | 454 | 39.3 | 326 | (35.3) | 504 | (5.3) | 532 | 153.3 |
| Trade, other payables and provisions | 6,014 | (7.7) | 6,512 | 13.4 | 5,741 | (2.8) | 5,905 | 49.8 | 3,943 | 39.0 | 2,837 | (1.9) |
| Advances from customers and dealers | 1,399 | (63.4) | 3,824 | (41.3) | 6,520 | (19.3) | 8,075 | 36.3 | 5,927 | 528.5 | 943 | (79.1) |
| Accrued mark-up | - | - | - | - | - | (100.0) | 1 | - | 1 | 100.0 | - | (100.0) |
| Short-term running finance | - | - | - | - | - | - | - | - | - | - | - | - |
| Taxation - provision less payment | - | (320.3) | 60 | 85.1 | - | (264.5) | 243 | 1554.7 | 15 | 93.0 | - | - |
| **Total Equity and Liabilities** | **25,105** | **(9.0)** | **27,576** | **2.8** | **26,835** | **(1.1)** | **27,138** | **31.2** | **20,686** | **50.5** | **13,748** | **(12.2)** |
| **PROFIT AND LOSS ACCOUNT** | | | | | | | | | | | | |
| Net Sales | 63,829 | (17.1) | 76,963 | 24.7 | 61,703 | 2.7 | 60,093 | 58.7 | 37,865 | (8.6) | 41,424 | 6.0 |
| Cost of sales | 57,972 | (17.7) | 70,401 | 22.2 | 57,614 | 4.3 | 55,237 | 55.4 | 35,541 | (5.4) | 37,576 | 8.5 |
| **Gross profit** | **5,857** | **(10.7)** | **6,562** | **60.5** | **4,089** | **(15.8)** | **4,856** | **109.0** | **2,324** | **(39.6)** | **3,848** | **(13.4)** |
| Distribution costs | 814 | (0.7) | 820 | 18.8 | 690 | 47.4 | 468 | (0.4) | 470 | (3.5) | 487 | (4.5) |
| Administrative expenses | 644 | 2.6 | 628 | 35.6 | 463 | 21.2 | 382 | 8.5 | 352 | 18.5 | 297 | 12.1 |
| Other operating expenses | 436 | (15.5) | 516 | 44.9 | 356 | (14.4) | 416 | 166.7 | 156 | (49.0) | 306 | (12.1) |
| Other income | 1,038 | (41.6) | 1,776 | 17.8 | 1,508 | (16.0) | 1,796 | 147.0 | 727 | (7.6) | 787 | (17.7) |
| **Operating profit before finance costs** | **5,000** | **(21.5)** | **6,373** | **55.9** | **4,088** | **(24.1)** | **5,386** | **159.8** | **2,073** | **(41.5)** | **3,545** | **(17.1)** |
| Finance costs | 31 | (49.1) | 61 | (20.8) | 77 | (46.5) | 144 | 433.3 | 27 | 800.0 | 3 | (93.2) |
| **Profit before taxation** | **4,970** | **(21.3)** | **6,312** | **57.4** | **4,011** | **(23.5)** | **5,242** | **156.2** | **2,046** | **(42.2)** | **3,542** | **(16.3)** |
| Taxation | 1,612 | (19.8) | 2,010 | 58.5 | 1,268 | (29.5) | 1,799 | 172.2 | 661 | (47.2) | 1,251 | (15.7) |
| **Profit after taxation** | **3,358** | **(22.0)** | **4,303** | **56.9** | **2,743** | **(20.3)** | **3,443** | **148.6** | **1,385** | **(39.5)** | **2,291** | **(16.6)** |

"We all wanted to feel the spirit of independence, our Vigo Champ is a true champion of freedom"

**Toyota Hilux 4x4 Vigo** has gained a reputation for exceptional sturdiness and reliability, even during sustained heavy use and is often referred to as "The Indestructible".

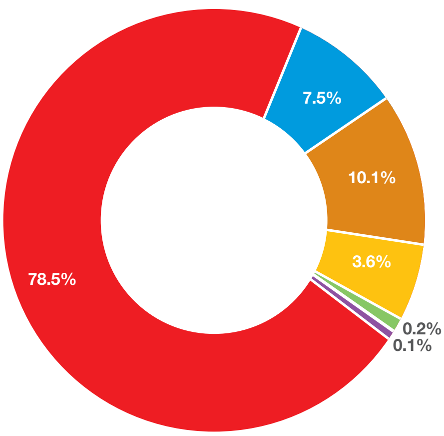
# Statement of Value Addition

For the year ended June 30, 2013

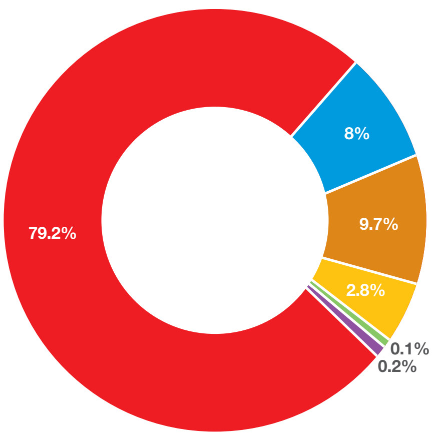
| | 2013 (Rupees in '000) | % | 2012 (Rupees in '000) | % |
|---|---|---|---|---|
| **WEALTH GENERATED** | | | | |
| Gross Revenue | 75,949,653 | 98.7% | 91,620,016 | 98.1% |
| Other income | 1,037,840 | 1.3% | 1,775,748 | 1.9% |
| | 76,987,493 | 100.0% | 93,395,764 | 100.0% |
| Bought in material and services and other expenses | 50,652,945 | 65.8% | 61,808,206 | 66.2% |
| | 26,334,548 | 34.2% | 31,587,558 | 33.8% |
| **WEALTH DISTRIBUTED** | | | | |
| **Employees** | | | | |
| Salaries, wages and other benefits | 935,916 | 3.6% | 881,136 | 2.8% |
| **Society** | | | | |
| Donations towards education, health and environment | 63,119 | 0.2% | 43,123 | 0.1% |
| **Providers of finance** | | | | |
| Finance cost | 30,704 | 0.1% | 60,981 | 0.2% |
| **Government** | | | | |
| Income tax, sales tax, excise duty, custom duty, WWF and WPPF | 20,688,052 | 78.5% | 25,010,991 | 79.2% |
| **Shareholders** | | | | |
| Dividend | 1,965,000 | 7.5% | 2,515,200 | 8.0% |
| **Retained within the business for future growth** | | | | |
| Retained earnings, depreciation and amortization | 2,651,757 | 10.1% | 3,076,125 | 9.7% |
| | 26,334,548 | 100.0% | 31,587,558 | 100.0% |

## DISTRIBUTION OF WEALTH

2013




2012




Employees | Society | Providers of finance | Government | Shareholders | Retained within the business for future growth

# Directors' Report

The Directors of Indus Motor Company Limited takes pleasure in presenting the Directors' Report, together with the Accounts of the Company for the year ended June 30, 2013 and recommend the following appropriations:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **PROFIT AFTER TAXATION** | **3,357,545** | 4,302,715 |
| Unappropriated profit from prior year | **787,613** | 98 |
| Profit available for appropriation | **4,145,158** | 4,302,813 |
| **APPROPRIATIONS** | | |
| First interim @ 60% i.e. Rs 6 per share (2012: 80% i.e Rs. 8 per share) | **471,600** | 628,800 |
| Second Interim @ 40% i.e. Rs 4 per share (2012: Nil) | **314,400** | - |
| | **786,000** | 628,800 |
| Unappropriated Profit Carried Forward | **3,359,158** | 3,674,013 |
| **SUBSEQUENT EFFECTS** | | |
| Proposed Final Dividend @ 150% i.e. Rs 15 per share (2012: 240% i.e. Rs 24 per share) | **1,179,000** | 1,886,400 |
| Transfer to General Reserves | **1,500,000** | 1,000,000 |
| | **2,679,000** | 2,886,400 |
| Basic and Diluted Earnings Per Share | **42.72** | 54.74 |

## Code of Corporate Governance

The Board members are pleased to state that the management of the Company is committed to good corporate governance and complying with the best practices. In compliance with the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

## Key Operating and Financial Data

The Key Operating and Financial Data is mentioned on pages 110 to 111.

## Appointment of Auditors

The present auditors, M/s A.F. Ferguson & Co., Chartered Accountants retire at the conclusion of the meeting and being eligible, offer themselves for re-appointment. The directors endorse recommendation of the Audit Committee for re-appointment of M/s A.F. Ferguson & Co., as the auditors for the financial year 2013-14.

## Chairman's Review

The Directors of the Company endorse the contents of the Chairman's Review dealing with the Company's performance, major activities carried out during the year and the future outlook.

## Investments of Retirement Benefit Funds

The following are the values of Investments held by the retirement benefit funds at the year end:

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| | (Unaudited) | (Audited) |
| Indus Motor Company Limited Employees' Provident Fund | 419,629 | 341,325 |
| Indus Motor Company Limited Employees' Pension Fund | 216,076 | 175,215 |

## Government Levies

Government levies outstanding as at June 30, 2013 have been disclosed in Note No. 17 in the Financial Statements.

## Board of Directors Meeting

A total of four meetings of the Board of Directors were held during the period of 12 months from July 01, 2012 to June 30, 2013. Attendance by each Director is as follows:-

| Name of Directors | Number of Meetings Attended |
|---|---|
| Mr. Ali S. Habib | 3 |
| Mr. Keiichi Murakami / Mr. Koji Hyodo (former director) | 4 |
| Mr. Parvez Ghias | 4 |
| Mr. Farhad Zulficar | 3 |
| Mr. Mohamedali R. Habib | 2 |
| Mr. Kyoichi Tanada / Mr. Takahiro Iwase (former director) / Mr. M. Aoi (Alternate) | 4 |
| Mr. Hiroyuki Niwa / Mr. R. Hatakeyama (Alternate) | 4 |
| Mr. Mitoshi Okimoto | 3 |
| Mr. Raza Ansari | 3 |

During the year, Mr. Keiichi Murakami has been appointed as a Director on the resignation of Mr. Koji Hyodo from January 1, 2013. On May 28, 2013, Mr. Kyoichi Tanada has been appointed as a Director on the resignation of Mr. Takahiro Iwase. Subsequent to year end, Mr. Tetsuro Hirai has been appointed as a Director on the resignation of Mr. Hiroyuki Niwa from July 4, 2013. The Board acknowledges the valuable contributions made by the outgoing directors and welcome the new directors.

## Board Audit Committee

The Board Audit Committee comprises of five non-executive directors, including the Chairman of the Board Audit Committee.

The terms of reference of the Committee include reviews of annual and quarterly financial statements, internal audit report, information before dissemination to Stock Exchanges and proposal for appointment of external auditors for approval of the shareholders, apart from other matters of significant nature. Four meetings were held during the period under review.

## Trading of Shares of the Company

The Directors and their spouses and minor children have not carried out trading of shares of the Company, other than disclosed alongwith the Pattern of Shareholing.

## Pattern of Shareholding

The Pattern of Shareholding of the Company as at June 30, 2013 is given on pages 108 to 109.

Karachi.
August 27, 2013

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director


**Ali S. Habib**
**Chairman**

# Chairman's Review

بسم الله الرحمن الرحيم

"I welcome you all to this 24th Annual General Meeting of your company and it is my pleasure to present to you the Company's performance for the year ended June 30, 2013."

- **Industry Review**
- **Company Review**
- **Marketing**
- **Customer Relations**
- **Parts Business**
- **Safety Health & Environment**
- **Human Resources**
- **Operations**
- **Strategy to face External Challenges**

# Industry Review

The fiscal year 2012-13 was yet another challenging period for the domestic auto industry with its own set of trials and tribulations. The sudden drop witnessed in customer demand at the beginning of FY13 was in sharp contrast to the impressive recovery staged by the industry during the preceding three years. Deteriorating economic and social environment coupled with extraordinarily liberal trade policies of the government on used cars severely affected the market fundamentals for the locally manufactured vehicles.

The government decisions to enhance the age limit of used cars from 3 to 5 years in February 2011 and allow 25% reduction in custom duty for Hybrid vehicles in June 2012 played havoc at the marketplace leading to a huge inventory buildup. In order to respond quickly to the rapidly deteriorating market environment and the resulting financial stress, all the local manufacturers and part suppliers resorted to production cutbacks and cost reduction initiatives for their survival. By the time the government realized the adverse impact of pursuing such a liberalized used car imports trade regime and reversed the decision on the age limit to 3 years effective mid December 2012, for which the industry is thankful, the damage was already done with as many as 80,000 units entering the country during the prior 18 months causing layoffs of about 20,000 workers and billions of rupees in losses for the auto industry and the government. As if this pain endured by industry was not enough, the government announcement of April 2012 to offer amnesty to cars smuggled into the country further aggravated the situation as unscrupulous traders moved in to take advantage of nominal duty to legitimize over 55,000 used vehicles, ironically some of which are yet to be imported in coming months according to the media reports. We appreciate the Islamabad High Court's recent judgment in this regard that has impugned the amnesty scheme with its SRO as illegal and unconstitutional.

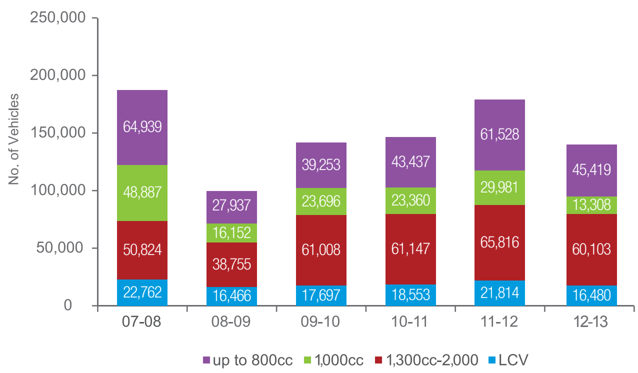
The industrial atmosphere for better part of the year remained disruptive with prolonged power outages, deteriorating law and order situation and frequent calls by political parties and pressure groups for strikes and business shutdowns. On the economic front, the depreciating rupee continued to exert severe inflationary pressure on materials and supplies compelling the automakers to partially pass through cost increases to the market that also affected customer-buying sentiment. Some relief came through weakening of the yen at start of 2013 with shift in the Bank of Japan monetary policy that provided partial stability in the retail selling prices despite the accelerated decline of rupee against the dollar.

The above operating environment and related uncertainties including the confusion emanating from the budget

announcement in June 2013 over the effective date of applicability of the new higher GST rate and significant increase in advance tax at the time of registration on new domestic products further dampened the market for locally manufactured Passenger Cars (PC) and Light Commercial Vehicles (LCV) as demand crashed by 24% to 135,310 units, compared to 179,139 units sold last year. In response to the declining market conditions, all manufacturers operated their plants at below capacities with a combined output of 136,324 units compared to 175,635 units produced last year.

An environment of stable government policies is crucial for the unimpeded growth of the auto industry by virtue of its long planning cycle requirement for new model introduction. Ironically, it remains an elusive target despite the best efforts of OEMs and parts suppliers. The five-year Auto Industry Development Plan initiated by the GOP in 2006-07 expired in June 2012. Though the industry for its part reached an agreement with the Engineering Development Board and the Ministry of Industries in FY12, the government reopened the discussions once again during FY13 and with frequent changes taking place in the senior bureaucracy, the GOP has been unable to finalize the recommendations and issue a policy statement. This is an untenable situation and leaves the industry in a bind, as it is unable to formulate plans for the introduction of new models in this environment of uncertainty. Similarly, there was intense dialogue throughout the year with the Federal Board of Revenue on taxation matters and valuation of used cars auto parts and despite assurances to provide user friendly framework and a level playing field, the problems remain unresolved.

Regrettably, the lack of will on the government side to implement good governance continued to hurt our Parts business due to ongoing malpractices of under-invoicing and incorrect declaration of imported auto parts by unprincipled importers which continued unabated creating further difficulties for the genuine parts manufacturers and distributors.




# Company Review

## CKD and CBU Business

Unlike the robust performance of FY12, the year 2012-13 ended on a subdued note for the company as sales of Toyota and Daihatsu brand (CKD and CBU) fell 30 per cent to 38,517 units, compared to 55,060 units sold in the previous year.

The sharp drop in market demand compelled the company to shut down the plant facility for 53 non-production days during the year. Despite the difficult financial situation stemming from such closure, the company lived by its policy of no staff lay-offs, a fact well appreciated by the entire workforce and the Government. True to the Toyota Way philosophy, the company utilized the non-production days for skill training and capacity building of team members and reinforcing Kaizen concepts to improve our manufacturing processes and reduce costs.

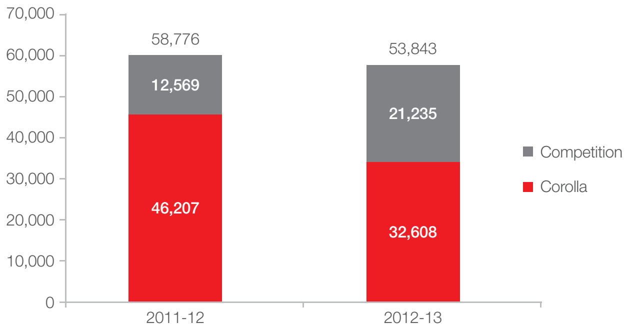
The exodus of 5 year old used imported vehicles, mostly competing models in the Toyota Corolla class and the discontinuation of Daihatsu Cuore production last year without any replacement product restricted the Company's ability to retain the market share which declined to 21% compared to 30% attained in FY12 where the company also benefited on account of supply chain disruption caused to competitor product due to Thai floods.

Not withstanding the grueling environment the company achieved couple of notable landmark events. The period saw line-off of the half-millionth (500,000$^{th}$) vehicle since the start of production in 1993 and launch of yet another globally renowned product from the Toyota family—the first locally assembled Sports Utility Vehicle (SUV), the Fortuner, which is approximately 40 per cent cheaper than the imported version yet fully replete with luxury and safety features, bringing to our customers a whole new driving experience.

## CKD Passenger Cars: Small-High Segment

The segment comprising of all Corolla variants was affected by the influx of imported used cars and declined by 8% to 53,843 units in which our market share was 60% or 32,608 units compared to 79% share achieved for FY12.

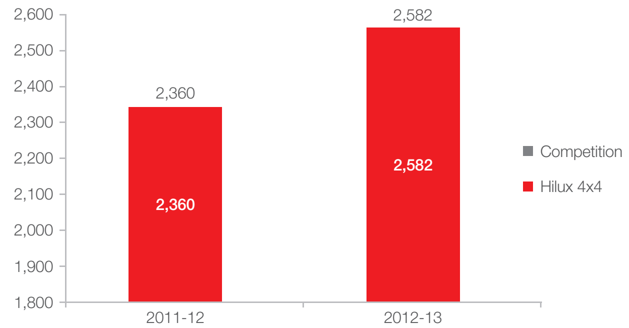
As a countermeasure to boost sales, the company offered greater variety of choices within its product line-up and launched Limited editions of the Corolla GLi, GLi AT, Xli in metallic colors, which won the appreciation of our customers.




## CKD: Pickup Segment (4x4) Vigo:

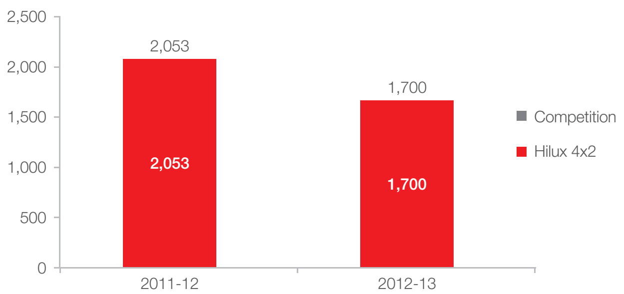
The segment was relatively less impacted by the used car imports. Demand for Hilux 4x4 was marginally better on account of pre-election buying and we achieved a sale volume of 2,582 units compared to 2,360 units sold last year.

The 4x4 Vigo Champ with automatic transmission and a luxurious interior continued to attract urban customers who prize comfort combined with durability and adventure. Luxury features such as the beige interior and reverse camera were added during the year based on customer feedback.



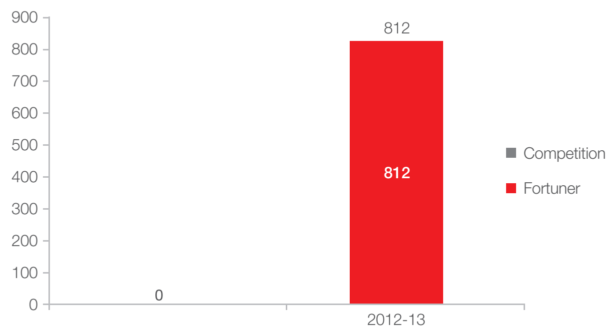

## CKD: Pickup Segment (4x2)

Our Hilux 4x2 remains a favorite amongst fleet users, institutional buyers, farmers, transporters, entrepreneurs and SMEs due to its sturdy build, durability, versatility and superb performance for use on challenging terrain. Demand during the year was weak with sales down 17% to 1,700 units compared to 2,053 units sold last year.




## CKD: SUV Segment

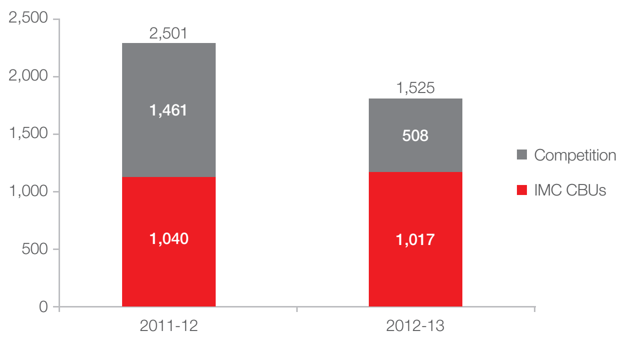
Launch of the Toyota Fortuner during FY13 saw Pakistan enter this new segment with the first true local sports utility vehicle produced in the country. At a price tag that is 40% less than the imported version Fortuner has attracted many customers as it offers luxury, elegance, safety and all round comfort. The market has responded positively to Fortuner and customers are eagerly shifting from small high and used SUVs to this very new exciting product and we are optimistic about its prospects going forward. During the 4 months since launch, Fortuner sales stood at 812 units, showing a promising segment for future growth of the company. We are however concerned at the imposition of 10% Federal Excise Duty, 1% increase in GST and increase in advance Income Tax at the registration stage that has significantly increased the cost of ownership. This is likely to lead to dampening of demand and a fall in the government revenues from sale of such vehicles.




## CBU Segment

Market for new CBU remained depressed during FY13 mainly on account of the influx of used cars and weakening Pak rupee that pushed up the retail prices of new vehicles. Industry sales were 1,525 units compared to 2,501 units sold in FY12 in which IMC share was 39% mainly comprising of the Toyota Hiace, Terios, and Avanza vehicles that provide excellent value and assurance of an unmatched after-sales services provided by our authorized dealers nationwide.

The government would do well to pay heed to our recommendation and abolish the 50% regulatory duty on high-end vehicles that is punitive for all - the customer, the exchequer and the company. A lower duty will create demand for CBUs and provide added revenue to the Government.




## Business Results

FY13 was a difficult year for the company with operational challenges stemming from the glut of used cars in the market, weak economy, energy shortages and poor law and order situation in the country. On year to date basis, sales of Toyota CKD and CBU decreased by 28% to 39,774 units compared to 55,060 units sold during the same period last year.

Despite the above uncertainties and the inability of the government to reach closure on a long-term auto policy, the company for its part continued to aggressively expand the marketing network and launched spruced up variations in the existing line up and new product offerings to the customers. Adverse market conditions compelled the company to curtail production to 37,321 units, down 32% compared to 54,917 units produced during the same period last year. IMC combined market share for locally manufactured vehicles for FY13 stood at 28%.

The sales revenue for the year ended June 2013 was Rs 63.8 billion, down 17% compared to Rs 77 billion posted for the same period last year. Continuous efforts at improving operational efficiencies, focus on Kaizen to improve processes and cost cutting initiatives enabled the Company to achieve a profit after tax of Rs 3.3 billion as compared to Rs 4.3 billion posted for the same period last year.

### Dividend

The Company achieved a Return on Equity of 19% for the year 2012-13 (2011-12: 25.3%). Based on the results, the Board of Directors is pleased to propose a final dividend of Rs 15 per share, making the total payment of Rs 25 per share compared to Rs 32 per share paid to the shareholders last year. An amount of Rs 1.5 billion is recommended for appropriation to the General Reserve to be utilized for continuing growth and plant capacity expansion.

### Contribution to National Exchequer

In FY13 the Company contributed a sum of Rs 21.3 billion to the national exchequer, which amounts to about 1.1% of the total revenue collected by the Government of Pakistan during the year.

### Inquiry by the Competition Commission of Pakistan

There were several interactions between IMC and CCOP. An issue pertaining to deceptive marketing was settled with the company agreeing to cooperate with the guidelines of the CCOP, while a hearing was held and judgment is awaited on the matter relating to changes proposed in the terms and conditions of the provisional booking order.

**Newly appointed Vice Chairman K. Murakami (R) receiving the baton from K. Hyodo (L) outgoing Vice Chairman.**


"With its sheer power, performance and comfort, my Fortuner changes the way I see the world."

**Toyota Fortuner** is the first true SUV of Pakistan, it is an icon of sheer luxury, power and performance. Crafted with advanced technology and built for supreme comfort with it's genuine leather interiors, the Fortuner is a one of kind vehicle that takes driving pleasure to the next level.

# Marketing

People's expectations of cars are constantly changing. As our valued customers begin to experience the pleasure of ownership, they also have high expectations for greater driving enjoyment and environmental performance. In an era of sudden and drastic change we need to have the ability to foresee the next advancement. It is the customer who drives such a change. By remaining firmly focused on customers and continuing to listen to them, we can adapt to change and make sustainable growth possible. Continuing to make 'Always Better Cars' that earn smiles from our customer is the only way forward to a successful future and we are proud of the customers who depend on IMC to supply the best service, superior products and greater value.

## FORTUNER – Step into the Big League

*"As our customers grow more affluent and sophisticated, they see their car as an important status symbol that represents their success."*

***Mr. Kaoru Hosokawa,***
***Chief Engineer of the Fortuner.***

IMC continues to stay ahead of its competitors by offering new vehicles that excite customer interest. The introduction of the Toyota Fortuner in March 2013 saw the Company enter the luxury CKD vehicle segment as a market pioneer, catering to the suave and image-conscious spectrum of customers.

Designed as the ultimate expression of status, power, and comfort, the Fortuner is the perfect symbol of success, placing its owners in a class above.  A vision of beauty, its performance is impressive both on and off the road, holding the promise of both power and control, and providing comfort, style, and an excellent driving experience. A high tech 2.7-litre petrol engine powers this seven-seat SUV, while the four-wheel drive mechanism allows the vehicle to tackle all types of terrain with ease and grace.

In order to remain provide market leadership in this high-end segment, IMC remains committed to pursuing its vision and establish Fortuner as an icon of prestige, through premium branding and providing an unrivalled buying experience to the customers.

## TOYOTA COROLLA

The Toyota Corolla, our flagship product continues to be the leader in its segment of market. The people of Pakistan put their strong stamp of approval and appreciation on this product when the vehicle received the 'Brand of the Year' award from the Consumer Association of Pakistan.

Throughout the year, our team responded with various product campaigns keeping customer aspirations in mind that created vibrancy in a depressed market, delighted customers and boosted sales. These included the launch of Toyota Xli in various metallic colours. Our customers warmed up to the idea of these offerings quickly and the market response was encouraging.

To mark the production milestone of the 500,000th a local vehicle, we rolled out a special edition with extra features like navigation system, improved seat fabric and wooden trims which was well received by the market. These innovations helped us achieve customer goodwill as we share our successes with them.

## HILUX

Customers who purchased the Vigo Champ were delighted with the sophisticated beige interior and up market specifications, which were introduced in March 2013. Based on customer feedback, a rear camera was also installed.

Since its introduction, the Hilux has continued to be the market leader in this segment because of its quality, durability, reliability, and versatility.

During the run-up to the elections in May, the demand for the Hilux increased and we were able to capitalize on this rise by supplying the vehicle in a timely manner.

## TOYOTA CERTIFIED USED VEHICLES (TCUV)

During FY2012-13, we extended our TCUV network to include five additional dealerships. This brought the total number of TCUV dealerships to sixteen. IMC launched the TCUV concept three years ago giving our valued customers the opportunity of trading in their old Toyota vehicle for a new one. In the years to come, this trade-in business is expected to create more demand for new vehicles and in the process help our 3S dealerships to generate supplemental revenue from used car business.

## 3S DEALERSHIP NETWORK

IMC continued to expand its dealership network during with launch of Toyota Abbot Motors and Toyota DG Khan Motors. Opening of these dealerships in small towns is part of our strategy to get closer to our rural customers and provide service at his doorsteps.

Customers of Toyota and Daihatsu vehicles in Abbotabad, Dera Ghazi Khan and the adjoining areas will have the satisfaction of knowing that their vehicle purchase is now backed by quality service and modern computerized diagnostic equipment provided at the new Toyota 3S dealerships.

IMC's service network has been considerably upgraded and now offers the services of 37 dealerships in 19 cities, incorporating more than 800 general maintenance booths and facilities for car washing and body paint, services that are provided by professionally trained Toyota technicians.

3S dealership in Dera Ghazi Khan

3S dealership in Abbotabad

# Customer Relations

The ultimate goal of IMC is to win customers and retain them for life by ensuring their trust and satisfaction at every level. We continue to implement the Toyota's Global Customer Relations Standards with unwavering dedication. To this end, it is essential that we continuously improve our products and work quality by listening to the 'Voice of the Customer' – a fundamental concept behind Toyota's activities. The entire company strives to ensure enhanced satisfaction by delivering the 'Voice of the Customer' to the relevant departments and utilizing it to improve both customer support and the quality of our work and products. There is continuous capacity building and evaluation of staff skills at the company and dealerships to improve the performance and delight customers.

We rely on their independent third party services to ensure that the feedback customer's give about our performance is unbiased and transparent where improvements are required. These provide us with data for the Customer Satisfaction Index, which guides our customer relation policies.

While we encourage our customers to contact dealerships for their needs, we are just a call away from them if they want to talk to us directly. They can dial our toll-free Customer Assistance Centre at 0800 11123 and speak to our dedicated and friendly communicators for a swift response or alternatively e-mail us at customer.relations@toyota-indus.com.

### Toyota Customer Delight Workshop

The Toyota Customer Delight Workshop, now in it 3rd year has contributed visibly to improving our CSI (Customer Satisfaction Index) survey results. This year again, it provided focused training to the frontline staff of our dealerships that interact directly with our customers' daily. The objective of the workshop is about embracing the 'Customer First' philosophy in everyday dealings to ensure customer delight. The workshop participants from all the three regions actively engage in activity-based learning, experiencing simulated situations and receiving instant feedback.

### TMAP Customer Relation Support

Worldwide, Toyota's goal is to create a global family and in its pursuit TMAP is helping distributors and dealers to enhance their operational efficiency in the region. IMC has set itself challenging goals and our customer relations are the bedrock of this process of convergence. With policies consonant with Toyota Global Standards, we are endeavoring to be the ultimate in providing customer satisfaction.

IMC aims in this context is to bring our CR standards with the very best among TMAP regional affiliates. A TMAP team that visited was pleased to see our implementation of CR standards and processes during their genchi (go and see) activity. To further strengthen the concept we have selected two 3S dealerships as pilot projects in which we will standardize these dealerships to align with global standards. Later, more dealerships will be added till the culture spreads throughout our network.

CR Managers during their visit to Toyota Central Motors

# Parts Business

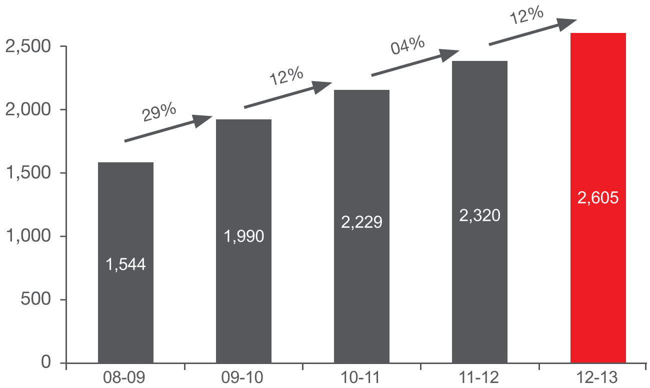
The parts department plays an important role in giving customer satisfaction to owners of the locally produced Toyota vehicles by giving them peace of mind through ready availability of spare parts at a reasonable price throughout our dealership network and retail outlets.

The after sale of Parts and Oil has shown robust growth in sales and profitability and was recognized by Toyota Motor Asia Pacific for record sales in a single year. We truly believe that the true potential of the department is yet to be realized as poor governance by customs officials is contributing to a majority of spare parts being imported into country against under invoicing and mis-declaration from commercial importers. Customs must act decisively to enhance the very low valuation. This is not only contributing in the loss of the spare part business of registered OEMs but also causing more than PKR 19 billion in losses to the Government of Pakistan in terms of custom duties and taxes.

During the year we continuously advertised to raise awareness on the importance of genuine parts. We received positive feedback from our customers as it helped to improve customer awareness and alerted them on the danger of counterfeit parts that can cause fatal accidents as well as significantly reducing the life of the vehicle.

We appreciate that the government has taken note of the seriousness of this issue in various forums, however now is the time for some concrete actions to be taken to broaden the tax net and provide a level playing field to the taxpaying industry. IMC for its part is willing to host capacity building workshop to train front line staff of customs to detect cases of under invoicing and mis-declaration.

**Parts Sales (Rs million)**




S. Sasaki, Executive VP, TMAP-MS presenting a trophy to Syed Omar, GM, Parts for best sales performance


Parts Department campaign

# Safety, Health and Environment

The emphasis on Safety, Health, and Environment (SHE) at IMC remains paramount and various activities are continuously undertaken in line with our commitment to ensuring a safe and healthy environment for all of our employees, contractors, and visitors. We achieved significant milestones during the year and have raised the bar with higher benchmarks for superior performance in the future.

**Safety Record**

Our incessant focus on safety is yielding impressive results. We achieved significant improvement in safety statistics and some key highlights include:

- No Lost Work-Day injury for 2 consecutive years
- Over 10 million man-hours without any LWD case
- 50% reduction in total injuries in 2 years

**Toyota EMS Audit**

TMAP conducts a stringent environmental audit annually to ensure compliance with the Toyota Environment Management System (EMS). We achieved a healthy score which is comparable with the best of Toyota plants across the Asia Pacific (AP) region.

**Toyota Safety Plant Management Requirements (PMR) Audit**

It's another highly significant audit carried by the Toyota Safety auditors annually to judge the progress of AP countries against the overall Safety Jiritsuka (self reliance) plan for the region. By 2015, all Toyota plants are required to attain the top level.

The audit itself is based on several hundred checkpoints of tough and robust Plant Management Requirements that had to be completed during the year. IMC secured well and was ranked 2nd amongst all of the Toyota plants throughout the region.

**EMS ISO 14001 Audit Results**

IMC maintains an impressive record of zero non-compliance in the EMS ISO 14001 audit ensuring strict adherence to the requirements. It's a laudable achievement that we strive to sustain in the future.

**Driving Training:**

A "defensive driving" training course was arranged to inculcate good driving sense among our plant authorized drivers which included theory and practical classes. A total of 136 drivers participated.

Production Planning and Control receiving the 5S Trophy

Abid Hussain making the Gemba presentation to TMAP visitors

“In one great car, Corolla gives me the trust, safety and lifestyle which I desire in life”

**Toyota Corolla** is bolder, sportier and more fun than ever before. It's more spacious, more comfortable and more entertaining, yet still boasts the same reliability you expect from a Corolla.

# Human Resource

Several employee and organizational development programs were undertaken in FY13 to support business growth challenges and in keeping with the spirit of a learning organization. All initiatives continue to be driven by Kaizen considerations aimed at enhancing value addition for each intervention.

## Battle of the Brains

We held the first ‘Battle of the Brains’ competition geared towards generating ideas from Pakistan’s top two business schools – LUMS in Lahore and IBA in Karachi. The idea behind this activity is to enable young minds to use their energy constructively and provide solutions to actual problems facing trade and industry. The youth is the future of our country and this competition is an effective platform to train them for tasks that lie ahead.

It encouraged students to come up with innovative ideas and practical solutions to the problems presented to them. Each business school had four participating teams that were provided with a case study on issues relating to the automobile industry. A jury mainly comprising of senior managers and alumni of LUMS and IBA heard the recommendations. This year winners were a team from LUMS. Attractive prizes were given to all the participants competing in the final round.

## Assessment Center

Working on the philosophy of ‘do it right the first time’, our recruitment process embraces assessment center activities for merit-based induction and strict screening of employees’ potential. The candidates are evaluated on multiple competencies like communication, teamwork and decision making abilities. After assimilation, trainees are exposed to inculcating excellence on the job through orientation on Toyota work ethics and step-by-step exposure to the globally certified functional Toyota trainings supported by needs-based management programs at leading educational institutions at home and abroad.

## Lectures

We maintain close association with the leading universities in the country as part of the social citizenship agenda. Our senior managers routinely give presentations and deliver lectures on Toyota Production Systems, Quality and Management Philosophy which students find useful in the context of their application to real work situations.

## Plant Visits

IMC encourages university students from all over Pakistan to visit our plant facilities and interact with employees. During the year several dozen students from IBA, LUMS, GIK, and NUST visited IMC plant to see assembly of vehicles and hold engaging interactive sessions with the heads of HR and Corporate Planning.

## Trainings

As part of our Organizational Development initiatives we exposed some of our top management employees to Leadership Training at Wharton and Duke Universities in USA. We also refreshed IMC and Toyota values through distribution of ‘Seven Color Books’ that contain key fundamentals and operating philosophies.

IMC jury during the “Battle of Brain” case competition

Participating students from LUMS and IBA

# Operations

After a year of record production in FY12, we were forced to shut down operations for 53 days during the current fiscal year to balance the demand supply situation and avoid piling of finished inventories. The government's decision to extend the age limit of used cars imports from three to five years seriously hurt the local automobile industry, as sales declined sharply compared to the last fiscal year, forcing us to take these production cuts. Unfortunately, it also created a devastating situation for hundreds of small-sized vendors who were forced to close down their businesses and render thousands of workers jobless.

Despite the drop in volume, our management elected not to pursue the policy of downsizing and consider worker layoffs. We resorted to hiring freeze and focused at developing and enhancing the capabilities of team members through Fundamental Skill and Safety and Environmental awareness training during the non-production days that enabled us to keep the morale of workers high.

## Skill Contest – The Gold Is Ours!

To increase motivation and competitiveness, TMAP organizes a regional skill contest amongst team members every year to showcase the best practices in the business. IMC is proud of its team member who won gold medal in the Group Leader category for the Paint Shop and other members who participated in the event during the year.

## Toyota Standardized Work Audit

A TMAP team visited IMC for appraisal of standardized work in the Engine Shop. The TMAP auditors performed an evaluation on the basis of 4S, Safety, and Implementation of Standardized Work Documents and awarded a Bronze level status to the Engine Shop who had to fulfill the stringent criteria and meticulous checking by the auditors for Genba and documents.

## Fortuner Launch

During the year, the Shipping Quality Confirmation Meeting for the Toyota Fortuner was conducted and Mr. M. Ishida (General Manager, Motomachi QC) gave the go-ahead signal for the SVP of the Fortuner. Credit goes to the IMC Team for paving the way towards this project's completion; the milestone boosts IMC's commitment to continuously raising the bar ever higher.

## Jishuken Marathon

The first ever Jishuken (management-driven Kaizen activities) Marathon Competition was conducted to enhance understanding of shop floor employees for identifying hidden 3M - Muri, Mura, and Muda (Overburden, Unevenness and Waste) and support the KIJ standardized work at line side. Engine, Assembly, and Wield shops participated and the teams presented ideas relating to elimination of Muda (non-value adding work) for achieving higher manpower efficiency.

## Toyota Quality Jiritsuka Audit

Quality Assurance is by far the biggest challenge in an era of globalization of production that every Toyota manufacturing plant has to overcome. No matter where Toyota vehicles are


**Farhan Ejaz (L) with T. Oya of TMAP celebrating his victory**

**M. Ishida Chief Guest from TMC with the Management at the ribbon cutting ceremony**

made, they must comply with the same level of quality. Toyota does not like to put a label on vehicles which says 'Made in USA' or 'Made in Japan', but instead opts for one label for all, i.e. 'Made by Toyota'. This means there is a need to spread Toyota's manufacturing philosophy – the 'Toyota Way' to all the overseas bases such that same quality assurance cuts across all frontiers.

Consistent with the above mind set and in pursuit of the same, TMC has established well laid out procedures for maintaining and sustaining the product quality by using the built-in quality defect prevention system that ensures outflow prevention to the next process or customer. A team of Jiritsuka auditors from TMAP-EM visited IMC and after stringent evaluation certified IMC of attaining the target level and raised the bar yet again for us to pursue a higher-level certification for next year.


Amir Bashir explaining Jishuken Marathon to the jury members of the Engine Shop

"The safety and comfort of hundreds of passengers is my responsibility. I get mine from Avanza"

**Toyota Avanza** is a new model developed as an entry-level Multi Purpose Vehicle. In Pakistan, it was first introduced in 2010 with the theme "Celebrate the Journey of life"

# Strategy for Facing External Challenges

The fiscal year 2012-13 was a disappointing period for the company and industry. The government's decision to liberalize used cars imports, weakening economy and political uncertainty all together contributed to a 24% drop in sales volume relative to the prior year. We expect the market to remain sluggish during the first quarter of the new year on account of continuing inventory overhang of used cars and above normal expectation of monsoon rains that is likely to cause business disruption in both rural and urban areas. Given the host of challenges faced by the government, we expect the near term operating environment to remain demanding. Inflationary pressures of the falling rupee against the major currencies, energy shortages and turbulent law and order situation will dominate the political agenda and continue to cause anxiety to businesses.

We saw another entire year pass without the government closure on the new auto policy. Clearly, this is a disconcerting situation for the industry that needs stability to effectively plan its future business requirements and also allow for the new entrant to set up operations in the country, enhance competition and provide a wider product choice to the customers. Our strategy is to proactively engage the new government and convince them to quickly firm up the new Automobile Industrial Plan so that it restores confidence of the OEMs, brings more FDI, result in jobs creation, enable technology transfer and increase revenue of the national exchequer.

We believe the new fiscal year 2013-14 budget announcement will hurt the growth of the local auto industry. Increase in the advance income tax at the registration stage and burden of 10% Federal Excise Duty on over 1800cc vehicles will increase the cost of ownership and dampen the demand of local OEM products relative to used imported vehicles. It is imperative that the government maintains a level playing field without unduly burdening the industry that is fully documented and contributes significantly to the GDP of the country.

In addition, the extraordinary duty and tax concessions given to Hybrid Electric Vehicles as means of promoting fuel efficient technology is premature and likely to be detrimental to our national interest as the capital flow of such HEV imports will more than offset the meager cost savings on oil import bill. Ironically, the same relief has also been extended to imported used vehicles, which is an alarming situation for the local industry. We have been educating the policy makers on the pitfalls and its ramifications on the widening trade deficit and the local industry. The government will do well to encourage local production of HEVs by introducing a concessionary duty regime for its CKDs and discourage imports of used vehicles by restricting its age limit to 3 years and impose stricter measures to curb misuse of import policy that is meant for overseas Pakistani and not for commercial imports. IMC for its part plans to introduce the world-renowned Toyota Prius hybrid later in 2013 backed by a company warrantee and after sales support to give peace of mind to our customers.

The prospect of trade with India under the 'Most Favored Nation' (MFN) status presents both opportunities and challenges for the industry. Pakistan has a relatively far more liberal import environment than India where tariffs and non-tariff barriers severely restrict access to the Indian marketplaces. Our government's capacity to safeguard Pakistan's industry and consequent impact on the employment needs to be enhanced by focusing on the trade defense laws so as to ensure that granting MFN status to India is positive for Pakistan.

Our immediate challenge is to capture the market share lost to the used imported vehicles by creating demand and work with the government to finalize the new AIP soon. We expect a tough year ahead, however, the whole IMC team is determined to achieve the targeted results by focusing on Hoshin and its four principal areas: firstly, we aim is to ensure safe operations at the plant for our employees, contractors and visitors with the objective of achieving zero lost work-day injury; secondly, we will work towards enriching our Human Resource capabilities by promoting IMC as the preferred employer of choice leveraged through appropriate training and skills; thirdly, our efforts will be geared towards enhancing the Company's image and ensuring customer satisfaction and finally we will attempt to sustain and augment the Company's growth through cost reduction and increased sales during the year.

Our customer centric approach demands high level contribution, dedication and efficiency from every level in the company, while also necessitating the development of the capabilities of our vendors through technology transfer. We will ensure the professional development of our team through training and skill development as well as providing appropriate incentives through our reward system. The cohesive, motivated work force at IMC is ready to face the challenges ahead.

As a responsible corporate entity and a member of the UN Global Compact, we are proud of our outreach to communities in education, health and social services that is contributing to changing lives of the underprivileged segments of the society. Additionally, we will continue to retain our focus on road safety, technical education and protection of the environment.

Finally, I wish to thank the Board of Directors and the Management team who have responded well to the challenges and provided constant guidance to the company, helping us deliver impressive results despite the host of operational difficulties. Our customers have demonstrated unremitting confidence in our vehicles and after sales service, for which we are immensely grateful. I also wish to express gratitude to the Indus team of our shareholders, dealers, vendors and other business partners for their contribution to the strength of the Company.

We bow to Allah and pray for His blessings and guidance.

**Ali S. Habib**
Chairman

# Concern Beyond Cars: Our Sustainability Review

**Parvez Ghias**
**CEO**

The outgoing year 2012-13 was a difficult period for the Company on account of the sluggish economy, falling buyer sentiments and unfair competition from smuggled and used imported vehicles. Some excellent teamwork and strong resilience from our employees and business partners enabled us to stay focused despite the deteriorating environment and we closed the year with a market share of 21% and profits after tax of Rs 3.3 billion, which are the best in the industry.

As one team, we controlled costs despite the inflationary pressures and continued with our unwavering commitment to maximize localization by working closely with Toyota and the parts suppliers. We maintained our strategic priority for safe operations and for the second year running accomplished no lost workday injury to our employees or the contractor staff. The fall in auto market demand forced us to shutdown our plant for 53 days during the year. There were no worker layoffs and the non-production days were utilized for refresher training and building capacity. It helped strengthen trust and cordial relations between the Management and Union, thus paving the way for an early settlement of the new collective labor agreement. The year also saw us launch a strategic product, the Fortuner – the first Pakistan made SUV, which has been received well by the market.

In 2012-13, we spent Rs 63 million on various philanthropy initiatives, while more than 100 employees participated in different volunteering programs to bring smiles to the faces of the underprivileged communities in our neighborhood. We plan to continue with our social efforts to uplift the disadvantaged by improving their access to basic health, elementary education and food insecurity. We believe such an engagement with the communities will help in combating their poverty, improve literacy and the resolution of the environmental concerns for the realization of a better world for all.

During the year, IMC achievements were recognized with couple of distinctive awards at a national level. It received the Management Association of Pakistan's Top Corporate Excellence award in the Industrials' category, while the Consumer Association of Pakistan honored Corolla as brand of the year on basis of consumers' choice and preferences in the passenger car segment. Both these recognitions are a matter of pride for us and we laud the efforts of employees and business partners for their contributions.

Finally, I would like to convey my gratitude to everyone in our value chain for their continuous support. The results we achieved in this difficult environment would not have been possible without the guidance of our partners, TMC, TTC and HOH. I look forward to similar support to meet the challenges that lie ahead.

# Toyota Motor Corporation CSR Policy

## CSR POLICY: CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

We, TOYOTA MOTOR CORPORATION and our subsidiaries, take the initiative to contribute to the harmonious and sustainable development of society and the earth through all business activities that we carry out in each country and region, based on our Guiding Principles. We comply with local, national and international laws and regulations as well as the spirit thereof and we conduct our business operations with honesty and integrity. In order to contribute to sustainable development, we believe that the management interacting with its stakeholders as described below is of considerable importance, and we will endeavor to build and maintain sound relationships with our stakeholders through open and fair communication. We expect our business partners to support these initiatives and act in accordance with it.

### Customers

- Based on our philosophy of "Customer First", we develop and provide innovative, safe and outstanding high quality products and services that meet a wide variety of customers' demands to enrich the lives of people around the world. (Guiding Principles 3 and 4)
- We will endeavor to protect the personal information of customers and everyone else we are engaged in business with, in accordance with the letter and spirit of each country's privacy laws. (Guiding Principles 1)

### Employees

- We respect our employees and believe that the success of our business is led by each individual's creativity and good teamwork. We stimulate personal growth for our employees. (Guiding Principles 5)
- We support equal employment opportunities, diversity and inclusion for our employees and do not discriminate against them. (Guiding Principles 5)
- We strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees. (Guiding Principles 5)
- We respect and honor the human rights of people involved in our business and, in particular, do not use or tolerate any form of forced work or child labor. (Guiding Principles 5)
- Through communication and dialogue with our employees, we build and share the value "Mutual Trust and Mutual Responsibility" and work together for the success of our employees and the company.
- We recognize our employees' right to freely associate, or not to associate, complying with the laws of the countries in which we operate. (Guiding Principles 5)
- Management of each company takes leadership in fostering a corporate culture, and implementing policies, that promote ethical behavior. (Guiding Principles 1 and 5)

### Business Partners

- We respect our business partners such as suppliers and dealers and work with them through long-term relationships to realize mutual growth based on mutual trust. (Guiding Principles 7)
- Whenever we seek a new business partner, we are open to any and all candidates, regardless of nationality or size, and evaluate them based on their overall strengths. (Guiding Principles 7)
- We maintain fair and free competition in accordance with the letter and spirit of each country's competition laws. (Guiding Principles 1 and 7)

### Shareholders

- We strive to enhance corporate value while achieving a stable and long-term growth for the benefit of our shareholders. (Guiding Principles 6)
- We provide our shareholders and investors with timely and fair disclosure on our operating results and financial condition. (Guiding Principles 1 and 6)

### Global Society/Local Communities

**Environment**

- We aim for growth that is in harmony with the environment by seeking to minimize the environmental impact of our business operations, such as by working to reduce the effect of our vehicles and operations on climate change and biodiversity. We strive to develop, establish and promote technologies enabling the environment and economy to coexist harmoniously and to build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation. (Guiding Principles 3)

**Community**

- We implement our philosophy of "respect for people" by honoring the culture, customs, history and laws of each country. (Guiding Principles 2)
- We constantly search for safer, cleaner and superior technology that satisfies the evolving needs of society for sustainable mobility. (Guiding Principles 3 and 4)
- We do not tolerate bribery of or by any business partner, government agency or public authority and maintain honest and fair relationships with government agencies and public authorities. (Guiding Principles 1)

**Social Contribution**

- Wherever we do business, we actively promote and engage, both individually and with partners, in social contribution activities that help strengthen communities and contribute to the enrichment of society. (Guiding Principles 2)

(Reference: Toyota Guiding Principles Page No. 7)

## THE TEN UNGC PRINCIPLES WE ADHERE

**Human Rights**

1. Support and respect the protection of internationally proclaimed human rights
2. Ensure business are not complicit in Human Rights abuses

**Labor**

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Elimination of all forms of forced and compulsory labour
5. Effective abolition of child labour
6. Elimination of discrimination in respect of employment and occupation

**Environment**

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

10. Work against corruption in all its forms, including extortion and bribery.

# Global Vision for Those We Serve

**Process for devising KPI Strategic Focus**

After we drew up the “Global Vision for Those We Serve”, which describes how we embody the Toyota Global Vision, we commenced full-scale KPI (Key Performance Indicators) development. Based on the KPI Strategic Focus, which were newly-established after a process extending over two years, our CSR activities have been further enhanced from FY2012 involving the efforts of both external experts and Toyota executives.

**Customers**

Provide safe and reliable vehicles that inspire enthusiasm at affordable prices.

Listen sincerely to customer voices and continue to reinvent ourselves through sufficient information disclosure and dialogue.

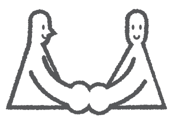
**Shareholders**

Ensure sustainable growth by fostering the virtuous circle, Always better cars.

- Enriching lives of communities
- Stable base of business

**Employees**

Create working environments for various employees to work proudly and with loyalty and confidence in fulfilling their potential, which realize their self-growth.



**Business Partners**

Contribute for economic development of local communities with an open stance to new suppliers and dealers and through sustainable growth based on mutually beneficial business relationships with dealers distributors and suppliers.

**Global Society/Local Communities**

Reduce environmental burdens through lifecycle by developing various eco-friendly vehicles and technologies and making them prevail.

Be aware of responsibilities of developing and producing vehicles and contribute towards the realization of a new mobility which makes society free from traffic accidents and congestion.

As a good corporate citizen, respect the culture and customs of every nation and contribute to social development.

# Relations with Customers

"Delivering universally user-friendly products and services through monozukuri (manufacturing) that closely responds to customer feedback."

### Applying Customer Feedback to the Creation of Better Products and Services

Toyota's principle of Customer First exists for the purpose of providing customers with products and services that earn us their smiles. On this basis, we hope to offer cars with superior features in terms of environmental, safety and quality performance, while also offering the intrinsic elements that constitute the appeal of cars, such as driving performance, at an affordable price.

### 8th Consumer Choice Award 2012

The Consumer Association of Pakistan's "Consumer Choice Award" is one of the most prestigious award event in Pakistan celebrated annually, where organizations are recognized solely on the basis of consumers' choice and preferences. Indus Motor Company won the Consumer Choice award in the Category of Best Car for the year 2012-13 for the Corolla which is IMC's flagship product and the highest-selling sedan in Pakistan. It is a testament of the faith, trust and confidence of our valued customers in IMC's ability to deliver quality products to customers and ensure the best possible after-sales services.

### ONGOING CUSTOMER FIRST STAFF EDUCATION

**Customer Delight**

Customer delight occurs when customers' needs and desires are met in such a way that it exceeds the customers' expectations. Our frontline staff throughout the dealership network has the mandate of doing whatever it takes to achieve customer delight. During the year, IMC successfully initiated a forum aimed at addressing ways to improve the customer experience at every touch-point by adopting a 'Customer-first 'philosophy. The event was conducted in all three regions, with a focus on establishing close collaboration and synergy between 3S (Sales, Service and Spare Parts) and Customer Relations.

### Customer Satisfaction Surveys

With growing competition and customer expectations, CS surveys are vital tools for listening to the customer's voice regarding their satisfaction with the products and services we provide, knowing what our valued customers think and their opinion of similar products in the market.

Through our nationwide dealership network support, IMC conducts online customer satisfaction surveys for assessing customer satisfaction and to gain and build customer loyalty. In order to monitor customer satisfaction, our customer relations department conducts two surveys a year with the following objectives:

- Evaluate and compare performance of products
- Provide management with necessary information and tools to make decisions
- Generate data that can be used as input into strategic, marketing, quality or product planning processes
- Measure impact of specific marketing events and campaigns

### Customer Assistance Centre:

**Aiming towards excellence**

Our customer assistance centre is the busiest communication channel between customers and dealers. IMC Customer Assistance Center (CAC) facilitates more than 36,000 customers' calls seeking different product inquiries and complaints every year. CAC was initiated at IMC in 2008 and since then has been trying to upgrade operations continuously.

To provide assistance to our valued customers, the CAC team members work diligently so that each opinion voiced by our customers is processed and addressed promptly with input of all cross functional departments.

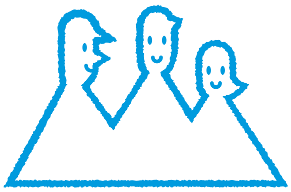
Participants of the 11th CR Manager Workshop

Customer Assistance Center (CAC) Team

TOYOTA moving forward

# Relations with Employees

> "Create working environments for various employees to work proudly and with loyalty and confidence in fulfilling their potential, which realizes their self-growth."



**Human Resource Development:**

We develop our future leaders through step by step training programs based on the Toyota Way as well as Functional and Advanced Management Programs from leading institutes in Pakistan and abroad. This along with on-the-job learning has resulted in an environment that supports human empowerment both in terms of contributing to our business objectives and achieving personal career goals.

**Management Development Program**

| TRANING | MANAGEMENT TRAINEE | ASST. MANAGER /ENGINEER | DEPUTY MANAGER/ MANAGER | SR. MANAGER | GENERAL MGR/ SR. GENERAL MGR | DIRECTOR |
|---|---|---|---|---|---|---|
| ORIENTATION | ● | ● | ● | ● | ● | ● |
| FST | ● | ● | | | | |
| TW | ● | ● | ● | ● | ● | ● |
| PDCA | ● | ● | ● | ● | ● | ● |
| A3 REPORT | ● | ● | ● | ● | ● | ● |
| TBP | | ● | ● | ● | ● | ● |
| MANAGERIAL SKILLS | | ● | ● | ● | ● | ● |
| MARK STRAT | | | ● | ● | ● | ● |
| LEADERSHIP GRID | | | ● | ● | ● | ● |
| AMP | | | | ● | ● | ● |
| MDP | | | | ● | ● | ● |

**TW** Toyota Way

**PDCA** Plan Do Check Act

**A3** Consensus Building Through A3 Reports

**FST** Fundamental Skil Training

**TBP** Toyota Business Practices

**TWSM** Toyota Way of Sales & Marketing

**MARK STRAT** Marketing Strategy

**FNF** Finance for Non Finance Managers

**AMP** Advance Management Program

**MDP** Management Development Program

### Diversity and Inclusion
We are an equal-opportunity employer, encouraging gender diversity in the work place and ensure the well-being of all members of our workforce through an environment conducive to friction-free functioning. In line with this philosophy, IMC has adopted the Code of Conduct against Sexual Harassment in the Workplace to provide a fair environment where people can deliver their best.

### Safety and Health
Ensuring employee safety and health is one of Toyota's most important business activities and is a universal value, unaffected by times. At IMC, we strongly believe that safety culture can only be built by creating a safety mind set through constant reminders, systems and initiatives aimed at reinforcing the Safety and Health message, be it in the form of posters identifying health hazards prevalent in society like tobacco chewing, to ensuring non smoking offices, to adopting basic rules (stop, point, call) for crossing internal roads, to more precise and data based systems and competitions requiring each section to identify potential hazards and taking corrective actions. (Haro Hatti), as well as having ZERO accidents and lost workday as a company wide goal. These measures are beginning to take effect and last year we again closed with zero lost work day injuries for our employees.

### Pride and Loyalty
IMC strives to foster employee's pride and loyalty to the Company workplace and colleagues by encouraging a 'culture' of teamwork through communication and mutual competition. On the aspect of 'proud to work for Toyota' IMC employees have given a very positive rating in Toyota's Global Employee Morale survey conducted once every two years. Competitions like Kaizen Convention held every year gives opportunity to employees across the company to compete and present their Kaizen initiatives reflecting their identification of work site issues and their resolution through rigorous analysis to improve productivity, safety, quality, cost and HRD. This concept of being in charge of and responsible for your own area is a testament to IMC's culture of empowerment of its people and generates a sense of pride and ownership of their work and work environment.

### Strong Relations between Labor and Management
The approach of mutual trust and respect between labor and management at IMC is symbolized by the healthy industrial relations climate that has jointly led the company and its workforce see through different phases, industry and macro environment challenges with a positive, mature and result oriented mind set ensuring stable employment and a healthy, fair and conducive work environment.

At IMC, we truly believe in the Toyota Way and its two pillars - Continuous Improvement and Respect For People because we realize that in the end, it is our people who make the difference.



Rizwan Sheikh with Press Shop Team Members

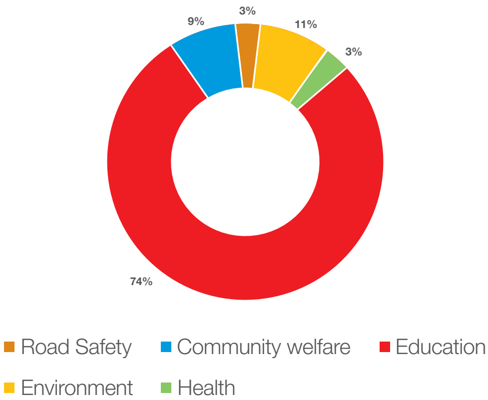
# Global Society/Local Communities

(Social Contribution/Education)

> As a good corporate citizen, we respect the culture and customs of every nation and contribute to social development.

### The Basic Concepts of Social Contribution

Toyota laid down the principles and policies for social contribution activities based on the Guiding Principles at Toyota and its CSR Policy, which the company shares globally. IMC spent approximately Rs. 63 million on social contribution activities in FY13, with more than 100 employees taking part in volunteer activities every year.




### Food Distribution

IMC plays an active role in supporting the community and contribute responsibly towards social development of the country. As part of the on-going Corporate Social Responsibility initiatives, we follow a regular practice of food distribution to neighboring villagers to address their food insecurity and malnutrition issues. We also believe that employee's engagement is an important element for achieving long-term business success and shared values and our employees volunteer in this activity by managing preparation and distribution of food. Last year alone food distribution helped over 22,000 people and additionally 500 families were provided with flood relief substances.

### Community Health Care

In response to the needs of surrounding communities, we arranged community based free medical services aiming towards enhancement of poor people's access to health care services. Our medical facility is set up near Razakabad, Kohi Goth and Saleh Muhammad. Weekly OPD clinics are arranged at these locations with free distribution of medicines. During the year more than 22,000 patients were screened at IMC Health care facility and additional 2,000 children were screened in the eye camp.

### Community Support for Education

IMC believes that it is our youth which will steward the country towards a brighter future and it is in them we need to invest. IMC provided benefits to over 30 educational institutions and helped educational activities in general by building schools and by launching scholarships for meritorious students. Under Toyota Goth Education Program (TGEP), more than 250 students are enrolled, studying in TCF schools located in Bin Qasim Area. Through this Program, IMC provides educational support to underdeveloped and poor communities near the IMC plant.

### Toyota Technical Education Program (T-TEP)

IMC decided to address the issue of shortage of qualified auto technicians through strategic philanthropy by bringing Toyota Technical Education Program (T-TEP) to Pakistan. The objective was simple i.e. to train and develop human resource on the latest automobile technology thereby giving them the skills which makes them more employable within IMC's

Students at IMC Supported Eye Camp

Community Doctor examining the patient

network and also fill the gap of trained automobile technicians in the country.

The First institute was initiated in Lahore and subsequently the second T-TEP institute was launched in Karachi in 2004 at St. Patrick's Institute of Science & Technology and finally the third was launched in Islamabad in 2009 with the collaboration of the Construction Technology Training Institute.

To date, over 1,600 students have successfully graduated from these institutes of which almost 1/3 are employed within the Toyota network in Pakistan.

## INJAZ

During the year, IMC contributed to INJAZ Pakistan, an initiative of the Aman Foundation, to established a centre for the development of entrepreneurial and vocational skills (EVS) among Pakistani students between the age of 12 to 25 years. IMC participated in the corporate volunteering program arranged by INJAZ Pakistan in various school and colleges where our employees shared key aspects of successful business models.

## Habib University Foundation

Habib University Foundation's initiative to establish a world class university at Karachi, in collaboration with Texas A&M University at Qatar is a welcome step where the IMC plans to lend full support and establish it like other leading institutions as Lahore University of Management Sciences and Institute of Business Administration at Karachi.

Effective 2014, the Habib University will offer inter'disciplinary education in science, engineering, arts, humanities and social sciences and is committed to provide the highest standards of excellence in higher education in the region and in the process will develop the next generation of scholars who will positively impact society.

With an increasing population of over 180 million people, Pakistan stands poised to make its mark in the globalized world. By creating a stimulating culture of knowledge, research and innovation, Habib University will tap into this vast potential and produce global citizens who will bring Pakistan to the forefront, both economically and intellectually.

## Pakistan Innovation Fund

IMC strongly favors promotion of innovation based entrepreneurship culture in the country if we are to keep pace with the fast progress being made in the developed world. It would require the gap between our academia and local industries to be bridged so that innovation based entrepreneurship can take roots and get commercialized.

In order to promote such a culture in Pakistan, IMC is supporting the Pakistan Innovation Fund's initiative of organizing a National Innovation Grand Challenge (NIGC). NIGC is a 15-month long Open Innovation Challenge aimed at inspiring and energizing Pakistani youth, students, professionals, and citizens to find innovative solutions to Pakistan's development challenges and enhance its competitiveness. IMC on its part will be the lead sponsor for its "Manufacturing Innovation Prize" which is meant for the best innovation done in the industrial or manufacturing space. By sponsoring this motivational incentive, we expect to spur innovation in our industry which in turn can hopefully catapult Pakistan in the list of innovating countries.

**Parvez Ghias, CEO IMC presenting cheque to Ahsan Jameel, CEO Aman Foundation**

**Yamin Yasin during Injaz entreprenuer session**

# Global Society/Local Communities
(Traffic Safety)

"Provide safe and reliable vehicles that inspire enthusiasm at affordable prices."

### Basic Concepts of Safety
To realize "the safe and responsible ways of moving people" in the Global Vision, we consider safety the most important priority and promote product development with the ultimate goal of, one day, "completely eliminating traffic casualties." Toyota promotes the Integrated Three Part Initiative, viewing people, vehicles and the traffic environment as an integrated whole while pursuing "real-world safety" in product development based on investigation of actual road accidents.

### Pursuing Real-world Safety by Learning from Real Accidents
Toyota puts efforts into developing fundamental technology that enables reliable reconstruction of accidents, and has developed a driving simulator for our active safety technology research and a human model known as Total Human Model for Safety our passive safety technology research. We conduct about 1,600 collision tests annually using actual vehicles. Furthermore, we make research data from our Collaborative Safety Research Center publicly available. These efforts contribute to the reduction of traffic casualties.

### Toyota Research on Traffic Congestion
The growing traffic on our roads is a sign of upward social mobility that people desire in a growing economy. However, excessive congestion has a range of undesirable consequences, including increased costs to the community and businesses through longer, less predictable travel times, lost productivity, additional running costs of vehicles, and environmental pollution.

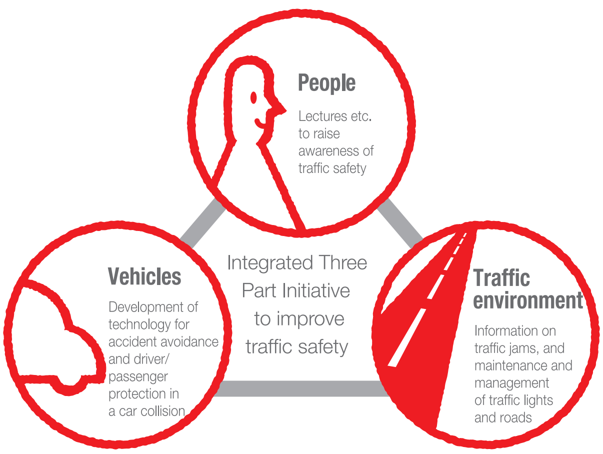
As part of our corporate citizenship, IMC has been mindful of social footprint automobiles have on the roads in the country. Between 2007-12, we focused and funded a pioneering research study on road traffic injuries and undertook various preventive measures in Karachi, which were greatly appreciated by all the key stakeholders.

Moving forward to an another societal issue, IMC once again pioneered a research study on Traffic Congestion (T-RTC) in collaboration with NED University to quantify the economic cost of traffic congestion on selected roads in Karachi. The road stretch selected was from Star Gate to the Pakistan Steel Mills intersection, which is a part of the National Highway.

The primary objective of the project is to determine the economic cost of traffic congestions and its impact on our environment, society and human behavior.

### Projects Outcomes:

| | | |
|---|---|---|
| 1 | Average Traffic Movement | 51,000 vehicles/day |
| 2 | Average Delay (off-peak time) | 11 min/trip |
| 3 | Average Delay (peak time) | 16.5 min/trip |
| 4 | Economic Cost of Traffic Congestion | PKR 2.5 million daily ($ 23,840)<br>PKR 892 million annually ($ 8.5 million) |

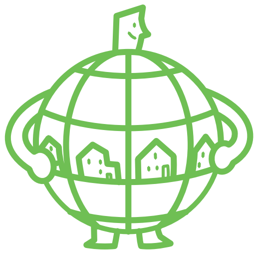




Regular traffic jam situation in Karachi

# Global Society/Local Communities
(Environment)

"Reduce environmental burdens through life cycle by developing various eco-friendly vehicles and technologies and making them prevail."



"Respect for the planet" is a special emphasis at Toyota as a car manufacturer. We are continuously striving to minimize environmental impact throughout the vehicle production & delivery process, from procurement of parts till handing over to customers at the dealership.

## The Fifth Environmental Action Plan

| Contribution to low carbon society | |
|---|---|
| Development and Design | (1) Develop next-generation vehicles that use electricity for proclusion and ensure wider market acceptance of the vehicles based on their characteristics |
| | (2) Develop technologies to achieve the best fuel-efficency performance and conform to the laws and regulations in each country and region |
| Production and Logistics | (3) Thoroughly conduct activities aimed at saving energy and reducing the volume of GHG emissions in production activities |
| | (4) Pursue transport efficiency and reduce the volume of $CO_2$ emissions in logistics activities |
| Sales | (5) Thoroughly conduct activities to save energy and reduce the volume of $CO_2$ emissions in sales activities |
| Working Together with Society | (6) Actively contribute to and propose climate change intiatives |
| | (7) Promote integrated approach to reduce $CO_2$ emissions in the road transport sector |

| Contribution to low recycling-based society | |
|---|---|
| Development and Design | (8) Further promote the use of designs based on the recycling concept with effective utilization of resources borne in mind |
| Production and Logistics | (9) Reduce the volume discarded materials and use resources effectively in production and logistics |
| Sales and Recycling | (10) Promote effective use of resources on a global basis |
| | (11) Conform to the laws and regulations vehicle recycling in all countries and regions |
| Working Together with Society | (12) Promote new activities and businesses including biological technology that contribute to a recycling-based society |

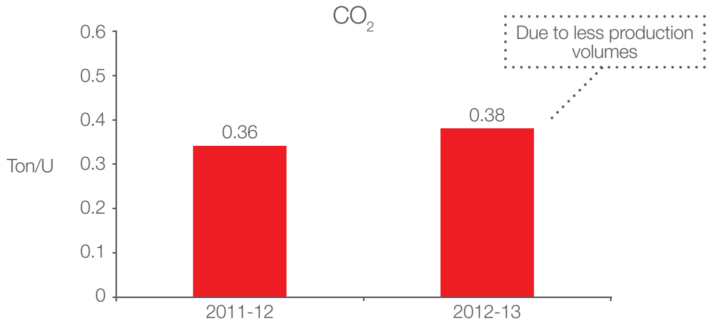
| Environment protection and contribution to harmony with nature society | |
|---|---|
| Development and Design | (13) Reduce emissions to improve air quality in urban areas in each country and region |
| | (14) Strengthen the management of chemical substances in products |
| Production | (15) Reduce substances of concern (SOC) in production activities |
| Working Together with Society | (16) Implement initiatives to address biodiversity conservation |
| | (17) Promote social contribution activities that contribute to a society in harmony with nature |

| Environmental Management | |
|---|---|
| Management | (18) Enhance and promote consolidated environmental management |
| | (19) Promote environmental activities in co-operation with business partners |
| | (20) Promote CO2 management worldwide |
| | (21) Promote ECO-VAS (Eco Vehicle Assessment System) in product development |
| | (22) Promote sustainable plant activities |
| | (23) Enhance and promote environmental education activities |
| | (24) Actively increase disclosure of environmental information and communication. |

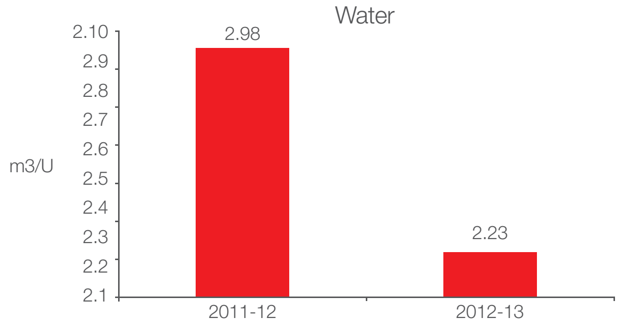
## The Fifth Toyota Environmental Action Plan: Main Status of Actions

| Field | Status of Action |
|---|---|
| **Energy Global Warming** | Achieved $C0_2$ reduction goal in 2012 by reducing energy consumption in manufacturing processes. |
| **Recycling of Resources** | No.of parts receiving in returnable plastic bins increased in 2012. |
| **Consolidated Environmental Management** | Continuous compliance of NEQS for air emissions & waste water. |

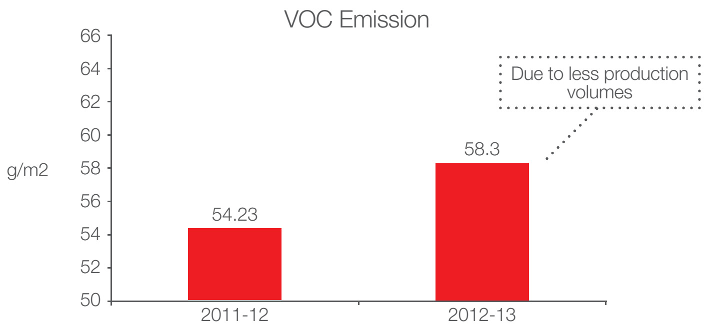
### Reduction in emissions in manufacturing process.



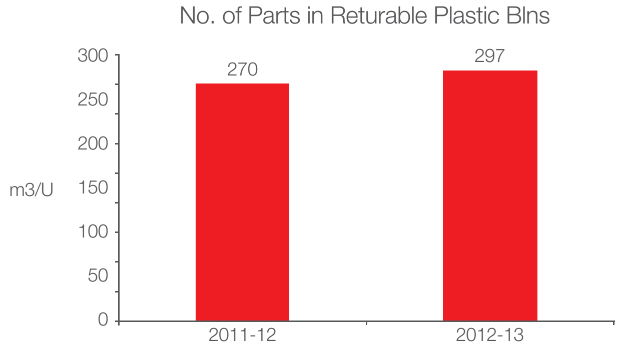

### Reduction in water usage in vehicle production process.




### Reduction in volatile organic compound emissions in painting process.




### Increase in-reusable bins to reduce packaging




### IMC remained committed to Environmental Management by complying to all National EnvIronmental Quality Standards.

**Air & Water Quality Data:**

| | | | | Achivements | | |
|---|---|---|---|---|---|---|
| **5I** | **ArR** | **hFIIMbIrJ** | **NEQS** | **2011,** | **2012,** | **2013,** |
| 1 | Air | SOX {mg/N.m | 1700 | Nil | Nil | Nil |
| | | NOX (mg!N.nr) | 400 | 34 | 114 | 23 |
| | | CO (mg/N.m | 800 | 11 | 10 | 46 |
| 2 | Waste Water | pH | 6-9 | 7 | 7 | 7.17 |
| | | COD (mgll) | 150 | 74 | 67 | 33 |
| | | BOD mgll | 80 | 3 | 19 | 43 |
| | | TDS mgll | 3500 | 692 | 220 | 950 |

The Company has a strong commitment to protecting the environment for future generations. We therefore adopt policies, technologies and practices that are compatible with industry growth, yet do not impact negatively on the environment. Innovative products and solutions, such as introduction of EuroII compliant engine and exhaust systems are aimed at limiting our carbon footprint.

We believe that industrial growth and preservation of the environment are not mutually exclusive activities. It is our desire to bequeath to our children a world whose ecology has been preserved as far as possible. This requires the introduction of environment-friendly solutions and an unwavering commitment to evolving products and strategies that will diminish our carbon footprint.

## Toyota School Environment Program

IMC arranged Toyota School Environment Program for the third consecutive year. The objective of TSEP is to engage the students and teachers of private and government education institutions in a structured Annual Awareness Program to foster a sense of individual responsibility and accountability in the future generation for nature conservation. Events were organized in Karachi and Islamabad in which more than 250 school, colleges and universities participated and displayed projects on various environmental themes.

## Dealer Environmental Risk Audit Progrm (DERAP)

As part of our efforts to protect the environment, we have also involved our dealers, by introducing our Dealer Environmental Risk Audit Program. The purpose is to encourage the introduction of sound environmental practices throughout our dealership networks. DERAP is a self-auditand awareness system that asks dealers to fulfill a number of stringent requirements including waste water and hazardous waste management.

## Environment Month

Every year IMC dedicate the month of June to the environment and conducts various activities to raise awareness of the importance of the environment for the future of our planet and to inculcate a sense of individual responsibility. All Management employees participate in a tree plantation campaign held within the Company. This concept of raising environmental awareness was adopted by business partners also with a number of vendors and Dealers participating.

IMC and WWF Teams after successful completion of Toyota School Environment Program

# Relations with Shareholders

> "Ensure sustainable growth by fostering the virtuous circle, always better cars, enriching liver of communities, stable base of business"

IMC's basic management principle is to benefit society through its business activities while realizing common growth founded on long term perspective. The three key components of Toyota's financial strategy are "growth", "efficiency" and "sustainability". From the viewpoint of growth, IMC plans to implement forward-looking investments to respond to structural shifts in demand ensure long term sustainable growth. Regarding efficiency, IMC steps up its cost reduction efforts and increasing level of localization. In view of anticipated medium to long term growth in the automotive sector, IMC believes that maintaining adequate liquidity is essential in terms of stability, retaining funds for future capital expenditure for long term growth and maintaining improved cash flows.

## Sustainable Growth

### Stable Base of Business

**Local Strategy** | **Product Strategy** | **Business Strategy**

Quality — Cost — HR Development

**Improve competitiveness in product and cost**

**Improve profitability**
- Achieve targeted profitability and returns
- Enhance volumes against las year
- Reduce cost through additional localization and other initiatives

**Local Strategy**

Provide products and services matched to customer needs

**Products Strategy**

Product appeal

New variants to be introduced to meet customer requirements

Additional services or promotion be offered along with products

**Business Strategy**

Develop close relations with customers through a strong dealership network, customer surveys and customer relationship activities.

### Key Components of Financial Strategy

**Enhancing Corporate Value through Long-Term, Stable Growth**

| | | |
|---|---|---|
| Growth | : | Sustainable growth through continuous forward looking investments. |
| Efficiency | : | Improving profitability and enhance cost reduction efforts |
| Stability | : | Maintaining a solid financial base. |

### Dividends

**Benefitting Shareholders is One of Our Top Management Priorities**

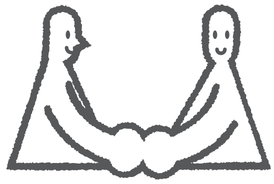
IMC strives to continue paying dividends while giving due consideration to factors such as the business results in each term, investment plans and cash reserves.


"On the road to saving lives, every second is crucial and Toyota Hiace is a truly reliable partner"

**Toyota Hiace** fleets run faster and more efficiently with Toyota Fleet. Your business will benefit from Toyota Service Advantage and lower maintenance costs. We have listened to what buyers want now and in the future and set out to build a van that will meet the high demands of its operators. Hiace is built to carry more and work harder than ever before.

# Relations with Business Partners

> Contribute for the economic development of local communities with an open stance to new suppliers and dealers through sustainable growth based on mutually beneficial business relationships with dealers/distributors and suppliers



### Basic Concept of Business Partners

In order to contribute to society through automobile manufacturing and monozukuri and put into practice the principle of "Customer First," it is necessary to implement various activities in the spirit of co-operation and share principles with our business partners. In addition to steadily pursuing open and fair business activities and conventional ones including CSR activities, we are committed to working to achieve better quality in terms of safety to secure higher customer satisfaction, in further united co-operation with its business partners including suppliers and dealers.

### Collaboration with Sales Networks

The sales network is the front line where Toyota's "Customer First" principle is directly observed. IMC and its dealers always work as one to enhance customer satisfaction based on a strong relationship of trust, close two-way communication, the superiority of Toyota products and services and shared value.

### Dealer Development Activities

In order to cater to the needs of our growing customers, we are expanding our 3S dealership network and are privileged to have the most modern service network in the country.

During the year, we added Toyota Abbottabad Motors and DG Khan Motors to our dealership network, reaching the mark of 38 dedicated dealerships throughout the country.

### Dealers Conference

During the year, IMC hosted the 21st Annual Dealers Conference aimed at recognizing nationwide dealership performance for 2011-12. The theme of the conference was "Rhythm of Success" and was targeted at emphasizing the need for the dealership team to work in harmony and produce the best results for customers. Representatives from TMC, TMAP, DMC and HOH also graced the occasion.

The Nationwide Sales Award was won by Toyota Faisalabad Motors, whereas the Service and Customer Relations awards were won by Toyota Central Motors. The overall Nationwide Best Performance Award winner was Toyota Southern Motors.

### 3S Dealers Customer Relations Manager Workshop

In fiercely competitive markets where products and services are similar, putting the customer first is a obvious strategy for building business. IMC collaborates closely with dealerships to review performance and address issues in a practical way that clarifies the relationship between customer care and overall business strategy.

During the year, IMC hosted the 11th CR Manager Workshop in Karachi, which was attended by CR managers from across the dealership network. The platform was used as a training ground to discuss dealer operational guidelines and human resource development. A team-building activity was also conducted to see how individuals work together, deciding and acting upon a common objective.

### Dealers' CSR Activities

Based on IMC's CSR guidelines, every dealer conforms to the three pillars of CSR activities: compliance, environmental responsiveness, and social contribution activities. IMC is ensuring the continuation of the PDCA cycle by sharing know how to support the CSR activities of dealers.

### Dream Car Art Contest

IMC organized the 7th Toyota Dream Car Art contest to help children develop and express creativity and share their

Toyota Southern Motors receiving overall Nationwide Best Performance Award

Partcipants of 21st Dealers Conference

dreams through works of art. The Dream Car Art contest in Pakistan is organized as part of the global Toyota initiative aimed at developing Toyota brand awareness, affinity and association among young people. In all, ten thousand entries were received from all over the country, highlighting the enthusiasm of the children and their schools. Besides a large number of schools, special children from vocational schools also participated in the nationwide contest.

The Contest was judged by art experts and prize distribution ceremonies were held in Karachi, Islamabad and Lahore.

In all, 590,000 entries were received from 70 countries including Pakistan, out of which 600 entries were short-listed by an independent jury from around the world. A total of 30 entries were selected as the winners to compete in the world contest. Twelve year old Maha Farid of Peshawar is the winner of the Global Toyota Dream Car Art 2013 Contest from Pakistan and will visit Japan to participate in the final round.

## Collaboration with Suppliers

Since its establishment, Toyota has sought to work closely with its suppliers in its manufacturing activities. In good times and bad, Toyota and its suppliers have faced the same issues together and built strong and close relationships with them based on the need for mutual support and a harmonious society. The strong foundation based on solid relationships with suppliers helped quickly restore normality to production systems after any disastrous situation hurting overall business activities like Thai floods or Japan quake.

With the recent globalization of business activities we will cherish these ties—including those with our new partners—and together we will promote our Customer First policy

We have also worked closely on technical assistance and transfer of technology to support our local industry and even financial support so that suppliers weather the business cycles.

## Relationship with Suppliers

IMC believe that, for sustainable business growth, a healthy rapport with our vendors is essential. Without that, it would not be possible to communicate our goals, business vision, and expectations. Our aim is to procure maximum parts and components from the local industry, in order to mitigate foreign exchange risk and thereby provide benefits to our economy.

During 2012-13, over Rs 25 billion worth of parts were sourced from Tier 1 local vendors; in the future, our intention is to continue to increase localization.

During the year, IMC organized Safety, Health and Environmental awareness program with the support of Thal Engineering. The program was attended by 11 other vendors as well. The objective of the training was to disseminate the IMC safety experience and to share good practices with the vendors.

## Supplier Conference

IMC held its Annual Vendors' Conference to acknowledge the contribution made by our vendors. "AEK Industries" was recognized as the top performing vendor for 2012-13, while "Loads" received the Supplier Excellence Awards.

## Toyota's Basic Purchasing Policies

The role of purchasing function is to ensure stable, long-term purchasing of the best products in the world at the lowest prices and in the most speedy and timely manner. In order to achieve this, IMC believes that the most important task in purchasing is the creation of relationships in which suppliers in various cities and provinces with whom we do business on an equal footing based on mutual respect, thus building firm bonds of trust and promoting mutual growth and development. Our purchasing activities based on close cooperation revolve around the following three policies making up the Basic Purchasing Policies.

- Fair competition based on an open-door policy
- Mutual benefit based on mutual trust
- Contribution to local economic vitality through localization:
- Good corporate citizenship

**Maha Farid from Peshawar won Global Toyota Dream Car Art Contest**

**Ali S. Habib presenting AEK Industries overall best supplier performance award**

# Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation 35 of the Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. At year ended June 30, 2013, the Board consists of the following Non-Executive and Executive Directors:

| **Non Executive Directors** | | **Executive Directors** | |
|---|---|---|---|
| Mr. Ali S. Habib | Chairman | Mr. Keiichi Murakami | Vice Chairman |
| Mr. Kyoichi Tanada | Director | Mr. Parvez Ghias | Chief Executive |
| Mr. Hiroyuki Niwa | Director | Mr. Mitoshi Okimoto | Senior Director Manufacturing |
| Mr. Farhad Zulficar | Director | | |
| Mr. Mohamedali R. Habib | Director | | |
| Mr. Raza Ansari | Director | | |

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. During the year, casual vacancies occurred on the Board on January 1, 2013 and May 28, 2013, that were filled by the Directors, namely Mr. Keiichi Murakami and Mr. Kyoichi Tanada, respectively, on the same day.

4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps are taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has adopted a Vision / Mission statement, overall corporate strategy and significant policies of the Company prepared by the management. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year, the Board has arranged orientation courses for the Directors.

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors’ Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of five members, who are non-executive directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom three are non-executive directors including the Chairman of the committee.

18. The Board has set-up an effective internal audit function within the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / prices sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi
August 27, 2013.

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director

**REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Indus Motor Company Limited** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Chartered Accountants
Dated: August 30, 2013
Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*
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*Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872*
*Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924*
*Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320*

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Indus Motor Company Limited** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: August 30, 2013
Karachi.

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*
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*Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872*
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# Balance Sheet
As at June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 3 | 2,742,140 | 3,472,906 |
| Long-term loans and advances | 4 | 131,337 | 6,015 |
| Long-term deposits and prepayments | 5 | 9,667 | 7,822 |
| Deferred taxation | 16 | 34,647 | - |
| | | 2,917,791 | 3,486,743 |
| **Current assets** | | | |
| Stores and spares | 6 | 153,669 | 178,188 |
| Stock-in-trade | 7 | 7,883,309 | 7,529,571 |
| Trade debts | 8 | 1,382,761 | 1,459,976 |
| Loans and advances | 9 | 1,557,897 | 945,498 |
| Short-term prepayments | 10 | 10,799 | 20,965 |
| Accrued return on bank deposits | | 12,155 | 45,355 |
| Other receivables | 11 | 162,225 | 447,569 |
| Investments | 12 | 6,698,121 | 2,690,553 |
| Taxation - payment less provision | 20 | 131,363 | - |
| Cash and bank balances | 13 | 4,195,302 | 10,771,300 |
| | | 22,187,601 | 24,088,975 |
| **TOTAL ASSETS** | | 25,105,392 | 27,575,718 |
| **EQUITY** | | | |
| **Share capital** | | | |
| Authorised capital | | | |
| 100,000,000 (2012: 100,000,000) Ordinary shares of Rs 10 each | | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up capital | 14 | 786,000 | 786,000 |
| Reserves | 15 | 16,906,708 | 16,227,858 |
| | | 17,692,708 | 17,013,858 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred taxation | 16 | - | 165,941 |
| **Current liabilities** | | | |
| Trade, other payables and provisions | 17 | 6,013,852 | 6,512,461 |
| Advances from customers and dealers | 18 | 1,398,698 | 3,823,641 |
| Accrued mark-up | | 134 | 188 |
| Short-term running finances | 19 | - | - |
| Taxation - provisions less payments | 20 | - | 59,629 |
| | | 7,412,684 | 10,395,919 |
| **CONTINGENCIES AND COMMITMENTS** | 21 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 25,105,392 | 27,575,718 |

The annexed notes 1 to 44 form an integral part of these financial statements.

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director

# Profit And Loss Account
For the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Net Sales** | 22 | 63,829,075 | 76,962,642 |
| Cost of sales | 23 | 57,972,038 | 70,400,788 |
| **Gross profit** | | 5,857,037 | 6,561,854 |
| Distribution expenses | 24 | 814,228 | 820,339 |
| Administrative expenses | 25 | 643,978 | 627,673 |
| | | 1,458,206 | 1,448,012 |
| | | 4,398,831 | 5,113,842 |
| Other operating expenses | 27 | 436,192 | 516,342 |
| | | 3,962,639 | 4,597,500 |
| Other income | 28 | 1,037,840 | 1,775,748 |
| | | 5,000,479 | 6,373,248 |
| Finance costs | 29 | 30,704 | 60,981 |
| **Profit before taxation** | | 4,969,775 | 6,312,267 |
| Taxation | 30 | 1,612,230 | 2,009,552 |
| **Profit after taxation** | | 3,357,545 | 4,302,715 |
| | | (Rupees) | |
| **Earnings per share** | 31 | 42.72 | 54.74 |

The annexed notes 1 to 44 form an integral part of these financial statements.

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director

# Statement of Comprehensive Income

For the year ended June 30, 2013

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **Profit for the year** | **3,357,545** | 4,302,715 |
| **Other comprehensive income** | | |
| *Items that may be reclassified subsequently to profit and loss account* | | |
| Unrealised gain on revaluation of foreign exchange contracts - net of tax | - | 6,295 |
| **Total comprehensive income for the year** | **3,357,545** | 4,309,010 |

The annexed notes 1 to 44 form an integral part of these financial statements.

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director

# Cash Flow Statement
For the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 32 | 2,253,021 | 2,220,937 |
| Interest paid | | (324) | (22,739) |
| Workers' Profit Participation Fund paid | | (264,000) | (349,613) |
| Workers' Welfare Fund paid | | (132,181) | (80,229) |
| Interest received | | 419,730 | 994,665 |
| Income tax paid | | (2,000,421) | (1,842,377) |
| Movement in long-term loans and advances | | (125,322) | 5,934 |
| Movement in long-term deposits and prepayments | | (1,845) | 1,400 |
| **Net cash generated from operating activities** | | 148,658 | 927,978 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Fixed capital expenditure | | (547,055) | (561,128) |
| Proceeds from disposal of fixed assets | | 35,408 | 48,994 |
| Investment in listed mutual fund units | | (15,191,959) | (10,786,000) |
| Proceeds from redemption of listed mutual fund units | | 11,441,973 | 14,022,243 |
| Purchase of Market Treasury Bills | | (7,729,660) | (10,163,583) |
| Proceeds from redemption of Market Treasury Bills | | 7,912,508 | 9,880,002 |
| **Net cash (used in) / generated from investing activities** | | (4,078,785) | 2,440,528 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend paid | | (2,645,871) | (1,409,405) |
| **Net cash used in financing activities** | | (2,645,871) | (1,409,405) |
| **Net (decrease) / increase in cash and cash equivalents** | | (6,575,998) | 1,959,101 |
| Cash and cash equivalents at the beginning of the year | | 10,771,300 | 8,812,199 |
| **Cash and cash equivalents at the end of the year** | 33 | 4,195,302 | 10,771,300 |

The annexed notes 1 to 44 form an integral part of these financial statements.

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director

# Statement of Changes in Equity

For the year ended June 30, 2013

| | Share capital | Reserves | | | | | |
|---|---|---|---|---|---|---|---|
| | | Capital | Revenue | | | | |
| | Issued, subscribed and paid-up | Premium on issue of ordinary shares | General reserve | Unappro-priated profit | Unrealised gain/(loss) on hedging instruments | Sub-total | Total |
| | ----------(Rupees in '000)---------- | | | | | | |
| **Balance at June 30, 2011** | 786,000 | 196,500 | 10,786,750 | 2,350,398 | - | 13,333,648 | 14,119,648 |
| Final dividend @ 100% for the year ended June 30, 2011 declared subsequent to year end | - | - | - | (786,000) | - | (786,000) | (786,000) |
| Transfer to general reserve for the year ended June 30, 2011 appropriated subsequent to year end | - | - | 1,564,300 | (1,564,300) | - | - | - |
| Total comprehensive income for the year ended June 30, 2012 | - | - | - | 4,302,715 | 6,295 | 4,309,010 | 4,309,010 |
| Interim dividend @ 80% | - | - | - | (628,800) | - | (628,800) | (628,800) |
| **Balance at June 30, 2012** | 786,000 | 196,500 | 12,351,050 | 3,674,013 | 6,295 | 16,227,858 | 17,013,858 |
| Final dividend @ 240% for the year ended June 30, 2012 declared subsequent to year end | - | - | - | (1,886,400) | - | (1,886,400) | (1,886,400) |
| Transfer to general reserve for the year ended June 30, 2012 appropriated subsequent to year end | - | - | 1,000,000 | (1,000,000) | - | - | - |
| Unrealised gain on cash flow hedge removed from equity and reported in net profit for the year | - | - | - | - | (6,295) | (6,295) | (6,295) |
| Total comprehensive income for the year ended June 30, 2013 | - | - | - | 3,357,545 | - | 3,357,545 | 3,357,545 |
| 1st Interim dividend @ 60% | - | - | - | (471,600) | - | (471,600) | (471,600) |
| 2nd Interim dividend @ 40% | - | - | - | (314,400) | - | (314,400) | (314,400) |
| **Balance at June 30, 2013** | **786,000** | **196,500** | **13,351,050** | **3,359,158** | **-** | **16,906,708** | **17,692,708** |

Proposed final dividend and transfer between reserves made subsequent to the year ended June 30, 2013 are disclosed in note 42 to these financial statements.

The annexed notes 1 to 44 form an integral part of these financial statements.

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 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 Toyota vehicles. The Company also acts as the sole distributor of Toyota and Daihatsu vehicles in Pakistan and has a license for assembling, progressive manufacturing and marketing of these vehicles in Pakistan.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

### 2.1.1 Statement of compliance

These 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984, and 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 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

### 2.1.2 New and amended standards and interpretations that are effective in the current year

- IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The impact of this change has been taken in the statement of comprehensive income.

There are certain other new and amended standards and interpretations that have been published and are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or did not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

### 2.1.3 New and amended standards and interpretations that are not yet effective

The following new amendments to approved accounting standard that have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2013.

- IAS 19, 'Employee benefits' was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The amendment has resulted in the following changes: eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The adoption of this amendment will not have any significant impact on the Company's financial statements.

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any material effect on the Company's operations and are therefore not detailed in these financial statements.

### 2.1.4 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

Significant accounting estimates and areas where judgments were exercised by management in the application of accounting policies are disclosed in note 2.21 to these financial statements.

### 2.2 Basis for measurement

These financial statements have been prepared under the historical cost convention except that investments classified as financial assets 'at fair value through profit or loss' or available for sale and derivative financial instruments have been marked to market and certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets.

### 2.3 Fixed assets

### 2.3.1 Property, plant and equipment

**Owned**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which is stated at cost less accumulated impairment losses, if any.

Depreciation is charged to income applying the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. The cost of leasehold land is amortised equally over the lease period. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal. The rates of depreciation are stated in note 3.2 to these financial statements.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to income as and when incurred.

Gains and losses on sale or retirement of property, plant and equipment are included in the profit and loss account.

**Capital work-in-progress**

All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

### 2.3.2 Intangible - computer software

Computer software are stated at cost less accumulated amortisation. Software costs are only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight line method at the rates stated in note 3.2 to these financial statements.

### 2.3.3 Impairment

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment and intangible assets may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and the differences are recognised in the profit and loss account.

### 2.4 Stores and spares

Stores and spares, except in transit are valued at cost, determined on a moving average basis. Provision is made for any slow moving and obsolete items. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

### 2.5 Stock-in-trade

Stock-in-trade, except in transit, are valued at the lower of cost and net realisable value. Stock in transit is stated at invoice price plus other charges incurred thereon.

Cost of raw materials, own manufactured vehicles and trading stock is determined on a moving average basis. Cost of work-in-process is valued at material cost.

Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessarily to be incurred to make the sale.

### 2.6 Financial instruments

### 2.6.1 Financial assets

### 2.6.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Company are categorised as follows:

**a) Financial assets 'at fair value through profit or loss'**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of trade debts, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

**c) Held to maturity**

These are financial assets with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity.

**d) Available for sale financial assets**

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity and (c) financial assets 'at fair value through profit or loss'.

**2.6.1.2 Initial recognition and measurement**

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the transaction costs associated with these financial assets are taken directly to the profit and loss account.

**2.6.1.3 Subsequent measurement**

Subsequent to initial recognition, financial assets are valued as follows:

**a) Financial asset 'at fair value through profit or loss' and 'available for sale'**

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income.

**b) Financial assets classified as 'Loans and receivables' and 'held to maturity'**

Loans and receivables and held to maturity financial assets are carried at amortised cost.

**2.6.1.4 Impairment**

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

**a) Assets carried at amortised cost**

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

(a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty or default in payments, the probability that they will enter bankruptcy, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

**b) Assets classified as 'available for sale'**

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any evidence for impairment exist, the cumulative loss is removed from equity and recognised in the profit and loss account. For investments, other than equity instruments, the increase in fair value in a subsequent period thereby resulting in reversal of impairment is reversed through the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

**2.6.1.5 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is a intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

**2.6.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

**2.6.3 Derecognition**

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

**2.7 Loans, advances and deposits**

These are stated at cost less estimates made for any doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

**2.8 Trade debts and other receivables**

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are carried at cost less estimates made for doubtful receivables, if any.

An estimate for doubtful trade debts and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**2.9 Derivative financial instruments and hedge accounting**

The Company designates derivate financial instruments as either fair value hedge or cash flow hedge.

**Fair value hedge**

Fair value hedge represents hedges of the fair value of recognised assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

**Cash flow hedge**

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit or loss account.

**2.10 Taxation**

**Current**

The provision for current taxation is based on taxable income at the current rates of taxation, after considering rebates and tax credits available, if any and taxes paid under the Final Tax Regime. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

**Deferred**

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

**2.11 Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and bank deposits net of running finances. The cash and cash equivalents are readily convertible to known amounts of cash and are therefore subject to insignificant risk of changes in value.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

**2.12 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to the Company.

**2.13 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**2.14 Warranty obligations**

The Company recognises the estimated liability, on an accrual basis, to repair or replace products under warranty at the balance sheet date, and recognises the estimated product warranty costs in the profit and loss account when the sale is recognised.

**2.15 Staff retirement benefits**

**Defined contribution plan - Employees Provident Fund**

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the Fund by the Company and the employees in accordance with the rules of the Fund. The Company has no further payment obligation once the contributions have been paid. The contributions made by the Company are recognised as an employee benefit expense when they are due.

**Defined benefit / contribution plan - Employees Pension Fund**

The Company also operates an approved funded pension scheme for its permanent employees.

The employee pension is governed by two sets of Rules, 'New Rules' - Defined contribution plan and 'Old Rules' Defined benefit plan. The New Rules are applicable to all members of the Fund with effect from July 1, 2008. However, the Old Rules continue to apply to all persons whose employment with the Company ceased before July 1, 2008 and who are entitled to pension from the Fund. In addition, the Old Rules also apply to existing employees who have not opted to be governed by the New Rules.

In accordance with the New Rules an actuarial balance was determined by the actuary as at June 30, 2008 in respect of all members of the Fund who were in the service of the Company as of that date and opted to be governed by the New Rules which was credited to the members' individual accounts. With effect from July 2008 the Company is required to make a fixed monthly contribution to the Fund based on the basic salary of the employees which is credited into the individual account of each member. The Company has no further payment obligation once these monthly contributions have been paid to the Fund. Profit earned on the investments maintained by the Fund is also allocated into the individual account of each member.

The pension liability recognised in the balance sheet in respect of members governed by the Old Rules is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets attributed to these members, together with adjustments for unrecognised actuarial gains or losses and past service costs. Contributions are made to cover the pension obligations in respect of the members governed by the Old Rules on the basis of actuarial recommendations. Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the higher of the present value of the Company's pension obligation for these members and the fair value of the Fund's assets are amortised over the expected average remaining working lives of the employees.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

The Projected Unit Credit Method, using the following significant assumptions, is used for the valuation of the pension liability at June 30, 2013 in respect of members governed by the Old Rules:

- Expected rate of increase in salaries at 10.00% (2012: 12.50%) per annum.
- Expected rate of return on plan assets at 11.50% (2012: 11.50%) per annum.
- Expected discount rate at 13.50% (2012: 13.50%) per annum.

**2.16 Employees' compensated absences**

The Company accounts for compensated absences on the basis of unavailed earned leave balance of each employee at the end of the year.

**2.17 Dividend distribution and transfer between reserves**

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are approved / transfers are made.

**2.18 Revenue recognition**

Sales are recognised as revenue when goods are delivered and invoiced.

Return on bank deposits and mark-up on advances to suppliers and contractors are accounted for on an accrual basis.

Agency commission is recognised when shipments are made by the principal.

Unrealised gains / losses arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the profit and loss account in the period in which these arise.

Dividend income is recognised when the right to receive dividend is established.

Income on Market Treasury Bills is accrued using the effective interest rate method.

**2.19 Foreign currency transactions and translation**

Foreign currency transactions are recognised or accounted for into Pakistani Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gain / loss on foreign currency translations are included in income / equity along with any related hedge effects.

**2.20 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

**2.21 Accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

**i) Useful lives of property, plant and equipment (notes 2.3 and 3.2);**

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

**ii) Provision for slow moving stores and spares (notes 2.4 and 6)**

The Company exercises judgment and makes provision for slow moving stores and spares based on their future usability. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

**iii) Provision for slow moving stock-in-trade (notes 2.5 and 7)**

The Company exercises judgment and makes provision for slow moving stock-in-trade based on their future usability and recoverable value. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

**iv) Provision for doubtful debts (notes 2.8 and 8)**

The Company makes provision for doubtful debts when the collection of full amount is no longer probable. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

**v) Classification and valuation of investments (notes 2.6 and 12)**

The Company takes into account its intention for classification of investment as mentioned in note 2.6.1.1 at the time of purchase. The valuation of investments is done based on the criteria mentioned in notes 2.6.1.2, 2.6.1.3 and 2.6.1.4.

**vi) Income taxes (notes 2.10 and 30)**

The Company takes into account the current income tax law and the decision taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on the items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

**vii) Warranty obligations (notes 2.14 and 17.3); and**

The Company exercises professional judgment, based on the history of warranty claims entertained, number of cars eligible for warranty and its internal risk assessment while making assessment of obligation in respect of warranty.

**viii) Staff retirement benefits (notes 2.15 and 26);**

The Company has post retirement benefit obligations, which are determined through actuarial valuations as carried out by an independent actuary using various assumptions as disclosed in note 26 to these financial statements.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

### 2.22 Segment Reporting

The Company uses 'management approach' for segment reporting, under which segment information is required to be presented on the same basis as that used for internal reporting purposes. Operating segments have been determined and presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company has determined operating segments on the basis of business activities i.e. manufacturing and trading activities. Segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision-maker on a regular basis.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **3** | **FIXED ASSETS** | | | |
| | Property, plant and equipment | 3.1 | **2,742,136** | 3,471,595 |
| | Intangible assets | 3.2 | **4** | 1,311 |
| | | | **2,742,140** | 3,472,906 |
| **3.1** | **Property, plant and equipment** | | | |
| | Operating assets | 3.2 | **2,563,381** | 3,320,456 |
| | Capital work-in-progress | 3.5 | **178,755** | 151,139 |
| | | | **2,742,136** | 3,471,595 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

3.2 **The Following is a statement of tangible operating assets and intangible assets:**

| | 2013 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Tangible assets | | | | | | | | | | | Intangible assets |
| | Leasehold land | Factory building on leasehold land | Other building on leasehold land | Plant and machinery | Motor vehicles | Furniture and fixtures | Office equipment | Computer and related accessories | Tools and equipment | Jigs and fixtures | Total tangible assets | Computer software |
| | (Rupees in '000) | | | | | | | | | | | |
| **At July 1, 2012** | | | | | | | | | | | | |
| Cost | 38,662 | 983,477 | 101,420 | 6,056,792 | 274,205 | 191,524 | 79,779 | 203,769 | 569,624 | 1,454,234 | 9,953,486 | 37,552 |
| Accumulated depreciation / amortisation | 13,814 | 584,784 | 47,948 | 3,859,270 | 124,221 | 129,338 | 61,856 | 166,949 | 502,456 | 1,142,394 | 6,633,030 | 36,241 |
| Net book value | 24,848 | 398,693 | 53,472 | 2,197,522 | 149,984 | 62,186 | 17,923 | 36,820 | 67,168 | 311,840 | 3,320,456 | 1,311 |
| **Year ended June 30, 2013** | | | | | | | | | | | | |
| Opening net book value | 24,848 | 398,693 | 53,472 | 2,197,522 | 149,984 | 62,186 | 17,923 | 36,820 | 67,168 | 311,840 | 3,320,456 | 1,311 |
| Additions | - | 13,960 | 23,055 | 291,920 | 51,790 | 9,787 | 3,286 | 11,793 | 52,784 | 61,064 | 519,439 | - |
| Disposals / write offs | | | | | | | | | | | | |
| Cost | - | - | - | 75,090 | 43,376 | 9,474 | 2,929 | 7,940 | 19,873 | 151,450 | 310,132 | - |
| Depreciation | - | - | - | 74,512 | 26,051 | 9,423 | 2,772 | 7,479 | 19,836 | 151,450 | 291,523 | - |
| | - | - | - | 578 | 17,325 | 51 | 157 | 461 | 37 | - | 18,609 | - |
| Depreciation / amortisation charge for the year | 1,135 | 78,412 | 4,532 | 829,357 | 48,908 | 28,971 | 7,087 | 22,657 | 33,708 | 203,138 | 1,257,905 | 1,307 |
| **Closing net book value** | **23,713** | **334,241** | **71,995** | **1,659,507** | **135,541** | **42,951** | **13,965** | **25,495** | **86,207** | **169,766** | **2,563,381** | **4** |
| **At June 30, 2013** | | | | | | | | | | | | |
| Cost | 38,662 | 997,437 | 124,475 | 6,273,622 | 282,619 | 191,837 | 80,136 | 207,622 | 602,535 | 1,363,848 | 10,162,793 | 37,552 |
| Accumulated depreciation / amortisation | 14,949 | 663,196 | 52,480 | 4,614,115 | 147,078 | 148,886 | 66,171 | 182,127 | 516,328 | 1,194,082 | 7,599,412 | 37,548 |
| **Net book value** | **23,713** | **334,241** | **71,995** | **1,659,507** | **135,541** | **42,951** | **13,965** | **25,495** | **86,207** | **169,766** | **2,563,381** | **4** |
| **Depreciation / amortisation rate % per annum** | 2.38% | 10% | 5% | 10%-20% | 20% | 20% | 20% | 33.33% | 20% | 20%-25% | | 33.33% |

| | 2012 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Tangible assets | | | | | | | | | | | Intangible assets |
| | Leasehold land | Factory building on leasehold land | Other building on leasehold land | Plant and machinery | Motor vehicles | Furniture and fixtures | Office equipment | Computer and related accessories | Tools and equipment | Jigs and fixtures | Total tangible assets | Computer software |
| | (Rupees in '000) | | | | | | | | | | | |
| **At June 30, 2011** | | | | | | | | | | | | |
| Cost | 38,662 | 977,884 | 101,420 | 5,808,963 | 238,389 | 190,129 | 75,627 | 196,528 | 561,484 | 1,424,173 | 9,613,259 | 37,527 |
| Accumulated depreciation / amortisation | 12,893 | 506,528 | 43,533 | 3,041,874 | 112,428 | 99,190 | 54,469 | 146,240 | 471,372 | 948,432 | 5,436,959 | 35,405 |
| Net book value | 25,769 | 471,356 | 57,887 | 2,767,089 | 125,961 | 90,939 | 21,158 | 50,288 | 90,112 | 475,741 | 4,176,300 | 2,122 |
| **Year ended June 30, 2012** | | | | | | | | | | | | |
| Opening net book value | 25,769 | 471,356 | 57,887 | 2,767,089 | 125,961 | 90,939 | 21,158 | 50,288 | 90,112 | 475,741 | 4,176,300 | 2,122 |
| Additions | - | 5,593 | - | 271,440 | 89,936 | 3,758 | 6,101 | 9,535 | 12,660 | 58,229 | 457,252 | 25 |
| Disposals / write offs | | | | | | | | | | | | |
| Cost | - | - | - | 23,611 | 54,120 | 2,363 | 1,949 | 2,294 | 4,520 | 28,168 | 117,025 | - |
| Depreciation | - | - | - | 23,117 | 30,614 | 2,185 | 1,878 | 1,883 | 3,860 | 28,168 | 91,705 | - |
| | - | - | - | 494 | 23,506 | 178 | 71 | 411 | 660 | - | 25,320 | - |
| Depreciation / amortisation charge for the year | 921 | 78,256 | 4,415 | 840,513 | 42,407 | 32,333 | 9,265 | 22,592 | 34,944 | 222,130 | 1,287,776 | 836 |
| **Closing net book value** | **24,848** | **398,693** | **53,472** | **2,197,522** | **149,984** | **62,186** | **17,923** | **36,820** | **67,168** | **311,840** | **3,320,456** | **1,311** |
| **At June 30, 2012** | | | | | | | | | | | | |
| Cost | 38,662 | 983,477 | 101,420 | 6,056,792 | 274,205 | 191,524 | 79,779 | 203,769 | 569,624 | 1,454,234 | 9,953,486 | 37,552 |
| Accumulated depreciation / amortisation | 13,814 | 584,784 | 47,948 | 3,859,270 | 124,221 | 129,338 | 61,856 | 166,949 | 502,456 | 1,142,394 | 6,633,030 | 36,241 |
| **Net book value** | **24,848** | **398,693** | **53,472** | **2,197,522** | **149,984** | **62,186** | **17,923** | **36,820** | **67,168** | **311,840** | **3,320,456** | **1,311** |
| **Depreciation / amortisation rate % per annum** | 2.38% | 10% | 5% | 10%-20% | 20% | 20% | 20% | 33.33% | 20% | 20%-25% | | 33.33% |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

### 3.3 The depreciation charge for the year has been allocated as follows:

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cost of sales - own manufactured | 23 | **1,191,554** | 1,221,551 |
| Distribution expenses | 24 | **38,857** | 35,823 |
| Administrative expenses | 25 | **27,494** | 30,402 |
| | | **1,257,905** | 1,287,776 |

**3.4** Particulars of operating assets having a net book value exceeding Rs 50,000 disposed off during the year are as follows:

| Asset description | Cost | Accumulated depreciation | Net book value | Sale proceeds | Gain / (loss)on disposal | Mode of disposal | Particulars of buyer |
|---|---|---|---|---|---|---|---|
| | ----- (Rupees in '000) ----- | | | | | | |
| Plant & machinery | 683 | 469 | 214 | - | (214) | Assets written off | |
| | 235 | 140 | 95 | - | (95) | Assets written off | |
| | 195 | 39 | 156 | - | (156) | Assets written off | |
| Motors Vehicles | 2,799 | 1,166 | 1,633 | 1,437 | (196) | Tender | Mr. M.Haroon, Karachi |
| | 2,799 | 1,166 | 1,633 | 1,427 | (206) | Tender | Mr. M.Haroon, Karachi |
| | 1,359 | 1,087 | 272 | 1,176 | 904 | Tender | Mr. M.Haroon, Karachi |
| | 2,004 | 802 | 1,202 | 1,161 | (41) | Tender | Syed Riaz Ahmed, Karachi |
| | 3,737 | 2,117 | 1,620 | 1,811 | 191 | Tender | Syed Riaz Ahmed, Karachi |
| | 694 | 416 | 278 | 590 | 312 | Tender | Mr. Waseemuddin, Karachi |
| | 800 | 267 | 533 | 700 | 167 | Negotiation | Noble Computer Services (Private) Limited, Karachi |
| | 3,452 | 1,093 | 2,359 | 1,700 | (659) | Negotiation | Toyota Southern Motors, Karachi |
| | 2,900 | 822 | 2,078 | 2,600 | 522 | Negotiation | Toyota Western Motors, Karachi |
| | 809 | 243 | 566 | 809 | 243 | Insurance Claim | Habib Insurance Company Limited, Karachi-Related Party |
| | 1,474 | 319 | 1,155 | 1,474 | 319 | Insurance Claim | Habib Insurance Company Limited, Karachi-Related Party |
| | 484 | 387 | 97 | 190 | 93 | Empoyee Scheme | Mr. Ahmed Wasim Khan (Employee) |
| | 715 | 358 | 357 | 581 | 224 | Empoyee Scheme | Mr. Akhter Abbas (Ex-Employee) |
| | 654 | 512 | 142 | 458 | 316 | Empoyee Scheme | Mr. Asad Chaudry (Ex-Employee) |
| | 484 | 387 | 97 | 190 | 93 | Empoyee Scheme | Mr. Azmat Khan (Ex-Employee) |
| | 484 | 387 | 97 | 190 | 93 | Empoyee Scheme | Mr. Imran Mehdi (Employee) |
| | 714 | 190 | 524 | 619 | 95 | Empoyee Scheme | Mr. Ismail M. Hanif (Employee) |
| | 484 | 387 | 97 | 190 | 93 | Empoyee Scheme | Mr. Kashif Akhlaq (Employee) |
| | 484 | 381 | 103 | 200 | 97 | Empoyee Scheme | Mr. M. Arif Anzer (Employee) |
| | 1,799 | 780 | 1,019 | 1,175 | 156 | Empoyee Scheme | Mr. M. Mohiyuddin(Ex-Employee) |
| | 759 | 228 | 531 | 625 | 94 | Empoyee Scheme | Mr. M. Mohiyuddin (Ex-Employee) |
| | 579 | 473 | 106 | 365 | 259 | Empoyee Scheme | Mr. Minhaj-ur-Rehman (Ex-Employee) |
| | 484 | 387 | 97 | 190 | 93 | Empoyee Scheme | Mr. Miraj-Ur-Rehman (Employee) |
| | 519 | 467 | 52 | 145 | 93 | Empoyee Scheme | Mr. Mussarat Hussain (Ex-Employee) |
| | 865 | 187 | 678 | 781 | 103 | Empoyee Scheme | Mr. Zia Alam (Employee) |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

| | | 2013 | 2012 |
|---|---|---|---|
| 3.5 | **Capital work-in-progress** | (Rupees in '000) | |
| | Civil works | 61,000 | 11,011 |
| | Plant and machinery | 49,000 | 106,410 |
| | Furniture and fixtures | 7,700 | 4,035 |
| | Office equipment | - | 128 |
| | Computer and related accessories | 1,737 | 1,558 |
| | Tools and equipment | 14,460 | 19,997 |
| | Jigs and fixtures | 44,858 | 8,000 |
| | | 178,755 | 151,139 |

**3.6** During the year capital work-in-progress amounting to Rs 429.809 million (2012: Rs 341.482 million) was transferred to owned assets.

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **4** | **LONG-TERM LOANS AND ADVANCES** | | | |
| | **Considered good** | | | |
| | Loans due from - secured | | | |
| | - Executives | 4.2 & 4.3 | 18,531 | 13,088 |
| | - Employees | | 5,170 | 4,825 |
| | | 4.1 | 23,701 | 17,913 |
| | Advances to suppliers - unsecured | 4.4 | 473,635 | 3,402 |
| | Less: Recoverable within one year shown under current assets | | | |
| | Loans due from - secured | | | |
| | - Executives | 9 | 12,733 | 7,354 |
| | - Employees | 9 | 4,869 | 4,544 |
| | Advances to suppliers - unsecured | 9 | 348,397 | 3,402 |
| | | | 365,999 | 15,300 |
| | | | 131,337 | 6,015 |

**4.1** These represent house building and personal loans granted to executives and employees. These are granted in accordance with the terms of their employment and are secured against their balances with the Employees' Provident Fund. The loans are repayable over a period of 12 to 72 (2012: 12 to 72) months. House building and personal loans to management employees carry interest at the rate of 3.00% to 3.50% (2012: 3.00% to 3.50%) per annum. Non-management employees are entitled to personal loan which carrys no interest.

| | | 2013 | 2012 |
|---|---|---|---|
| 4.2 | Reconciliation of carrying amount of loans to executives is as follows: | (Rupees in '000) | |
| | Opening balance | 13,088 | 18,720 |
| | Disbursements during the year | 23,969 | 13,200 |
| | Repayments during the year | (18,526) | (18,832) |
| | Closing balance | 18,531 | 13,088 |

**4.3** The maximum aggregate amount due from executives at the end of any month, during the year was Rs 20.995 million (2012: Rs 19.455 million).

**4.4** These represent advances to suppliers which is deducted from payments in respect of supplies over a period of 2 to 3 years (2012: 1 to 2 years). These carry interest at the rate of 3 months KIBOR plus 1% (2012: 5% to 10%) per annum.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 5 LONG-TERM DEPOSITS AND PREPAYMENTS

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Deposits | | | |
| - Utilities | | **7,169** | 4,522 |
| - Others | 5.1 | **2,498** | 2,600 |
| Prepayments - Rent | | **-** | 700 |
| | | **9,667** | 7,822 |

5.1 These include a deposit made against rent to a related party - Habib Metro Pakistan (Pvt.) Ltd. amounting to Rs 2.005 million (2012: Rs 2.005 million).

## 6 STORES AND SPARES

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Stores | | **185,603** | 187,951 |
| Spares | | **236,974** | 222,831 |
| | | **422,577** | 410,782 |
| Less: Provision for slow moving stores and spares | | **(268,908)** | (232,594) |
| | | **153,669** | 178,188 |

## 7 STOCK-IN-TRADE

| | Note | 2013 | 2012 |
|---|---|---|---|
| **In hand** | | | |
| **Manufacturing stock** | | | |
| Raw material and components | 7.1 | **2,618,469** | 2,186,553 |
| Less: Provision for slow moving stock | | **(58,647)** | (63,866) |
| | | **2,559,822** | 2,122,687 |
| Work-in-process | | **378,502** | 461,870 |
| Finished goods (vehicles – own manufactured) | 7.2 & 7.3 | **1,660,295** | 2,234,904 |
| Less: Provision for slow moving stock | | **(897)** | (9,629) |
| | | **4,597,722** | 4,809,832 |
| **Trading stock** | | | |
| Vehicles | 7.2 & 7.3 | **153,848** | 239,582 |
| Less: Provision for slow moving stock | | **(5,473)** | (19,057) |
| | | **148,375** | 220,525 |
| Spare parts | | **452,020** | 409,091 |
| Special service tools and publications | | **7,280** | 6,974 |
| Less: Provision for slow moving stock | | **(137,801)** | (121,901) |
| | | **321,499** | 294,164 |
| **In transit** | | **2,815,713** | 2,205,050 |
| | | **7,883,309** | 7,529,571 |

7.1 These include raw materials amounting to Rs Nil (2012: Rs 15.640 million) held with the Company's vendor at year end.

7.2 These include vehicles amounting to Rs 812.391 million (2012: Rs 1,125.073 million) held with the company's authorised dealers at year end.

7.3 These include stocks costing Rs Nil (2012: Rs 25.701 million) that have been valued at their net realisable value amounting to Rs Nil (2012: Rs 21.534 million).

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 8 TRADE DEBTS - unsecured

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **Considered good** | | |
| Government agencies | 445,369 | 869,171 |
| Others | 937,392 | 590,805 |
| | 1,382,761 | 1,459,976 |
| **Considered doubtful** | 330 | 2,104 |
| | 1,383,091 | 1,462,080 |
| Less: Provision for doubtful debts | (330) | (2,104) |
| | 1,382,761 | 1,459,976 |

8.1 As at June 30, 2013, Rs 117.286 million (2012: Rs 174.610 million) are overdue but not impaired in respect of trade debts. These relate to various customers for whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Upto 1 month | | 33,256 | 10,026 |
| 1 to 6 months | | 56,068 | 163,565 |
| More than 6 months | | 27,962 | 1,019 |
| | | 117,286 | 174,610 |

## 9 LOANS AND ADVANCES

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Current portion of long-term loans and advances - considered good** | | | |
| Loans due from - secured | | | |
| - Executives | 4 | 12,733 | 7,354 |
| - Employees | 4 | 4,869 | 4,544 |
| Advances to suppliers - unsecured | 4 | 348,397 | 3,402 |
| | | 365,999 | 15,300 |
| **Advances – considered good** | | | |
| Suppliers and contractors | | 175,842 | 133,554 |
| Employees | | 4,743 | 9,072 |
| Collector of Customs | 9.1 | 1,010,999 | 611,411 |
| Margin with banks | | 314 | 176,161 |
| | | 1,191,898 | 930,198 |
| | | 1,557,897 | 945,498 |

9.1 This represents amounts paid to the Collector of Customs in respect of the import of stock-in-trade. The entire amount was cleared subsequent to the year end.

## 10 SHORT-TERM PREPAYMENTS

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Rent | | 1,327 | 13,706 |
| Insurance | | 2,730 | 3,579 |
| Others | | 6,742 | 3,680 |
| | 10.1 | 10,799 | 20,965 |

10.1 This includes an amount of Rs Nil (2012: Rs 9.385 million) paid to related parties.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 11 OTHER RECEIVABLES

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Considered good** | | | |
| Warranty claims, agency commission and other receivables due from a related party – Toyota Tsusho Corporation | 11.1 | 32,190 | 357,294 |
| Warranty claims due from local vendors | | 3,127 | 2,230 |
| Earnest money | | 8,835 | 22,306 |
| Insurance claims – receivable from related party - Habib Insurance Company Limited | | 181 | 11,864 |
| Sales tax – net | | 109,175 | - |
| Workers' Profit Participation Fund | 11.2 | 37 | 3,051 |
| Net unrealised gain on revaluation of foreign exchange contracts | 17.4 | - | 42,538 |
| Receivable against sale of fixed assets | | 354 | 1,217 |
| Others | | 8,326 | 7,069 |
| | | 162,225 | 447,569 |

**11.1** The maximum aggregate amount due at the end of any month during the year was Rs 362.653 million (2012: Rs 357.294 million).

### 11.2 Workers' Profit Participation Fund

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Opening receivable / (payable) | | 3,051 | (7,394) |
| Add: Allocation for the year | 27 | (267,014) | (339,168) |
| | | (263,963) | (346,562) |
| Less: Amount paid during the year | | 264,000 | 349,613 |
| Closing receivable | | 37 | 3,051 |

## 12 INVESTMENTS

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Financial assets 'at fair value through profit or loss' - held for trading** | | | |
| - Mutual Fund Units | 12.1 & 12.2 | 4,018,912 | 2,117 |
| **Held to Maturity** | | | |
| - Government securities - Market Treasury Bills | 12.3 | 2,679,209 | 2,688,436 |
| | | 6,698,121 | 2,690,553 |

### 12.1 Mutual Fund Units

| | Market value as at 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| NAFA Government Securities Liquid Fund | 706,476 | 303 |
| HBL Money Market Fund | 649,305 | - |
| Askari Sovereign Cash Fund | 198,670 | - |
| IGI Money Market Fund | - | 196 |
| MCB Cash Management Optimizer Fund | 919,642 | 191 |
| Meezan Cash Fund | 99,276 | 71 |
| UBL Liquidity Plus Fund | 746,888 | 1,087 |
| ABL Cash Fund | 500,053 | 140 |
| Lakson Money Market Fund | 198,602 | 129 |
| | 4,018,912 | 2,117 |

# Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| 12.2 | **Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - 'held for trading'** | | (Rupees in '000) | |
| | Market value of securities | | 4,018,912 | 2,117 |
| | Less: carrying value of securities | | 4,004,223 | 2,028 |
| | | 28 | 14,689 | 89 |

**12.3** These securities have a tenor of 3 months and have varying maturities ranging from July 11, 2013 to September 05, 2013. The yield on these securities ranges from 9.2301% - 9.4114% (2012: 11.8283% - 11.9201%).

## 13 CASH AND BANK BALANCES

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash in hand | | 358 | 653 |
| With banks in: | | | |
| current accounts | | 19,357 | 88,949 |
| deposit accounts | 13.1 | 4,175,587 | 10,681,698 |
| | 13.2 | 4,194,944 | 10,770,647 |
| | | 4,195,302 | 10,771,300 |

**13.1** As at June 30, 2013, the Company does not hold any fixed deposit receipts. Last year, these include an aggregate balance of Rs. 7,000 million representing fixed deposit receipts having maturity dates ranging between 30 to 90 days carrying profit rates ranging between 11.45% to 11.95% per annum which was received on maturity.

**13.2** Balances with banks include an amount of Rs 1,862 million (2012: Rs 5,014 million), [including nil fixed deposit receipts (2012: Rs 2,000 million) as refered to in note 13.1] held with related parties namely Habib Metropolitan Bank Limited amounting to Rs 1,533 million (2012: Rs 4,696 million) and Standard Chartered Bank (Pakistan) Limited amounting to Rs 329 million (2012: Rs 318 million).

## 14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2013 | 2012 | | 2013 | 2012 |
|---|---|---|---|---|
| (Number of shares in '000) | | | (Rupees in '000) | |
| 78,600 | 78,600 | Ordinary shares of Rs.10 each fully paid in cash | 786,000 | 786,000 |

## 15 RESERVES

| | 2013 | 2012 |
|---|---|---|
| **Capital reserve** | | |
| Premium on issue of ordinary shares | 196,500 | 196,500 |
| **Revenue reserves** | | |
| **General reserve** | | |
| Balance brought forward | 12,351,050 | 10,786,750 |
| Transferred from unappropriated profit | 1,000,000 | 1,564,300 |
| | 13,351,050 | 12,351,050 |
| **Unappropriated profit** | 3,359,158 | 3,674,013 |
| **Net unrealised gain on cash flow hedge - net of tax** | - | 6,295 |
| | 16,906,708 | 16,227,858 |

# Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **16** | **DEFERRED TAXATION** | | | |
| | **Deferred tax liability arising on taxable temporary differences:** | | | |
| | Due to accelerated tax depreciation | | 96,951 | 318,632 |
| | Others | | - | 14,897 |
| | **Deferred tax asset arising on deductible temporary differences:** | | | |
| | In respect of certain provisions | | (129,739) | (167,588) |
| | Others | | (1,859) | - |
| | | | (34,647) | 165,941 |
| **17** | **TRADE, OTHER PAYABLES AND PROVISIONS** | | | |
| | Trade creditors | | | |
| | - Associated undertakings / related parties | | 144,034 | 272,464 |
| | - Others | | 795,825 | 984,569 |
| | Bills payable to associated undertakings / related parties | | 1,623,210 | 1,629,133 |
| | Accrued liabilities | 17.1 | 1,527,339 | 1,461,172 |
| | Unclaimed dividends | | 68,941 | 42,412 |
| | Royalty payable to associated undertakings / related parties: | | | |
| | - Toyota Motor Corporation | | 256,617 | 300,611 |
| | - Daihatsu Motor Company | | 1,074 | 14,519 |
| | Security deposits from dealers | 17.2 | 91,300 | 85,300 |
| | Customs duty payable | | 194,484 | 302,498 |
| | Retention money | | 12,517 | 11,548 |
| | Workers' Welfare Fund | | 110,089 | 138,788 |
| | Technical fee | | 4,986 | 15,588 |
| | Warranty obligations | 17.3 | 573,999 | 512,872 |
| | Payable to dealers | | 262,723 | 279,226 |
| | Payable to Pension Fund - Defined Benefit Scheme | 26 | - | - |
| | Sales tax – net | | - | 29,592 |
| | Tax deducted at source | | 18,416 | 11,109 |
| | Net unrealised loss on revaluation of foreign exchange contracts | 17.4 | 9,667 | - |
| | Other government levies payable | | 318,631 | 421,060 |
| | | | 6,013,852 | 6,512,461 |

**17.1** This includes an amount of Rs 65.501 million (2012: 533.597 million) payable to associated undertakings / related parties.

**17.2** These represent interest free deposits repayable to dealers upon the termination of dealership agreements.

| | | 2013 | 2012 |
|---|---|---|---|
| **17.3** | Warranty obligations | (Rupees in '000) | |
| | Opening balance | 512,872 | 388,690 |
| | Add: Charge for the year | 101,762 | 145,897 |
| | | 614,634 | 534,587 |
| | Less: Utilisation during the year | (40,635) | (21,715) |
| | | 573,999 | 512,872 |
| **17.4** | **Net unrealised loss / (gain) on revaluation of foreign exchange contracts** | | |
| | Fair value hedge | 9,667 | (32,854) |
| | Cash flow hedge | - | (9,684) |
| | | 9,667 | (42,538) |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

| | | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| 18 | ADVANCES FROM CUSTOMERS AND DEALERS | 1,398,698 | 3,823,641 |

These represent advances received by the company from customers and dealers in respect of sale of vehicles.

## 19 SHORT-TERM RUNNING FINANCES

At June 30, 2013, the company has unutilised short-term running finance facilities under mark-up arrangements aggregating Rs 4,650 million (2012: Rs 4,650 million) available from various commercial banks carrying mark-up rates based on 1 month KIBOR as benchmark rate plus 25 basis points (2012: 1 month KIBOR plus 25 basis points). The above facilities include an amount of Rs 1,500 million (2012: Rs 1,500 million) available from related parties.

The company also has facilities for opening letters of credit and bank guarantees under mark-up arrangements as at June 30, 2013 amounting to Rs 16,700 million (2012: Rs 10,500 million) from various commercial banks, including Rs 7,000 million (2012: Rs 4,000 million) available from related parties. The unutilised balance at June 30, 2013 was Rs 9,645 million (2012: Rs 3,484 million).

Short-term running finance and bank guarantees are secured by pari passu hypothecation charge to the extent of Rs 8,043 million (2011: Rs 8,043 million) on movable assets and receivables.

## 20 TAXATION - NET

The income tax assessments of the company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 up to the year ended June 30, 2012.

## 21 CONTINGENCIES AND COMMITMENTS

**Contingencies**

**21.1** The Company, during the years 2005-2006 and 2006-2007, received demand notices from the Collector of Customs, claiming short recovery of Rs 480.311 million in aggregate on account of customs duty amounting to Rs 305.426 million and sales tax amounting to Rs 174.885 million on royalty payment to the Joint Venture Partner, Toyota Motor Corporation. The demand has been raised based on the view that royalty value should be included as part of imported CKD kits which is opposed to the view of the Company based on factual position that the royalty pertains to locally deleted parts.

During year ended June 30, 2008, the Customs, Excise and Sales Tax Appellate Tribunal decided the case in the Company's favour and accordingly, the demand to the extent of Rs 370.373 million (customs duty of Rs 235.775 million and sales tax of Rs 134.598 million) has been reversed. During the year end June 30, 2010, an appeal was filed by the Custom Authorities before the Sindh High Court against the decision of Customs, Excise and Sales Tax Appellate Tribunal, which is pending for hearing.

In respect of the balance aggregate demand, the appeals are pending before the Collector of Customs Appeal for Rs 54.348 million and before the Appellate Tribunal for Rs 55.590 million. A similar favourable decision is expected out of the said pending appeals as the facts are common and involve identical question of law. Therefore, no provision has been made by the Company in the financial statements against the above mentioned sums as the management is confident that the matters will be decided in the favour of the Company.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

**21.2** As at June 30, 2013, the claims not acknowledged as debt by the company amounts to Rs 731.037 million (2012 Rs 602.081 million).

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cases filed by the dealers | | 300,000 | 300,000 |
| Cases filed by government authorities | | 264,104 | 193,104 |
| Others | 21.2.1 | 167,203 | 108,977 |
| | 21.2.2 | 731,307 | 602,081 |

**21.2.1** Others mainly represents cases filed by the customers against the company in various courts and are pending adjudication.

**21.2.2** The management of the company contends that the company has a strong position in these cases and these cases will be decided in favour of the company.

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **21.3 Outstanding bank guarantees** | 2,348,157 | 1,699,798 |

Outstanding bank guarantees include an amount of Rs1,414.986 million (2012: Rs 526.505 million) in respect of bank guarantees from related parties.

**Commitments**

**21.4** Commitments in respect of capital expenditure at June 30, 2013 amounted to Rs 755.136 million (2012: Rs 68.782 million).

**21.5** Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs 3,749.555 million (2012: Rs 4,393.358 million) out of which commitments valuing Japanese Yen 244.044 million (2012: Japanese Yen 1,193.200 million) are covered through foreign exchange contracts. The above letters of credit include an amount of Rs 1,850.782 million (2012: Rs 1,968.813 million) availed from related parties.

**21.6** Commitments in respect of land rent and maintenance charges against leasehold land from Port Qasim Authority as at June 30, 2013 amounted to Rs 210.485 million (2012: Rs 214.687 million).

| **Year** | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| 2013-2014 | - | 4,202 |
| 2014-2015 | 4,412 | 4,412 |
| 2015-2016 | 4,632 | 4,632 |
| 2016-2017 | 4,864 | 4,864 |
| 2017-2018 | 5,107 | 5,107 |
| 2018 onwards | 191,470 | 191,470 |
| | 210,485 | 214,687 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 22 OPERATING RESULTS

| | Note | Manufacturing 2013 | Manufacturing 2012 | Trading 2013 | Trading 2012 | Total 2013 | Total 2012 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | |
| Gross sales | | 70,207,379 | 86,729,346 | 5,742,274 | 4,890,670 | 75,949,653 | 91,620,016 |
| Sales tax | | (9,663,954) | (11,900,749) | (768,047) | (647,526) | (10,432,001) | (12,548,275) |
| Federal excise duty | | (446) | - | - | - | (446) | - |
| | | 60,542,979 | 74,828,597 | 4,974,227 | 4,243,144 | 65,517,206 | 79,071,741 |
| Commission | | (1,547,957) | (1,880,324) | (50,004) | (32,689) | (1,597,961) | (1,913,013) |
| Discounts | | (7,580) | - | (82,590) | (196,086) | (90,170) | (196,086) |
| **Net sales** | | 58,987,442 | 72,948,273 | 4,841,633 | 4,014,369 | 63,829,075 | 76,962,642 |
| Cost of sales | 23 | 54,127,322 | 67,062,979 | 3,844,716 | 3,337,809 | 57,972,038 | 70,400,788 |
| **Gross profit** | | 4,860,120 | 5,885,294 | 996,917 | 676,560 | 5,857,037 | 6,561,854 |
| Distribution expenses | 24 | 718,340 | 760,857 | 95,888 | 59,482 | 814,228 | 820,339 |
| Administrative expenses | 25 | 595,130 | 594,934 | 48,848 | 32,739 | 643,978 | 627,673 |
| | | 1,313,470 | 1,355,791 | 144,736 | 92,221 | 1,458,206 | 1,448,012 |
| | | 3,546,650 | 4,529,503 | 852,181 | 584,339 | 4,398,831 | 5,113,842 |
| Other operating expenses | 27 | 431,209 | 513,982 | 4,983 | 2,360 | 436,192 | 516,342 |
| | | 3,115,441 | 4,015,521 | 847,198 | 581,979 | 3,962,639 | 4,597,500 |
| Other income | 28 | 873,160 | 1,616,705 | 164,680 | 159,043 | 1,037,840 | 1,775,748 |
| | | 3,988,601 | 5,632,226 | 1,011,878 | 741,022 | 5,000,479 | 6,373,248 |
| Finance cost | 29 | 29,152 | 59,848 | 1,552 | 1,133 | 30,704 | 60,981 |
| **Profit before taxation** | | 3,959,449 | 5,572,378 | 1,010,326 | 739,889 | 4,969,775 | 6,312,267 |

**22.1** Finance costs (excluding markup on advances from customers), other operating expenses (excluding Workers' Profit Participation Fund and Workers' Welfare Fund), administrative expenses and distribution expenses (excluding warranty claims and pre-delivery inspection charges, development expenditure, transportation and running royalty), are allocated between manufacturing and trading activities on the basis of net sales. Markup on advances from customers, warranty claims and pre-delivery inspection charges, development expenditure, Workers' Profit Participation Fund and Workers' Welfare Fund are allocated to manufacturing activity. Running royalty and transportation charges are allocated to trading activity.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 23 COST OF SALES

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Raw materials and vendor parts consumed** | | | |
| Opening stock | | 2,122,687 | 1,659,372 |
| Purchases | | 49,801,100 | 64,113,079 |
| Closing stock | 7 | (2,559,822) | (2,122,687) |
| | 23.1 | 49,363,965 | 63,649,764 |
| Stores and spares consumed | | 863,612 | 1,085,985 |
| Salaries, wages and other benefits | 23.2 | 570,607 | 553,708 |
| Rent, rates and taxes | | 3,856 | 3,673 |
| Repairs and maintenance | | 178,268 | 216,487 |
| Depreciation | 3.3 | 1,191,554 | 1,221,551 |
| Legal and professional | | 755 | 1,724 |
| Travelling | | 25,109 | 33,036 |
| Transportation | | 1,572 | 1,643 |
| Insurance | | 30,327 | 27,339 |
| Vehicle running | | 15,311 | 13,748 |
| Communication | | 4,521 | 4,188 |
| Printing, stationery and office supplies | | 2,343 | 2,874 |
| Subscription | | 353 | 504 |
| Fuel and power | | 209,986 | 257,692 |
| Running royalty | | 823,189 | 1,026,995 |
| Technical fee | | 7,820 | 15,079 |
| Staff catering, transport and uniforms | | 168,989 | 189,531 |
| Others | | 15,940 | 21,111 |
| | | 4,114,112 | 4,676,868 |
| | | 53,478,077 | 68,326,632 |
| Add: Opening work-in-process | | 461,870 | 202,013 |
| Less: Closing work-in-process | 7 | (378,502) | (461,870) |
| | | 53,561,445 | 68,066,775 |
| Opening finished goods stock - own manufactured | | 2,225,275 | 1,221,479 |
| Closing finished goods stock - own manufactured | 7 | (1,659,398) | (2,225,275) |
| Cost of sales - own manufactured | | 54,127,322 | 67,062,979 |
| Opening finished goods stock - trading | | 514,689 | 454,786 |
| Finished goods purchased | | 3,799,901 | 3,397,712 |
| Closing finished goods stock - trading | 7 | (469,874) | (514,689) |
| Cost of sales - trading | 23.3 | 3,844,716 | 3,337,809 |
| | | 57,972,038 | 70,400,788 |

**23.1** This includes an amount of Rs 4.262 million (2012: Rs 2.742 million) in respect of write off against stock-in-trade.

**23.2** Included herein is a sum of Rs 16.131 million (2012: Rs 15.094 million) in respect of charge against employee provident fund and Rs 10.151 million (2012: Rs 9.242 million) in respect of charge against employee pension fund.

**23.3** This includes an amount of Rs 0.151 million (2012: Rs 0.107 million) in respect of reversal provision against stock-in-trade.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 24 DISTRIBUTION EXPENSES

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Salaries, allowances and other benefits | 24.1 | 141,426 | 128,358 |
| Rent, rates and taxes | | 2,780 | 2,392 |
| Repairs and maintenance | | 7,089 | 18,504 |
| Depreciation | 3.3 | 38,857 | 35,823 |
| Advertising and sales promotion | | 349,336 | 335,260 |
| Travelling | | 25,966 | 29,159 |
| Vehicle running | | 13,309 | 12,561 |
| Communication | | 6,649 | 5,045 |
| Printing, stationery and office supplies | | 5,187 | 3,267 |
| Staff training | | 6,921 | 8,324 |
| Staff transport & canteen | | 11,751 | 12,085 |
| Subscription | | 416 | 500 |
| Warranty claims | | 101,762 | 148,461 |
| Pre-delivery inspection and service charges | | 23,148 | 44,017 |
| Development expenditure | | 28,042 | 7,753 |
| Utilities | | 140 | 199 |
| Transportation | | 37,887 | 17,136 |
| Running royalty | | 11,595 | 11,495 |
| Provision for doubtful debts and bad debts | | 807 | - |
| Others | | 1,160 | - |
| | | 814,228 | 820,339 |

24.1 Included herein is a sum of Rs 4.697 million (2012: Rs 3.980 million) in respect of charge against employee provident fund and Rs 2.695 million (2012: Rs 2.520 million) in respect of charge against employee pension fund.

## 25 ADMINISTRATIVE EXPENSES

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Salaries, allowances and other benefits | 25.1 | 223,883 | 199,070 |
| Rent, rates and taxes | | 1,109 | 4,973 |
| Insurance | | 28,134 | 25,580 |
| Repairs and maintenance | | 49,592 | 34,249 |
| Depreciation | 3.3 | 27,494 | 30,402 |
| Amortisation | 3.2 | 1,307 | 836 |
| Travelling | | 44,200 | 43,156 |
| Legal and professional | | 122,015 | 145,232 |
| Vehicle running | | 16,099 | 13,984 |
| Communication | | 11,814 | 9,636 |
| Printing, stationery and office supplies | | 2,899 | 3,184 |
| Staff training | | 67,432 | 74,352 |
| Staff transport and canteen | | 13,353 | 17,934 |
| Security | | 21,841 | 14,543 |
| Subscription | | 3,031 | 3,250 |
| Utilities | | 809 | 684 |
| Share registrar and related expenses | | 6,807 | 5,402 |
| Transportation | | 156 | 14 |
| Others | | 2,003 | 1,192 |
| | | 643,978 | 627,673 |

25.1 Included herein is a sum of Rs 5.455 million (2012: Rs 4.433 million) in respect of charge against employee provident fund and Rs 2.045 million (2012: Rs 2.904 million) in respect of charge against employee pension fund.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 26 DEFINED BENEFIT PLAN - Approved pension fund

As mentioned in note 2.15, the Company operates an approved pension fund for its permanent employees. Based on the latest actuarial valuation carried out at June 30, 2013, the company has recognised the following amounts in the financial statements for its obligations towards members governed under the Old Rules as explained in note 2.15:

| | | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **(a)** | **The amount recognised in the balance sheet is as follows:** | | |
| | Fair value of plan assets | **15,506** | 12,942 |
| | Present value of defined benefit obligation | **(14,622)** | (13,380) |
| | | **884** | (438) |
| | Unrecognised actuarial (gain) / loss | **(884)** | 438 |
| | | **-** | - |
| **(b)** | **The amount recognised in the profit and loss account is as follows:** | | |
| | Current service cost | **746** | 542 |
| | Interest cost | **1,820** | 1,641 |
| | Expected return on plan assets | **(1,518)** | (1,690) |
| | Pension cost recognised during the year | **1,048** | 493 |
| **(c)** | **Movement in net asset recognised in the balance sheet** | | |
| | Opening balance | **-** | - |
| | Charge for the year | **1,048** | 493 |
| | Contributions paid during the year | **(1,048)** | (493) |
| | Closing balance | **-** | - |
| **(d)** | **Movement in fair value of plan assets** | | |
| | Opening balance | **12,942** | 11,601 |
| | Expected return on plan assets | **1,518** | 1,690 |
| | Contributions by the employer | **1,048** | 493 |
| | Benefits paid | **(512)** | (444) |
| | Actuarial gain / (loss) on plan assets | **510** | (398) |
| | Closing balance | **15,506** | 12,942 |
| **(e)** | **Movement in present value of defined benefit obligation** | | |
| | Opening balance | **13,380** | 11,243 |
| | Current service cost | **746** | 542 |
| | Interest cost | **1,820** | 1,641 |
| | Benefits paid | **(512)** | (444) |
| | Actuarial (gain) / loss | **(812)** | 398 |
| | Closing balance | **14,622** | 13,380 |
| **(f)** | **Expected and actual return on plan assets** | | |
| | Expected return on plan assets | **1,518** | 1,690 |
| | Difference in opening balance | **89** | - |
| | Actuarial gain / (loss) on plan assets | **510** | (398) |
| | Actual return on plan assets | **2,117** | 1,292 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

**(g) Plan assets comprises as follows:**

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Equity | 1,619 | 1,763 |
| Debt | 13,647 | 1,239 |
| Cash and bank balances | 240 | 9,940 |
| | 15,506 | 12,942 |

**(h) Historical information**

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| Fair value of plan assets | 15,506 | 12,942 | 11,601 | 9,917 | 14,752 |
| Present value of defined benefit obligation | (14,622) | (13,380) | (11,243) | (9,650) | (8,702) |
| Surplus / (deficit) | 884 | (438) | 358 | 267 | 6,050 |
| Experience gain / (loss) on plan assets | 5.7% | -3.4% | 1.5% | 0.0% | -0.6% |
| Experience (gain) / loss on obligation | -6.0% | 3.4% | 0.7% | -0.3% | -0.1% |

**(i)** The expected return on plan assets is determined by considering the expected long-term returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yield as at the balance sheet date. Expected returns on equity are based on long-term real rates experienced in the stock market.

**(j)** The expected charge for the defined benefit plan for the year ending June 30, 2014 is Rs 0.722 million.

**(k)** The charge for the year in respect of Pension Fund amounts to Rs 14.891 million (2012 Rs 14.667 million), which includes Rs. 13.843 million (2012: Rs 14.173 milion) in respect of members covered under New Rules and Rs.1.048 million (2012: Rs 0.494 million) in respect of members covered under Old Rules.

## 27 OTHER OPERATING EXPENSES

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Workers' Welfare Fund - for the year | | 103,482 | 133,715 |
| - for prior years | | - | (1,794) |
| | | 103,482 | 131,921 |
| Workers' Profit Participation Fund | 11.2 | 267,014 | 339,168 |
| Auditors' remuneration | 27.1 | 2,577 | 2,130 |
| Donations | 27.2 | 63,119 | 43,123 |
| | | 436,192 | 516,342 |

### 27.1 Auditors' remuneration

| | 2013 | 2012 |
|---|---|---|
| Audit fee | 1,250 | 1,100 |
| Interim review and other certifications | 863 | 707 |
| Out-of-pocket expenses | 464 | 323 |
| | 2,577 | 2,130 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

### 27.2 Donations

Donations include the following in which a Director or his spouse is interested:

| Name of Director (s) | Interest in Donee | Name & Address of Donee | Amount Donated 2013 | Amount Donated 2012 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| 1. Mr. Ali S. Habib | Trustee | Mohamedali Habib Welfare Trust, 2nd Floor, Siddiq Sons Tower, Jinnah Co-operative Housing Society, Shahrah-e-Faisal, Karachi. | 1,215 | 300 |
| 2. Mr. Mohammedali R. Habib and Mr. Ali S. Habib | Trustee | Habib Education Trust, 4th Floor, UBL Building, I. I. Chundrigar Road, Karachi. | 6,000 | 2,500 |
| 3. Mr. Mohammedali R. Habib and Mr. Ali S. Habib | Director | Habib University Foundation, 147, Block 7 & 8, Banglore Cooperative Housing Society, Tipu Sultan Road, Karachi. | 20,000 | 2,500 |
| 4. Mr. Ali S. Habib | Trustee | Shaukat Khanum Memorial Trust 2 Royal Centre, Fazal-e-Haq Road Blue Area, Islamabad | - | 1,000 |

## 28 OTHER INCOME

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Income from financial assets** | | | |
| Return on bank deposits | | 386,530 | 987,434 |
| Income on Market Treasury Bills | | 173,621 | 314,530 |
| Gain on redemption of investments in listed mutual fund units | | 252,120 | 335,132 |
| Unrealised gain on revaluation of listed mutual fund units | 12.2 | 14,689 | 89 |
| Mark-up on advances to suppliers | | 818 | 563 |
| **Income from other than financial assets** | | | |
| Agency commission, net of commission expense of Rs 3.880 million (2012: Rs 1.509 million) | | 95,077 | 69,177 |
| Exchange (loss) / gain on agency commission | | (1,973) | 1,049 |
| Unrealised gain on revaluation of creditors | | 301 | 2,176 |
| Gain on sale of fixed assets | | 16,799 | 23,674 |
| Liabilities no longer payable written back | | 50,454 | 10,521 |
| Others | | 49,404 | 31,403 |
| | | 1,037,840 | 1,775,748 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

| | | Note | 2013 | 2012 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **29** | **FINANCE COST** | | | |
| | Mark-up on advances from customers | | 270 | 22,507 |
| | Bank charges | | 20,768 | 23,506 |
| | Exchange Loss | | 9,666 | 14,581 |
| | Interest on WPPF | | - | 387 |
| | | | 30,704 | 60,981 |
| **30** | **TAXATION** | | | |
| | Current - for the year | | 1,865,952 | 2,370,844 |
| | - for prior years | | (56,523) | (69,832) |
| | | | 1,809,429 | 2,301,012 |
| | Deferred - for the year | | (253,722) | (291,460) |
| | - for prior years | | 56,523 | - |
| | | | (197,199) | (291,460) |
| | | 30.1 | 1,612,230 | 2,009,552 |
| **30.1** | **Relationship between income tax expense and accounting profit** | | | |
| | Profit before taxation | | 4,969,775 | 6,312,267 |
| | Tax at the applicable tax rate of 35% (2012: 35%) | | 1,739,421 | 2,209,293 |
| | Tax effect of permanent differences | | 32,613 | 28,931 |
| | Tax effect of income taxable at lower rates, tax credit and exempt income | | (86,447) | (127,790) |
| | Tax effect of income assessed under final tax regime | | (69,409) | (30,957) |
| | Tax effect of change in tax rate for future periods | | (1,019) | - |
| | Others | | (2,929) | (93) |
| | Prior years' tax - current and deferred | | - | (69,832) |
| | | | 1,612,230 | 2,009,552 |

## 31 EARNINGS PER SHARE

### 31.1 Basic

Basic earnings per share has been computed by dividing the net profit for the year after taxation by the weighted average number of shares outstanding during the year.

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Profit after taxation | 3,357,545 | 4,302,715 |
| | (Number of shares in '000) | |
| Weighted average number of ordinary shares outstanding during the year | 78,600 | 78,600 |
| | (Rupees) | |
| Basic earnings per share | 42.72 | 54.74 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

### 31.2 Diluted

No figure for diluted earnings per share has been presented as the company has not as yet issued any instruments which would have an impact on basic earnings per share when exercised.

## 32 CASH GENERATED FROM OPERATIONS

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Profit before taxation | | **4,969,775** | 6,312,267 |
| **Adjustment for non-cash charges and other items** | | | |
| Depreciation | | **1,257,905** | 1,287,776 |
| Amortisation | | **1,307** | 836 |
| Provision for doubtful debts and bad debts | | **807** | - |
| Gain on sale of fixed assets | | **(16,799)** | (23,674) |
| Gain on redemption of investments in listed mutual fund units | | **(252,120)** | (335,132) |
| Net unrealised gain on revaluation of listed mutual fund units | | **(14,689)** | (89) |
| Net unrealised loss / (gain) on revaluation of creditors and foreign exchange contracts | | **42,220** | (34,790) |
| Return on bank deposits | | **(386,530)** | (987,434) |
| Income on Market Treasury Bills | | **(173,621)** | (314,530) |
| Workers' Profit Participation Fund | | **267,014** | 339,168 |
| Workers' Welfare Fund | | **103,482** | 131,921 |
| Mark-up on advances from customers | | **270** | 22,507 |
| Working capital changes | 32.1 | **(3,546,000)** | (4,177,889) |
| | | **2,253,021** | 2,220,937 |

### 32.1 Working capital changes

| | 2013 | 2012 |
|---|---|---|
| **(Increase) / decrease in current assets** | | |
| Stores and spares | **24,519** | 11,567 |
| Stock-in-trade | **(353,738)** | (1,839,519) |
| Trade debts | **76,885** | (103,908) |
| Loans and advances | **(612,399)** | (19,324) |
| Short-term prepayments | **10,166** | (2,065) |
| Other receivables | **239,314** | (252,687) |
| | **(615,253)** | (2,205,936) |
| **Increase / (decrease) in current liabilities** | | |
| Trade and other payables | **(505,804)** | 724,075 |
| Advances from customers and dealers | **(2,424,943)** | (2,696,028) |
| | **(2,930,747)** | (1,971,953) |
| | **(3,546,000)** | (4,177,889) |

## 33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprises of the following balance sheet amounts:

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash and bank balances | 13 | **4,195,302** | 10,771,300 |
| Short-term running finances | 19 | **-** | - |
| | | **4,195,302** | 10,771,300 |

## 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **Chief Executive** | **Directors** | **Executives** | Chief Executive | Directors | Executives |
| | (Rupees in '000) | | | | | |
| Managerial remuneration | **18,125** | **11,552** | **219,254** | 17,375 | 10,390 | 185,893 |
| Retirement benefits | **-** | **-** | **15,642** | - | - | 13,216 |
| Medical expenses | **130** | **-** | **-** | 61 | - | - |
| | **18,255** | **11,552** | **234,896** | 17,436 | 10,390 | 199,109 |
| Number of persons at year end | **1** | **2** | **117** | 1 | 2 | 89 |

34.1 The Chief Executive, Directors and some Executives have been provided free use of the Company maintained cars, residential telephones and club facilities.

## 35 TRANSACTIONS AND BALANCES WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

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

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **With associated undertakings / related parties:** | | |
| Sales | **259,155** | 152,470 |
| Purchases | **33,102,580** | 42,371,712 |
| Insurance premium | **106,953** | 109,573 |
| Agency commission | **98,957** | 70,686 |
| Running royalty | **834,784** | 1,038,490 |
| Rent expense | **12,513** | 12,513 |
| Technical fee | **2,459** | 15,079 |
| Return on bank deposits | **273,936** | 491,728 |
| Proceeds from disposal of fixed assets / insurance claim | **3,359** | 13,493 |
| Donations | **27,215** | 6,300 |
| **With key management personnel:** | | |
| - Salaries and benefits | **93,804** | 81,361 |
| - Post employment benefits | **3,877** | 2,813 |
| - Sale of fixed assets | **2,201** | 393 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

**35.1** Accrued return on bank deposits of Rs 12.155 million (2012: Rs 45.355 million) as disclosed in the balance sheet include an amount of Rs 10.924 million (2012: Rs 36.903 million) receivable from related parties.

**35.2** Contribution to and accruals in respect of staff retirement benefits are made in accordance with actuarial valuations / terms of contribution plan and disclosed in respective notes to the financial statements.

**35.3** The status of outstanding balances with associated undertakings / related parties as at June 30, 2013 are included in the respective notes to the financial statements.

## 36 PLANT CAPACITY AND PRODUCTION

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Capacity based on double shift basis | 54,800 | 54,800 |
| Production | 37,405 | 54,917 |

The Company has been operating on a double shift basis from March 2003 based on market demand. The capacity has been calculated based on average normal working days in a year. Under utilisation is due to low market demand of certain products.

## 37 DISCLOSURE RELATING TO PROVIDENT FUND

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |
| (i) Size of the Fund | 443,712 | 373,911 |
| (ii) Cost of investments made | 378,805 | 334,601 |
| (iii) Percentage of investment made | 85.37% | 89.49% |
| (iv) Fair value of investments | 419,629 | 341,325 |

| Breakup of investments | 2013 | | 2012 | |
|---|---|---|---|---|
| | Rupees in '000 | Percentage | Rupees in '000 | Percentage |
| Bank Deposits | 5,000 | 1.13% | 255,000 | 68.20% |
| Government Securities* | 311,775 | 70.27% | - | - |
| Listed Securities | 102,854 | 23.18% | 72,833 | 19.48% |
| Term Finance Certificates* | - | - | 13,492 | 3.61% |
| | 419,629 | 94.58% | 341,325 | 91.29% |

* This represent investment classified as held to maturity at amortised cost

The figure for 2013 are based on the un-audited financial statements of the provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose.

## 38 NUMBER OF EMPLOYEES

| | 2013 | 2012 |
|---|---|---|
| | (Number of staff) | |
| Total number of employees as at June 30 | 2,225 | 2,292 |
| Average number of employees during the year | 2,250 | 2,276 |

# Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2013

## 39 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at June 30, 2013 | | | | |
|---|---|---|---|---|---|
| | Loans and receivables | Held to maturity | Financial assets at fair value through profit or loss | Derivative used for hedging | Total |
| | (Rupees in '000) | | | | |
| **Assets** | | | | | |
| Loans | 23,701 | - | - | - | 23,701 |
| Deposits | 9,667 | - | - | - | 9,667 |
| Trade debts | 1,382,761 | - | - | - | 1,382,761 |
| Accrued return on bank deposits | 12,155 | - | - | - | 12,155 |
| Other receivables | 53,013 | - | - | - | 53,013 |
| Investments | - | 2,679,209 | 4,018,912 | - | 6,698,121 |
| Cash and bank balances | 4,195,302 | - | - | - | 4,195,302 |
| | **5,676,599** | **2,679,209** | **4,018,912** | **-** | **12,374,720** |

| | As at June 30, 2013 | | |
|---|---|---|---|
| | Liabilities at fair value through profit or loss | Financial liabilities at amortised cost | Total |
| | (Rupees in '000) | | |
| **Liabilities** | | | |
| Trade, other payables and provisions | - | 5,362,566 | 5,362,566 |
| Accrued mark-up | - | 134 | 134 |
| | **-** | **5,362,700** | **5,362,700** |

| | As at June 30, 2012 | | | | |
|---|---|---|---|---|---|
| | Loans and receivables | Held to maturity | Financial assets at fair value through profit or loss | Derivative used for hedging | Total |
| | (Rupees in '000) | | | | |
| **Assets** | | | | | |
| Loans | 17,913 | - | - | - | 17,913 |
| Deposits | 7,122 | - | - | - | 7,122 |
| Trade debts | 1,459,976 | - | - | - | 1,459,976 |
| Accrued return on bank deposits | 45,355 | - | - | - | 45,355 |
| Other receivables | 401,980 | - | - | 42,538 | 444,518 |
| Investments | - | 2,688,436 | 2,117 | - | 2,690,553 |
| Cash and bank balances | 10,771,300 | - | - | - | 10,771,300 |
| | 12,703,646 | 2,688,436 | 2,117 | 42,538 | 15,436,737 |

| | As at June 30, 2012 | | |
|---|---|---|---|
| | Liabilities at fair value through profit or loss | Financial liabilities at amortised cost | Total |
| **Liabilities** | (Rupees in '000) | | |
| Trade, other payables and provisions | - | 5,609,414 | 5,609,414 |
| Accrued mark-up | - | 188 | 188 |
| | - | 5,609,602 | 5,609,602 |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

The Company currently finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk. The company's risk management policies and objectives are as follows:

### 40.1 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from derivative financial instruments and balances with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rs 12,374.720 million (2012: Rs 15,436.737 million), the financial assets which are subject to credit risk amounted to Rs 12,374.362 million (2012: Rs 15,436.084 million), including GoP balances.

Out of the total receivable from customers amounting to Rs 1,382.761 million (2012: Rs 1,459.976 million), an amount of Rs 445.369 million (2012: Rs 869.171 million) relates to direct customers.

Out of the total bank balance of Rs 4,194.944 million (2012: Rs 10,770.647 million) placed with banks, amounts aggregating to Rs 1,863.957 million (2012: Rs 10,025.306 million) have been placed with banks having credit rating of AA+ and above, whereas the remaining amounts are placed with banks having minimum credit rating of AA-.

Due to the Company's long standing business relationships with its counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the Company.

For trade receivables, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Accordingly, the management believes that the credit risk is minimal and in the opinion of the management, the Company is not exposed to major concentration of credit risk.

### 40.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure adequate liquidity is maintained. The management forecasts the liquidity of the Company on the basis of expected cash flow considering the level of liquid assets necessary to meet such risk.

The maturity profile of the Company's liability based on contractual maturities is disclosed in note 40.3.2 to these financial statements.

### 40.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

### 40.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company manages its exposure against foreign currency risk by entering into foreign exchange contracts where considered necessary.

# Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2013

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD) and Japanese Yen (JPY). The net foreign currency exposure at June 30, 2013 is USD 12.533 million (2012: USD 0.199 million) and JPY 613.523 million (2012: JPY 1,368.964 million).

### 40.3.2 Interest rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to interest / mark-up rate risk in respect of the following:

| | --2013-- | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Effective interest/ mark-up rate | Interest / mark-up bearing | | | Non-Interest / mark-up bearing | | | Total |
| | | Maturity upto one year | Maturity after one year | Sub-total | Maturity upto one year | Maturity after one year | Sub-total | June 30, 2013 |
| | % | --(Rupees in '000)-- | | | | | | |
| **On balance sheet financial instruments** | | | | | | | | |
| **Assets** | | | | | | | | |
| Loans | 3.00-3.50 | 14,036 | 6,099 | 20,135 | 3,566 | - | 3,566 | 23,701 |
| Deposits | - | - | - | - | - | 9,667 | 9,667 | 9,667 |
| Trade debts | - | - | - | - | 1,382,761 | - | 1,382,761 | 1,382,761 |
| Accrued return on bank deposits | - | - | - | - | 12,155 | - | 12,155 | 12,155 |
| Other receivables | - | - | - | - | 53,013 | - | 53,013 | 53,013 |
| Investments | 9.23-9.41 | 2,679,209 | | 2,679,209 | 4,018,912 | | 4,018,912 | 6,698,121 |
| Cash and bank balances | - | 4,175,587 | - | 4,175,587 | 19,715 | - | 19,715 | 4,195,302 |
| | | 6,868,832 | 6,099 | 6,874,931 | 5,490,122 | 9,667 | 5,499,789 | 12,374,720 |
| **Liabilities** | | | | | | | | |
| Trade, other payables and provisions | - | - | - | - | 5,362,566 | - | 5,362,566 | 5,362,566 |
| Accrued mark-up | - | - | - | - | 134 | - | 134 | 134 |
| | | - | - | - | 5,362,700 | - | 5,362,700 | 5,362,700 |
| **On balance sheet gap *** | | **6,868,832** | **6,099** | **6,874,931** | **127,422** | **9,667** | **137,089** | **7,012,020** |
| **Off-balance sheet financial instrments** | | | | | | | | |
| Commitment in respect of capital expenditure | | - | - | - | 755,136 | - | 755,136 | 755,136 |
| Commitment in respect of letters of credit | | - | - | - | 3,749,555 | - | 3,749,555 | 3,749,555 |
| Outstanding bank guarantees | | - | - | - | 374,381 | 1,973,776 | 2,348,157 | 2,348,157 |
| | | - | - | - | **4,879,072** | **1,973,776** | **6,852,848** | **6,852,848** |

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

| | 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Effective interest/ mark-up rate | Interest / mark-up bearing | | | Non-Interest / mark-up bearing | | | Total |
| | | Maturity upto one year | Maturity after one year | Sub-total | Maturity upto one year | Maturity after one year | Sub-total | June 30, 2013 |
| | % | (Rupees in '000) | | | | | | |
| **On balance sheet financial instruments** | | | | | | | | |
| **Assets** | | | | | | | | |
| Loans | 3.00-3.50 | 8,765 | 6,015 | 14,780 | 3,133 | - | 3,133 | 17,913 |
| Deposits | - | - | - | - | - | 7,122 | 7,122 | 7,122 |
| Trade debts | - | - | - | - | 1,459,976 | - | 1,459,976 | 1,459,976 |
| Accrued return on bank deposits | - | - | - | - | 45,355 | - | 45,355 | 45,355 |
| Other receivables | - | - | - | - | 444,518 | - | 444,518 | 444,518 |
| Investments | 11.83-11.92 | 2,688,436 | - | 2,688,436 | 2,117 | - | 2,117 | 2,690,553 |
| Cash and bank balances | 5.00-11.95 | 10,681,698 | - | 10,681,698 | 89,602 | - | 89,602 | 10,771,300 |
| | | 13,378,899 | 6,015 | 13,384,914 | 2,044,701 | 7,122 | 2,051,823 | 15,436,737 |
| **Liabilities** | | | | | | | | |
| Trade, other payables and provisions | - | - | - | - | 5,609,414 | - | 5,609,414 | 5,609,414 |
| Accrued mark-up | - | - | - | - | 188 | - | 188 | 188 |
| | | - | - | - | 5,609,602 | - | 5,609,602 | 5,609,602 |
| **On balance sheet gap *** | | 13,378,899 | 6,015 | 13,384,914 | (3,564,901) | 7,122 | (3,557,779) | 9,827,135 |
| **Off-balance sheet financial instrments** | | | | | | | | |
| Commitment in respect of capital expenditure | | - | - | - | 68,782 | - | 68,782 | 68,782 |
| Commitment in respect of letters of credit | | - | - | - | 4,393,358 | - | 4,393,358 | 4,393,358 |
| Outstanding bank guarantees | | - | - | - | 374,109 | 1,325,689 | 1,699,798 | 1,699,798 |
| | | - | - | - | 4,836,249 | 1,325,689 | 6,161,938 | 6,161,938 |

* The on balance sheet gap represents the net amounts of on-balance sheet items.

**a) Sensitivity analysis for variable rate instruments.**

Presently, the Company does not hold any variable rate financial instrument.

**b) Sensitivity analysis of fixed rate instruments**

Fixed rate instruments comprise of Market Treasury Bills, balances with banks, loans to employees. The income from these financial assets are substantially independent of changes in market interest rates except for changes, if any, as a result of fluctuation in respective fair value. The Company's income from these investments / financial assets does not have any fair value impact since these are classified as either held to maturity or loans and receivables.

### 40.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

The Company is exposed to price risk because of investments held by the Company in mutual fund units. The investments are marked to market based on the net assets value of the funds which are declared on daily basis. In case of 1% increase / decrease in net asset value of the funds the net income of the Company would be higher / lower by Rs 4.019 million.

### 40.3.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments: Disclosure' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Investment of the Company carried at fair value are categorised as follows:

| | As at June 30, 2013 | | | As at June 30, 2012 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | Level 1 | Level 2 | Level 3 |
| | (Rupees in '000) | | | | | |
| **Assets** | | | | | | |
| Financial assets 'at fair value through profit or loss' | | | | | | |
| - Derivative financial instruments | - | - | (9,667) | - | - | 42,538 |
| - Investments in mutual fund units | - | 4,018,912 | - | - | 2,117 | - |

## 41 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing its operations through equity and working capital. The Company has no gearing risk in the current and prior year.

# Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2013

## 42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 27, 2013 has proposed a cash dividend in respect of the year ended June 30, 2013 of Rs 15 (2012: Final cash dividend of Rs 24) per share. This is in addition to the interim cash dividend of Rs 10 (2012: Rs 8) per share resulting in a total dividend for the year of Rs 25 (2012: Rs 32) per share. The Directors have also announced appropriation of Rs 1,500.000 million (2012: Rs 1,000.000 million) to general reserve. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2013 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2014.

## 43 GENERAL

Figures in these financial statements have been rounded off to the nearest thousand Rupees.

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant re-arrangments or reclasifications to be disclosed in these financial statements.

## 44 DATE OF AUTHORISATION

These financial statements were authorised for issue on August 27, 2013 by the Board of Directors of the Company.

**Parvez Ghias**
Chief Executive

**Keiichi Murakami**
Vice Chairman & Director

# Pattern of Shareholding

As at June 30, 2013

| Number of Shareholders | From | Shareholding | To | Number of Shares Held |
|---|---|---|---|---|
| 476 | 1 | --- | 100 | 26,400 |
| 2,227 | 101 | --- | 500 | 1,051,626 |
| 259 | 501 | --- | 1,000 | 239,401 |
| 255 | 1,001 | --- | 5,000 | 611,524 |
| 40 | 5,001 | --- | 10,000 | 288,852 |
| 7 | 10,001 | --- | 15,000 | 83,301 |
| 11 | 15,001 | --- | 20,000 | 197,564 |
| 4 | 20,001 | --- | 25,000 | 88,205 |
| 7 | 25,001 | --- | 30,000 | 197,747 |
| 3 | 30,001 | --- | 35,000 | 98,034 |
| 9 | 35,001 | --- | 40,000 | 342,940 |
| 4 | 40,001 | --- | 45,000 | 167,332 |
| 4 | 45,001 | --- | 50,000 | 194,000 |
| 1 | 55,001 | --- | 60,000 | 55,415 |
| 2 | 60,001 | --- | 65,000 | 123,442 |
| 1 | 65,001 | --- | 70,000 | 66,130 |
| 1 | 70,001 | --- | 75,000 | 73,376 |
| 1 | 75,001 | --- | 80,000 | 79,532 |
| 1 | 105,001 | --- | 110,000 | 105,415 |
| 2 | 110,001 | --- | 115,000 | 228,305 |
| 1 | 125,001 | --- | 130,000 | 130,000 |
| 1 | 130,001 | --- | 135,000 | 135,000 |
| 1 | 145,001 | --- | 150,000 | 150,000 |
| 1 | 200,001 | --- | 205,000 | 201,800 |
| 1 | 220,001 | --- | 225,000 | 223,537 |
| 4 | 255,001 | --- | 260,000 | 1,032,667 |
| 1 | 270,001 | --- | 275,000 | 272,384 |
| 1 | 275,001 | --- | 280,000 | 278,414 |
| 1 | 485,001 | --- | 490,000 | 488,012 |
| 1 | 490,001 | --- | 495,000 | 494,054 |
| 1 | 550,001 | --- | 555,000 | 552,685 |
| 1 | 595,001 | --- | 600,000 | 600,000 |
| 1 | 690,001 | --- | 695,000 | 693,706 |
| 1 | 840,001 | --- | 845,000 | 841,617 |
| 1 | 1,625,001 | --- | 1,630,000 | 1,630,000 |
| 1 | 2,935,001 | --- | 2,940,000 | 2,937,900 |
| 1 | 3,255,001 | --- | 3,260,000 | 3,260,000 |
| 1 | 3,500,001 | --- | 3,505,000 | 3,501,953 |
| 1 | 4,155,001 | --- | 4,160,000 | 4,157,533 |
| 1 | 6,995,001 | --- | 7,000,000 | 7,000,000 |
| 1 | 9,820,001 | --- | 9,825,000 | 9,825,000 |
| 1 | 16,225,001 | --- | 16,230,000 | 16,225,197 |
| 1 | 19,645,001 | --- | 19,650,000 | 19,650,000 |
| **3,341** | | | | **78,600,000** |

## Combined Pattern of CDC and Physical Sharedholdings

| No. | Categories of Shareholders | No. of Shares held | Categorywise No. of Folios / CDC Accounts | Category-wise Shares held | Percentage |
|---|---|---|---|---|---|
| 1 | **INDIVIDUALS** | | 3,232 | 3,152,864 | 4.01% |
| 2 | **INVESTMENT COMPANIES** | | 1 | 1,000 | 0.00% |
| 3 | **JOINT STOCK COMPANIES** | | 26 | 385,856 | 0.49% |
| 4 | **DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN** | | 6 | 272,612 | 0.35% |
| | MR. ALI S. HABIB | 135,000 | | | |
| | MRS. MUNIZEH ALI HABIB W/O MR. ALI S. HABIB | 601 | | | |
| | MR. MOHAMMADALI R. HABIB | 130,000 | | | |
| | MR. FARHAD ZULFICAR | 2,000 | | | |
| | MR. PARVEZ GHIAS | 4,561 | | | |
| | MR. RAZA ANSARI | 450 | | | |
| 5 | **EXECUTIVES** | | 10 | 25,174 | 0.03% |
| 6 | **PUBLIC SECTOR COMPANIES AND CORPORATIONS** | | 2 | 697,406 | 0.89% |
| | NATIONAL BANK OF PAKISTAN , TRUSTEE DEPT. | 693,706 | | | |
| | INVESTMENT CORPORATION OF PAKISTAN | 3,700 | | | |
| 7 | **ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES** | | 4 | 4,936,600 | 6.28% |
| | HABIB INSURANCE COMPANY LIMITED | 41,600 | | | |
| | THAL LIMITED | 4,890,000 | | | |
| | MOHAMEDALI HABIB WELFARE TRUST | 5,000 | | | |
| 8 | **BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & PENSION FUNDS** | | 16 | 1,773,944 | 2.26% |
| | BANKS, DFIs & NBFIs | 33,015 | | | |
| | INSURANCE COMPANIES | 1017,899 | | | |
| | MODARABAS | 617,843 | | | |
| | PENSION FUNDS | 105,187 | | | |
| 9 | **MUTUAL FUNDS** | | 7 | 748,264 | 0.95% |
| | CDC - TRUSTEE AKD INDEX TRACKER FUND | 4,577 | | | |
| | CDC - TRUSTEE JS ISLAMIC FUND | 21,300 | | | |
| | CDC - TRUSTEE MEEZAN BALANCED FUND | 66,130 | | | |
| | CDC - TRUSTEE MEEZAN ISLAMIC FUND | 488,012 | | | |
| | FIRST CAPITAL MUTUAL FUND LIMITED | 20,000 | | | |
| | CDC - TRUSTEE KSE MEEZAN INDEX FUND | 34,781 | | | |
| | CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 113,464 | | | |
| 10 | **FOREIGN INVESTORS** | | 32 | 66,573,810 | 84.70% |
| | **Holding 5% Or More Voting Interest** | | | | |
| | OVERSEAS PAKISTAN INVESTORS AG | 27,382,730 | | | |
| | TOYOTA MOTOR CORPORATION | 19,650,000 | | | |
| | TOYOTA TSUSHO CORPORATION | 9,825,000 | | | |
| | **Others - holding below 5%** | 9,716,080 | | | |
| 11 | **CHARITABLE TRUSTS** | | 2 | 21,679 | 0.03% |
| 12 | **OTHERS** | | 3 | 10,791 | 0.01% |
| | **TOTAL** | | **3,341** | **78,600,000** | **100.00%** |

Details of trading of shares by Directors and their spouses or minor children during the period from July 1, 2012 to June 30, 2013

| **Name of Director** | **No. of shares sold** |
|---|---|
| Mr. Farhad Zulficar | 148,000 |

# Ten Year (Performance Indicators)

| | | 2013 | 2012 | 2011 |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Net revenue | Rs in ‘000 | **63,829,075** | 76,962,642 | 61,702,677 |
| Gross profit | Rs in ‘000 | **5,857,037** | 6,561,854 | 4,089,135 |
| Profit before taxation | Rs in ‘000 | **4,969,775** | 6,312,267 | 4,011,455 |
| Profit after taxation | Rs in ‘000 | **3,357,545** | 4,302,715 | 2,743,384 |
| Dividends | Rs in ‘000 | **1,965,000** | 2,515,200 | 1,179,000 |
| **Balance Sheet** | | | | |
| Share capital | Rs in ‘000 | **786,000** | 786,000 | 786,000 |
| Reserves | Rs in ‘000 | **16,906,708** | 16,227,858 | 13,333,648 |
| Fixed Assets | Rs in ‘000 | **2,742,140** | 3,472,906 | 4,225,710 |
| Net current assets | Rs in ‘000 | **14,774,917** | 13,693,056 | 10,326,779 |
| Long-term liabilities | Rs in ‘000 | **-** | - | - |
| **Investor Information** | | | | |
| Gross profit ratio | % age | **9.18** | 8.53 | 6.63 |
| Net profit ratio | % age | **5.26** | 5.59 | 4.45 |
| Earning per share | Rs | **42.72** | 54.74 | 34.90 |
| Inventory turnover | Days | **8** | 11 | 11 |
| Debt collection period | Days | **8** | 7 | 9 |
| Average fixed assets turnover | Times | **20.54** | 19.99 | 16.34 |
| Breakup value per share | Rs | **225.10** | 216.46 | 179.64 |
| Market price per share | | | | |
| - as on June 30 | Rs | **311.00** | 245.08 | 220.00 |
| - High value during the period | Rs | **364.60** | 305.00 | 309.73 |
| - Low value during the period | Rs | **237.00** | 187.00 | 205.51 |
| Price earning ratio | Times | **7.28** | 4.48 | 6.30 |
| Dividend per share | Rs | **25.00** | 32.00 | 15.00 |
| Dividend yield | % age | **8.04** | 13.06 | 6.82 |
| Dividend payout | % age | **58.52** | 58.46 | 42.98 |
| Dividend cover | Times | **1.71** | 1.71 | 2.33 |
| Return on equity | % age | **18.98** | 25.29 | 19.43 |
| Debt to equity | Ratio | **0 : 1** | 0 : 1 | 0 : 1 |
| Current ratio | Ratio | **2.99 : 1** | 2.32 : 1 | 1.84 : 1 |
| **Other Information** | | | | |
| Units sold | Nos. | **38,517** | 55,060 | 50,943 |
| Units produced | Nos. | **37,405** | 54,917 | 50,759 |
| Manpower | Nos. | **2,225** | 2,292 | 2,187 |
| Contribution to national exchequer | Rs in ‘000 | **21,267,303** | 24,725,706 | 22,043,581 |

| 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| 60,093,139 | 37,864,604 | 41,423,843 | 39,061,226 | 35,236,535 | 27,601,034 | 22,521,337 |
| 4,856,514 | 2,324,186 | 3,848,487 | 4,440,594 | 4,147,629 | 2,706,178 | 2,693,717 |
| 5,242,539 | 2,046,013 | 3,541,711 | 4,229,481 | 4,072,777 | 2,302,957 | 2,266,291 |
| 3,443,403 | 1,385,102 | 2,290,845 | 2,745,701 | 2,648,464 | 1,484,646 | 1,473,242 |
| 1,179,000 | 786,000 | 825,300 | 1,021,800 | 943,200 | 786,000 | 707,400 |
| 786,000 | 786,000 | 786,000 | 786,000 | 786,000 | 786,000 | 786,000 |
| 11,801,615 | 9,510,973 | 8,650,340 | 7,257,975 | 5,471,879 | 3,689,805 | 2,985,595 |
| 3,324,333 | 3,934,473 | 4,033,762 | 2,093,852 | 1,716,590 | 998,887 | 860,501 |
| 9,566,387 | 6,830,469 | 5,885,153 | 6,125,156 | 4,651,103 | 3,513,878 | 2,935,154 |
| - | - | - | - | 3,871 | 11,957 | 7,633 |
| 8.08 | 6.14 | 9.29 | 11.37 | 11.77 | 9.80 | 11.96 |
| 5.73 | 3.66 | 5.53 | 7.03 | 7.52 | 5.38 | 6.54 |
| 43.81 | 17.62 | 29.15 | 34.93 | 33.70 | 18.89 | 18.74 |
| 12 | 11 | 14 | 10 | 9 | 9 | 9 |
| 10 | 14 | 9 | 6 | 6 | 5 | 8 |
| 16.56 | 9.50 | 13.52 | 20.50 | 25.95 | 29.69 | 24.28 |
| 160.15 | 131.00 | 120.06 | 102.34 | 79.62 | 56.94 | 47.98 |
| 262.38 | 107.72 | 200.05 | 305.50 | 191.00 | 90.00 | 91.20 |
| 278.00 | 198.05 | 419.00 | 321.00 | 231.00 | 151.80 | 136.00 |
| 107.10 | 50.40 | 171.96 | 183.35 | 88.50 | 82.00 | 68.20 |
| 5.99 | 6.11 | 6.86 | 8.75 | 5.67 | 4.76 | 4.87 |
| 15.00 | 10.00 | 10.50 | 13.00 | 12.00 | 10.00 | 9.00 |
| 5.72 | 9.28 | 5.25 | 4.26 | 6.28 | 11.11 | 9.87 |
| 34.24 | 56.75 | 36.03 | 37.21 | 35.61 | 52.94 | 48.02 |
| 2.92 | 1.76 | 2.78 | 2.69 | 2.81 | 1.89 | 2.08 |
| 27.36 | 13.45 | 24.28 | 34.13 | 42.32 | 33.17 | 39.06 |
| 0 : 1 | 0 : 1 | 0 : 1 | 0 : 1 | 0 : 1 | 0 : 1 | 0 : 1 |
| 1.67 : 1 | 1.69 : 1 | 2.56 : 1 | 1.83 : 1 | 1.49 : 1 | 1.41 : 1 | 1.34 : 1 |
| 52,063 | 35,276 | 50,802 | 50,557 | 42,406 | 35,874 | 29,565 |
| 50,557 | 34,298 | 48,222 | 47,821 | 41,552 | 34,928 | 29,222 |
| 1,948 | 1,893 | 2,030 | 1,841 | 1,632 | 1,429 | 1,226 |
| 20,332,421 | 14,143,597 | 14,478,096 | 13,790,932 | 12,473,970 | 10,098,058 | 8,303,416 |

# Notice of Annual General Meeting

Notice is hereby given that the Twenty Fourth Annual General Meeting of INDUS MOTOR COMPANY LIMITED will be held on Tuesday, October 8, 2013 at 9:00 a.m. at Pearl Continental Hotel, Karachi to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013, together with the Report of the Directors and Auditors thereon.

2. To approve and declare cash dividend (2012-2013) on the ordinary shares of the Company. The directors have recommended a Final Cash dividend at 150% i.e. Rs 15 per share. This is in addition to the combined Interim Dividend of 100% i.e. Rs. 10 per share (First Interim Cash Dividend of 60% and Second Interim Cash Dividend of 40%) already paid in March 2013 and May 2013 respectively. The total dividend for 2012-2013 will thus amount to 250% i.e. Rs. 25 per share.

3. To appoint auditors and fix their remuneration for the year ending June 30, 2014. The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

By order of the Board

Karachi.
August 27, 2013

**Anam Fatima Khan**
Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will be closed from September 24, 2013 to October 8, 2013 (both days inclusive) for the purpose of the Annual General Meeting and payment of the final dividend.

2. Transfer requests received by the Company's Share Registrar, "M/s. Noble Computer Services (Private) Limited, Share Department, First Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-75350, Tel: (021) 34325482-84, Fax: (021) 34325442, Email: ncsl@noble-computers.com" at the close of business on September 23, 2013 will be treated in time for the purpose of determining above entitlement to the transferees for payment of final dividend and to attend the Annual General Meeting.

3. All members are entitled to attend and vote at the meeting. A member may appoint a proxy to attend and vote on behalf of him / her. Proxy forms must be deposited at the Company's Registered Office or Share Registrar of the Company, not less than 48 hours before the time for holding the meeting.

4. Shareholders are requested to promptly notify change in their registered postal address, if any, to the Company's Share Registrar.

5. Shareholders are also requested to provide the following information to enable the Company to comply with the directives of the Securities & Exchange Commission of Pakistan.

**Submission of copies of CNIC**

Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Company's Share Registrar, M/s. Noble Computer Services (Pvt) Limited.

**Payment of Cash Dividend Electronically (Optional)**

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant) / CDC.

**CDC Account Holders are further required to follow the guidelines mentioned hereinbelow as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.**

**A. For attending the meeting:**

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

**B. For appointing Proxies:**

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his / her original CNIC or original passport at the time of meeting.

v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

# Form of Proxy
## Twenty Fourth Annual General Meeting

I/We ______________________________________________________________________

of ________________________________________________________________________

being member (s) of INDUS MOTOR COMPANY LIMITED, holding ______________________________

Ordinary shares, hereby appoint _______________________________________________

of ________________________________________________________________________

or failing him/her __________________________________________________________

of ____________________________________________ who is/are also member (s) of INDUS MOTOR COMPANY LTD. as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Twenty Fourth Annual General Meeting of the Company to be held on October 8, 2013, and/or any adjournment thereof.

As witness my/our hand/seal this ______________ day of ________________________ 2013

Signed ______________________________________________________ in the presence

of ________________________________________________________________________

___________________________________________________________________________

Member's
Folio/CDC Account No.

Signature on
revenue stamp
of appropriate Value

The signature should
agree with specimen
registered with the Co.

**NOTES:**

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company or Share Registrar of the Company, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

**For CDC Account Holders / Corporate Entities:**

In addition to the above the following requirements have to be met:

i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

ii) Attested copies of the CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his original CNIC or original passport at the time of meeting.

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE

Registrar, Indus Motor Company Limited
Noble Computer Sevices (Private) Limited
First Floor, House of Habib Building
(Siddiqsons Tower), 3-Jinnah C.H. Society,
Main Shahrah-e-Faisal, Karachi-75350,
Pakistan.

## South Region

TOYOTA CENTRAL MOTORS
3, Kathiawar Society, Main Shahrah-e-Faisal, Karachi
Tel: (021) 34532246-50 / 34536246-49
Email: Toyota@cyber.net.pk

TOYOTA SOCIETY MOTORS
150-F, Block-2, PECHS, Khalid Bin Waleed Road, Karachi
Tel: (021) 111-786-113 / 34383213-4
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## North Region

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