

Indus Motor Company Limited
Quarterly and Nine Months Accounts March 2009

 **TOYOTA**
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Directors' Review

For the quarter ended March 31, 2009

The Directors of Indus Motor Company are pleased to present the un-audited accounts of the Company for the third quarter ended March 31, 2009.

Pakistan Automobile Market

Pakistan's economy during the quarter made reasonable progress on its path towards macroeconomic stability following the uncertainty experienced in 2008. Tighter monetary policy together with improved fiscal discipline and contraction in the external account contributed towards the improvement. However, these measures with only limited availability of consumer finance at higher interest rates did not attract auto owners to purchase new vehicles and is reflected in the falling demand for the new locally assembled vehicles.

Overall sales of the locally assembled Passenger Cars (PC) and Light Commercial Vehicles (LCV) dropped 56% to 20,856 units for the quarter ended March 31, 2009 as compared to 47,638 units sold for the same period last year. On nine months year to date basis, the sales volume was down 46% to 73,910 units as against 136,587 units sold in the corresponding period of the previous year.

Company Operating Performance

The combined sales of Toyota and Daihatsu brands for the quarter fell 27% to 9,688 units compared to 13,307 units sold for the same period last year. The power of our brand/products including strong recognition of its attributes by our valued customers enabled the Company to partially cushion the impact of the adverse market environment. In each of quarter months and for the first time, IMC was able to assume the number #1 leadership position in industry on volume with a market share of 41% for the quarter ended March 2009. On nine months year to date basis, the sales volume of PC and LCV at 23,615 units was down 35% from 36,445 units sold in prior period with market share of 29%, while the production to meet falling demand was restricted to 23,805 units versus 34,925 units produced for the same period during 2008.

The sales revenue for the nine months ended March 31, 2009 decreased 15% to Rs 24.8 billion versus Rs 29.2 billion for the same period last year, while the profit after tax declined substantially to Rs 566 million, down 70% compared to Rs 1.9 billion posted for the corresponding period in 2008. The decline in sales volume and profitability is mainly attributable to the fall in the Rupee value against major currencies contributing to higher input costs. Earlier in the fiscal year, our sales volume were also effected due to the run out of the previous Corolla during first quarter and subsequent launch and gradual ramp up of new generation model.

Near Term Business Outlook

The last quarter April/June'09 is expected to remain challenging in view of the economic pressures faced by the country and effects of global recession. The signs of economy stabilizing and likelihood of inflation and interest rates coming down augers well for the business environment and we expect the demand for our vehicles to increase especially in the rural areas due to the agricultural income cycle and farmer liquidity. On an overall basis, the total industry demand for PC and LCV for the full year to June 2009 is still expected to close significantly lower than the prior year.

The Company is appreciative of the Government of Pakistan for providing some relief to the industry in terms of reducing the depreciation allowance for used cars from 2% to 1% per month and the waiver of 35% cash margin requirement. However to improve industry performance, the Government is requested to withdraw 5% Federal Excise Duty, reduce the Withholding Tax slabs at the registration stage and initiate a dialogue with all stakeholders for renewed implementation of the AIDP (Auto Industry Development Plan).

We are grateful to our customers for their strong preference and loyalty towards our products and we commit to do our best to continue to satisfy them. We recognize the efforts of our staff, dealers, vendors and business partners in these challenging times and are thankful to them.



Chief Executive Officer



Vice Chairman & Director

Condensed Interim Balance Sheet

As at March 31, 2009

	Note	March 31 2009 (Unaudited)	June 30 2008 (Audited)
(Rupees in '000)			
ASSETS			
Non-current assets			
Fixed assets	4	3,837,637	4,033,762
Long-term loans and advances		34,329	42,341
Long-term deposits		7,222	7,222
		3,879,188	4,083,325
Current assets			
Stores and spares		162,996	232,142
Stock-in-trade		5,376,425	2,637,629
Trade debts		832,592	1,332,832
Loans and advances		429,910	737,372
Short-term prepayments and trade deposits		16,689	23,148
Accrued return on bank deposits		61,541	35,012
Other receivables		210,889	74,360
Investments - at fair value through profit or loss		-	54,171
Taxation - net		98,160	209,533
Cash and bank balances		8,740,885	4,328,585
		15,930,087	9,664,784
TOTAL ASSETS		19,809,275	13,748,109
EQUITY			
Capital and Reserves			
Authorised capital			
100,000,000 (June 30, 2008: 100,000,000) ordinary shares of Rs 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2008: 78,600,000) ordinary shares of Rs 10 each		786,000	786,000
Reserves			
		8,674,567	8,650,340
		9,460,567	9,436,340
LIABILITIES			
Non-current liabilities			
Deferred taxation		461,215	532,138
Current liabilities			
Trade and other payables		3,352,962	2,793,554
Advances from customers and dealers		6,533,966	985,972
Accrued mark-up		565	105
		9,887,493	3,779,631
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		19,809,275	13,748,109

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


Parvez Ghias

Chief Executive Officer


Koji Hyodo

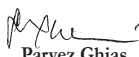
Vice Chairman & Director

Condensed Interim Profit and Loss Account

For the nine months ended March 31, 2009 (unaudited)

	Note	Nine Months ended		Quarter ended	
		March 31		March 31	
		2009	2008	2009	2008
(Rupees in '000)					
Net sales	6.1	24,838,149	29,224,179	10,400,155	10,566,753
Cost of sales	6.2	23,707,345	26,124,080	9,711,226	9,662,650
Gross profit	6.3	1,130,804	3,100,099	688,929	904,103
Distribution costs		338,359	352,267	92,939	95,992
Administrative expenses		232,578	204,745	72,495	72,507
		570,937	557,012	165,434	168,499
		559,867	2,543,087	523,495	735,604
Other operating expenses		79,386	228,418	51,879	65,652
		480,481	2,314,669	471,616	669,952
Other operating income		400,875	637,521	168,956	171,813
		881,356	2,952,190	640,572	841,765
Finance cost		31,698	13,143	22,090	4,361
Profit before taxation		849,658	2,939,047	618,482	837,404
Taxation		283,675	1,047,964	215,279	307,404
Profit after taxation		565,983	1,891,083	403,203	530,000
(Rupees)					
Earnings per share - basic		7.20	24.06	5.13	6.74

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


Parvez Ghias

Chief Executive Officer


Koji Hyodo

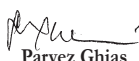
Vice Chairman & Director

Condensed Interim Statement of Changes in Equity

For the nine months ended March 31, 2009 (unaudited)

	Share Capital		Reserves			Sub-Total	Total
	Issued, subscribed and paid-up	Premium on issue of ordinary shares	Revenue		Unrealised gain / (loss) on hedging instruments		
			General reserve	Unappropriated profit			
(Rupees in '000)							
Balance as at June 30, 2007	786,000	196,500	4,733,800	2,352,714	(25,039)	7,257,975	8,043,975
Final dividend for the year ended June 30, 2007 @ 80% 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
Profit after taxation for the nine months ended March 31, 2008	-	-	-	1,891,083	-	1,891,083	1,891,083
Interim Dividend @ 40%	-	-	-	(314,400)	-	(314,400)	(314,400)
Balance as at March 31, 2008	786,000	196,500	6,457,700	1,576,697	-	8,230,897	9,016,897
Balance as at June 30, 2008	786,000	196,500	6,457,700	1,976,459	19,681	8,650,340	9,436,340
Final dividend for the year ended June 30, 2008 @ 65% 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)
Profit after taxation for the nine months ended March 31, 2009	-	-	-	565,983	-	565,983	565,983
Unrealised loss on revaluation of foreign exchange contracts	-	-	-	-	(11,175)	(11,175)	(11,175)
Balance as at March 31, 2009	786,000	196,500	7,923,250	565,992	(11,175)	8,674,567	9,460,567

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


Parvez Ghias

Chief Executive Officer


Koji Hyodo


Vice Chairman & Director

Condensed Interim Cash Flow Statement

For the nine months ended March 31, 2009 (unaudited)

	Nine Months ended	
	March 31	
	2009	2008
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	849,658	2,939,047
Adjustment for non-cash charges and other items		
Depreciation	555,985	338,340
Amortisation	1,038	1,925
Gain on sale of fixed assets	(9,161)	(2,633)
Bad debts	9	-
Net unrealised loss/(gain) on revaluation of creditors and foreign exchange contracts	15,061	(12,620)
Gain on redemption / revaluation of investments made in listed mutual funds	(1,751)	(2,965)
Return on bank deposits	(334,800)	(490,662)
Return on finance under musharika arrangements	-	(114)
Workers' profit participation fund	45,762	157,844
Workers' welfare fund	19,822	59,981
Mark-up on advances from customers	3,264	2,688
Mark-up on liabilities against assets subject to finance lease	-	135
	295,229	51,919
Operating surplus before working capital changes	1,144,887	2,990,966
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	69,146	(21,280)
Stock-in-trade	(2,738,796)	(1,486,148)
Trade debts	500,231	(500,827)
Loans and advances	307,462	16,981
Short-term prepayments and trade deposits	6,459	16,926
Other receivables	(170,325)	456,669
	(2,025,823)	(1,517,679)
Increase / (decrease) in current liabilities		
Trade and other payables	535,772	746,549
Advances from customers and dealers	5,547,994	(1,533,992)
	6,083,766	(787,443)
Cash generated from operations	5,202,830	685,844
Interest paid	(2,804)	(3,402)
Workers' profit participation fund received / (paid)	4,064	(7,114)
Workers' Welfare Fund paid	(50,068)	(77,965)
Interest received	308,271	572,441
Income tax paid	(251,575)	(826,223)
Movement in long-term loans and advances	8,012	(42,955)
Movement in long-term deposits	-	(566)
	15,900	(385,784)
Net cash generated from operating activities	5,218,730	300,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(390,660)	(1,416,173)
Proceeds from disposal of fixed assets	38,923	6,651
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	-	2,828
Net cash used in investing activities	(295,815)	(1,456,694)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of obligation against assets subject to finance lease	-	(2,832)
Dividend paid	(510,615)	(686,905)
Net cash used in financing activities	(510,615)	(689,737)
Net increase / (decrease) in cash and cash equivalents	4,412,300	(1,846,371)
Cash and cash equivalents at beginning of the period	4,328,585	8,543,263
Cash and cash equivalents at end of the period	8,740,885	6,696,892

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


Parvez Ghias

Chief Executive Officer


Koji Hyodo

Vice Chairman & Director

Notes to and forming part of the Condensed Interim Financial Statements

For the nine months ended March 31, 2009 (unaudited)

1 THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as a public limited company in December, 1989 and started commercial production in May 1993. The shares of the company are quoted on all the stock exchanges in Pakistan.

The company was formed in accordance with the terms of a Joint Venture agreement concluded amongst the House of Habib, Toyota Motor Corporation and Toyota Tsusho Corporation for the purposes of assembling, progressive manufacturing and marketing of the Toyota vehicles in Pakistan. The company also acts as the sole distributor of the Toyota vehicles in Pakistan. The company is also a sole distributor of Daihatsu vehicles in Pakistan and has a license for assembling, progressive manufacturing and marketing of these vehicles in Pakistan.

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

2 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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 and the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 and the directives issued by SECP prevail.

The disclosures made in these financial statements have, however, been limited based on the requirements of International Accounting Standard 34, "Interim Financial Reporting". These do not include all the information and disclosures made in the annual published financial statements and therefore should be read in conjunction with the financial statements of the company for the year ended June 30, 2008.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the company for the year ended June 30, 2008.

3.1 Staff Retirement Benefits

During the period, the Company has amended the rules in respect of funded pension scheme operated for its permanent employees, effective from July 1, 2008. The revised rules will be applicable for the employees in service at that date or joined the company thereafter. The old scheme as per note 2.16 to the annual financial statements shall continue to apply to all persons whose employment with the company ceased before July 1, 2008 and are entitled to pension.

The new pension rules introduced a "defined contribution plan" for the pension scheme. Accordingly, the liability of the company will be limited only to monthly contributions to the Fund @ 9% of the basic salary of the employees and pension fund will be liable for pension payments as per revised rules.

Had there been no change in the pension scheme, the charge for the period would have been lower by Rs 1.912 million. (March 31, 2008: Rs 0.590 million).

Notes to and forming part of the Condensed Interim Financial Statements

For the nine months ended March 31, 2009 (unaudited)

	Note	March 31 2009	June 30 2008
(Rupees in '000)			
4	FIXED ASSETS		
	Property, plant and equipment	3,835,614	4,030,967
	Intangible assets	2,023	2,795
		<u>3,837,637</u>	<u>4,033,762</u>

4.1 Property, plant and equipment

Operating assets	3,593,574	3,592,271
Capital work-in-progress	242,040	438,696
	<u>3,835,614</u>	<u>4,030,967</u>

4.2 Details of additions and disposals during the period are as follows:

Additions (at cost)		Disposals (at cost)	
Nine Months ended March 31		Nine Months ended March 31	
2009	2008	2009	2008
(Rupees in '000)			

Tangible - Owned

Buildings on leasehold land:

Factory	554	13,815	-	-
Others	1,471	230	-	-
Plant and machinery	34,302	159,851	7,343	15,976
Motor vehicles	38,754	41,664	49,965	11,081
Furniture and fixtures	17,936	15,947	3,279	-
Office equipment	2,641	5,533	9,174	1,407
Computers and related accessories	2,800	6,317	48,073	167
Tools and equipment	7,299	63,466	40,606	3,848
Jigs and fixtures	481,293	103,908	-	70,456
	<u>587,050</u>	<u>410,731</u>	<u>158,440</u>	<u>102,935</u>

Intangible - Assets

Computer Software	266	891	-	-
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4.3 During the period, capital work in progress amounting to Rs 526.412 million (March 31, 2008: Rs 279.872 million) was transferred to owned assets.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 The status of contingencies, as disclosed in note 24.1 to the annual financial statements for the year ended June 30, 2008 has remain unchanged.

5.1.2 Contingencies in respect of outstanding bank guarantees at the end of the current period amounted to Rs 1,252.021 million (June 30, 2008: Rs 735.939 million). This includes an amount of Rs 899.034 million (June 30, 2008: Rs 537.237 million) in respect of bank guarantees from related parties.

5.2 Commitments

Commitments in respect of capital expenditure at March 31, 2009 amounted to Rs 20.323 million (June 30, 2008: Rs 224.623 million).

Notes to and forming part of the Condensed Interim Financial Statements

For the nine months ended March 31, 2009 (unaudited)

	Nine Months ended		Quarter ended	
	March 31		March 31	
	2009	2008	2009	2008

(Rupees in '000)

6 OPERATING RESULTS

6.1 Sales

Manufacturing

Gross sales	27,277,750	29,030,890	12,019,201	10,743,569
Sales tax	(3,728,233)	(3,753,076)	(1,643,343)	(1,388,862)
Federal excise duty	(1,182,942)	(250,368)	(546,294)	(92,621)
	22,366,575	25,027,446	9,829,564	9,262,086
Commission	(558,591)	(655,828)	(235,886)	(243,621)
Discounts	(1,042)	(4,991)	-	(27)
Manufacturing net sales	21,806,942	24,366,627	9,593,678	9,018,438

Trading

Gross sales	3,748,850	5,856,096	1,023,893	1,894,762
Sales tax	(471,942)	(714,105)	(125,317)	(237,918)
	3,276,908	5,141,991	898,576	1,656,844
Commission	(64,383)	(142,711)	(15,411)	(44,645)
Discounts	(181,318)	(141,728)	(76,688)	(63,884)
Trading net sales	3,031,207	4,857,552	806,477	1,548,315

Net sales

	24,838,149	29,224,179	10,400,155	10,566,753
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6.2 Cost of sales

Raw materials and vendor parts consumed	20,579,362	21,060,913	8,111,902	7,435,698
Stores and spares consumed	362,209	425,827	133,275	151,015
Salaries, wages and other benefits	229,340	214,704	75,435	76,978
Repairs and maintenance	45,281	72,587	9,802	33,296
Depreciation	515,504	290,812	178,969	117,814
Travelling	6,630	9,441	2,322	1,652
Insurance	19,747	14,594	7,148	4,829
Vehicle running	7,555	3,955	2,437	1,736
Communication	3,835	4,644	902	1,414
Printing, stationary and office supplies	1,138	3,023	41	1,095
Fuel and power	78,957	79,387	27,198	23,424
Running royalty	312,750	216,457	144,998	75,478
Technical fee	19,480	6,184	(8,219)	4,503
Staff catering, transport and uniforms	80,782	67,827	23,971	23,228
Staff training	10,552	9,208	2,328	879
Others	1,190	7,377	2,410	1,991
	1,694,950	1,426,027	603,017	519,332
Opening work-in-process	71,959	64,553	77,148	52,882
Closing work-in-process	(142,364)	(173,996)	(142,364)	(173,996)
Cost of goods manufactured	22,203,907	22,377,497	8,649,703	7,833,916
Opening stock of finished goods	277,233	59,162	1,776,002	916,069
Closing stock of finished goods	(1,400,378)	(375,021)	(1,400,378)	(375,021)
Cost of sales - Manufacturing	21,080,762	22,061,638	9,025,327	8,374,964
Cost of sales - Trading	2,626,583	4,062,442	685,899	1,287,686
	23,707,345	26,124,080	9,711,226	9,662,650

6.3 Gross profit

Manufacturing	726,180	2,304,989	568,351	643,474
Trading	404,624	795,110	120,578	260,629
	1,130,804	3,100,099	688,929	904,103

Notes to and forming part of the Condensed Interim Financial Statements

For the nine months ended March 31, 2009 (unaudited)

7 TRANSACTIONS WITH RELATED PARTIES

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

	Nine Months ended		Quarter ended	
	March 31		March 31	
	2009	2008	2009	2008
..... (Rupees in '000).....				
Sales	49,614	82,045	13,157	14,971
Purchases	14,597,898	15,480,663	4,261,806	5,509,764
Insurance premium	91,954	90,043	30,795	24,257
Agency commission	38,169	72,340	9,396	10,925
Running royalty	316,687	219,510	146,773	76,537
Technical fee	19,480	6,184	(8,219)	4,503
Rent expense	9,024	-	3,008	-
Return on bank deposits	235,107	248,693	136,204	84,563
Proceeds from disposal of fixed assets / insurance claim	3,558	1,032	-	34
With key management personnel:				
- Salaries and benefits	39,378	35,240	11,960	10,058
- Post employment benefits	1,425	1,467	395	313
- Sale of fixed assets	4,214	756	1,658	367

March 31	June 30
2009	2008
(Rupees in '000)	

The related party balances at period/year end are as follows:

Long-term deposits	2,005	2,005
Trade debts	820	341
Advances to suppliers	61	268
Balances with banks	6,378,006	2,925,545
Warranty claims, agency commission and other receivables	20,770	26,652
Trade and other payables	893,811	758,135

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

8 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of better presentation and comparison. There have been no significant rearrangements or reclassifications in these condensed interim financial statements.

9 DATE OF AUTHORIZATION OF ISSUE

These condensed interim financial statements were authorized for issue on April 21, 2009 by the Board of Directors of the company.

10 GENERAL

Figures in these condensed interim financial statements have been rounded off to the nearest thousand rupees.


Parvez Ghias

Chief Executive Officer


Koji Hyodo

Vice Chairman & Director

Company Information

BOARD OF DIRECTORS

Ali S. Habib	Chairman
Koji Hyodo	Vice Chairman
Parvez Ghias	Chief Executive Officer
Yutaka Arae	Director
R. Sasaki	Director
Y. Tsubaki	Director
Farhad Zulficar	Director
Mohamedali R. Habib	Director
M. Ilyas Suri	Director

CHIEF FINANCIAL OFFICER

Muhammad Faisal

COMPANY SECRETARY

Mustafa Hasan Lakhani

AUDITORS

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

REGISTRAR

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

LEGAL ADVISORS

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

FACTORY / REGISTERED OFFICE

Plot No. N.W.Z/1/P-1, Port Qasim Authority,
Bin Qasim, Karachi.
Phones: (PABX) (92-21) 4720041-48
(UAN) (92-21) 111-TOYOTA (869-682)
Fax: (92-21) 4720056
Website: www.toyota-indus.com

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