

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."



A.F.FERGUSON & CO.

A member firm of
PRICEWATERHOUSECOOPERS

A.F. Ferguson & Co.
Chartered Accountants
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I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Indus Motor Company Limited** as at June 30, 2009 and the related profit and loss account, 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, 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, 2009 and of the profit, 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.

AFF&Co

Chartered Accountants
Engagement Partner: Rashid A. Jafer
AFFco
Karachi

Dated: 29 SEP 2009

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Awards for Indus Motor Company


Pakistan Centre for Philanthropy

Certificate of Recognition

Presented to

Indus Motor Company Limited

On the occasion of the Pakistan Corporate Philanthropy Awards

held on April 02, 2009

PCP - 8th highest philanthropic contribution


Management Association of Pakistan

map

24th Corporate Excellence Awards

The Management Association of Pakistan

takes pleasure in awarding

Certificate of Excellence

in

Engineering & Allied Sector

to

INDUS MOTOR COMPANY LIMITED

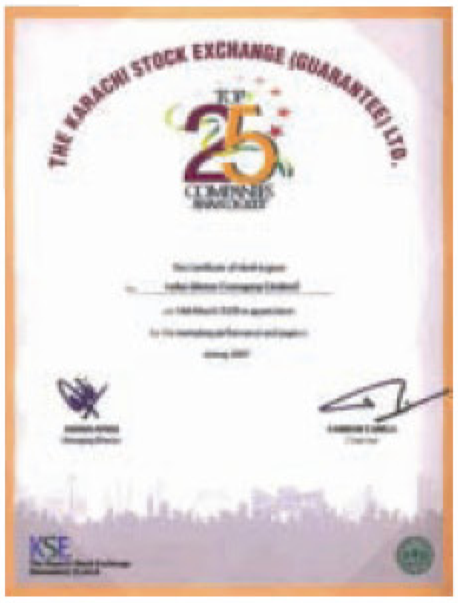
for demonstrating excellence in

corporate management in this sector.

MAP Corporate Excellence Award 2007-08

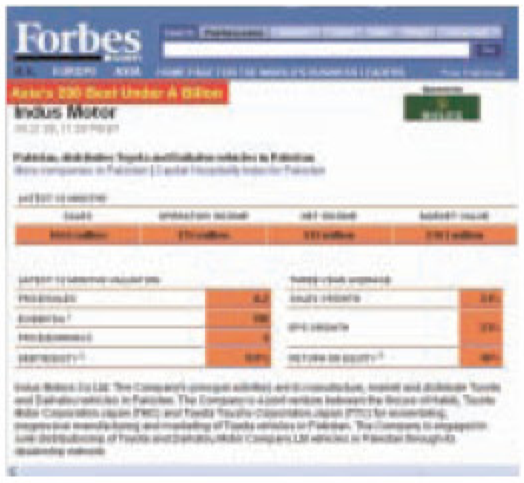

Helpline Trust - 2nd CSR Award


Toyota Bronze Award for Customer Service Excellence


THE KARACHI STOCK EXCHANGE (GUARANTEE) LTD.

TOP 25 COMPANIES AWARD

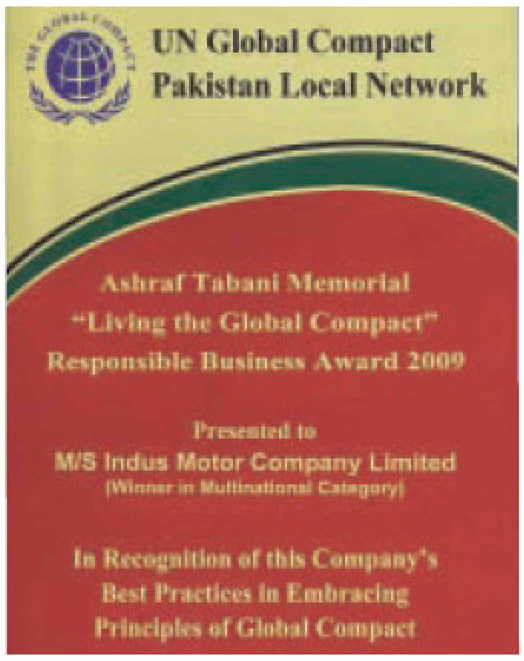
KSE Top 25 Companies Award


Forbes

Asia's 200 Best Under A Billion

Indus Motor

Forbes Asia 20 Ranking


UN Global Compact

Pakistan Local Network

Ashraf Tabani Memorial

"Living the Global Compact"

Responsible Business Award 2009

Presented to

M/S Indus Motor Company Limited

(Winner in Multinational Category)

In Recognition of this Company's

Best Practices in Embracing

Principles of Global Compact

UNGC Local Network Award

Balance Sheet

As at June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets	3	3,934,473	4,033,762
Long-term loans and advances	4	28,509	42,341
Long-term deposits	5	7,222	7,222
		3,970,204	4,083,325
Current assets			
Stores and spares	6	128,483	232,142
Stock-in-trade	7	4,088,858	2,637,629
Trade debts	8	1,736,631	1,332,832
Loans and advances	9	894,459	737,372
Short-term prepayments	10	16,876	23,148
Accrued return on bank deposits		50,944	35,012
Other receivables	11	67,902	74,360
Investments - at fair value through profit or loss	12	-	54,171
Taxation - net		-	209,533
Cash and bank balances	13	9,731,166	4,328,585
		16,715,319	9,664,784
TOTAL ASSETS		20,685,523	13,748,109
EQUITY			
Share capital			
Authorised capital			
100,000,000 (2008: 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	9,510,973	8,650,340
		10,296,973	9,436,340
LIABILITIES			
Non-current liabilities			
Deferred taxation	16	503,700	532,138
		503,700	532,138
Current liabilities			
Trade and other payables	17	3,942,988	2,837,084
Advances from customers and dealers	18	5,926,529	942,442
Accrued mark-up		673	105
Short-term running finance	19	-	-
Taxation - net	20	14,660	-
		9,884,850	3,779,631
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		20,685,523	13,748,109

The annexed notes 1 to 42 form an integral part of these financial statements.

Parvez Ghias
Chief Executive Officer

Koji Hyodo
Vice Chairman & Director

Cash Flow Statement

For The Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	31	6,538,777	(125,517)
Interest paid		(8,267)	(3,427)
Workers' Profit Participation Fund paid		(105,538)	(201,390)
Workers' Welfare Fund paid		(50,069)	(78,562)
Interest received		612,950	702,156
Income tax paid		(465,156)	(1,089,890)
Movement in long-term loans and advances		13,832	(13,854)
Movement in long-term deposits		-	(593)
Net cash generated from / (used in) operating activities		6,536,529	(811,077)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(721,823)	(2,422,406)
Proceeds from disposal of fixed assets		42,806	8,952
Investment made in listed mutual funds		-	(50,000)
Proceeds from redemption of investment in listed mutual funds		55,922	-
Receipts from finance under musharika arrangements		-	3,849
Net cash used in investing activities		(623,095)	(2,459,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of obligation against assets subject to finance lease		-	(3,878)
Dividend paid		(510,853)	(940,118)
Net cash used in financing activities		(510,853)	(943,996)
Net increase / (decrease) in cash and cash equivalents		5,402,581	(4,214,678)
Cash and cash equivalents at beginning of the year		4,328,585	8,543,263
Cash and cash equivalents at end of the year	32	9,731,166	4,328,585

The annexed notes 1 to 42 form an integral part of these financial statements.

Parvez Ghias
Chief Executive Officer

Koji Hyodo
Vice Chairman & Director

CEO's Message

2008-09 turned out to be the worst year for the local auto sector. The global economic recession and the weakening of local economy due to domestic political and economic pressures badly affected the overall sales of the local auto industry. However, our performance given the operating environment for the year is commendable as we were able to increase our overall market share in a declining market. A strategic initiative titled 'Survival 2009' was launched throughout the organization to challenge the change, survive and leverage our strengths to weather the storm. The impact of this initiative was positive on our financial and operating performance as presented in earlier pages.

Our Corporate Social Responsibility Program with the slogan, "Concern Beyond Cars" is aligned with our business objectives. We work closely with our stakeholders, including customers, employees, investors, dealers, suppliers and our communities to achieve our business and societal objectives. At Indus, CSR is about how we manage our business processes to produce an overall positive impact on the society.

Our social commitment is focused on areas pertaining to customers and employee satisfaction, our engagement with business partners and our initiatives in the areas of Road Safety, Education, Environment and support to the Communities. We are committed to undertake sustainable CSR initiatives that have a strong business connect and that meet the expectations of society.

As a member of the UN Global Compact (UNGC) we are engaged in initiatives to promote responsible corporate citizenship and to abide by UNGC's Ten Principles. We're pleased to report that our UNGC Communication on Progress (COP) was amongst the notable COP's worldwide in the very first year.

Parvez Ghias
Chief Executive Officer

Concern Beyond Cars

Customers

Business Partners

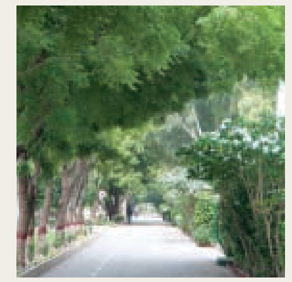
Education

Community & Philanthropy

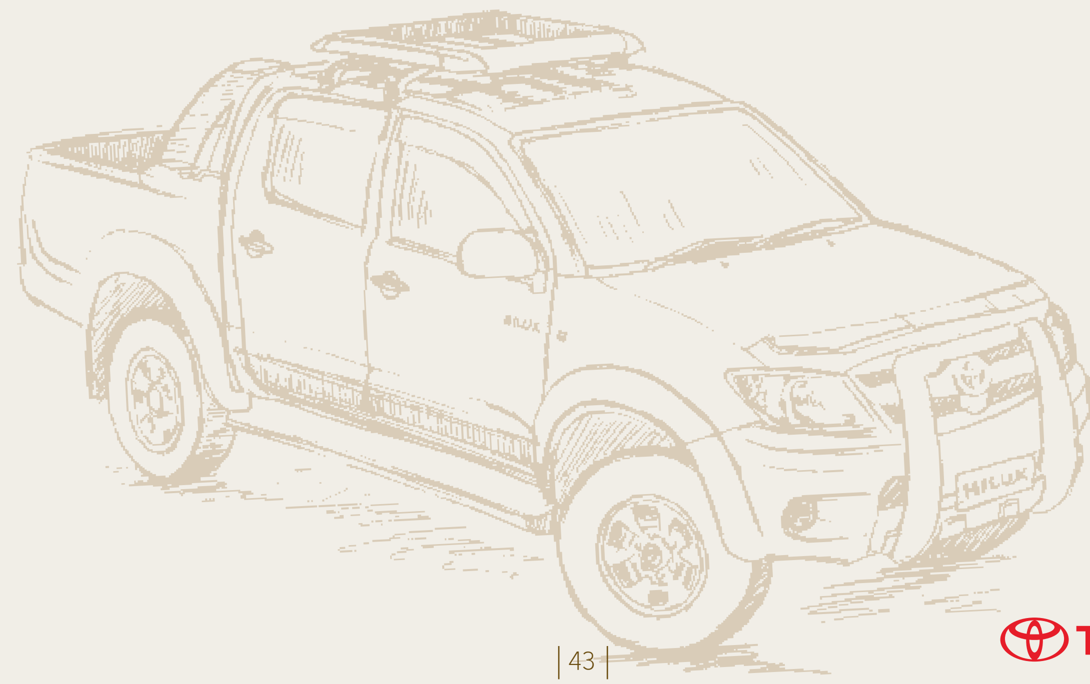
Employees

Road Safety

Environment



Corporate Governance



Weld Line

Chairman's Review

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ

I welcome you all to the 20th 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, 2009.

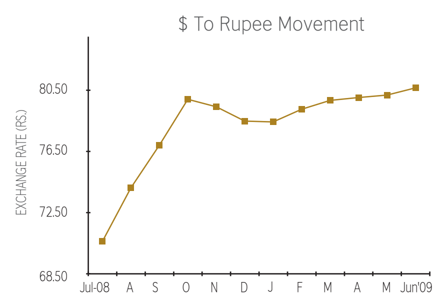
Ali S. Habib
Chairman

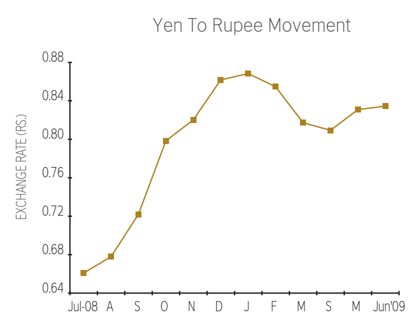
Automobile Industry

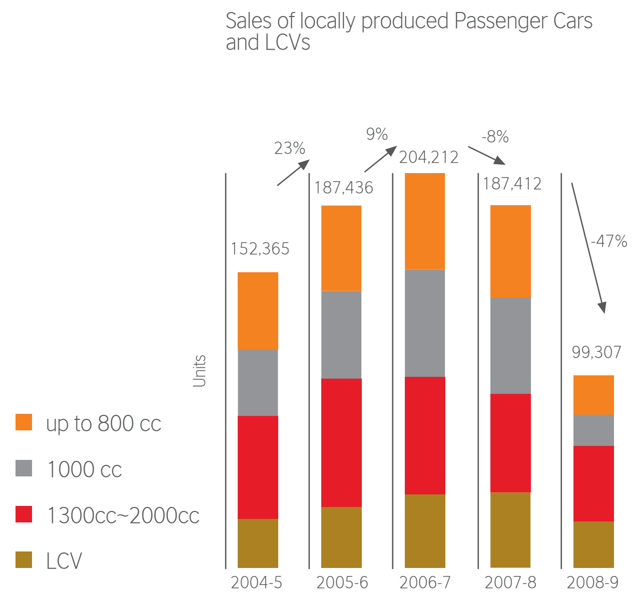
In 2008-09 the global automotive industry witnessed its worst slowdown amidst dramatic financial crises worldwide. The year also turned out to be an extremely turbulent one for Pakistan due to its weak economy and deteriorating political and security situation. Like all other automakers, Indus Motor Co., was adversely impacted by these extraordinarily difficult conditions.

The ongoing global economic crisis, negative security developments and continued power shortages slowed Pakistan's real GDP growth to 2% for 2008-09 compared to 5.8% achieved in the prior year. Overall economic activity weakened despite growth in agriculture, while declining imports and slowing domestic demand resulted in lower tax revenue. The first half of the year was particularly severe as commodity prices peaked and Pak Rupee fell against all major currencies giving rise to headline inflation of 25%. Interest rates soared and tight monetary policy limited availability of credit leading to loss of consumer confidence. The situation started to ease during the second half of the year following the intervention of the IMF support program.

The large scale manufacturing sector recorded a dismal performance with a decline of -8.2% compared to 5.4% growth for the previous year. In the automotive sector, sales of locally assembled passenger cars (PC) and light commercial vehicles (LCV) which had earlier between 2001-07 posted sustained annualized growth of 28% plunged by a record 47% to 99,307 units compared to 187,412 units sold in 2007-08.







In addition to the economic downturn the auto industry also had to deal with the challenges posed by the imposition of additional levies and taxes in the Federal Budget 2008-09 which included the 5% Federal Excise Duty on cars with engine capacity in excess of 850cc and application of fixed slabs of withholding tax at the registration stage. This compounded the situation resulting in a sharp increase in automobile prices and dampening of demand. Post budget imposition of 35% cash margin on letters of credit further aggravated the liquidity situation for the auto sector before it was withdrawn several months later.

The industry faced a sharp decline with resultant production cut backs and job losses. We appreciate the government efforts to reduce the depreciation allowance on used imported vehicles from 2% to 1% per month during the year. This positive step by the government provided a much needed relief to the industry and used car imports slowed to 6,524 units for the year compared 13,145 units for 2007-08. The current policies on used cars in Pakistan are still extremely liberal when compared to India, Thailand and other countries and are often misused by importers under transfer of baggage scheme.

The Federal Budget 2009-10 brought some hope for the auto sector that struggled for survival during the past year. Removal of 5% Federal Excise Duty on cars with engine capacity in excess of 850cc is a welcome step by the Government of Pakistan towards the revival of the industry. There are some signs of turnaround with stronger demand recorded during the first quarter to September 2009.

Auto industry is considered the mother of all industries and a key driver of the economic growth, technology transfer and job creation. There is still a lot of untapped potential in Pakistan's auto market. Proper implementation of government policies and measures to improve the market situation and consumer demand are required. Regulators and the Government of Pakistan need to revive the auto sector and ensure that this vital sector of the engineering and LSM industry remains active and growth-oriented as in the past.

To revive the auto industry several steps are necessary which include: downward revision in withholding tax slabs at registration stage, greater restriction on used car imports, reviewing localization requirement, revisit Auto Industry Development Program (AIDP) and initiate a dialogue with all stakeholders for renewed implementation of AIDP, removal of Federal Excise Duty on Royalty and Technical Fee and consultation with industry on Free Trade Agreements/Regional Trade Agreements, particularly the Afghan Transit Trade.

Company Review

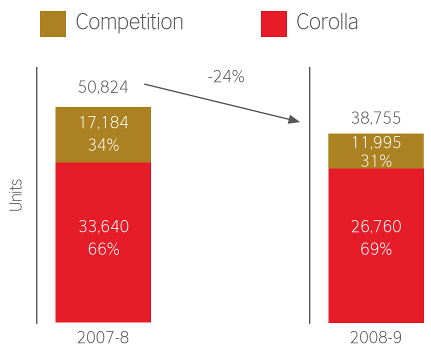
Despite the unprecedented challenges posed by the deteriorating economic environment, and general uncertainty in the country which contributed to weak customer sentiment and significantly less demand for automobiles, your Company was able to out perform the market and post impressive results under these severe circumstances.

Sales

While, the automobile demand for PCs and LCVs crashed by 47% in 2008-09 over the previous year, we were able to increase our market share from 25% to 32% during the same period and achieved market leadership position in the second half of the year.

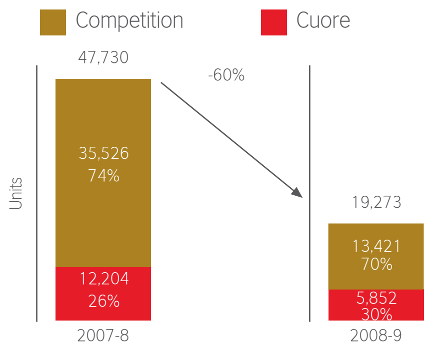
CKD Passenger Car Small-High Segment

The new generation Corolla specifically designed to appeal to increasingly savvy customers who value fuel efficiency, technology and aesthetics was launched in August 2008. It has been very well received throughout the country and though the segment declined by 24% and our own volume fell 20% during the year, mainly on account of run out of the previous Corolla and gradual ramp up of the new model, yet the Company was able to increase its market share selling 26,760 Corolla vehicles in the declining market.



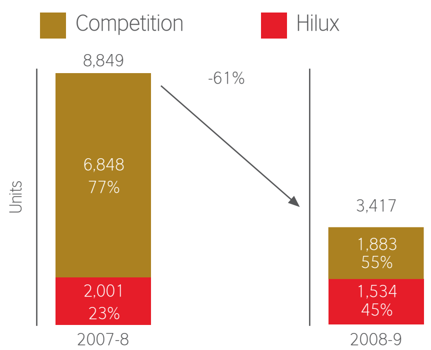
CKD Passenger Car Economy Segment

The economy segment was particularly hard hit with a volume drop of 60% over the prior year due to the high interest rates environment and the credit squeeze by financial institutions. Daihatsu Cuore volume also fell 52% but it was able to grow its market share by 4% in a declining market. During the year a new colour 'Wildfire Red' was added to the Cuore palette which attracted healthy customer response.



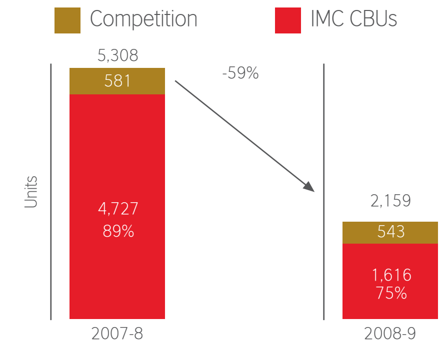
CKD Light Commercial/Pickup Segment

LCV sales plummeted 61% during the year. Despite losing 23% in volume, the Hilux was able to double its market share to 45%. The vehicle offers great value and leading performance for transporters, fleet users and is also appreciated by the urban customers.



CBU Segment

The market was extremely turbulent for high end vehicles where custom duty on cars with engine capacity in excess of 1800cc increased from 90% to 150% during 2008-09. The segment which is dominated by Toyota brands like Camry, Hilux 4x4, Hiace, Coaster vans and SUVs – Land Cruiser and Prado declined by 59%, though the Company continued to retain leadership with 75% of the market share.



The combined sales of Toyota and Daihatsu brands of both CKD and CBU for the year ended June 30, 2009 declined by 31% to 35,276 units compared to 50,802 units sold for the same period last year. Business of Toyota Genuine Spare Parts remained robust during the period. Overall, the Company sales revenue for 2008-09 decreased by 8.6 % to Rs 37.9 billion, compared to Rs 41.4 billion achieved in the prior year, while pre tax profit decreased by 42.2 % to Rs 2 billion compared to Rs 3.5 billion for the year 2007-08.

The severe economic challenges of 2008-09 had a significant impact on our results for the year in terms of lower sales, shrinking margins and reduced cash flow. Our first half year results were affected by increase in market prices for the products due to additional duties and taxes, while depreciation of the rupee further compounded the problem with rapid rise in input costs thus adversely impacting the demand.

Fortunately, the Company aggressively embarked on a program to eliminate waste, lower inventories, improve work efficiencies, reduce costs and retrain workforce before the market meltdown truly hit the industry. And we are continuing to take decisive actions to become lean and efficient. We expect these initiatives will contribute significantly to overall growth and profitability when the economy rebounds. Many of these actions benefited the Company during the second half of the year with impressive results in the last quarter despite a difficult environment.

Dividend

The Directors are pleased to propose a final dividend of 100% i.e. Rs 10 per share which is also the total payment for the year as no interim dividend was announced mid year. An amount of Rs 599.1 million is recommended for appropriation to the General Reserves which will be utilized for continuing growth and capacity expansion.

Contribution to the National Exchequer

In 2008-09 Indus Motor contributed an impressive Rs 14.2 billion to the national exchequer which amounts to 1.2% of the total revenue collection by the Government. Over the last 10 years the Company's contribution stands at Rs 88.5 billion.

Mr. Koji Hyodo appointed Vice Chairman

Mr. Koji Hyodo took over the office of the Vice Chairman IMC effective January 1, 2009. Mr. Hyodo who had earlier, in mid 2008, transferred from Toyota Motor Corporation to IMC was serving as Advisor to Vice Chairman and was elected as a director to the IMC Board at an Extra Ordinary General Meeting in October 2008. Mr. Yutaka Arae, the outgoing Vice Chairman was appointed as Advisor to the Chairman effective January 2009.

Mr. K. Hyodo (R) receiving a symbolic baton from Mr. Y. Arae

Marketing

Realizing that 2008-09 will be a tough year for Pakistan, particularly the auto industry, our Marketing Division adopted aggressive strategies.

With support from all stakeholders, including our vendors and dealers, we maintained steady control over this turbulent ride and were able to perform better relative to the competition.

Corolla is a brand that almost every Pakistani recognizes and yearns to own. It has been a market leader in its class ever since its official introduction in Pakistan. As a result, almost every year Corolla's sales in Pakistan are the highest among all ASEAN countries and this continues again in 2009.

Following the successful launch of Corolla with the technologically advanced Altis in August 2008, we introduced its 1300cc and Diesel variants later in October 2008. The 1.3 L Corolla series comes with a new VVTI engine and ABS in case of GLI. These features are contributing positively to our total Corolla volumes.

As the price gap between petrol and diesel narrowed, the sales of our Diesel variants saw a decline. However we are educating our customers regarding the better mileage of diesel vehicles compared with petrol and we hope diesel sales pick up in the next fiscal year.

Daihatsu Cuore is a premium product in the 800cc category which has excellent performance and durability. Maintaining popularity in its category, its market share increased despite a decline in segment volume.

Post successful launch of Hilux 4x2 in November 2007, we achieved another milestone by the development of its variant. The Hilux 4x2 was converted with a canopy at the back and made into a variant called the 'Hilux Grand Cabin'. This variant specifically has a more spacious cabin now with dual air conditioning that gives it a car-like comfort and has reverse parking sensors for better and safe parking. Suitable mostly for rough terrains and mountainous areas, the Hilux Grand Cabin has been received very well by customers.

In order to cater the needs of our growing customers, we expanded our 3S dealership network to 31, with two new additions - Toyota G.T. Motors in Islamabad and the Toyota Shahrah-e-Faisal Motors in Karachi. In future Inshallah additional dealerships will come up in Bhawalpur, Sahiwal, Sukkur, Faisalabad and in other major cities.

Mr. Akira Okabe, Senior Managing Director, TMC, addressing the gathering at the New Corolla Launch Ceremony

Newly launched Hilux Grand Cabin

The newly established Toyota G.T. Motors in Islamabad

Sales Conference 2009

A Nationwide Sales Conference for our dealership sales staff was organized for the first time at Indus to enhance and improve their selling skills and evaluate their product knowledge. The conference was an interactive event, comprising of games, quizzes and incentives for the winning sales people. A 6-point walk was done to test the product knowledge of the sales staff. Due to the instant popularity this event received, it is now going to be a regular event at IMC.

Spare Parts

Our Spare Parts business continued its robust growth trend by achieving another sales record of Rs 1.5 billion up 9% over the previous year. This has allowed IMC to maintain its leadership position in this area in Pakistan.

Increasing customer awareness for genuine Toyota Spare Parts was the priority for last year, which we continued through specifically designed advertisements in print and electronic media.

However the issues of under invoicing and smuggling of parts continues and is damaging genuine parts suppliers. Corrective measures for valuation are still missing for imported parts. We have become an active member of the Anti Counterfeit and Infringement Forum and have hired the services of a third party to conduct raids on non-genuine parts suppliers to protect our name from ill repute, and in this we have achieved some success. We still need to make further headway.

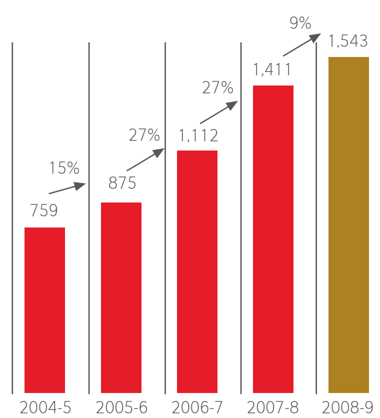
The price gap between genuine imported parts versus parallel or gray imported parts has reduced after implementation of GST at insurance companies following the recent budget annoncement. This is a positive step and will help the government increase its revenue.

International Intellectual Property Rights Day was observed in Islamabad on April 27, 2009 and IMC made a presentation highlighting the problems faced by Gray Imports, valuation issues and smuggling, including suggestions to improve the situation with the assistance from the government. The event was appreciated by all concerned.

The Customer Satisfaction Marketing Innovative Marathon (CSMIM) was held on April 17, 2009, with an aim to enhance customer satisfaction through innovative marketing ideas and strategies. The concept revolves around using the Plan > Do > Check > Act (PDCA) cycle to achieve improvement in dealers' business profitability and customer satisfaction. IMC's after sales team supported the dealers in selecting a CSMIM theme for enhancing their after sales business. The grand finale of CSMIM was held in Karachi.

Mr. Tariq Cheema, Sr. Manager Parts receiving a memento from the Prime Minister

Spare Parts Sales (Rs in million)



Service

The focus on after sales services continues to increase with the rising number of Toyota and Daihatsu vehicles in Pakistan.

Mr. Chihiro Atsumi, Ambassador of Japan, IMC Management and guests on the 3rd T-TEP Launch at CTTI, Islamabad

Following the signing of the After Sales Service Mid Range Plan a number of activities have been undertaken to upgrade service operations, prepare for business growth and to provide high quality and consistent after sales service to our valued customers. Our aim is to get our Service department recognized throughout the Toyota affiliates.

With our continued commitment to enhance the level of technical education in Pakistan and to cater to the needs of the northern region of the country we selected the Construction Technology Training Institute (CTTI), Islamabad to launch the 3rd Toyota Technical Education Program (T-TEP) on February 20, 2009. We are confident that T-TEP graduates from this institute would prove highly productive for IMC, Toyota dealers and Auto industry vendors.

To enhance the technical and management skill level and create a competitive environment for dealer's service staff, a National Skill Contest for

Winners of Service Skill Contest 2009

General Technicians, Service Advisors and Paint Technicians was organized on June 12, 2009.

Express Maintenance

Following the successful Express Maintenance (EM) launch at Toyota Defence Motors on December 2007, Toyota Faisalabad Motors was the second Dealership, the first in Punjab, to offer this facility to its valued customers. EM is a successful concept for providing speedy after sales service in just 60 minutes from reception to vehicle delivery.

One of our largest 3S dealerships by sales, Toyota Central Motors was also certified for EM by Toyota Motor Corporation (TMC)'s Kaizen team on June 26, 2009 by scoring an impressive 97%. This is another addition to Toyota Customer Service Workshop Management (TSM) Advance Club, which would cater for the growing needs and expectations of our valued customers by adding value to our after sales business and enhancing customer satisfaction. TCM will shortly be inaugurating their EM through customer launch.

Toyota Faisalabad Motors & IMC Management during Express Maintenance launch

Service facility at Toyota Central Motors

Customer Relations

Our Customer Relations (CR) function continued its journey towards meeting and exceeding customers' expectations and ensuring their experience is an enjoyable one.

We strived for full compliance with Toyota Philosophy of Customer First during the year. Upgraded CR performance standards were introduced to facilitate customer management. These focus on motivating our dealers to create their own vision, mission and strategy specifically in Customer Retention, supported by customer friendly policies and procedures for attaining the highest levels of Customer Satisfaction and also raising the bar in CR operations and achieving Toyota's CR Global standards.

To further enhance customer satisfaction of existing and new customers, CR introduced online Customer Satisfaction Index (CSI) and Service Satisfaction Index (SSI) forms, which are compiled and analysed at respective dealerships on a regular basis.

On a quarterly and annual basis we conducted CR Regional Workshops and Voice of Customer (VOC) Refresher Courses. We also shared Best Practices within the network's CR teams for enhancing Skills and Competencies. Our dedicated CR team conducted CR Assessments at all dealerships to monitor the successful implementation of Toyota's CR Global Standards and to evaluate CR performance.

The top performing CR Managers are recognized by IMC and Dealer Management by taking them to a Learning Trip to a Toyota distributor abroad for transferring Best Practices to our network.

An Initial Quality Field Survey (IQFS) was conducted for customers at our dealerships, in which a customer satisfaction level of 94% was achieved, which speaks of our commitment to our customers. In this activity our team directly interviewed 346 customers across Pakistan and recorded their feedback for bringing Kaizen (improvements) in our products and processes.

Our CR vision for 2009-10 is to increase the rate of Customer Retention, to achieve the highest rate of responsiveness for inbound and outbound calls of the Customer Assistance Centre in line with our ultimate goal to achieve complete Customer Satisfaction.

CR team during learning trip to Toyota UMW, Malaysia

Operations

This year distinctively we were being driven by demand.

There was increased focus and attention on improvements in operations, especially for the new Corolla and ramp up to full production in the earlier part of the fiscal year. In line with the reduced market demand our production achievement for the year was 34,298 units. In accordance with Toyota's Philosophy of employee retention without reducing the production units per day or building inventory, we provided extensive trainings to all team members during non-production days.

We are thankful to Toyota Motor Corporation and Toyota Motor Asia Pacific (TMAP) for their continued support in all production areas. The efforts also led us to create IMC history, by crossing the milestone of 300,000 vehicles produced in our plant since inception.

We were also able to complete Phase 1, Step 2 of Press Shop, which added five more major parts like floor and fenders to Press Shop operations. Our Production Engineering department successfully implemented Reverse Osmosis (R/O) system, which will help us to reduce costs by effective utilization of ED paint in our paint shop process.

During the fiscal year 2008-09, the major task for our QA & QC department was to stream line the quality of the new Corolla. Alhamdolillah the outstanding feedback from the market says it all. The quality of the new Corolla surpasses all previous models both in the areas of design and process quality as evident from Initial Quality Field Survey conducted by our team at dealerships all over Pakistan.

The quality of the car was also assessed by TMC SQA team which confirmed that the Quality level of the new Corolla is as per Global Toyota Shipping Quality Standards.

Mr. Hameed Ullah Jan Afridi, Federal Minister for Environment, receiving a memento from Mr. Ali S. Habib, Chairman, IMC

For the last few years our focus has remained on inventory reduction, 5S, Safety, Supplier Quality and timely deliveries. To this end we have successfully implemented KANBAN tagging on 475 parts, which will reduce inventory piling and ensure on time deliveries. All these activities were assured by regular process audits driven by IMC employees.

We continue to work to strengthen our supplier base. Our Annual Suppliers Convention was held in May 2009, with the theme 'Peaks & Valleys'. Federal Minister for Environment, Mr. Hameed Ullah Jan Afridi was the Chief Guest at the Convention. The event highlights the localization efforts of part vendors and enables sharing of current challenges and future strategies. Performance based awards were presented to suppliers.

During the year our Product Development department made notable progress in our vendor quality improvement programs. With strong support from our staff, initiatives on localization were undertaken in a timely manner, which are part of a future strategy designed to reduce cost and improve quality.

IMC along with TMAP, TMC and other Toyota affiliates is working ceaselessly to make our work place Safer, Healthier and Environment friendly. To achieve these objectives we focused on launching activities and engaging all employees to make them aware of issues pertaining to Safety, Health and Environment and how to implement these in our workplace.

Safety is a high priority at Indus and a number of in-house trainings - safety drills, fire fighting drill, contractor's safety precautions and first aid training sessions were conducted during the year to create awareness amongst not only our staff but also contractors and sub-contractors and inculcate a safety mindset. Techniques have been introduced and a significant numbers of training man hours are being utilized to improve our Lost Work Day Injury Rate (LWDIR) which has reduced over the years.

We at IMC always aspire to be at the forefront of activities that preserve and improve our environment. Our team is committed to continuously improve the company's environment management system to identify and avoid those activities that have negative environmental impacts and comply with all applicable legal, regulatory and other requirements, thereby assisting society by making the environment friendlier. We celebrated June 09 as the environment month with the theme of 'Stop Global Warming'. To reduce the levels of Volatile Organic Compounds (VOCs) we are continuously monitoring their levels and implementing Kaizen activities. A dedicated group of people are also working with result oriented plans for energy conservation. Other activities undertaken to ensure environmental compliance include incineration of paint sludge. Further, our new Corolla engines are in compliance with NEQs, which also include noise pollution standards.

In order to provide employees the basic knowledge and to enhance their awareness on health, hygiene and healthier lifestyle, Indus Motor earmarked August 2009 as the Wellness Month. The idea was "Health for All".

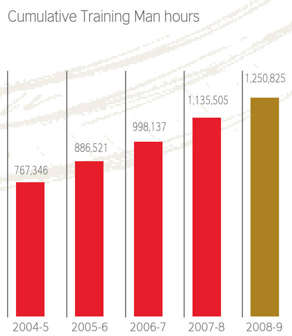
Mr. Mitsuhiro Sonoda, the incoming President of TMAP, who has regional responsibility for Engineering, Manufacturing and Marketing, came to IMC on August 29, 2009. Mr. Sonoda praised IMC on increasing its market share in 2008-09, despite the current industry downturn. He reiterated Toyota's ongoing commitment and support to IMC and acknowledged the skills and efforts of the IMC team for building quality cars.

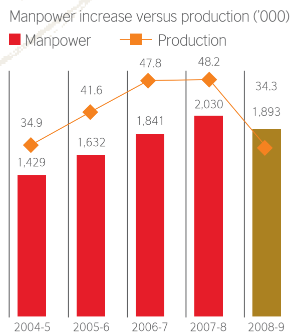
Indus Motor Company (IMC) held its 15th Annual Kaizen Convention at the Karachi Expo Centre in July 2008. During the full day event 14 presentations were made by various Kaizen teams including those from IMC Vendors and Dealers. The First Prize went to the team, "Environment Friends" from the Paint Shop for process modification to reduce Volatile Organic Compounds. Amongst Vendors and Dealers, Toyota Faisalabad Motor's team, 'Ferocious Resolve' got the first prize for their Kaizen activities in Warehouse Management.

Engine Assembly

Human Resource Development

In 2008-09, the frameworks for helping employees develop their personal and organizational skills, knowledge, and abilities remained the top priority for our HR department.





In the difficult time for the auto industry, we were committed not to layoff a single employee from our Toyota Family and the focus was kept on employee training, utilizing the non-production days for development.

In 2008-09, we crossed 1.25 million cumulative training man hours. The trainings ranged from fundamental skill training for production members to refresher courses on Toyota Production System (TPS), Kaizen, 5S and managerial skills.

Experiential learning based leadership and team building trainings were provided to the company's senior and middle management at Rani Kot Fort in the interior of Sindh and Galiyat in the north of Pakistan. The trainings helped reinforce the strong one team one aim culture at IMC, besides providing an opportunity to the participants to analyze their leadership skills in uncertain conditions.

The Apprenticeship Training Program successfully continued in 2008-09, with around 200 apprentices inducted during the year, taking the total number to over 700.

While maintaining a strong working relationship with our staff and union, the Union Agreement (CLA) was signed in record time for the next 2 years.

In line with our spirit of being a caring employer, the Education Assistance Program for our employee's children was added to the various Employee Assistance Programs already in place like emergency medical assistance, Hajj scheme, etc. all of which are aimed at supporting employees in their hour of need as a part of the Indus family.

IMC Management at Leadership Adventure Training

IMC in-house Skill Contest

Regular communication sessions are held with employees at all levels. Last year also several sessions were held including briefing on challenges faced in current market environment, gender diversity, etc.

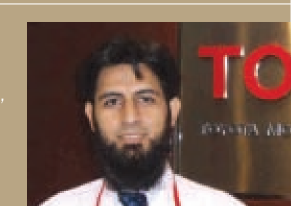
To enhance the motivation of our skilled Team Leaders and Team Members, IMC initiated an In-house skill contest for Weld, Paint, Assembly and Quality departments. The contest resulted in increasing the competitive environment on the production line. Winners were sent to Thailand to participate in the Asia Pacific skill contest, where one Team Leader from Pakistan secured a bronze medal.

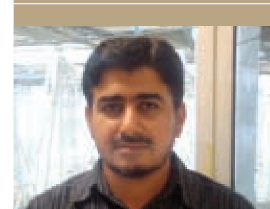
To improve learning and for better co-ordination with our overseas affiliates some of our employees are sent for 2 to 3 years to other Toyota affiliates as Inter Company Transfers (ICTs). Currently we have 7 ICTs abroad and for the first time we have sent ICTs from the Marketing Division to Toyota Motor Asia Pacific (TMAP) in Singapore.

Our recent ICT's

Ali Damani (Marketing Division)
"TMAP is the ultimate learning resource, where jewels of knowledge and expertise are collected and distributed from and to all advanced and developing countries managed by TMAP. Hence my goal here is to learn and bring back that ultimate experience and knowledge gained from working with regional experts and TMC's/ TMAP's management".

Syed Shabbir Uddin (Marketing Division)
"Toyota values are the key drivers that made the company #1 automobile company in the world. In addition to functional knowledge, I have learnt values such as Kaizen, Genchi Genbutsu (going to the source), teamwork, consensus building and respect for people. I've seen drastic change in my performance and work style and am determined to contribute to IMC's growth by transferring these skills and knowledge to my colleagues".





Wali Muhammad (Production)
"I worked in TMAP-EM PE during 2007-9 as Project Manager. During this period I got the opportunity to learn Project Management activities through APMC projects and was fully involved in Projects from the start (especially 301L Corolla). I prepared Project Management Manual utilizing 301L Corolla project experience which will serve as a reference and guide for production preparation activities in IMC. My learning's would help IMC to better understand TMAP, TMT and APMC regional operations and support systems".

Kashif Akhlaq (QA & QC)
"It was only during ICT that I got real work experience. I was exposed to practical scenarios, which have helped me in implementing good practices in IMC. My learning of IMVI and 242L helped my colleagues and team members in successfully handling quality issues. After returning from ICT I have tried to pass on my knowledge and learnings to my team, so that we can work for upcoming projects".

Corporate Social Responsibility

Our CSR policy and philosophy, takes a holistic approach to engage all our stakeholders. We aspire to demonstrate responsible corporate conduct throughout the entire spectrum of our business operations.

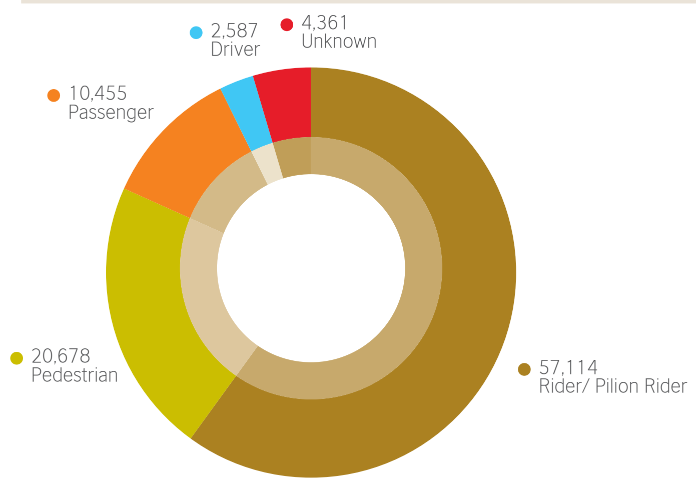
We aim for both business competitiveness and social development to achieve corporate social integration. It is important that as our business grows, our stakeholders' interests are safeguarded.

Indus Motor as a member of the UN Global Compact (UNGC) understands its responsibility towards the UNGC principles addressing Human Rights, Labor Standards, the Environment and Anti Corruption. We submitted our Communication on Progress (COP) in 2007 and are proud to inform that we were amongst the notable COP's worldwide in the very first year.

Through our CSR program with the slogan, "Concern Beyond Cars", we have contributed over 150 million in the past 5 years on focused, prioritized, sustainable and high social impact initiatives that intersect with our company's competitiveness and core competencies. Our CSR initiatives are in the areas of Road Safety, Technical Education, Environment, Health and Community Welfare, thus playing a significant role in the communities where we operate. The Company budgets 1% of Profit before Tax for CSR Contributions.

As a leading Company in the automobile sector, we have undertaken several initiatives in the field of Road Safety to create awareness in society of this important social issue, reduce traffic accidents, and help create a safe environment for all road users. Our Road Safety initiatives include the Road Traffic Injury Research Project, our flagship project, which is a public-private partnership with JPMC, NED and AKU, provides relevant and accurate data for evaluating the nature, location and magnitude of road accidents in Karachi. This useful data has been utilized by various stakeholders such as Hospitals, Traffic Engineering, Traffic Police, Government, NGOs, etc. to make improvements in Karachi's traffic and reduce the number of road accidents.

We also organized the 2nd National Road Safety Conference in partnership with Shell Pakistan, AKU, RTIRC and SEF on July 7, 2009 at the Aga Khan University which brought together the relevant stakeholders to have a dialogue on how to reduce accidents, with special focus on the most vulnerable road user group i.e. the motorcycle/pillion riders.



Traffic Injuries and Deaths for each Road User Group (Sept 06-Jul 09)

Total Injuries and Deaths: 95,195

Federal Minister of Communication, Dr. Arbab Alamgir Khan with steering Committee NRSC

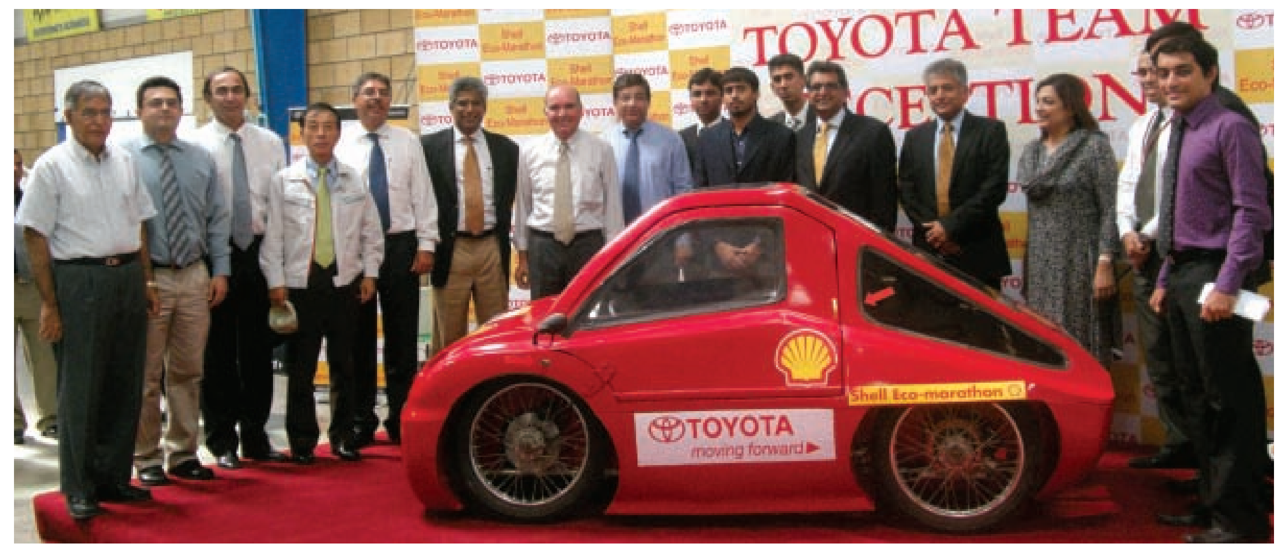
To acknowledge the efforts of journalists working in the local media for coverage and analysis of the auto sector as well as enhancing the quality of professionalism in this field, we organized the 2nd National Auto Journalists Awards 2009.

We believe in uplifting education in our country, especially for those whom education is unaffordable. We firmly believe that our youth is the future backbone of Pakistan and offer internships to university students and financial assistance is provided to innumerable schools and educational institutions. We also aim to spread technical education amongst the younger generation via the Toyota Technical Education Program and the Apprenticeship Training Program.

Indus Motor sponsored a team of Ghulam Ishaq Khan Institute students to take part in the Shell Eco-Marathon which took place in Berlin, Germany on May 29, 2009. Student teams design and build fuel efficient vehicles, which will encourage conservation and stimulate education that promotes sustainable mobility.

We in collaboration with the House of Habib, remained at the forefront of relief operations for the Internally Displaced Persons (IDPs) of Swat, Buner and Dir Districts. Our relief efforts were done through our dealership in Mardan and we distributed food rations, kitchen utensils and provided medical services as well as transport via our Hilux pickups.

During the year we received a number of awards and recognition. Indus Motor is in the top 25 companies for the year 2007 and 2008, by Karachi Stock Exchange. We have received the prestigious MAP Corporate Excellence Award for the past 4 years, the National Forum for Environment and Health Award for Environmental Excellence for the last 6 years and the Pakistan Center for Philanthropy rated IMC 8th in philanthropy nationwide amongst 500 public listed companies.



Toyota Team with Indus Motor Company and Shell Pakistan's Management with the vehicle at the reception

IMC Team Member at the Assembly Line

Strategy to Face the External Environment, Business Risks and Challenges

Moving forward, we expect 2009-10 to be a better year but a critical one for sustainable growth and development of Pakistan's economy.

It is essential for the government to effectively address the challenges concerning consolidation of macroeconomic stability, mitigating the effects of the global economic crisis – in particular on manufacturing and exports, implementing tax policy and administration reforms and managing the security issues engulfing the nation.

We hope that government will provide stable policies and will take proactive steps to encourage growth of the local automobile sector which has made healthy contribution to the national exchequer, creates thousands of jobs, enables technology transfer for localization, provides affordable mobility to people and businesses and above all, contributes heavily to economic prosperity of the country.

Pakistan provides a huge upside for growth of the auto industry and for it to crystallize it is imperative for the government to make a concrete plan to revisit the AIDP and achieve implementation recognizing the recommendations made by OEMs and the Pakistan Automobile Manufacturers Association.

On our part, Indus Motor will be taking several steps to meet the challenges and continue to manufacture high-quality vehicles for the benefit of society following Toyota's Philosophy. In the long-term, we will look to increase capacity and fill it with new products at the right opportunity, while in the near term we are already working on definitive plans to expand dealer network and launch new CKD/CBU products.

We will do our utmost to optimize costs without compromising on quality and delivery. Although we have improved our market share in a declining market we will continue to remain aggressive, focused and innovative in our marketing activities coupled with dealership improvements.

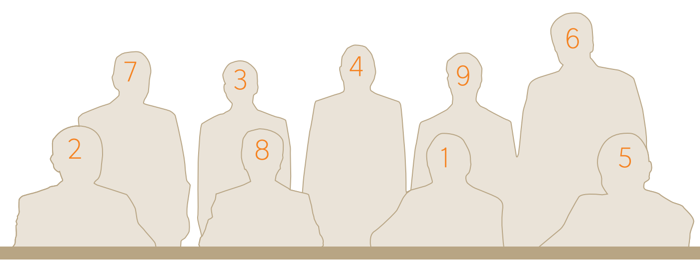
I thank our Board of Directors and the management team for steering the Company in these very challenging times. We are extremely grateful to our customers for purchasing and driving our vehicles and for their trust and confidence in our products and service. I would like to thank our Indus Team, our Shareholders, our Dealers, Vendors and Business Partners.

We bow to Allah and pray for His Blessings and Guidance.

Ali S. Habib
Chairman

Board of Directors

1 Mr. Ali S. Habib (Chairman)
2 Mr. Koji Hyodo (Vice Chairman)
3 Mr. Yutaka Arae
4 Mr. Parvez Ghias (Chief Executive Officer)
5 Mr. Farhad Zulficar
6 Mr. Mohamedali R. Habib
7 Mr. M. Ilyas Suri
8 Mr. Mitsuhiro Sonoda
9 Mr. Yosuki Tsubaki



Company Information

Bankers

Askari Bank Limited
Bank Alfalah Limited
Barclays Bank PLC
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 Royal Bank of Scotland Limited
The Bank of Tokyo-Mitsubishi UFJ Limited
United Bank Limited

Auditors

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

Legal Advisors

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

Registrar

Noble Computer Services (Private) Limited,
Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah C. H. Society, Main Shahrah-e-Faisal,
Karachi - 75350.

Factory / Registered Office

Plot No. N.W.Z/1/P-1, Port Qasim Authority,
Karachi.
Phones (PABX) (92-21) 34720041-48
(UAN) (92-21) 111-TOYOTA (869-682)
Fax (92-21) 34720056
www.toyota-indus.com

Chief Financial Officer

Muhammad Faisal

Company Secretary

Mustafa Hasan Lakhani

Audit Committee Members

Mohamedali R. Habib (Committee Chairman)
Farhad Zulficar
Yutaka Arae
Mitsuhiro Sonoda
Ahson Tariq (Secretary)

TOYOTA moving forward

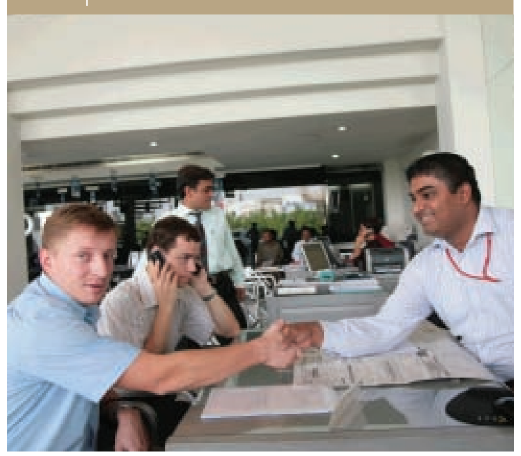
Core Values

To achieve our Vision we abide by our Core Values

Corolla at Assembly Line

World Class Product Quality

Achieving the ultimate goal of complete Customer Satisfaction



Being seen as the Best Employer

Fostering the Spirit of Teamwork

Inculcating Ethical & Honest Practices

Corporate Governance

At Indus Motor Company we believe in responsible business and our activities are fair, transparent and comply with all applicable laws.

Good governance is the cornerstone of our business and our management systems are geared towards effective decision making, direction and control.

There is a well institutionalized structure by means of which the company's objectives are set, the KPI's discussed and monitored on a regular basis through management review meetings. Our Delegation of Authority document describes specific monetary limits and empowerment levels for all management employees.

We at Indus practice The Toyota Way of Kaizen (continuous improvement) and Respect for People, through which we aspire to improve efficiency and effectiveness levels with and across the organization.

The Key Committees at Indus ensure the highest level of corporate governance and stewardship of business plans for continuous improvement and to carry out developmental activities.

To effectively resolve operational and quality issues we have the daily Genba meetings on the shop floor comprising of cross functional teams. The weekly Suppliers Parts Tracking Team meeting helps monitor localized parts development and suppliability. Ohbeya meeting also held every week helps us track the progress of various projects against timelines and costs. It is through these forums that co-ordination and cross functional issues are resolved.

At Indus Motor we believe in free and fair competition. The Government of Pakistan through Gazette Notification of October 2, 2007 promulgated Competition Ordinance, 2007 advising companies to file agreements which may have the effect of preventing, restricting, reducing competition within the relevant market. Indus Motor accordingly filed applications for exemption under the Ordinance for various agreements and has been granted exemption by the Competition Commission of Pakistan.

Key Committees

Sr#	Committee	Membership	Terms of Reference	Meeting Frequency
1	ACT#1 Management Committee	CEO, Directors, Divisional Heads and their nominees	Reviews corporate and departmental targets, accomplishments, disappointments and KPI's versus budget	Monthly
2	Human Resource Committee		Reviews employee and organizational development matters including policy changes	Monthly
3	Quality Review Committee		Reviews vehicle complaint trends and countermeasures, both at the plant and dealerships	Monthly
4	Safety, Health, Environment Committee		Reviews safety practices and monitors compliance with NEQS and KPI's	Monthly
5	Customer Relations Committee		Monitors customer feedback and complaint resolution, and takes appropriate countermeasures	Weekly

Directors' Report

The Directors of Indus Motor Company Limited take pleasure in presenting the Directors' Report, together with the Accounts of the Company for the year ended June 30, 2009 and recommend the following appropriations:

	2009	2008
	(Rs in '000)	
Profit After Taxation	1,385,102	2,290,845
Unappropriated Profit from prior year	9	14
Profit for appropriation	1,385,111	2,290,859
Appropriations		
Interim - NIL (2008: 40% i.e. Rs 4 per share)	-	314,400
Unappropriated Profit Carried Forward	1,385,111	1,976,459
Subsequent Effects		
Proposed Final Dividend @ 100% i.e. Rs 10 per share (2008: 65% i.e. Rs 6.5 per share)	786,000	510,900
Transfer to General Reserves	599,100	1,465,550
	1,385,100	1,976,450
Basic and Diluted Earnings Per Share	17.62	29.15

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 96 to 97.

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. There will be a change in the engagement partner of the audit firm on re-appointment of the same auditors. 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 2009-10.

Chairman's Review

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

	2009	2008
	(Rs in '000)	

Investments of Retirement Benefit Funds

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

	2009	2008
Indus Motor Company Limited Employees' Provident Fund	198,413	153,896
Indus Motor Company Limited Employees' Pension Fund	103,936	76,511

Government Levies

Government levies outstanding as at June 30, 2009 have been disclosed in Note No. 17 of the Financial Statements.

Board of Directors Meeting

A total of six meetings of the Board of Directors were held during the period of 12 months from July 01, 2008 to June 30, 2009. Attendance by each Director is as follows:

Name of Directors	Number of Meetings Attended
Mr. Ali S. Habib	6
Mr. Koji Hyodo	4
Mr. Y. Arae	6
Mr. Parvez Ghias	6
Mr. Farhad Zulficar	6
Mr. Mohamedali R. Habib	5
Mr. M. Ilyas Suri	6
Mr. R. Sasaki / A. Okabe (Ex-Director) / T. Inuzuka (Alternate)	6
Mr. Y. Tsubaki / Mr. K. Furubayashi (Ex-Director) / K. Muto (Alternate) / Mr. H. Achiwa (Alternate)	4

The directors of the Company were elected in an Extraordinary General Meeting held on October 31, 2008 for a period of three years, whereby, Mr. Ali S. Habib, Mr. Koji Hyodo, Mr. Y. Arae, Mr. Parvez Ghias, Mr. Farhad Zulficar, Mr. Mohamedali R. Habib, Mr. M. Ilyas Suri, Mr. R. Sasaki and Mr. Y. Tsubaki were elected as Directors of the Company. Mr. A. Okabe and Mr. K. Furubayashi were stand retired on completion of their terms.

Subsequent to year end, Mr. M. Sonoda has been appointed as Director on resignation of Mr. R. Sasaki from July 01, 2009. The Board acknowledges the valuable contributions made by the retiring or resigned directors.

Board Audit Committee

During the year, the Board of Directors has changed the composition of the Board Audit Committee from three directors to four directors by including Mr. R. Sasaki as an additional member of the Committee from April 2009. Further, Mr. K. Furubayashi was replaced by Mr. Y. Arae on completion of his term of three years on October 31, 2008.

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 including Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children have not traded in the shares of the company during the year ended June 30, 2009.

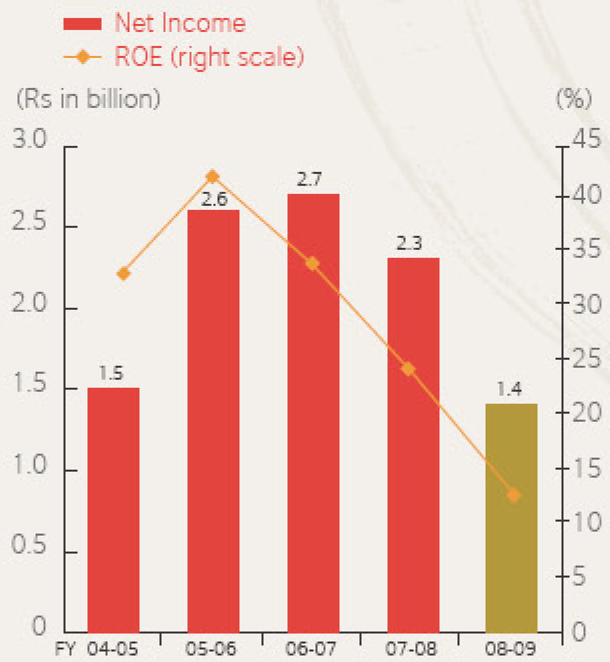
Pattern of Shareholding

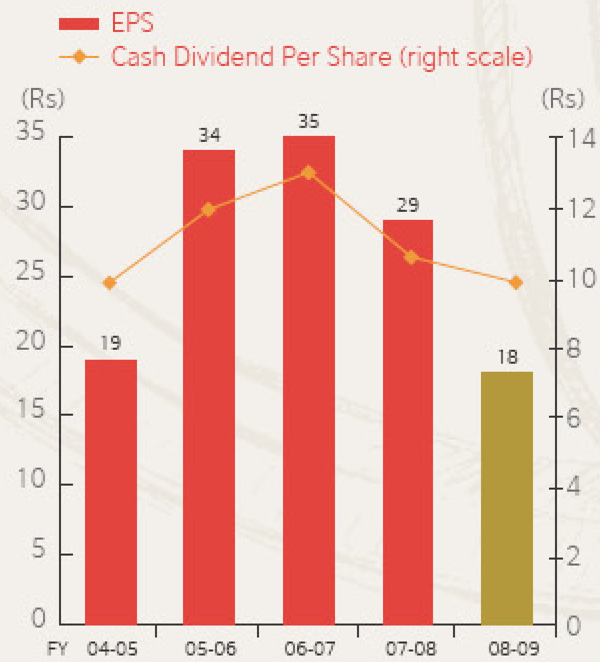
The Pattern of Shareholding of the Company as at June 30, 2009 is given on pages 93 to 94.

Karachi
September 29, 2009

Parvez Ghias	Koji Hyodo
Chief Executive Officer	Vice Chairman & Director

Financial Summary





		% Change 2009 Vs 2008	Year ended June 30, 2009 2009	2008	2007	2006	2005
For The Year:							
Units sold		-30.6%	35,276	50,802	50,557	42,406	35,874
Net revenues	Rs in billion	-8.6%	37.9	41.4	39.1	35.2	27.6
Profit before tax	Rs in billion	-42.2%	2.0	3.5	4.2	4.1	2.3
Net income	Rs in billion	-39.5%	1.4	2.3	2.7	2.6	1.5
Return on equity	Percentage		13.5	24.3	34.1	42.3	33.2
Per Share Data:							
Earnings (EPS)	Rs	-39.5%	17.6	29.2	34.9	33.7	18.9
Cash dividends	Rs	-4.8%	10.0	10.5	13.0	12.0	10.0
Shareholders' equity	Rs	+9.1%	131.0	120.1	102.3	79.6	56.9
At Year-End:							
Total assets	Rs in billion	+50.5%	20.7	13.7	15.7	15.8	13.0
Shareholders' equity	Rs in billion	+9.1%	10.3	9.4	8.0	6.3	4.5
Share Performance (June 30):							
Price per share	Rs	-46.2%	107.7	200.1	305.5	191.0	90.0
Market capitalization	Rs in billion	-46.2%	8.5	15.7	24.0	15.0	7.1

Mission

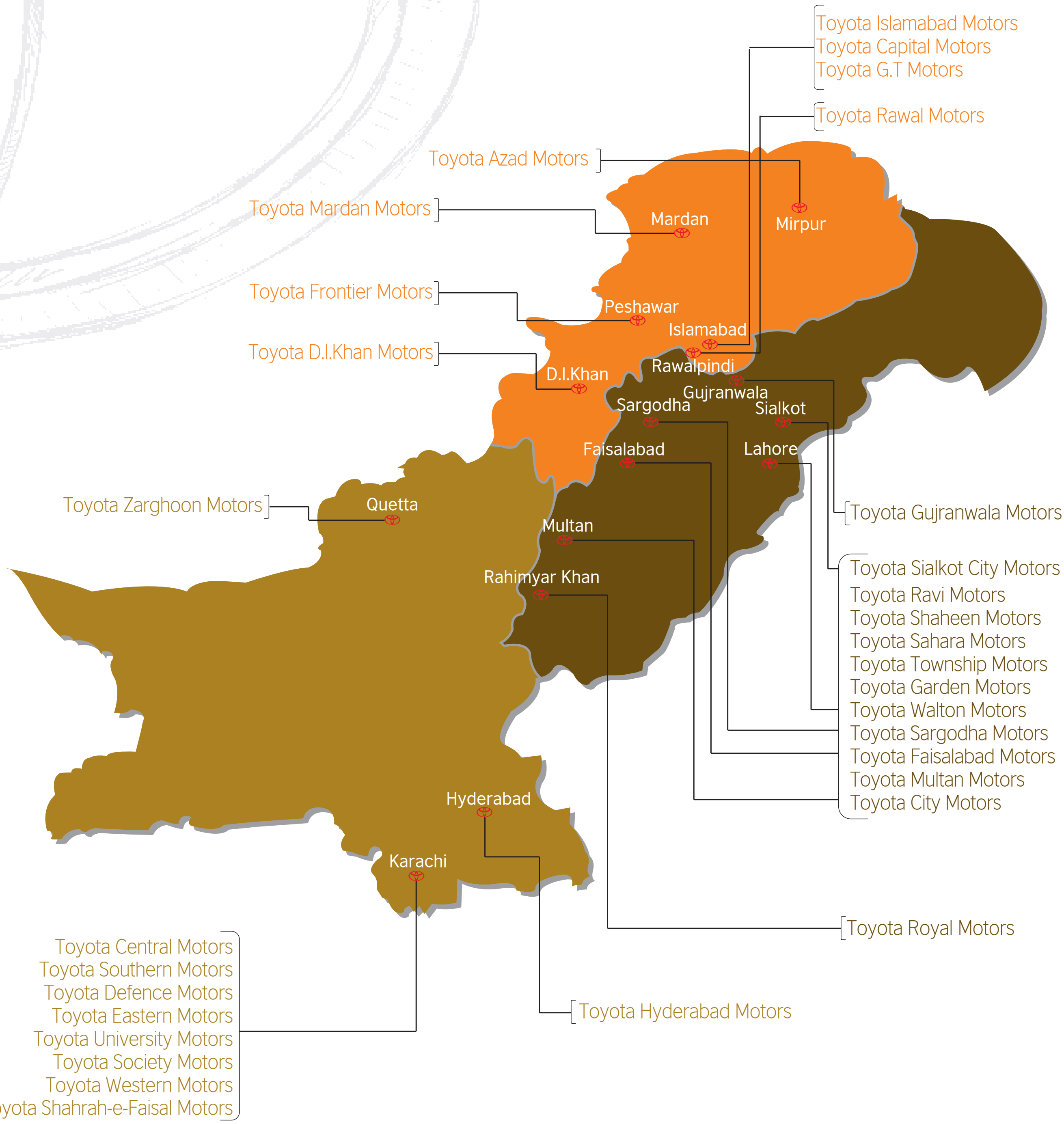
IMC's Mission is reflected in our Company's Slogan

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

The Indus Team is committed to ACT so that it achieves the #1 position in the Auto Industry in:

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

Dealership Network



South Region

TOYOTA CENTRAL MOTORS
3, Kathiawar Society, Main Shara-e-Faisal, Karachi
Tel: (021) 4532246-50 / 4536246-49
Email: toyota@cyber.net.pk

TOYOTA SOCIETY MOTORS
150-F, Block-2, PECHS, Khalid Bin Waleed Road, Karachi
Tel: (021) 111-786-113 / 4383213-4
Email: toyotasociety@cyber.net.pk

TOYOTA EASTERN MOTORS
118, Rashid Minhas Road, Gulshan-e-Iqbal, Karachi
Tel: (021) 4614077 / 4614177
Email: toyotaeastern@yahoo.com

TOYOTA UNIVERSITY MOTORS
7-9, Chandni Chowk, Main University Road, Karachi
Tel: (021) 4940417 / 4941747
Email: toyota_university@hotmail.com

TOYOTA SOUTHERN MOTORS
Plot No. 13, Sector 23, Korangi Industrial Area, Karachi
Tel: (021) 111-876-111 / 5062478 / 5053181-6
Email: cre@toyotasouthern.com

TOYOTA DEFENCE MOTORS
118, Defence Housing Authority, Main Korangi Road, Karachi
Tel: (021) 111-836-836 / 5888314 / 5386022-7
Email: cre@toyotadefence.com

TOYOTA WESTERN MOTORS
C-38, Estate Avenue, SITE, Karachi
Tel: (021) 111-800-786 / 2572420 / 2564531-5
Email: info@toyota-western.com

TOYOTA SHAHRAH-E-FAISAL MOTORS
Makro Star Gate Center, Near Airport Karachi
Tel: (021) 34600518-20
Email: tsfmkarachi@gmail.com

TOYOTA HYDERABAD MOTORS
Plot No. A-41, Auto Bhan Road, SITE, Hyderabad
Tel: (022) 3885121-5
Email: toyota.hyd@cyber.net.pk

TOYOTA ZARGHOON MOTORS
New Zarghoon Road, Quetta
Tel: (081) 2450444
Email: zarghoonmotors@yahoo.com

Central Region

TOYOTA RAVI MOTORS
Chowk Niaz Beg, Main Multan Road, Lahore.
Tel: (042) 111-700-900 / 5426961-64
Email: customerrelationrm@gmail.com

TOYOTA SHAHEEN MOTORS
36, Main Jail Road, Lahore.
Tel: (042) 111-300-700 / 7566296-98
Email: cr@toyotashaheen.com

TOYOTA TOWNSHIP MOTORS
PECO Road, Kot Lakpat, Lahore
Tel: (042) 111-393-939 / 5885014
Email: info@toyotatownshipmotors.com

TOYOTA SAHARA MOTORS
28/5, Jail Road, Lahore
Tel: (042) 111-383-838 / 7576218 / 7581253
Email: sahara@brain.net.pk

TOYOTA FAISALABAD MOTORS
West Canal Road, Mansoorabad, Faisalabad
Tel: (041) 111-000-052 / 8719902, 8712002-4
Email: tfsdm@hotmail.com

TOYOTA SARGODHA MOTORS
5 Km, Lahore Road, Sargodha
Tel: (048) 3217404-5 / 3221802
Email: toyota_sgd@yahoo.com

TOYOTA MULTAN MOTORS
Bosan Road, Multan
Tel: (061) 111-111-343 / 6522482-83
Email: toyotamm@brain.net.pk

TOYOTA CITY MOTORS
Abdali Road, Multan
Tel: (061) 4541925, 4580793, 4542488
Email: toyotacm@brain.net.pk

TOYOTA GARDEN MOTORS
10-L, Gulberg III, Main Ferozepur Road, Lahore
Tel: (042) 111-595-959 / 5868256
Email: cr@toyotagarden.com

TOYOTA WALTON MOTORS
Main Walton Road, Defence, Lahore Cantt.
Tel: (042) 111-008-009 / 6662981-82
Email: info@toyotawalton.com

TOYOTA ROYAL MOTORS
Khanpur Road, Near Gulshan-e-Ravi, Rahimyar Khan
Tel: (068) 5885090-92
Email: cr@toyotaroyal.com

TOYOTA SIALKOT CITY MOTORS
Hilbro Industrial Park, 12 Km, Daska Road, Sialkot
Tel: (052) 6527415-6
Email: info@tscm.com.pk

TOYOTA GUJRANWALA MOTORS
Opp. Jalil Town, Qila Chand By Pass, GT Road, Gujranwala
Tel: (055) 4285501-3
Email: info@toyotagujranwala.com

North Region

TOYOTA CAPITAL MOTORS
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TOYOTA ISLAMABAD MOTORS
7, Khayaban-e-Suharwardy, G-6/1-1, Aabpara, Islamabad
Tel: (051) 111-000-037 / 2877111 / 2270461-6
Email: info@toyota-islamabad.com

TOYOTA G.T MOTORS
G-15/2 Main G.T Road, Islamabad
Tel: (051) 2227860-64
Email: toyotagt@comsats.net.pk

TOYOTA FRONTIER MOTORS
Main University Road, Peshawar
Tel: (091) 111-235-236 / 5701002-5 / 5841626
Email: info@tfm.com.pk

TOYOTA RAWAL MOTORS
Swan Camp, G.T Road, Rawalpindi
Tel: (051) 4491400-5
Email: rawal@toyotarawal.com

TOYOTA AZAD MOTORS
Mian Mohammad Road, Mirpur Azad Kashmir
Tel: (058610) 32803-5
Email: service@toyota-azad.com

TOYOTA D.I. KHAN MOTORS
North Circular Road, Dera Ismail Khan
Tel: (0966) 716792-3
Email: toyotadik@brain.net.pk

TOYOTA MARDAN MOTORS
Nowshera Road, Mardan
Tel: (0937) 73001-3
Email: toyotamardan@yahoo.com

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

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 vehicles in Pakistan.

The company is also the sole distributor of Daihatsu vehicles in Pakistan and has a license for assembling, progressive manufacturing and marketing of these vehicles in Pakistan.

The registered office 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

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.

Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year ended June 30, 2009, IFRS 7 - 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in these financial statements.

During the year ended June 30, 2009, IFRIC Interpretation 14, ‘IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction’ became effective. The interpretation provides guidance on assessing the limit in IAS 19 - 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the company's financial statements as the company's pension fund is not subject to any minimum funding requirements.

The other new standards, amendments and interpretations that are effective for the company's accounting periods beginning on or after July 1, 2008, but are considered not to be relevant or to have any significant effect on the company's operations are not explained in these financial statements.

Standards, interpretations and amendments to published accounting standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2009.

IAS 1 - 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income statement. The revised standard is effective from January 1, 2009. Adoption of this standard will only impact the presentation of the financial statements.

IAS 19 (Amendment) - 'Employee benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

- The distinction between short term and long term employee benefit will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

- IAS 37 - 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of its adoption on the company's financial statements.

IAS 36 (Amendment) - 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the company's financial statements.

IAS 38 (Amendment) - 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the company's financial statements.

IFRS 8 - 'Operating segments', (effective from January 1, 2009). IFRS 8 replaces IAS 14 - 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of this standard is not expected to have a significant effect on the company's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or to have any significant effect on the company's operations and are therefore not detailed in these financial statements.

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 current and future periods.

Significant accounting estimates and areas where judgments were made 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' 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 except capital work-in-progress which is stated at cost. Cost in relation to property, plant and equipment signifies historical cost.

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 income currently.

Leased

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the company.

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.

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 income currently.

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 value 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 value 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.

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) 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-derivatives 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 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 (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. 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 and 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' & '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.

Subsequent to initial recognition, 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 taken to shareholders' equity.

b) 'Loans and receivables' & '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. Impairment loss on all financial assets is recognised in the profit and loss account. In arriving at the provision in respect of any diminution in long-term financial assets, consideration is given only if there is a permanent impairment in the value of the financial assets.

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 financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an 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 derivatives 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 directly in equity through the statement of changes in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

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

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 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.

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.

2.15 Staff retirement benefits

Defined contribution plan - Employees provident fund

The company operates 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 scheme provides life pension to employees and thereafter to their spouse and dependant children.

During the year, the management has amended the rules in respect of the Fund. The New Rules are applicable to all members of the Fund who were in service of the company on July 1, 2008 and all persons who join the company as permanent employees on or after July 1, 2008. However, the Old Rules shall 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 shall 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 has been 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 have opted to be governed by the New Rules, which has been 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 shall be credited into the individual account of each member. The company will have no further payment obligation once these monthly contributions have been paid to the Fund. Profit earned on the investments maintained by the Fund shall also be 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.

The Projected Unit Credit Method, using the following significant assumptions, is used for the valuation of the pension liability at June 30, 2009 in respect of members governed by the Old Rules:

- Expected rate of increase in salaries at 10% (2008: 11%) per annum.
- Expected rate of return on plan assets at 11% (2008: 12%) per annum.
- Expected discount rate at 11% (2008: 12%) 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.

Realised capital gains / losses on sale of investments are recognised in the profit and loss account at the time of sale.

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.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

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 their 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:

i) Useful lives of property, plant and equipment (notes 2.3 and 3.2);
ii) Provision for slow moving stores and spares (notes 2.4 and 6)
iii) Provision for slow moving stock-in-trade (notes 2.5 and 7)
iv) Provision for doubtful trade debts (notes 2.8 and 8)
v) Income taxes (notes 2.10 and 29)
vi) Warranty obligations (notes 2.14 and 17.5); and
vii) Staff retirement benefits (notes 2.15 and 25);

	Note	2009	2008
		(Rupees in '000)	
3 FIXED ASSETS			
Property, plant and equipment	3.1	3,930,501	4,030,967
Intangible assets	3.2	3,972	2,795
		3,934,473	4,033,762
3.1 Property, plant and equipment			
Operating assets	3.2	3,900,977	3,592,271
Capital work-in-progress	3.5	29,524	438,696
		3,930,501	4,030,967

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

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

	2009																
	Tangible-owned										Tangible-leased						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	Plant and machinery	Motor vehicles	Computer and related accessories	Tools and equipment	Jigs and fixtures	Total tangible assets	Computer software
	(Rupees in '000)																
At July 1, 2008																	
Cost	38,662	871,725	89,238	3,886,917	175,899	109,800	67,594	204,802	530,800	661,109	-	-	-	-	-	6,636,546	33,191
Accumulated depreciation / amortisation	10,130	268,456	31,316	1,665,115	60,174	36,337	37,056	175,774	406,039	353,878	-	-	-	-	-	3,044,275	30,396
Net book value	28,532	603,269	57,922	2,221,802	115,725	73,463	30,538	29,028	124,761	307,231	-	-	-	-	-	3,592,271	2,795
Year ended June 30, 2009																	
Opening net book value	28,532	603,269	57,922	2,221,802	115,725	73,463	30,538	29,028	124,761	307,231	-	-	-	-	-	3,592,271	2,795
Additions	-	42,955	1,471	467,498	54,535	47,628	5,871	4,667	19,777	483,952	-	-	-	-	-	1,128,354	2,641
Transfers																	
Cost	-	-	-	-	(318)	(112)	112	318	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	(9)	(6)	6	9	-	-	-	-	-	-	-	-	-
	-	-	-	-	(309)	(106)	106	309	-	-	-	-	-	-	-	-	-
Disposals / write offs																	
Cost	-	-	-	7,342	56,021	3,300	9,327	48,189	40,606	-	-	-	-	-	-	164,785	-
Depreciation	-	-	-	7,318	24,345	3,135	9,091	47,993	39,525	-	-	-	-	-	-	131,407	-
	-	-	-	24	31,676	165	236	196	1,081	-	-	-	-	-	-	33,378	-
Depreciation / amortisation charge for the year	921	79,662	3,836	416,336	29,944	21,090	9,153	17,066	38,410	169,852	-	-	-	-	-	786,270	1,464
Closing net book value	27,611	566,562	55,557	2,272,940	108,331	99,730	27,126	16,742	105,047	621,331	-	-	-	-	-	3,900,977	3,972
At June 30, 2009																	
Cost	38,662	914,680	90,709	4,347,073	174,095	154,016	64,250	161,598	509,971	1,145,061	-	-	-	-	-	7,600,115	35,832
Accumulated depreciation / amortisation	11,051	348,118	35,152	2,074,133	65,764	54,286	37,124	144,856	404,924	523,730	-	-	-	-	-	3,699,138	31,860
Net book value	27,611	566,562	55,557	2,272,940	108,331	99,730	27,126	16,742	105,047	621,331	-	-	-	-	-	3,900,977	3,972
Depreciation / amortisation rate % per annum	2.38%	10%	5%	10%-20%	20%	20%	20%	33.33%	20%	20%-25%	10%-20%	20%	33.33%	20%	20%-25%		33.33%

TOYOTA moving forward

	2008																
	Tangible-owned										Tangible-leased						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	Plant and machinery	Motor vehicles	Computer and related accessories	Tools and equipment	Jigs and fixtures	Total tangible assets	Computer software
	(Rupees in '000)																
At July 1, 2007																	
Cost	38,662	549,778	70,386	2,537,880	114,270	53,801	55,515	191,230	413,812	514,155	13,341	23,177	-	-	-	4,576,007	31,310
Accumulated depreciation / amortisation	9,209	222,301	28,375	1,462,138	34,715	26,476	29,856	146,226	340,913	359,231	4,821	8,834	-	-	-	2,673,095	27,742
Net book value	29,453	327,477	42,011	1,075,742	79,555	27,325	25,659	45,004	72,899	154,924	8,520	14,343	-	-	-	1,902,912	3,568
Year ended June 30, 2008																	
Opening net book value	29,453	327,477	42,011	1,075,742	79,555	27,325	25,659	45,004	72,899	154,924	8,520	14,343	-	-	-	1,902,912	3,568
Additions	-	321,947	18,852	1,351,672	52,608	55,999	13,501	16,376	120,836	217,410	-	-	-	-	-	2,169,201	1,881
Transfers																	
Cost	-	-	-	13,341	23,177	-	-	-	-	-	(13,341)	(23,177)	-	-	-	-	-
Depreciation	-	-	-	4,821	8,834	-	-	-	-	-	(4,821)	(8,834)	-	-	-	-	-
	-	-	-	8,520	14,343	-	-	-	-	-	(8,520)	(14,343)	-	-	-	-	-
Disposals / write offs																	
Cost	-	-	-	15,976	14,156	-	1,422	2,804	3,848	70,456	-	-	-	-	-	108,662	-
Depreciation	-	-	-	15,645	8,783	-	1,216	2,766	3,848	70,456	-	-	-	-	-	102,714	-
	-	-	-	331	5,373	-	206	38	-	-	-	-	-	-	-	5,948	-
Depreciation / amortisation charge for the year	921	46,155	2,941	213,801	25,408	9,861	8,416	32,314	68,974	65,103	-	-	-	-	-	473,894	2,654
Closing net book value	28,532	603,269	57,922	2,221,802	115,725	73,463	30,538	29,028	124,761	307,231	-	-	-	-	-	3,592,271	2,795
At June 30, 2008																	
Cost	38,662	871,725	89,238	3,886,917	175,899	109,800	67,594	204,802	530,800	661,109	-	-	-	-	-	6,636,546	33,191
Accumulated depreciation / amortisation	10,130	268,456	31,316	1,665,115	60,174	36,337	37,056	175,774	406,039	353,878	-	-	-	-	-	3,044,275	30,396
Net book value	28,532	603,269	57,922	2,221,802	115,725	73,463	30,538	29,028	124,761	307,231	-	-	-	-	-	3,592,271	2,795
Depreciation / amortisati`on rate % per annum	2.38%	10%	5%	10%-20%	20%	20%	20%	33.33%	20%	20%-25%	10%-20%	20%	33.33%	20%	20%-25%		33.33%

	Note	2009	2008
		(Rupees in '000)	
3.3 The depreciation charge for the year has been allocated as follows:			
Cost of goods manufactured	22.3	732,376	410,968
Distribution expenses	23	30,754	47,310
Administrative expenses	24	23,140	15,616
		786,270	473,894

3.4 Particulars of operating assets having a net book value exceeding Rs 50,000 disposed/ written 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)						
Office equipment	258	151	107	19	(88)	Tender	M/s Saleem & Company, Karachi
	87	30	57	-	(57)	Write off	
Tools and equipment	200	133	67	-	(67)	Write off	
	231	135	96	-	(96)	Write off	
	84	14	70	-	(70)	Write off	
	123	45	78	-	(78)	Write off	
	123	45	78	-	(78)	Write off	
	68	18	50	-	(50)	Write off	
Motor vehicles	464	161	303	371	68	Employee Scheme	Mr. Abid Bashir Alam, Karachi (Ex-Employee)
	1,119	686	433	433	-	Employee Scheme	Mr. Abid Reza, Karachi (Ex-Employee)
	434	156	278	282	4	Employee Scheme	Mr. Adnan Saghir, Karachi (Ex-Employee)
	474	164	310	379	69	Employee Scheme	Mr. Agha Wajeehuddin, Karachi (Ex-Employee)
	939	601	338	338	-	Employee Scheme	Mr. Ahmed Nadeem, Karachi (Employee)
	939	588	351	579	228	Employee Scheme	Mr. Ali Asghar Jamali, Karachi (Employee)
	434	347	87	168	81	Employee Scheme	Mr. Asim Muhammad Ali, Karachi (Employee)
	434	347	87	168	81	Employee Scheme	Mr. Kamran Hasan, Karachi (Employee)
	434	347	87	168	81	Employee Scheme	Mr. Mohammad Shahid, Karachi (Ex-Employee)
	459	251	208	321	113	Employee Scheme	Mr. Muhammad Saleem, Karachi (Ex-Employee)
	464	371	93	371	278	Employee Scheme	Mr. Murtaza Lalan, Karachi (Employee)
	981	245	736	858	122	Employee Scheme	Mr. Mustafa Hasan Lakhani, Karachi (Employee)
	474	150	324	347	23	Employee Scheme	Mr. Nadeem Ahmed, Karachi (Ex-Employee)
	981	278	703	750	47	Employee Scheme	Mr. Rashid Khan (Ex-Employee)
	1,309	367	942	1,178	236	Employee Scheme	Mr. Shah Saad Hussain, Karachi (Ex-Employee)
	399	309	90	90	-	Employee Scheme	Mr. Shah Saad Hussain, Karachi (Ex-Employee)
	434	347	87	168	81	Employee Scheme	Ms. Rukhsana Ghani, Karachi (Employee)
	805	644	161	161	-	Tender	Mr. Aslam Hayat, Lahore
	434	260	174	310	136	Tender	Mr. Atta Rabbani, Karachi
	1,209	725	484	787	303	Tender	Mr. Atta Rabbani, Karachi
	769	615	154	622	468	Tender	Mr. Kashif Mehmood, Karachi

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

Asset description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
	(Rupees in '000)						
Motor vehicles	1,209	774	435	898	463	Tender	Mr. Kashif Mehmood, Karachi
	464	192	272	445	173	Tender	Mr. Kashif Mehmood, Karachi
	1,039	208	831	1,088	257	Tender	Mr. M. Atif, Karachi
	1,039	208	831	1,116	285	Tender	Mr. M. Atif, Karachi
	1,039	208	831	1,087	256	Tender	Mr. M. Imran, Karachi
	459	355	104	381	277	Tender	Mr. M. Salman, Karachi
	449	317	132	319	187	Tender	Mr. Rehan Mithiani, Karachi
	1,319	317	1,002	1,178	176	Tender	Mr. Riaz Ahmed Karachi
	1,319	317	1,002	1,078	76	Tender	Mr. Riaz Ahmed Karachi
	419	196	223	367	144	Tender	Mr. Riaz Ahmed, Karachi
	1,319	317	1,002	1,078	76	Tender	Mr. Riaz Ahmed, Karachi
	1,319	317	1,002	1,171	169	Tender	Mr. Riaz Ahmed, Karachi
	464	179	285	483	198	Tender	Mr. Saleem, Karachi
	2,550	1,258	1,292	1,785	493	Tender	Mr. Shahid, Karachi
	2,750	917	1,833	2,855	1,022	Tender	Mr. Shahid, Karachi
	2,750	733	2,017	2,735	718	Tender	Mr. Shahid, Karachi
	464	204	260	408	148	Tender	Mr. Waseem Khokar, Karachi (Employee)
	1,169	873	296	873	577	Tender	Mr. Waseem Mirza,Karachi
	434	145	289	384	95	Tender	Mr. Zulfiqar Ahmed, Karachi (Employee)
	1,319	317	1,002	1,078	76	Tender	Ms. Khalda Nasreen, Karachi
	1,450	266	1,184	1,076	(108)	Tender	M/s Habib Sugarcane Farm, Hyderabad
	459	282	177	202	25	Tender	M/s. Auvitronics Limited, Karachi
	969	556	413	469	56	Tender	M/s. Auvitronics Limited, Karachi
	509	42	467	509	42	Insurance Claim	Habib Insurance Company Ltd., Karachi
	499	50	449	499	50	Insurance Claim	Habib Insurance Company Ltd., Karachi
	479	40	439	479	40	Insurance Claim	Habib Insurance Company Ltd., Karachi
	539	36	503	539	36	Insurance Claim	Habib Insurance Company Ltd., Karachi
	484	97	387	484	97	Insurance Claim	Habib Insurance Company Ltd., Karachi
	666	533	133	133	-	Insurance Claim	Habib Insurance Company Ltd., Karachi
	549	37	512	538	26	Insurance Claim	Habib Insurance Company Ltd., Karachi
	549	92	457	549	92	Insurance Claim	Habib Insurance Company Ltd., Karachi
	513	410	103	103	-	Negotiation	Govt. College of Technology, Lahore
	1,337	267	1,070	1,092	22	Negotiation	Noble Computer Services (Private) Limited, Karachi
	419	229	190	196	6	Negotiation	Noble Computer Services (Private) Limited, Karachi
	700	233	467	500	33	Negotiation	Toyota Central Motors, Karachi
	981	229	752	851	99	Negotiation	Toyota Central Motors, Karachi
	1,309	541	768	800	32	Negotiation	Toyota Central Motors, Karachi
	2,750	917	1,833	2,900	1,067	Negotiation	Toyota Islamabad Motors, Islamabad

		2009	2008
		(Rupees in '000)	
3.5	**Capital work-in-progress**		
	Civil works	5,004	10,159
	Plant and machinery	5,178	14,925
	Furniture and fixtures	5,906	1,508
	Office equipment	80	-
	Computer and related accessories	942	551
	Tools and equipment	8,667	34,889
	Jigs and fixtures	3,747	376,664
		29,524	438,696

3.6 During the year, capital work-in-progress amounting to Rs 1,006.646 million (2008: Rs 2,017.940 million) was transferred to owned assets.

		Note	2009	2008
			(Rupees in '000)	
4	**LONG-TERM LOANS AND ADVANCES**			
	Considered good			
	Loans due from - secured			
	- Executives	4.2 & 4.3	17,499	13,051
	- Employees		1,983	1,856
		4.1	19,482	14,907
	Advances to suppliers - unsecured	4.4	45,327	51,462
	Less: Recoverable within one year shown under current assets			
	Loans due from - secured			
	- Executives	9	8,289	5,540
	- Employees	9	1,889	1,503
	Advances to suppliers - unsecured	9	26,122	16,985
			36,300	24,028
			28,509	42,341

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 (2008: 12 to 72) months. House building and personal loans to management employees carry interest at the rate of 3.50% to 6.00% (2008: 3.50% to 6.00%) per annum. Personal loans to non-management employees carry no interest.

	2009	2008
	(Rupees in '000)	

4.2 Reconciliation of carrying amount of loans to executives is as follows:

	2009	2008
Opening balance	13,051	7,706
Disbursements during the year	21,585	14,578
Repayments during the year	(17,137)	(9,233)
Closing balance	17,499	13,051

4.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs 17.499 million (2008: Rs 13.513 million).

4.4 These represent advances to suppliers which is deducted from payments in respect of supplies over a period of 12 to 48 (2008: 24 to 60) months. These carry interest at the rate of 5% to 10% (2008: 5% to 10%) per annum.

5 LONG-TERM DEPOSITS

	Note	2009	2008
		(Rupees in '000)	
Utilities		4,522	4,522
Others	5.1	2,700	2,700
		7,222	7,222

5.1 These include a deposit made against rent to a related party amounting to Rs 2.005 million (2008: Rs 2.005 million).

6 STORES AND SPARES

	2009	2008
	(Rupees in '000)	
Stores	166,282	177,693
Spares	147,155	128,860
	313,437	306,553
Less: Provision for slow moving stores and spares	(184,954)	(74,411)
	128,483	232,142

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

		Note	2009	2008
			(Rupees in '000)	
7	STOCK-IN-TRADE			
	In hand			
	Manufacturing stock			
	Raw material and components		1,384,179	917,921
	Less: Provision for slow moving stock		(39,738)	(8,891)
			1,344,441	909,030
	Work-in-process		95,076	71,959
	Finished goods (vehicles - own manufactured)	7.1	613,117	277,233
			2,052,634	1,258,222
	Trading stock			
	Vehicles	7.2 & 7.3	498,823	601,065
	Spare parts		356,487	279,052
	Special service tools and publications		2,846	851
	Less: Provision for slow moving stock		(89,014)	(34,417)
			769,142	846,551
	In transit		1,267,082	532,856
			4,088,858	2,637,629

7.1 These include finished goods amounting to Rs 545.039 million (2008: Rs 110.047 million) held with the company's authorised dealers at year end.

7.2 These include vehicles amounting to Rs 413.007 million (2008: Rs 307.262 million) held with the company's authorised dealers at year end.

7.3 These include stocks costing Nil (2008: Rs 11.295 million) which have been valued at their net realisable value amounting to Nil (2008: Rs 9.608 million).

		Note	2009	2008
			(Rupees in '000)	
8	TRADE DEBTS - unsecured			
	Considered good			
	Government agencies		1,331,690	1,006,147
	Others	8.1	404,941	326,685
			1,736,631	1,332,832
	Considered doubtful		2,104	2,104
			1,738,735	1,334,936
	Less: Provision for doubtful debts		(2,104)	(2,104)
			1,736,631	1,332,832

8.1 These include balances due from associated undertakings / related parties amounting to Rs 0.361 million (2008: Rs 0.341 million).

8.2 As at June 30, 2009, Rs 138.415 million (2008: Rs 138.053 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	2009	2008
		(Rupees in '000)	
Upto 1 month		14,053	36,153
1 to 6 months		95,218	81,412
More than 6 months		29,144	20,488
		138,415	138,053

9 LOANS AND ADVANCES

	Note	2009	2008
Current portion of long-term loans and advances - considered good			
Loans due from - secured			
- Executives	4	8,289	5,540
- Employees	4	1,889	1,503
Advances to suppliers - unsecured	4	26,122	16,985
		36,300	24,028
Advances – considered good			
Suppliers and contractors	9.1	43,570	39,330
Employees		4,670	2,764
Collector of Customs	9.2	765,977	255,917
Margin with banks	9.3	43,942	415,333
		858,159	713,344
		894,459	737,372

9.1 These include an amount of Nil (2008: Rs 0.268 million) held with a related party.

9.2 This represents amounts paid to the Collector of Customs in respect of the import of stock-in-trade. An amount of Rs 765.977 million (2008: Rs 255.917 million) was cleared subsequent to the year end.

9.3 This includes an amount of Rs 43.942 million (2008: Rs 84.077 million) held with a related party.

	Note	2009	2008
		(Rupees in '000)	
10 SHORT-TERM PREPAYMENTS			
Rent	10.1	13,692	18,778
Insurance		1,261	1,137
Others		1,923	3,233
		16,876	23,148

10.1 These include an amount of Rs 9.385 million (2008: Rs 9.385 million) paid to a related party.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

		Note	2009	2008
			(Rupees in '000)	
11	**OTHER RECEIVABLES**			
	Considered good			
	Warranty claims, agency commission and other receivables due from a related party - Toyota Tsusho Corporation	11.1	14,040	26,652
	Warranty claims due from local vendors		903	1,194
	Earnest money		3,584	3,984
	Insurance claims - due from related party		10,444	6,461
	Sales tax - net		-	1,981
	Workers' Profit Participation Fund	11.2	1,326	4,064
	Net unrealised gain on revaluation of foreign exchange contracts	11.3	12,455	29,732
	Receivable against sale of fixed assets		1,236	-
	Receivable from Collector of Customs		9,634	-
	Receivable from Pension Fund - Defined Benefit Scheme	25	6,004	-
	Others		8,276	292
			67,902	74,360

11.1 These represent remittances receivable from Toyota Tsusho Corporation in Japanese Yen. The maximum aggregate amount due at the end of any month during the year was Rs 39.637 million (2008: Rs 70.571 million).

		Note	2009	2008
			(Rupees in '000)	
11.2	**Workers' Profit Participation Fund**			
	Opening receivable / (payable)		4,064	(7,116)
	Allocation for the year	26	(108,276)	(190,210)
	Interest on funds utilised in the company's business	28	-	(725)
			(108,276)	(190,935)
			(104,212)	(198,051)
	Amount paid during the year		105,538	202,115
	Closing receivable		1,326	4,064
11.3	**Net unrealised gain on revaluation of foreign exchange contracts**			
	Fair value hedge		6,343	10,051
	Cash flow hedge	15	6,112	19,681
			12,455	29,732

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
12 INVESTMENTS - at fair value through profit or loss			
Mutual funds - open ended			
Nil (2008: 263,365) units of United Money Market Fund		-	27,168
Nil (2008: 253,655) units of MCB Dynamic Cash Fund		-	27,003
		-	54,171
13 CASH AND BANK BALANCES			
Cash in hand		1,197	2,068
With banks in:			
Current accounts		62,110	56,924
Deposit accounts	13.1	9,667,859	4,269,593
	13.2	9,729,969	4,326,517
		9,731,166	4,328,585

13.1 These include a balance of Rs 6,900 million (2008: Rs 2,600 million) representing fixed deposit receipts having maturity dates of 30 to 60 days (2008: 30 to 90 days). These term deposit receipts carry profit at rates ranging between 12.10% and 13.00% (2008: 9.50% and 13.50%) per annum, which is due on maturity.

13.2 Balances with banks include an amount of Rs 4,363 million (2008: Rs 2,926 million), [including fixed deposit receipts amounting to Rs 1,600 million (2008: Rs 2,600 million) as referred to in note 13.1] held with related parties.

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2009	2008		Note	2009	2008
(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

	Note	2009	2008
Capital reserve			
Premium on issue of ordinary shares		196,500	196,500
Revenue reserves			
General reserve			
Balance brought forward		6,457,700	4,733,800
Transferred from unappropriated profit		1,465,550	1,723,900
		7,923,250	6,457,700
Unappropriated profit		1,385,111	1,976,459
Net unrealised gain on cash flow hedge	11.3	6,112	19,681
		9,510,973	8,650,340

Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
16 DEFERRED TAXATION			
Deferred tax liability arising on taxable temporary differences:			
Due to accelerated tax depreciation		574,742	532,138
Deferred tax asset arising on deductible temporary differences:			
In respect of provisions		(71,042)	-
		503,700	532,138
17 TRADE AND OTHER PAYABLES			
Creditors			
- Associated undertakings / related parties	17.1	104,130	253,461
- Others		531,355	544,207
Bills payable to associated undertakings / related parties	17.2	833,948	374,516
Accrued liabilities	17.3	1,027,271	858,635
Unclaimed dividends		27,336	27,289
Royalty payable to associated undertakings / related parties:			
- Toyota Motor Corporation		430,881	85,228
- Daihatsu Motor Company		17,959	29,006
Security deposits from dealers	17.4	71,800	67,300
Customs duty payable		108,015	108,015
Retention money		10,662	18,566
Workers' Welfare Fund		41,789	80,631
Technical fee payable to associated undertakings / related parties		1,952	7,905
Warranty obligations	17.5	183,770	144,742
Payable to dealers		152,227	189,785
Payable to Pension Fund - Defined Contribution Scheme		6	-
Tax deducted at source		8,790	92
Sales tax - net		130,566	-
Federal excise duty payable - net		73,615	11,618
Other government levies payable		186,916	36,088
		3,942,988	2,837,084

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

17.1 This represents amounts payable to the following associated undertakings / related parties:

	2009	2008
	(Rupees in '000)	
Toyota Tsusho Corporation	69,819	181,275
Thal Limited	25,653	72,186
Hinopak Motors Limited	8,658	-
	104,130	253,461

17.2 This represents amounts payable to the following associated undertakings / related parties:

	2009	2008
	(Rupees in '000)	
Toyota Tsusho Corporation	787,768	227,831
Daihatsu Motor Company	46,180	146,685
	833,948	374,516

17.3 These include an amount of Rs 25.482 million (2008: Rs 8.019 million) payable to associated undertakings / related parties.

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

	2009	2008
	(Rupees in '000)	
17.5 Warranty obligations		
Opening balance	144,742	118,822
Add: Charge for the year	51,460	34,180
	196,202	153,002
Less: Utilisation during the year	(12,432)	(8,260)
	183,770	144,742

18 ADVANCES FROM CUSTOMERS AND DEALERS	5,926,529	942,442

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, 2009, the company has unutilised short-term running finance facilities under mark-up arrangements aggregating Rs 4,450 million (2008: Rs 2,800 million) available from various commercial banks carrying mark-up rates based on 1 month KIBOR (2008: 1 month KIBOR) as benchmark rate. The above facilities include an amount of Rs 1,500 million (2008: Rs 300 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, 2009 amounting to Rs 7,700 million (2008: Rs 7,700 million) from various commercial banks, including Rs 3,000 million (2008: Rs 1,400 million) available from related parties. The unutilised balance at June 30, 2009 was Rs 4,167 million (2008: Rs 5,010 million).

Short-term running finance and bank guarantees are secured by pari passu hypothecation charge to the extent of Rs 7,327 million (2008: Rs 5,163 million) and ranking hypothecation charge to the extent of Rs. 267 million (2008: Nil) 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 upto the year ended June 30, 2008.

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. 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.

	2009	2008
	(Rupees in '000)	
21.2 Outstanding bank guarantees	1,343,214	735,939

Outstanding bank guarantees include an amount of Rs 1,056.833 million (2008: Rs 537.237 million) in respect of bank guarantees from related parties.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

Commitments

21.3 Commitments in respect of capital expenditure at June 30, 2009 amounted to Rs 21.592 million (2008: Rs 224.623 million).

21.4 Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs 2,168.649 million (2008: Rs 1,729.862 million) out of which commitments valuing Japanese Yen 972.400 million are covered through foreign exchange contracts. The above letters of credit include an amount of Rs 653.818 million (2008: Rs 583.689 million) availed from related parties.

21.5 Commitments in respect of land rent and maintenance charges against leasehold land from Port Qasim Authority as at June 30, 2009 amounted to Rs 232.114 million (2008: Rs 232.884 million).

22 OPERATING RESULTS

	Note	Manufacturing 2009	Manufacturing 2008	Trading 2009	Trading 2008	Total 2009	Total 2008
		(Rupees in '000)					
Gross sales		41,857,505	40,697,699	5,295,512	8,727,562	47,153,017	49,425,261
Sales tax		(5,716,188)	(5,260,123)	(665,955)	(1,066,078)	(6,382,143)	(6,326,201)
Federal excise duty		(1,722,875)	(350,929)	-	-	(1,722,875)	(350,929)
		34,418,442	35,086,647	4,629,557	7,661,484	39,047,999	42,748,131
Commission		(844,518)	(897,617)	(93,140)	(212,944)	(937,658)	(1,110,561)
Discounts		(1,042)	(9,045)	(244,695)	(204,682)	(245,737)	(213,727)
Net sales		33,572,882	34,179,985	4,291,722	7,243,858	37,864,604	41,423,843
Cost of sales							
Opening stock		277,233	59,162	846,551	469,171	1,123,784	528,333
Cost of goods manufactured	22.3	32,200,995	31,629,503	-	-	32,200,995	31,629,503
Purchases	22.2	-	-	3,597,898	6,541,304	3,597,898	6,541,304
Closing stock		(613,117)	(277,233)	(769,142)	(846,551)	(1,382,259)	(1,123,784)
		31,865,111	31,411,432	3,675,307	6,163,924	35,540,418	37,575,356
Gross profit		1,707,771	2,768,553	616,415	1,079,934	2,324,186	3,848,487
Distribution expenses	23	419,930	411,260	50,055	76,113	469,985	487,373
Administrative expenses	24	312,324	245,297	39,925	51,987	352,249	297,284
		732,254	656,557	89,980	128,100	822,234	784,657
		975,517	2,111,996	526,435	951,834	1,502,952	3,063,830
Other operating expenses	26	152,288	298,551	4,191	7,642	156,479	306,193
		823,229	1,813,445	522,244	944,192	1,501,952	2,757,637
Other operating income	27	593,797	589,328	133,283	197,506	727,080	786,834
		1,417,026	2,402,773	655,527	1,141,698	2,072,553	3,544,471
Finance costs	28	23,532	2,278	3,008	482	26,540	2,760
Profit before taxation		1,393,494	2,400,495	652,519	1,141,216	2,046,013	3,541,711

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

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

22.2 This includes an amount of Rs 0.090 million (2008: Rs 3.435 million) in respect of write off against stock-in-trade.

	Note	2009	2008
		(Rupees in '000)	
22.3 Cost of goods manufactured			
Raw materials and vendor parts consumed			
Opening stock		909,030	1,108,149
Purchases		30,224,550	29,455,007
Closing stock	7	(1,344,441)	(909,030)
		29,789,139	29,654,126
Stores and spares consumed		523,311	578,773
Salaries, wages and other benefits	22.5	310,377	290,297
Rent, rates and taxes		3,137	10,114
Repairs and maintenance		63,221	98,800
Depreciation	3.3	732,376	410,968
Legal and professional		383	406
Travelling		10,555	11,714
Transportation		1,063	2,154
Insurance		26,841	19,423
Vehicle running		10,109	5,932
Communication		5,895	6,675
Printing, stationery and office supplies		2,084	3,819
Subscription		75	119
Fuel and power		121,542	107,121
Running royalty		485,092	278,566
Technical fee		20,547	21,552
Staff catering, transport and uniforms		102,413	105,501
Staff training		11,638	21,225
Others		4,314	9,644
		2,434,973	1,982,803
		32,224,112	31,636,929
Add: Opening work-in-process		71,959	64,533
Less: Closing work-in-process	7	95,076	71,959
		32,200,995	31,629,503

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

22.4 Cost of goods manufactured include Rs 6.899 million (2008: Rs 2.153 million) and Rs 5.855 million (2008: Rs 17.090 million) in respect of write off against stock-in-trade and stores and spares respectively.

22.5 Included herein is a sum of Rs 8.193 million (2008: Rs 6.780 million) in respect of charge against employee provident fund and Rs 3.165 million (2008: Rs 3.648 million) in respect of charge against employee pension fund.

		Note	2009	2008
			(Rupees in '000)	
23	DISTRIBUTION EXPENSES			
	Salaries, allowances and other benefits	23.1	75,726	70,998
	Rent, rates and taxes		812	2,823
	Repairs and maintenance		6,018	2,650
	Depreciation	3.3	30,754	47,310
	Advertising and sales promotion		209,506	206,837
	Travelling		17,065	21,786
	Vehicle running		9,438	6,300
	Communication		4,646	4,198
	Printing, stationery and office supplies		2,369	2,608
	Staff training		10,625	12,019
	Staff transport and canteen		9,790	8,291
	Subscription		619	699
	Warranty claims and pre-delivery inspection		65,109	65,021
	Development expenditure		5,526	5,502
	Utilities		571	190
	Transportation		15,998	24,251
	Running royalty		5,404	3,900
	Bad debts		9	1,990
			469,985	487,373

23.1 Included herein is a sum of Rs 2.649 million (2008: Rs 2.325 million) in respect of charge against employee provident fund and Rs 1.118 million (2008: Rs 1.416 million) in respect of charge against employee pension fund.

		Note	2009	2008
			(Rupees in '000)	
24	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and other benefits	24.1	130,034	113,293
	Rent, rates and taxes		2,076	2,648
	Insurance		35,348	18,145
	Repairs and maintenance		20,190	19,306
	Depreciation	3.3	23,140	15,616
	Amortisation	3.2	1,464	2,654
	Travelling		23,825	28,111
	Legal and professional		37,105	34,971
	Vehicle running		14,449	11,679
	Communication		11,167	7,587
	Printing, stationery and office supplies		2,683	3,681
	Staff training		17,248	7,865
	Staff transport and canteen		11,402	12,835
	Security		12,651	10,303
	Subscription		2,760	2,589
	Utilities		679	665
	Share registrar and related expenses		4,641	4,986
	Transportation		126	208
	Others		1,261	142
			352,249	297,284

24.1 Included herein is a sum of Rs 2.755 million (2008: Rs 2.726 million) in respect of charge against employee provident fund and Rs 1.115 million (2008: Rs 1.500 million) in respect of charge against employee pension fund.

25 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, 2009, 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:

	2009	2008
	(Rupees in '000)	
(a) The amount recognised in the balance sheet is as follows:		
Fair value of plan assets	14,752	97,740
Present value of defined benefit obligation	(8,702)	(91,609)
	6,050	6,131
Unrecognised actuarial gains	(46)	(6,131)
	6,004	-

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

	2009	2008
	(Rupees in '000)	
(b) The amount recognised in the profit and loss account is as follows:		
Current service cost	469	7,861
Interest cost	935	7,514
Expected return on plan assets	(1,307)	(8,567)
Actuarial gain recognised during the year	-	(244)
Settlement gain arising due to amendment in rules of the Fund	(5,615)	-
Pension (reversal) / cost recognised during the year	(5,518)	6,564
(c) Movement in net asset recognised in the balance sheet		
Opening balance	-	-
Reversal / (Charge) for the year	5,518	(6,564)
Contributions paid during the year	486	6,564
Closing balance	6,004	-
(d) Movement in fair value of plan assets		
Opening balance	97,740	82,496
Assets attributed to members covered under New Rules as explained in note 2.15	(83,902)	-
Expected return on plan assets	1,307	8,567
Contributions by the employer	486	6,564
Benefits paid	(300)	(259)
Actuarial (loss) / gain	(579)	372
Closing balance	14,752	97,740
(e) Movement in present value of defined benefit obligation		
Opening balance	91,609	71,322
Actuarial balance of members covered under New Rules as explained in note 2.15	(83,902)	-
Current service cost	469	7,861
Interest cost	935	7,514
Benefits paid	(300)	(259)
Actuarial (gain) / loss	(109)	5,171
Closing balance	8,702	91,609
(f) Expected and actual return on plan assets		
Expected return on plan assets	1,307	8,567
Actuarial (loss) / gain on plan assets	(579)	372
Actual return on plan assets	728	8,939

	2009	2008
	(Rupees in '000)	
(g) Plan assets comprises as follows:		
Equity	888	10,685
Debt	6,232	66,570
Cash and bank balances	7,632	20,485
	14,752	97,740

(h) Historical information

	2009	2008	2007	2006	2005
	(Rupees in '000)				
Fair value of plan assets	14,752	97,740	82,496	67,389	55,077
Present value of defined benefit obligation	(8,702)	(91,609)	(71,322)	(60,658)	(49,268)
Surplus	6,050	6,131	11,174	6,731	5,809
Experience (gain)/loss on obligation	-0.1%	7%	-2%	3%	-4%
Experience (loss)/gain on plan assets	-0.6%	0.5%	8%	7%	7%

(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 reversal for the defined benefit plan for the year ending June 30, 2010 is Rs 0.109 million.

(k) The charge for the year in respect of Pension Fund amounts to Rs 5.398 million, which includes Rs 10.916 million in respect of members covered under New Rules and reversal of Rs 5.518 million in respect of members covered under Old Rules.

	Note	2009	2008
		(Rupees in '000)	
26 OTHER OPERATING EXPENSES			
Workers' Welfare Fund - for the year		41,145	72,280
- for prior years		(29,918)	-
		11,227	72,280
Workers' Profit Participation Fund	11.2	108,276	190,210
Auditors' remuneration	26.1	1,559	1,414
Donations	26.2	35,417	42,289
		156,479	306,193

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

	2009	2008
	(Rupees in '000)	
26.1 Auditors' remuneration		
Audit fee	575	550
Interim review and other certifications	757	684
Out-of-pocket expenses	227	180
	1,559	1,414

26.2 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 2009	2008
			(Rupees in '000)	
1. Ali S. Habib	Trustee	Mohamedali Habib Welfare Trust, 2nd Floor, Siddiqsons Tower, Jinnah Co-operative Housing Society, Shahrah-e-Faisal, Karachi.	150	150
2. Mohamedali R. Habib and Ali S. Habib	Trustee	Habib Education Trust, 4th Floor, UBL Building, I. I. Chundrigar Road, Karachi.	2,560	-

	2009	2008
	(Rupees in '000)	
27 OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposits	628,882	604,556
Return on finance under musharika arrangements	-	117
Gain on revaluation of investments at fair value through profit or loss	-	4,171
Gain on redemption of investment in listed mutual funds	1,751	-
Mark-up on advances to suppliers	3,631	2,801
Exchange gain / (loss)	7,365	(308)
Income from other than financial assets		
Agency commission, net of commission expense of Rs 2.754 million (2008: Rs 24.768 million)	53,420	72,607
Exchange gain on agency commission	4,420	10,667
Gain on sale of fixed assets	10,664	3,004
Liabilities no longer payable written back	16,947	89,219
	727,080	786,834

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

		Note	2009	2008
			(Rupees in '000)	
28	**FINANCE COSTS**			
	Mark-up on advances from customers		8,835	2,843
	Mark-up on liabilities against assets subject to finance lease		-	138
	Bank charges		17,731	14,563
	Interest on Workers' Profit Participation Fund	11.2	-	725
	(Gain)/loss on revaluation of creditors		(3,734)	5,373
	Loss/(gain) on revaluation of foreign exchange contracts - net		3,708	(20,882)
			(26)	(15,509)
			26,540	2,760
29	**TAXATION**			
	Current - for the year		705,877	939,743
	- for prior years		(16,528)	(10,866)
			689,349	928,877
	Deferred - current and prior year	16	(28,438)	321,989
		29.1	660,911	1,250,866
29.1	**Relationship between income tax expense and accounting profit**			
	Profit before taxation		2,046,013	3,541,711
	Tax at the applicable tax rate of 35% (2008: 35%)		716,105	1,239,599
	Tax effect of permanent differences		7,234	19,374
	Tax effect of exempt income		(613)	(1,422)
	Effect of tax on income under Final Tax Regime		(25,731)	4,181
	Effect of change in prior years' tax		(16,528)	(10,866)
	Deferred tax - prior year		(19,556)	-
			660,911	1,250,866

30 EARNINGS PER SHARE

30.1 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.

	2009	2008
	(Rupees in '000)	
Profit after taxation	1,385,102	2,290,845
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	78,600,000	78,600,000
	(Rupees)	
Basic earnings per share	17.62	29.15

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2009

30.2 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.

31 CASH GENERATED FROM / (USED IN) OPERATIONS

	Note	2009	2008
		(Rupees in '000)	
Profit before taxation		2,046,013	3,541,711
Adjustment for non-cash charges and other items			
Depreciation		786,270	473,894
Amortisation		1,464	2,654
Gain on sale of fixed assets		(10,664)	(3,004)
Bad debts		9	1,990
Gain on revaluation of investments at fair value through profit or loss		-	(4,171)
Gain on redemption of investment in listed mutual funds		(1,751)	-
Net unrealised gain on revaluation of creditors and foreign exchange contracts		(26)	(15,509)
Return on bank deposits		(628,882)	(604,556)
Return on finance under musharika arrangements		-	(117)
Workers' Profit Participation Fund		108,276	190,210
Workers' Welfare Fund		11,227	72,280
Mark-up on advances from customers		8,835	2,843
Mark-up on liabilities against assets subject to finance lease		-	138
Working capital changes	31.1	4,218,006	(3,783,880)
		6,538,777	(125,517)

31.1 Working capital changes

	2009	2008
(Increase) / decrease in current assets		
Stores and spares	103,659	(4,951)
Stock-in-trade	(1,451,229)	222,322
Trade debts	(403,808)	(669,175)
Loans and advances	(157,087)	(335,454)
Short-term prepayments	6,272	24,375
Other receivables	(12,321)	565,161
	(1,914,514)	(197,722)
Increase / (decrease) in current liabilities		
Trade and other payables	1,148,433	(14,120)
Advances from customers and dealers	4,984,087	(3,572,038)
	6,132,520	(3,586,158)
	4,218,006	(3,783,880)

32 CASH AND CASH EQUIVALENTS

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

	Note	2009	2008
		(Rupees in '000)	
Cash and bank balances	13	9,731,166	4,328,585
Short-term running finances	19	-	-
		9,731,166	4,328,585

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	11,036	15,941	91,102	11,786	9,120	73,882
Retirement benefits	-	-	2,423	-	-	2,338
Utilities and upkeep	-	56	-	-	153	-
Medical expenses	63	4	180	117	1	113
	11,099	16,001	93,705	11,903	9,274	76,333
Number of persons	1	4	44	1	2	39

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

34 TRANSACTIONS AND BALANCES WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

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

	2009	2008
	(Rupees in '000)	
With associated undertakings/related parties:		
Sales	67,033	137,591
Purchases	20,274,923	22,057,259
Insurance premium	128,499	123,279
Agency commission	56,174	97,375
Running royalty	490,496	282,466
Rent expense	12,036	12,036
Technical fee	20,547	21,552
Share registrar and related expenses	-	11,831
Return on bank deposits	417,124	323,913
Proceeds from disposal of fixed assets / insurance claim	4,258	2,912
With key management personnel:		
- Salaries and benefits	54,711	51,279
- Post employment benefits	716	857
- Sale of fixed assets	2,126	795

Notes to and Forming Part of the Financial Statements

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34.1 Accrued return on bank deposits of Rs 50.944 million as disclosed in the balance sheet include an amount of Rs 28.148 million (2008: Rs 32.398 million) receivable from related parties.

34.2 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.

34.3 The status of outstanding balances with associated undertakings / related parties as at June 30, 2009 are included in the respective notes to the financial statements.

35 PLANT CAPACITY AND PRODUCTION

	2009	2008
	(Number of units)	
Capacity based on double shift basis	53,040	53,040
Production	34,298	48,222

The company has been operating on a double shift basis from March 2003 based on market demand.

36 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2009			
	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
	Rupees in '000			
Assets				
Loans	19,482	-	-	19,482
Deposits	7,222	-	-	7,222
Trade debts	1,736,631	-	-	1,736,631
Accrued return on bank deposits	50,944	-	-	50,944
Other receivables	34,853	-	12,455	47,308
Cash and bank balances	9,731,166		-	9,731,166
	11,580,298	-	12,455	11,592,753

	As at June 30, 2009		
	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Rupees in '000		
Liabilities			
Trade and other payables	-	3,393,297	3,393,297
Accrued mark-up	-	673	673
	-	3,393,970	3,393,970

	As at June 30, 2008			
	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
	Rupees in '000			
Assets				
Loans	14,907	-	-	14,907
Deposits	7,222	-	-	7,222
Trade debts	1,332,832	-	-	1,332,832
Accrued return on bank deposits	35,012	-	-	35,012
Other receivables	38,583	-	29,732	68,315
Investments - at fair value through profit or loss	-	54,171	-	54,171
Cash and bank balances	4,328,585	-	-	4,328,585
	5,757,141	54,171	29,732	5,841,044

	As at June 30, 2008		
	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Rupees in '000		
Liabilities			
Trade and other payables	-	2,600,640	2,600,640
Accrued mark-up	-	105	105
	-	2,600,745	2,600,745

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. The company's activities exposes it to a variety of financial risk; credit risk, liquidity risk and market risk.

37.1 Credit risk exposure and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail 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 11,602.386 million (2008: Rs 5,841.044 million), the financial assets which are subject to credit risk amounted to Rs 11,601.189 million (2008: Rs 5,838.976 million), including GoP balances.

Out of the total balance of Rs 9,729.969 million placed with banks, amounts aggregating Rs 8,669.036 million have been placed with banks having credit rating of AA+ and above, whereas remaining amounts are placed with banks having minimum credit rating of A+.

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 assessments 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 credit risk is minimal and the company also believes that it is not exposed to major concentration of credit risk.

37.2 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 cashflow considering the level of liquid assets necessary to meet such risk. The financial liabilities of the company have maturities upto 3 months.

37.3 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 currency risk and interest rate risk.

37.3.1 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.

37.3.2 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:

	2009							
		Interest/ mark-up bearing			Non - Interest / mark-up bearing			Total
	Effective Interest / mark - up rate	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2009
	%	(Rupees in '000)						
On-balance sheet financial instruments								
Assets								
Loans	3.5 to 6	8,800	9,304	18,104	1,377	-	1,377	19,481
Deposits	-	-	-	-	-	7,222	7,222	7,222
Trade debts	-	-	-	-	1,736,631	-	1,736,631	1,736,631
Accrued return on bank deposits	-	-	-	-	50,944	-	50,944	50,944
Other receivables	-	-	-	-	56,942	-	56,942	56,942
Cash and bank balances	5 to 13	9,667,859	-	9,667,859	63,307	-	63,307	9,731,166
		9,676,659	9,304	9,695,963	1,909,201	7,222	1,916,423	11,602,386
Liabilities								
Trade and other payables	-	-	-	-	3,393,297	-	3,393,297	3,393,297
Accrued mark-up	-	-	-	-	673	-	673	673
		-	-	-	3,393,970	-	3,393,970	3,393,970
On-balance sheet gap (a)		9,676,559	9,304	9,685,963	(1,484,769)	7,222	(1,477,547)	8,208,416
Off-balance sheet financial instruments								
Commitment in respect of capital expenditure		-	-	-	21,592	-	21,592	21,592
Commitment in respect of letters of credit		-	-	-	2,168,649	-	2,168,649	2,168,649
Outstanding bank guarantees		-	-	-	76,253	1,266,961	1,343,214	1,343,214
		-	-	-	2,266,494	1,266,961	3,533,455	3,533,455

	2008							
		Interest/ mark-up bearing			Non - Interest / mark-up bearing			Total
	Effective Interest / mark - up rate	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2008
	%	(Rupees in '000)						
On-balance sheet financial instruments								
Assets								
Loans	3.5 to 6	5,841	7,864	13,705	1,202	-	1,202	14,907
Deposits	-	-	-	-	-	7,222	7,222	7,222
Trade debts	-	-	-	-	1,332,832	-	1,332,832	1,332,832
Accrued return on bank deposits	-	-	-	-	35,012	-	35,012	35,012
Other receivables	-	-	-	-	68,315	-	68,315	68,315
Investments - at fair value through profit or loss	-	-	-	-	54,171	-	54,171	54,171
Cash and bank balances	0.75 to 13.5	4,269,593	-	4,269,593	58,992	-	58,992	4,328,585
		4,275,434	7,864	4,283,298	1,550,524	7,222	1,557,746	5,841,044
Liabilities								
Trade and other payables	-	-	-	-	2,557,110	-	2,557,110	2,557,110
Accrued mark-up	-	-	-	-	105	-	105	105
		-	-	-	2,557,215	-	2,557,215	2,557,215
On-balance sheet gap (a)		4,275,434	7,864	4,283,298	(1,006,691)	7,222	(999,469)	3,283,829
Off-balance sheet financial instruments								
Commitment in respect of capital expenditure		-	-	-	224,623	-	224,623	224,623
Commitment in respect of letters of credit		-	-	-	1,729,862	-	1,729,862	1,729,862
Outstanding bank guarantees		-	-	-	208,142	527,797	735,939	735,939
		-	-	-	2,162,627	527,797	2,690,424	2,690,424

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

As the company has no significant variable interest rate-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

37.3.3 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.The estimated fair value of financial assets and liabilities are not materially different from their book values at the balance sheet date.

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.

38 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.

39 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 29, 2009 has proposed a cash dividend in respect of the year ended June 30, 2009 of Rs 10 (2008: Rs 6.5) per share. This is in addition to the interim cash dividend of Nil (2008: Rs 4) per share resulting in a total dividend for the year of Rs 10 (2008: Rs 10.5) per share. The Directors have also announced appropriation of Rs 599.100 million (2008: Rs 1,465.550 million) to general reserve. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2009 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2010.

40 CORRESPONDING FIGURES

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

41 DATE OF AUTHORISATION

These financial statements were authorised for issue on September 29, 2009 by the Board of Directors of the company.

42 GENERAL

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

Parvez Ghias	Koji Hyodo
Chief Executive Officer	Vice Chairman & Director

Notice of Annual General Meeting

Notice is hereby given that the Twentieth Annual General Meeting of Indus Motor Company Limited will be held on Wednesday, October 28, 2009 at 09:00 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, 2009, together with the Report of the Directors and Auditors thereon.

2. To approve and declare cash dividend (2008-09) on the ordinary shares of the Company. The directors have recommended a final cash dividend of 100% (or Rs 10 per share).

3. To appoint auditors and fix their remuneration for the year ending June 30, 2010. 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

Mustafa Hasan Lakhani
Company Secretary

Karachi
September 29, 2009

NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him / her. Proxy forms must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

2. Shareholders are requested to notify the change in their addresses, if any, immediately.

3. Share Transfer Books of the Company will be closed from 22nd October, 2009 to 28th October, 2009 (both days inclusive) for the purpose of the Annual General Meeting and payment of the final dividend.

CDC Account Holders will further have to follow the under-mentioned guidelines 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.

Pattern of Shareholding

As at June 30, 2009

Number Of Shareholders	Shareholding From		Shareholding To	Number Of Shares Held
434	1	---	100	34,217
2,638	101	---	500	1,226,847
379	501	---	1,000	343,657
374	1,001	---	5,000	873,569
73	5,001	---	10,000	541,870
22	10,001	---	15,000	266,893
13	15,001	---	20,000	236,654
9	20,001	---	25,000	210,645
8	25,001	---	30,000	224,314
4	30,001	---	35,000	129,907
9	35,001	---	40,000	338,499
5	40,001	---	45,000	210,759
4	45,001	---	50,000	191,759
2	50,001	---	55,000	103,500
2	55,001	---	60,000	113,732
1	60,001	---	65,000	61,142
1	65,001	---	70,000	69,091
1	70,001	---	75,000	73,173
1	80,001	---	85,000	82,600
1	85,001	---	90,000	88,224
1	100,001	---	105,000	103,200
1	105,001	---	110,000	105,415
1	110,001	---	115,000	113,701
1	125,001	---	130,000	130,000
1	130,001	---	135,000	135,000
1	135,001	---	140,000	136,000
1	145,001	---	150,000	150,000
1	150,001	---	155,000	152,992
1	160,001	---	165,000	160,900
1	185,001	---	190,000	188,055
1	190,001	---	195,000	191,488
1	195,001	---	200,000	196,092
3	220,001	---	225,000	663,498
1	235,001	---	240,000	237,469
1	280,001	---	285,000	281,811
1	300,001	---	305,000	302,237
1	480,001	---	485,000	482,179
1	530,001	---	535,000	532,577
1	595,001	---	600,000	600,000
1	645,001	---	650,000	645,293
1	1,215,001	---	1,220,000	1,215,713
1	1,765,001	---	1,770,000	1,769,698
1	2,935,001	---	2,940,000	2,937,900
1	4,885,001	---	4,890,000	4,890,000
1	9,820,001	---	9,825,000	9,825,000
1	19,645,001	---	19,650,000	19,650,000
1	27,380,001	---	27,385,000	27,382,730
4,010				78,600,000

TOYOTA moving forward

Pattern of Shareholding

As at June 30, 2009

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

Category No.	Categories Of Shareholders	Number Of Shares Held	Number Of Shareholders	Category Wise Shares Held	Percentage
1	INDIVIDUALS		3,856	4,272,451	5.44
2	INVESTMENT COMPANIES		3	19,245	0.02
3	JOINT STOCK COMPANIES		68	544,585	0.69
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		6	422,712	0.54
	MR. ALI S. HABIB	135,000			
	MRS. MUNIZEH ALI HABIB W/O MR. ALI S. HABIB	601			
	MR. MOHAMEDALI R. HABIB	130,000			
	MR. FARHAD ZULFICAR	150,000			
	MR. M. ILYAS SURI	2,550			
	MR. PARVEZ GHIAS	4,561			
5	EXECUTIVES AND THEIR SPOUSE		4	33,163	0.04
	MR. RAZA ANSARI	450			
	MR. FAISAL M. KHAN	500			
	MRS. TAHIRA MALIK W/O MR. MUBASHIR AHMED MALIK	500			
	ALI ASGHAR ABBAS	31,713			
6	NIT & ICP		3	1,783,970	2.27
	NATIONAL INVESTMENT TRUST LIMITED	10,272			
	NATIONAL BANK OF PAKISTAN , TRUSTEE DEPTT.	1,769,698			
	INVESTMENT CORPORATION OF PAKISTAN	4,000			
7	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		2	4,931,600	6.27
	M/S. THAL LIMITED	4,890,000			
	M/S. HABIB INSURANCE CO. LIMITED	41,600			
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-	-
9	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS		22	2,701,851	3.44
10	FOREIGN INVESTORS		27	62,700,659	79.77
	Holding 10% or more voting interest				
	OVERSEAS PAKISTAN INVESTORS AG	27,382,730			
	TOYOTA TSUSHO CORPORATION	9,825,000			
	TOYOTA MOTOR CORPORATION	19,650,000			
	Others below 10% shareholding	5,842,929			
11	CO-OPERATIVE SOCIETIES		-	-	-
12	CHARITABLE TRUSTS		4	61,608	0.08
13	OTHERS		15	1,128,156	1.44
			4,010	78,600,000	100.00

Profit and Loss Account

For The Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in '000)	
Net sales	22	37,864,604	41,423,843
Cost of sales	22	35,540,418	37,575,356
Gross profit		2,324,186	3,848,487
Distribution expenses	23	469,985	487,373
Administrative expenses	24	352,249	297,284
		822,234	784,657
		1,501,952	3,063,830
Other operating expenses	26	156,479	306,193
		1,345,473	2,757,637
Other operating income	27	727,080	786,834
		2,072,553	3,544,471
Finance costs	28	26,540	2,760
Profit before taxation		2,046,013	3,541,711
Taxation	29	660,911	1,250,866
Profit after taxation		1,385,102	2,290,845
		(Rupees)	
Earnings per share	30	17.62	29.15

The annexed notes 1 to 42 form an integral part of these financial statements.

Parvez Ghias
Chief Executive Officer

Koji Hyodo
Vice Chairman & Director

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A.F. FERGUSON & CO.

A member firm of PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

REVIEW REPORT 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 Listing Regulation No. 35 of the Karachi Stock Exchange, Chapter XI of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange 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.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide notice KSE/N-269 dated January 19, 2009 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 price 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, 2009.

AFF & Co

Chartered Accountants

Karachi

AFF&Co

29 SEP 2009

Lahore Office: 505-509, 5th Floor, Alfalah Building, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54000, Pakistan Tel: (92-42) 6285078-85 Fax: (92-42) 6285088
Islamabad Office: 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 Office: House No. 4, Street No. 3, District 6, Road Karte-3, Kabul, Afghanistan. Tel : (93-799) 315320-203424

Shareholder Information

Factory / Registered Office

Plot No. N.W.Z/1/P-1,
Port Qasim Authority, Karachi.
PABX 92-21-34720041-48
Fax 92-21-34720056

Shares Registrar

Noble Computer Services (Private) Limited
Mezzanine Floor, House of Habib Building
(Siddiqsons Tower), 3-Jinnah C. H. Society,
Main Shahrah-e- Faisal, Karachi - 75350.
PABX 92-21-34325482-87
Fax 92-21-34325442

Annual General Meeting

The Annual General Meeting will be held at 09:00 a.m. on October 28, 2009 at the Pearl Continental Hotel, Karachi.

Shareholders as of October 21, 2009 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 at least 48 hours before the meeting time.

Ownership

On June 30, 2009, there were 4,010 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. Following approval, the dividend warrants will be sent within one week thereafter to persons listed in the register of members on October 21, 2009. Income Tax and Zakat will be deducted in accordance with the current regulations. Shareholders who wish to have the dividends deposited directly in their bank accounts should contact the Shares Department by October 21, 2009.

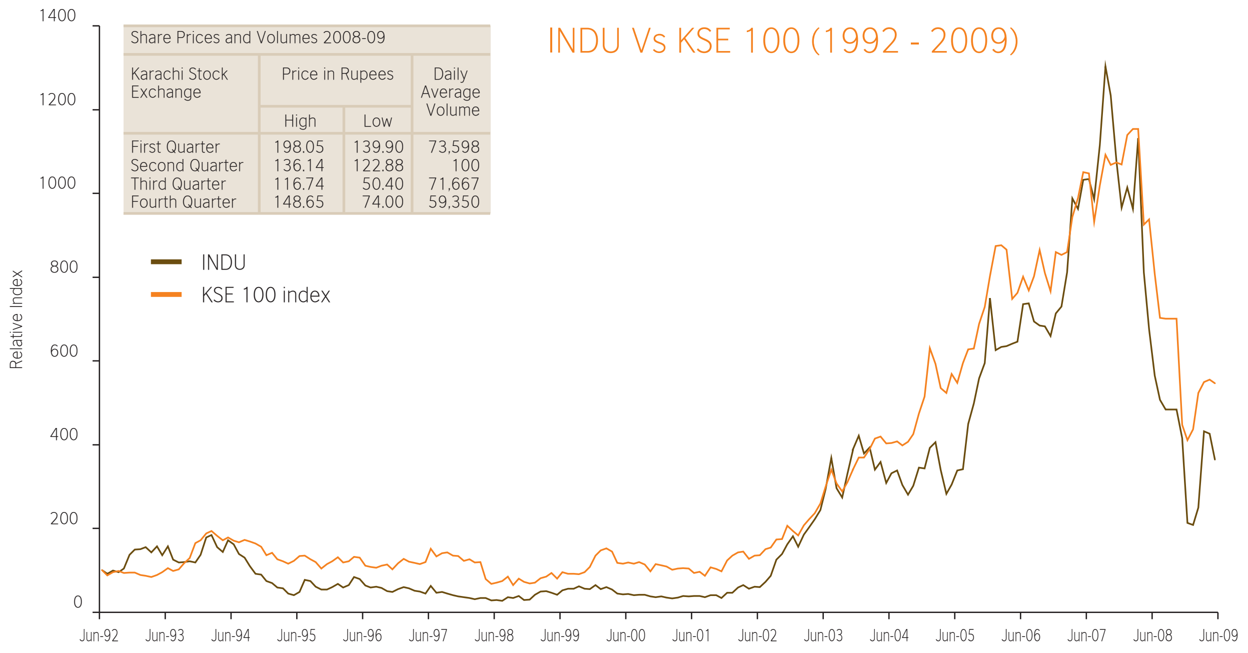
Listing on Stock Exchanges

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.

INDU Vs KSE 100 (1992 - 2009)



Share Prices and Volumes 2008-09

Karachi Stock Exchange	Price in Rupees		Daily Average Volume
	High	Low	
First Quarter	198.05	139.90	73,598
Second Quarter	136.14	122.88	100
Third Quarter	116.74	50.40	71,667
Fourth Quarter	148.65	74.00	59,350

Statement of Changes in Equity

For the year ended June 30, 2009

	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, 2007	786,000	196,500	4,733,800	2,352,714	(25,039)	7,257,975	8,043,975
Final dividend @ 80% for the year ended June 30, 2007 declared subsequent to year end	-	-	-	(628,800)	-	(628,800)	(628,800)
Transfer to general reserve for the year ended June 30, 2007 appropriated subsequent to year end	-	-	1,723,900	(1,723,900)	-	-	-
Unrealised loss on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	25,039	25,039	25,039
Unrealised gain on revaluation of foreign exchange contracts	-	-	-	-	19,681	19,681	19,681
Profit after taxation for the year ended June 30, 2008	-	-	-	2,290,845	-	2,290,845	2,290,845
Interim dividend @ 40%	-	-	-	(314,400)	-	(314,400)	(314,400)
Balance at June 30, 2008	786,000	196,500	6,457,700	1,976,459	19,681	8,650,340	9,436,340
Final dividend @ 65% for the year ended June 30, 2008 declared subsequent to year end	-	-	-	(510,900)	-	(510,900)	(510,900)
Transfer to general reserve for the year ended June 30, 2008 appropriated subsequent to year end	-	-	1,465,550	(1,465,550)	-	-	-
Unrealised gain on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	(19,681)	(19,681)	(19,681)
Unrealised gain on revaluation of foreign exchange contracts	-	-	-	-	6,112	6,112	6,112
Profit after taxation for the year ended June 30, 2009	-	-	-	1,385,102	-	1,385,102	1,385,102
Balance at June 30, 2009	786,000	196,500	7,923,250	1,385,111	6,112	9,510,973	10,296,973

Proposed final dividend and transfer between reserves made subsequent to the year ended June 30, 2009 are disclosed in note 39 to these financial statements.

The annexed notes 1 to 42 form an integral part of these financial statements.

Parvez Ghias
Chief Executive Officer

Koji Hyodo
Vice Chairman & Director

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 35 of the Karachi Stock Exchange, Chapter XI of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange, 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board includes 4 non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. To the best of our knowledge 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.

4. No casual vacancies arose on the Board during the year.

5. The company has prepared a “Statement of Ethics and Business Practices”, which has been adopted by the Board of Directors and signed by the employees of the company.

6. The Management has developed a Vision / Mission statement, overall corporate strategy and significant policies of the Company and the same has been approved by the Board. 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 Officer (CEO) 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. The directors have attended an orientation course and are well aware of their duties and responsibilities.

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

11. The directors’ report for this year has been prepared in compliance with the requirements of the Code and it 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 Code.

15. The Board has formed an audit committee. It comprises of 4 members, of whom 3 members 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, as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function within the company.

18. 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, 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 Institute of Chartered Accountants of Pakistan.

19. 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.

20. We confirm that all other material principles contained in the Code have been complied with.

Karachi
September 29, 2009

Parvez Ghias
Chief Executive Officer

Koji Hyodo
Vice Chairman & Director

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 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 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.

Ten Years at a Glance

Financial Summary		2009	2008	2007
Income Statement				
Units sold	Nos.	35,276	50,802	50,557
Net revenue	Rs in '000	37,864,604	41,423,843	39,061,226
Gross profit	Rs in '000	2,324,186	3,848,487	4,440,594
Profit before taxation	Rs in '000	2,046,013	3,541,711	4,229,481
Profit after taxation	Rs in '000	1,385,102	2,290,845	2,745,701
Dividends	Rs in '000	786,000	825,300	1,021,800
Balance Sheet				
Share capital	Rs in '000	786,000	786,000	786,000
Reserves	Rs in '000	9,510,973	8,650,340	7,257,975
Fixed Assets	Rs in '000	3,934,473	4,033,762	2,093,852
Net current assets	Rs in '000	6,830,469	5,885,153	6,125,156
Long term liabilities	Rs in '000	-	-	-
Investor Information				
Gross profit ratio	% age	6.14	9.29	11.37
Earning per share	Rs	17.62	29.15	34.93
Inventory turnover	Times	10.57	13.67	10.15
Debt collection period	Days	15	9	6
Average fixed assets turnover	Times	9.5	13.52	20.50
Breakup value per share	Rs	131.00	120.06	102.34
Market price per share				
- as on June 30	Rs	107.72	200.05	305.50
- High value during the period	Rs	198.05	419.00	321.00
- Low value during the period	Rs	50.40	171.96	183.35
Price earning ratio	Times	6.11	6.86	8.75
Dividend per share	Rs	10.00	10.50	13.00
Dividend yield	% age	9.28	5.25	4.26
Dividend payout	% age	56.75	36.03	37.21
Return on capital employed	% age	30.45	24.28	34.13
Debt to equity	Ratio	0 : 1	0 : 1	0 : 1
Current ratio	Ratio	1.69 : 1	2.56 : 1	1.83 : 1
Distribution of Revenue				
Government as taxes	Rs in '000	14,158,019	14,478,096	13,790,932
Shareholders as dividends	Rs in '000	786,000	825,300	1,021,800
Employees as remuneration	Rs in '000	516,137	474,588	390,787
Retained with the business	Rs in '000	599,111	1,465,559	1,723,901

2006	2005	2004	2003	2002	2001	2000
42,406	35,874	29,565	20,589	11,238	12,664	11,443
35,236,535	27,601,034	22,521,337	15,634,980	8,111,289	9,054,730	8,246,268
4,147,629	2,706,178	2,693,717	2,146,677	794,926	618,722	544,341
4,072,777	2,302,957	2,266,291	1,932,846	528,364	338,918	280,230
2,648,464	1,484,646	1,473,242	1,257,614	360,463	203,370	172,254
943,200	786,000	707,400	550,200	157,200	117,900	117,900
786,000	786,000	786,000	786,000	786,000	786,000	786,000
5,471,879	3,689,805	2,985,595	2,151,887	1,225,114	967,784	882,314
1,716,590	998,887	860,501	994,502	1,129,207	1,175,664	1,255,967
4,651,103	3,513,878	2,935,154	2,029,514	1,012,102	866,578	815,368
3,871	11,957	7,633	-	-	150,659	238,301
11.77	9.80	11.96	13.73	9.80	6.83	6.60
33.70	18.89	18.74	16.00	4.59	2.59	2.19
8.72	8.73	9.14	8.21	5.31	7.34	8.20
6	5	8	11	19	20	23
25.95	29.69	24.28	14.72	7.04	7.45	7.10
79.62	56.94	47.98	37.38	25.59	22.31	21.23
191.00	90.00	91.20	72.25	18.00	11.20	12.50
231.00	151.80	136.00	79.30	19.65	14.05	20.00
88.50	82.00	68.20	17.25	9.80	8.00	11.75
5.67	4.76	4.87	4.52	3.92	4.33	5.71
12.00	10.00	9.00	7.00	2.00	1.50	1.50
6.28	11.11	9.87	9.69	11.11	13.39	12.00
35.61	52.94	48.02	43.75	43.57	57.92	68.49
42.30	33.08	38.98	42.81	17.92	10.68	9.03
0 : 1	0 : 1	0 : 1	0 : 1	0 : 1	0.09 : 1	0.14 : 1
1.49 : 1	1.41 : 1	1.34 : 1	1.25 : 1	1.25 : 1	1.74 : 1	1.58 : 1
12,473,970	10,098,058	8,303,416	5,775,897	3,440,318	3,106,206	2,883,687
943,200	786,000	707,400	550,200	157,200	117,900	117,900
352,976	256,215	208,148	176,709	145,296	134,739	140,621
1,705,264	698,646	765,842	707,414	203,263	85,470	54,354

Akio Toyoda
President
Toyota Motor Corporation

Toyota's Guiding Principles

Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good citizen of the world.

Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.

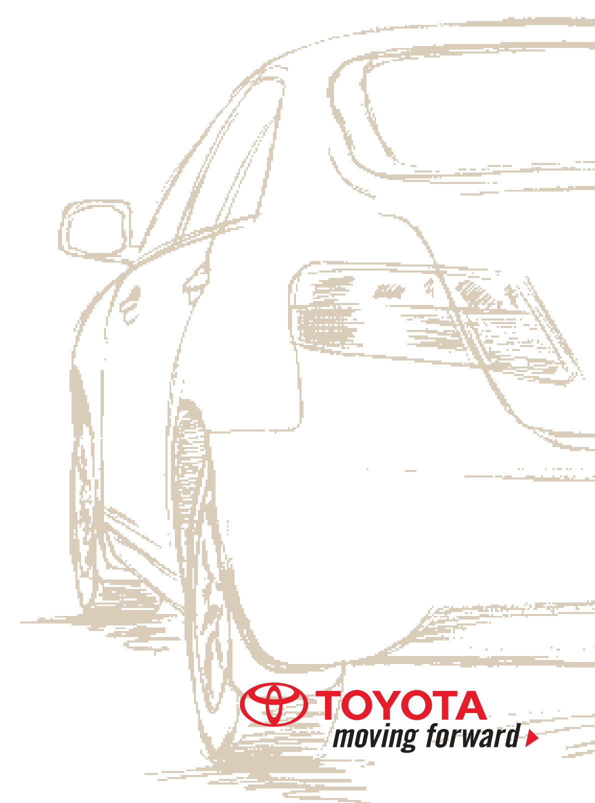
Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.

Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.

Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.

Pursue growth in harmony with the global community through innovative management.

Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.



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