



INDUS MOTOR COMPANY LTD.

Condensed Interim Financial Information
For the Half Year Ended December 31, 2018
(Un-audited)



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Directors' Report

For the half year ended December 31, 2018

The Directors of Indus Motor Company Limited are pleased to present the accounts of the Company for the half-year ended December 31, 2018. The financial statements accompanying this report have received a limited review from the statutory auditors, as required under the Companies Act 2017.

Pakistan Automobile Market

The demand for automobiles was very slow during the first half of the fiscal year, mainly due to the restriction imposed by the Government on non-filers to purchase motor vehicles and due to price increases by OEMs, on account of significant depreciation of the PKR against the US dollar. The impact of these factors would have been far greater if the Company did not have advance orders in hand during the period.

Industry-wide sales of locally manufactured PCs/LCVs stood at 120,442 units during the first half of FY 2018, down 3% from 124,138 units sold during the same period last year.

In response to the Automotive Development Policy 2016-2021, the auto sector has witnessed huge investments by new players and capacity expansion plans implemented by certain existing players, in anticipation of future growth in the auto sector. Industry growth remains heavily dependent on consistent government policies and favorable economic conditions.

Company Review

The combined sales of IMC CKD and CBU for the half year ended December 31, 2018 stood at 33,087 up 8% over 30,651 units for the same period last year. The Market Share for the half year ended December 31, 2018 is 23%.

To fulfill the demand and shorten the delivery time, the company operated its manufacturing facilities beyond capacity, working daily in overtime hours and on off Saturdays to produce 32,984 units, up 8% over 30,502 units produced during the same period last year.

The Company's net sales revenues for the half year ended December 31, 2018, grew to Rs 76.4 billion as compared to Rs. 63.1 billion for the same period last year, while profit after tax declined to Rs 6.91 billion as against Rs. 7.36 billion achieved in the same period last year. Revenues increased due to improved turnover of both CKD and CBU vehicles, whereas profit after tax has declined mainly on account of rise in input costs due to depreciation of PKR against USD and JPY.

The Spirit of "Kaizen" or Continuous improvement is part of our basic values. Several actions were taken to eradicate bottlenecks and enhance production capacity. The multi-billion rupee investment made in the paint shop has increased production capacity over the period, which will yield results in the second half of the financial year, based on demand. This will help our drive to reduce the delivery period and heighten customer satisfaction.

During the period, the transactions with related parties, as disclosed in the financial statements, were carried out in the ordinary course of business on arm's length basis. Based on the above results, the Board of Directors are pleased to declare an interim cash dividend of Rs 25 per share for the quarter, thus making total dividend for the half year ended December 31, 2018 to Rs 57.5 per share.

Directors' Report

For the half year ended December 31, 2018

Near Term Business Outlook

The auto sector is expected to witness further investments by new players as a result of the Automotive Development Policy 2016-2021 and the increasing demand for vehicles. The new Auto Policy has not included any measures or incentives for Auto Parts manufacturers however. The true growth and benefits of technology transfer, job creation and local value addition can only be fully realized by addressing this missing link.

The import of used cars has reduced significantly to 27,900 units approximately for the six months, against an estimated 44,700 units last year for the same period, primarily due to rupee depreciation. The government has reintroduced the procedure for payment of C&F, duties and taxes, in an attempt to ensure the genuineness of such imports. This is the step in the right direction and should improve documentation of the economy.

The abrupt and significant depreciation in the rupee towards the end of the second half of the year, has increased the cost of imported inputs by the company and its vendors. This unfortunately, ultimately forced the company to pass on a certain impact to the customers in terms of price increase of vehicles.

The industry welcomes and appreciates the proposal of the Government under supplementary budget 2019 to allow purchase of motor vehicles up to 1300cc, which will help the industry to regain its momentum of growth. Proposed 10% FED imposition on locally manufactured motor vehicle 1800cc and above (8703 category) will affect sales of Toyota Fortuner.

We are grateful to our customers for their continued patronage of our products and wish to acknowledge the efforts of the entire Indus team, including our staff, vendors, dealers and all business partners for their untiring efforts in these challenging times and look forward to their continued support.

We bow to the Almighty and pray for His blessings and guidance.

February 25, 2019

Karachi.


Ali Asghar Jamali
 Chief Executive & Director


Yuji Takarada
 Vice Chairman & Director

ڈائریکٹر رپورٹ برائے ششماہی ختمہ 31 دسمبر 2018ء

بورڈ آف ڈائریکٹرز انڈس موٹر کمپنی انتہائی مسرت سے ادارے کے مالی سال کی 31 دسمبر 2018ء کو ختم ہونے والی ششماہی کے حسابات (Accounts) کی رپورٹ جن کا آڈیٹرز نے محدود جائزہ لیا ہے، اور جو کمپنیز ایکٹ 2017ء کے تحت لازم ہیں، پیش کرتے ہیں۔

پاکستان آٹو موبائل مارکیٹ :

مالی سال کے پہلے نصف کے دوران موٹر گاڑیوں کی طلب بہت زیادہ سست رہی، جس کی بنیادی وجہ حکومت کی طرف سے نان فالگر پر عائد کردہ گاڑیاں خریدنے کی پابندی تھی ہنوز پاکستانی روپے کی امریکی ڈالر کے مقابلے میں قدر میں کمی کی وجہ سے OEMs کی جانب سے قیمتوں میں اضافے کے اثرات پڑے۔ گاڑیوں کی مذکورہ طلب مزید کم ہو سکتی تھی لیکن گاڑیاں بنانے والوں کی جانب سے اس بات کا فیصلہ کیا گیا، کہ جن لوگوں نے اس مدت کے لئے تحریری طور پر پیشگی آرڈرز جمع کر دیے ہیں، ان کو گاڑیاں اسی قیمت میں دی جائیں گی۔

پوری صنعت کی جانب سے PCs/LCVs گاڑیوں کی فروخت اس مذکورہ مدت میں 120,442 یونٹس رہی، جو کہ گزشتہ برس کی اسی مدت میں رہنے والی 124,138 یونٹس کی فروخت کے مقابلے میں 3 فیصد کم ہے۔

آٹو میڈیو لیمینٹ پالسی 2021-2016ء کے جواب میں آٹو سیکٹر نے بعض نئے اداروں کی جانب سے بڑی سرمایہ کاری اور پرانے اداروں کی جانب سے صلاحیتوں میں توسیع کی منصوبہ بندی کا مشاہدہ کیا، جس کی وجہ سے مستقبل میں آٹو سیکٹر میں ترقی کے امکانات روشن ہیں۔ لیکن مذکورہ ترقی حکومت کی جانب سے جاری تسلسل پالیسیوں اور اقتصادی حالات پر بہت زیادہ منحصر ہے۔

کمپنی کا جائزہ:

31 دسمبر، 2018ء کو ختم ہونے والے نصف سال کے لئے IMC کے CKD اور CBU یونٹس کی مشترکہ فروخت گزشتہ برس کے مقابلے میں 8 فیصد اضافے کے ساتھ 33,087 یونٹس رہی جب کہ گزشتہ برس یہی فروخت 30,651 یونٹس رہی تھی۔ 31 دسمبر، 2018ء کو ختم ہونے والے نصف سال کے لئے مارکیٹ شیئر 23 فیصد ہے۔

طلب کو پورا کرنے اور ترسیل کے وقت کو کم کرنے کے لئے، کمپنی نے اپنی مینوفیکچرنگ کی سہولیات کی صلاحیت سے بڑھ کر کام کیا، 32,984 یونٹس بنانے کے لئے کمپنی نے روزانہ اور ٹائم کے علاوہ ہفتے کے دن بھی کام کیا، جو کہ گزشتہ برس کی اسی مدت کے مقابلے میں 8 فیصد زائد ہے یا درجہ گزشتہ سال اسی مدت میں 30,502 یونٹس تیار کئے گئے تھے۔

31 دسمبر، 2018ء کو ختم ہونے والے نصف سال کے لئے کمپنی کی خالص فروخت آمدنی گزشتہ سال کی اسی مدت کے مقابلے میں رہنے والی آمدنی 63.1 بلین روپے کے مقابلے میں 76.4 بلین روپے تک جا پہنچی۔ جبکہ منافع بعد از ٹیکس کم ہو کر 6.91 بلین روپے رہا جو کہ گزشتہ برس کی اسی مدت میں 7.36 بلین روپے تھا۔ CKD اور CBU گاڑیوں کی فروخت کی وجہ سے آمدنی میں اضافہ ہوا جبکہ منافع میں کمی ہوئی، جس کی بنیادی وجہ امریکی ڈالر (USD) اور جاپانی ین (JPY) کے مقابلے میں مسلسل گرتی ہوئی پاکستانی روپے کی قدر تھی۔

"کازن" کی روح یا مسلسل بہتری ہی ہماری بنیادی اقدار کا حصہ ہے۔ اس دوران مشکل حالات سے نکلنے اور پیداواری صلاحیت کو بڑھانے کے لئے کئی

اقدامات کئے گئے۔ پیٹنٹ شاپ میں کئی بلین روپے کی سرمایہ کاری کی گئی جس کے نتیجے میں، مذکورہ مدت کے آخر میں پیداواری صلاحیت میں اضافہ ہوا، اور اس کی بنیاد پر مالی سال کے دوسرے نصف میں مزید بہتر نتائج پیدا ہوں گے۔ اس امر سے ڈیلیوری کی مدت کو کم کرنے اور کسٹمر کا مطمئنان بڑھانے کی ہماری مہم میں معاونت ہوگی۔

مذکورہ مدت کے دوران، مالی اسٹیٹمنٹس میں ظاہر ہونے والے متعلقہ پارٹیز کے ساتھ ٹرانزیکشن یا کاروبار عام انداز میں کیا گیا۔ مندرجہ بالا نتائج کے مطابق، بورڈ آف ڈائریکٹرز مذکورہ سہ ماہی کے لئے فی حصص نقد منافع منقسمہ 25 روپے کا بسمرت اعلان کرتا ہے، اس طرح 31 دسمبر، 2018 کو ختم ہونے والی ششماہی کے لئے لگے گئے منافع منقسمہ 57.5 روپے فی حصص ہوگا۔

مستقبل قریب میں کاروباری امکانات :

آٹوموٹیو ڈیولپمنٹ پالیسی 2016-2021ء کے نتیجے میں آٹو سکٹر میں آنے والے نئے سرمایہ کاروں سے مزید نئی سرمایہ کاری کی توقع ہے، تاہم، ٹیکنالوجی کی منتقلی کی حقیقی ترقی اور فوائد، روزگار کے مواقع کی تخلیق اور مقامی اقدار کے علاوہ صرف آٹو پارٹس مینوفیکچررز کے لئے پالیسی میں تشریح بھی شامل ہیں، جو نئی آٹو پالیسی کا حصہ نہیں ہیں۔

استعمال شدہ گاڑیوں کی درآمد مذکورہ چھ ماہ میں کم ہو کر 27,900 یونٹس رہ گئی، جب کہ گزشتہ برس اسی مدت میں یہ درآمد 44,700 یونٹس تھی، جس کی ویسے بنیادی وجہ روپے کی قدر میں کمی تھی، مگر حکومت نے بھی محصولات کو بیرونی زرمبادلہ کے ذریعے جوada بنکیوں کا طریقہ کار متعارف کرایا ہے، یہ معیشت کی درستگی کی سمت میں صحیح قدم ہے۔

سال کے دوسرے نصف کے اختتام پر روپیہ کی قدر میں اچانک کمی سے کمپنی کی جانب سے درآمد شدہ پرزہ جات کی قیمتوں میں اضافہ ہوا، جو بالآخر کمپنی نے ان قیمتوں کے لحاظ سے گاڑیوں کی قیمتوں میں اضافہ کر کے مجبوراً صارفین پر منتقل کر دیا۔

انڈسٹری نے ضمنی بجٹ 2019ء کے تحت حکومت کی اس تجویز کا خیر مقدم کیا کہ نان فائلرز موٹر گاڑیوں کی خریداری آئندہ 1300 سی سی تک کر سکیں گے، جس سے انڈسٹری کو ترقی کی رفتار حاصل کرنے میں مدد ملے گی۔ اس ضمن میں مجوزہ 10 فیصد FED ٹیکس مقامی گاڑیوں پر لگے گا جو (8703) کیلکولی میں 1800 CC اور اس سے اوپر کی گاڑیوں پر ہوگا جس سے ٹو یونا فور چوڑی کی سلیز متاثر ہوگی۔

ہمیشہ کی طرح ہم اپنے صارفین کے شکر گزار ہیں کہ انہوں نے ہماری مصنوعات پر مسلسل اعتماد کیا۔ ہم انڈس کی پوری ٹیم، بشمول اسٹاف، وینڈرز، ڈیلرز اور تمام بزنس پارٹنرز، کی مشکل وقتوں میں انتھک محنت کو سراہنا چاہتے ہیں، اور امید کرتے ہیں ہمیں اُن کا مسلسل ساتھ حاصل رہے گا۔

ہم رب عظیم کے شکر گزار ہیں اور اسکی برکتوں سمیت رہنمائی کے لئے دعا گو ہیں۔

25 فروری، 2019ء

کراچی



یوجی تکاراوا

وائس چیئرمین اور ڈائریکٹر



علی اصغر جمالی

چیف ایگزیکٹو اور ڈائریکٹر

Independent Auditors' Review Report to the Members of Indus Motor Company Limited Report on Review of Interim Financial Statement

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Indus Motor Company Limited as at December 31, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the 'interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2018.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is Shahbaz Akbar.



A. F. Ferguson & Co.,
Chartered Accountants
Karachi

Date: February 26, 2019

Condensed Interim Statement of Financial Position

AS AT DECEMBER 31, 2018

	Note	December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
		----- (Rupees in '000) -----	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	9,640,609	7,224,839
Intangible assets		73,556	86,540
Long-term loans and advances		61,874	48,525
Long-term deposits		11,130	9,443
Deferred taxation		216,551	14,589
		<u>10,003,720</u>	<u>7,383,936</u>
Current Assets			
Stores and spares		356,472	301,254
Stock-in-trade		12,391,196	11,150,736
Trade debts		2,121,330	1,453,670
Loans and advances		3,381,425	3,714,654
Short-term prepayments		57,861	14,639
Other receivables		1,661,214	556,284
Accrued return		122,535	120,016
Taxation - net		286,079	-
Short-term investments	6	33,245,878	55,031,103
Cash and bank balances		2,007,296	2,200,772
		<u>55,631,286</u>	<u>74,543,128</u>
TOTAL ASSETS		<u>65,635,006</u>	<u>81,927,064</u>
EQUITY			
Share Capital			
Authorised capital			
500,000,000 (June 30, 2018: 500,000,000) ordinary shares of Rs 10 each		<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2018: 78,600,000) ordinary shares of Rs 10 each		786,000	786,000
Reserves		<u>36,778,907</u>	<u>35,958,342</u>
		37,564,907	36,744,342
LIABILITIES			
Non-Current Liabilities			
Deferred revenue		35,871	22,711
Current Liabilities			
Current portion of deferred revenue		8,762	3,933
Unclaimed dividend		177,395	182,437
Unpaid dividend		97,743	60,445
Trade, other payables and provisions		13,921,933	15,731,241
Advances from customers and dealers		13,828,395	27,491,128
Taxation - net		-	1,690,827
		<u>28,034,228</u>	<u>45,160,011</u>
TOTAL EQUITY AND LIABILITIES		<u>65,635,006</u>	<u>81,927,064</u>

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.


Aqeel Loon
Chief Financial Officer


Ali Asghar Jamali
Chief Executive & Director


Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Profit or Loss

For the Half year and Quarter Ended December 31, 2018 (Unaudited)

	Note	Half year ended		Quarter ended	
		December 31		December 31	
		2018	2017	2018	2017
		----- (Rupees in '000) -----			
Net sales	8	76,446,801	63,074,535	41,547,229	31,994,017
Cost of sales	9	(66,389,473)	(52,185,265)	(36,457,973)	(26,408,381)
Gross profit		10,057,328	10,889,270	5,089,256	5,585,636
Administrative expenses		(596,784)	(683,425)	(343,256)	(404,380)
Distribution expenses		(662,583)	(581,452)	(307,198)	(270,242)
Other operating expenses		(77,853)	(69,784)	(71,564)	(66,742)
		(1,337,220)	(1,334,661)	(722,018)	(741,364)
		8,720,108	9,554,609	4,367,238	4,844,272
Workers' Profit Participation Fund and Workers' Welfare Fund		(751,523)	(782,709)	(375,369)	(397,589)
		7,968,585	8,771,900	3,991,869	4,446,683
Other income		2,098,084	1,769,845	1,044,814	913,480
		10,066,669	10,541,745	5,036,683	5,360,163
Finance costs		(27,884)	(28,654)	(17,979)	(15,201)
Profit before taxation		10,038,785	10,513,091	5,018,704	5,344,962
Taxation		(3,126,720)	(3,148,882)	(1,614,883)	(1,609,473)
Profit after taxation		6,912,065	7,364,209	3,403,821	3,735,489
Earnings per share - basic and diluted (Rupees)		87.94	93.69	43.31	47.53

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Aqeel Loon
Chief Financial Officer



Ali Asghar Jamali
Chief Executive & Director



Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Comprehensive Income

For the half year and quarter ended December 31, 2018 (Unaudited)

	Half year ended		Quarter ended	
	December 31		December 31	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Profit after taxation for the period	6,912,065	7,364,209	3,403,821	3,735,489
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Items that will not be subsequently reclassified to profit or loss	-	-	-	-
Total comprehensive income for the period	6,912,065	7,364,209	3,403,821	3,735,489

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.



Aqeel Loon

Chief Financial Officer



Ali Asghar Jamali

Chief Executive & Director



Yuji Takarada

Vice Chairman & Director

Condensed Interim Statement of Cash Flows (Unaudited)

For the half year ended December 31, 2018

Note	Half year ended	
	December 31	
	2018	2017
	------(Rupees in '000)-----	

CASH FLOWS FROM OPERATING ACTIVITIES

Cash (utilised in) / generated from operations	10	(8,610,150)	11,586,486
Workers' Welfare Fund paid		(444,589)	(350,000)
Income tax paid		(5,305,570)	(2,630,455)
Movement in long-term deposits		(1,687)	-
Deferred revenue		13,160	4,829
Long-term loans and advances		(13,349)	(4,380)
Net cash (utilised in) / generated from operating activities		(14,362,185)	8,606,480

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment and intangible assets	(3,438,872)	(1,527,685)
Proceeds from disposal of property, plant and equipment	9,655	7,552
Interest received on bank deposits, PIBs	1,040,244	1,242,647
Proceeds from redemption of Term Deposit Receipts	-	7,000,000
Investment in listed mutual fund units	(250,000)	(8,428,336)
Proceeds from redemption of listed mutual fund units	8,371,572	7,556,177
Redemption of Pakistan Investment Bonds	-	5,063,031
Purchase of Market Treasury Bills	-	(728,175)
Proceeds from redemption of Market Treasury Bills	652,000	362,801
Net cash inflow from investing activities	6,384,599	10,548,012

CASH FLOWS FROM FINANCING ACTIVITY

Dividend paid	(6,059,244)	(5,080,739)
Net (decrease) / increase in cash and cash equivalents during the period	(14,036,830)	14,073,753
Cash and cash equivalents at the beginning of the period	48,043,179	32,599,720
Cash and cash equivalents at the end of the period	34,006,349	46,673,473

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Aqeel Loon

Chief Financial Officer



Ali Asghar Jamali

Chief Executive & Director



Yuji Takarada

Vice Chairman & Director

Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2018 (Unaudited)

	Share Capital	Reserves				
	Issued, subscribed and paid-up	Capital	Revenue		Sub-Total	Total
		Premium on issue of ordinary shares	General reserve	Unappropriated profit		

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.


Aqeel Loon
Chief Financial Officer


Ali Asghar Jamali
Chief Executive & Director


Yuji Takarada
Vice Chairman & Director

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

1 THE COMPANY AND ITS OPERATIONS

Indus Motor Company Limited (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 the Pakistan Stock Exchange.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, 'Interim Financial Reporting', issued by International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Company for the year ended June 30, 2018.

2.2 The figures included in the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and 2017 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2018 and 2017.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation of balances 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, 2018 except for those disclosed in note 3.2

3.2 **Changes in accounting standards, interpretations and amendments to published approved accounting standards**

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

3.2.1 Standards, interpretations and amendments to published approved accounting standards that are effective

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning on July 1, 2018. However, these do not have any significant effect on the Company's financial reporting and operations and therefore, have not been disclosed in these condensed interim financial statements.

In addition to that two new standards (i.e. IFRS 9 and IFRS 15) have become applicable to the Company effective July 1, 2018. Because of these new standards certain changes to the Company's accounting policies have been made in light of the following paragraphs:

- IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The changes laid down by this standard do not have any significant impact on these condensed interim financial statements of the Company.

- IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As a result of application of IFRS 15, compensation paid to customers that were previously classified under finance costs have now been accounted for as a reduction of sales. The change in treatment has been accounted for retrospectively and the comparative information has been re-classified. The revised treatment did not result in any material impact on the profit / shareholder's equity of the Company.

3.2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

There are certain new standards, interpretations and amendments to approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019 and may have an impact on the financial statements of the Company. At present, the impact of application of these standards, amendments and interpretations on the Company's future financial statements is being assessed.

4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements is in conformity with the approved accounting standards as applicable in Pakistan for interim reporting which requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the financial statements as at and for the year ended June 30, 2018.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	----- (Rupees in '000) -----	
5 Property, plant and equipment		
Operating assets	6,229,319	6,933,371
Capital work-in-progress	3,411,290	291,468
	9,640,609	7,224,839

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

	Additions (at cost)		Disposals (at cost)	
	Half year ended December 31		Half year ended December 31	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Tangible - Owned				
Buildings on leasehold land:				
Factory	45,947	51,286	1,963	-
Others	2,866	2,251	-	-
Plant and machinery	171,043	289,619	34,529	27,523
Motor vehicles	72,455	70,771	17,229	16,024
Furniture and fixtures	91	5,241	-	-
Office equipment	4,705	7,080	14,054	468
Computers and related accessories	6,793	17,612	7,405	5,598
Tools and equipment	11,043	29,116	1,102	3,837
Jigs, moulds and related equipment	1,700	4,092	-	-
	316,643	477,068	76,282	53,450

Intangible assets

Computer software	2,407	810	-	-
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5.1.1 Additions to owned assets include transfers from capital work-in-progress amounting to Rs 186.458 million (December 31, 2017: Rs 307.725 million).

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	-----	-----
	----- (Rupees in '000) -----	
6 SHORT-TERM INVESTMENTS		
Investments at fair value through profit or loss		
- Listed mutual fund units	1,246,825	9,071,931
At amortised cost		
- Government securities - Market Treasury Bills	1,999,053	10,959,172
- Term Deposit Receipts (TDRs)	30,000,000	35,000,000
	<u>33,245,878</u>	<u>55,031,103</u>

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 The status of contingencies as disclosed in the annual financial statements of the Company for the year ended June 30, 2018 has remained unchanged.

7.1.2 As at December 31, 2018 the claims not acknowledged as debts by the company aggregate to Rs 1,204.662 million (June 30, 2018: Rs 1,137.611 million).

7.2 Commitments

7.2.1 Commitments in respect of capital expenditure as at December 31, 2018 aggregate to Rs 5,511.560 million (June 30, 2018: Rs 3,028.016 million).

7.2.2 Commitments in respect of outstanding bank guarantees as at December 31, 2018 amounted to Rs 12,707.546 million (June 30, 2018: Rs 13,234.038 million). This includes an amount of Rs 5,581.228 million (June 30, 2018: Rs 5,287.496 million) in respect of bank guarantees from related party.

7.2.3 Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs 1,485.767 million (June 30, 2018: Rs 3,244.144 million). The above letters of credit include an amount of Rs 1,265.044 million (June 30, 2018: Rs 1,411.699 million) availed from a related party.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

8	SALES	Half year ended		Quarter ended	
		December 31		December 31	
		2018	2017	2018	2017
----- (Rupees in '000) -----					
	Manufacturing				
	Gross sales	86,670,058	71,567,126	46,566,596	36,426,484
	Sales tax	(12,591,648)	(10,419,715)	(6,765,805)	(5,313,983)
		<u>74,078,410</u>	<u>61,147,411</u>	<u>39,800,791</u>	<u>31,112,501</u>
	Commission	(1,967,103)	(1,812,183)	(1,043,342)	(924,372)
	Discounts	(4,206)	(4,324)	(1,980)	(2,423)
	Compensation on advances from customers	(161,390)	(243,924)	(69,810)	(104,706)
	Manufacturing net sales	<u>71,945,711</u>	<u>59,086,980</u>	<u>38,685,659</u>	<u>30,081,000</u>
	Trading				
	Gross sales	5,436,471	4,874,403	3,476,671	2,385,070
	Sales tax	(589,935)	(545,722)	(395,000)	(262,601)
		<u>4,846,536</u>	<u>4,328,681</u>	<u>3,081,671</u>	<u>2,122,469</u>
	Commission	(105,398)	(148,403)	(88,272)	(106,305)
	Discounts	(240,048)	(192,722)	(131,829)	(103,147)
	Trading net sales	<u>4,501,090</u>	<u>3,987,555</u>	<u>2,861,570</u>	<u>1,913,017</u>
	Net sales	<u>76,446,801</u>	<u>63,074,535</u>	<u>41,547,229</u>	<u>31,994,017</u>
9	COST OF SALES	Half year ended		Quarter ended	
		December 31		December 31	
		2018	2017	2018	2017
----- (Rupees in '000) -----					
	Manufacturing	62,931,259	49,473,414	34,239,002	25,137,476
	Trading	3,458,214	2,711,851	2,218,971	1,270,905
		<u>66,389,473</u>	<u>52,185,265</u>	<u>36,457,973</u>	<u>26,408,381</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

	Note	Half year ended	
		December 31	
		2018	2017
------(Rupees in '000)-----			
10 CASH (UTILISED IN) / GENERATED FROM OPERATIONS			
Profit before taxation		10,038,785	10,513,091
Adjustment for non-cash charges and other items:			
Depreciation		1,017,706	880,221
Amortisation		15,391	14,065
Provision for doubtful debts		663	-
Gain on disposal of operating fixed assets		(6,682)	(4,269)
Net unrealised (gain) / loss on revaluation of foreign exchange contracts - fair value hedge		(23,438)	2,236
Gain on redemption / revaluation of listed mutual fund units		(296,466)	(130,222)
Return on bank deposits		(877,439)	(987,254)
Gain on sale of investments in Pakistan Investment Bonds (PIBs)		(165,324)	(23,745)
Amortization income on Pakistan Investment Bonds		-	(2,469)
Interest Income on Market Treasury Bills		(398,840)	(316,723)
Amortization Income on Market Treasury Bills		(136,397)	(100,493)
Workers' profit participation fund		539,515	564,790
Workers' welfare fund		212,008	217,919
Working capital changes	10.1	(18,529,632)	959,339
		<u>(8,610,150)</u>	<u>11,586,486</u>
10.1 Working capital changes			
(Increase) / Decrease in current assets			
Stores and spares		(55,218)	(64,041)
Stock-in-trade		(1,240,460)	(1,812,661)
Trade debts		(668,323)	289,045
Loans and advances		333,229	(1,845,348)
Short-term prepayments		(43,222)	(13,789)
Other receivables		(1,088,571)	(55,709)
		<u>(2,762,565)</u>	<u>(3,502,503)</u>
(Decrease) / Increase in current liabilities			
Current portion of deferred revenue		4,829	-
Trade, other payables and provisions		(2,109,163)	3,386,907
Advances from customers and dealers		(13,662,733)	1,074,935
		<u>(15,767,067)</u>	<u>4,461,842</u>
		<u>(18,529,632)</u>	<u>959,339</u>
11 CASH AND CASH EQUIVALENTS			
Term Deposit Receipts (TDRs)		30,000,000	36,500,000
Government Securities- Market Treasury Bills		1,999,053	7,398,000
Cash and bank balances		2,007,296	2,775,473
		<u>34,006,349</u>	<u>46,673,473</u>

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

12 TRANSACTIONS AND BALANCES WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

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

	Half year ended		Quarter ended	
	December 31		December 31	
	2018	2017	2018	2017
----- (Rupees in '000) -----				
With associated companies:				
Sales	234,902	109,520	115,786	54,555
Purchases	40,909,370	29,229,978	20,855,896	16,317,375
Insurance premium	41,463	35,753	21,121	18,061
Agency commission	36,070	2,631	6,577	1,141
Running royalty	1,502,636	1,185,109	824,996	597,064
Rent expense	652	622	326	311
Donations	22,000	44,944	20,500	44,944
Return on bank deposits	341,946	375,414	197,300	186,514
Proceeds from disposal of fixed assets / insurance claim	227	764	139	714
Banks charges	23,580	25,777	14,644	14,677
LC charges	2,169	3,499	129	2,034
With other related parties:				
Contribution to retirement benefit funds	47,197	43,267	17,730	18,530
With key management personnel:				
- Salaries and benefits	39,844	39,748	19,922	20,155
- Post employment benefits	2,381	2,576	1,211	1,288

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

Nature of balances	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	----- (Rupees in '000) -----	
Short-term prepayments	24,892	1,788
Accrued return	40,836	42,923
Bank balances & Term deposit receipts	11,598,640	11,426,653
Loans and advances	289,765	448,051
Warranty claims, agency commission and other receivable	257,232	429,360
Trade, other payables and provisions	2,947,646	4,398,034

- 12.2 During the period, Rs 0.5 million (December 31, 2017: Rs 0.5 million) was paid as director fee.

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

13 SEGMENT REPORTING

	Half year ended December 31, 2018			Half year ended December 31, 2017		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	71,945,711	4,501,090	76,446,801	59,086,980	3,987,555	63,074,535
Gross Profit	9,014,452	1,042,876	10,057,328	9,613,564	1,275,706	10,889,270
Profit from operations	7,037,237	931,348	7,968,585	7,613,755	1,158,145	8,771,900
	Quarter ended December 31, 2018			Quarter ended December 31, 2017		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	38,685,659	2,861,570	41,547,229	30,081,000	1,913,017	31,994,017
Gross Profit	4,446,657	642,599	5,089,256	4,943,524	642,112	5,585,636
Profit from operations	3,417,840	574,029	3,991,869	3,866,557	580,126	4,446,683

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

	--- As at December 31, 2018 ---			----- As at June 30, 2018 -----		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(Rupees in '000)					
Financial assets 'at fair value through profit or loss'						
- Mutual Fund Units		1,246,825	-	9,071,931	-	-
- Derivative financial instruments		-	37,451	-	-	14,013

Notes to and Forming Part of the Condensed Interim Financial Statements

For the half year ended December 31, 2018 (Unaudited)

15 NON-ADJUSTING EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The Board of Directors in its meeting held on February 25, 2019 have proposed an interim cash dividend of 25 per share (December 31, 2017: Rs 32.5 per share) in respect of the year ending June 30, 2019. The condensed interim financial statements for the half year ended December 31, 2018, does not include the effect of this dividend which will be accounted for in the condensed interim financial statements for the quarter ending March 31, 2019.

16 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 25, 2019 by the Board of Directors of the Company.

17 GENERAL

- 17.1** Figures in these condensed interim financial statements have been rounded off to the nearest thousand rupees.
- 17.2** Corresponding figures have been reclassified for the purpose of better presentation and comparison, where necessary.



Aqeel Loon

Chief Financial Officer



Ali Asghar Jamali

Chief Executive & Director



Yuji Takarada

Vice Chairman & Director

Company Information

Board of Directors

Mr. Ali S. Habib	Chairman
Mr. Yuji Takarada	Vice Chairman
Mr. Ali Asghar Jamali	Chief Executive
Mr. Parvez Ghias	Director
Mr. Farhad Zulficar	Director
Mr. Mohamedali R. Habib	Director
Mr. Susumu Matsuda	Director
Mr. Masato Yamanami	Director
Mr. Sadatoshi Kashihara	Director
Mr. Azam Faruque	Independent Director

Chief Financial Officer

Mr. Aqeel Loon

Company Secretary

Mr. Muhammad Arif Anzer

Audit Committee Members

Mr. Azam Faruque	Committee Chairman
Mr. Mohamedali R. Habib	Member
Mr. Farhad Zulficar	Member
Mr. Susumu Matsuda	Member
Mr. Parvez Ghias	Member
Mr. Masato Yamanami	Member
Mr. Azam Khan	Secretary & Head of Internal Audit

Human Resource and Remuneration

Committee Members

Mr. Azam Faruque	Committee Chairman
Mr. Ali S. Habib	Member
Mr. Yuji Takarada	Member
Mr. Parvez Ghias	Member
Mr. Ali Asghar Jamali	Member
Mr. Mohammad Ibadullah	Secretary

Auditors

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

Legal Advisors

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

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Citibank N.A.
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Ltd
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
The Bank of Tokyo-Mitsubishi UFJ Limited
United Bank Limited

Registrar

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.

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