



# INDUS MOTOR COMPANY LTD.

**Condensed Interim Financial Information**  
For the Half Year Ended December 31, 2016  
(Un-audited)





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## Directors' Report

For the half year ended December 31, 2016

On behalf of the Board of Directors of Indus Motor Company Limited, we are pleased to present the un-audited accounts of the Company for the half year ended December 31, 2016. The financial statements accompanying this report have received a limited review from the statutory auditors, as required under the Code of Corporate Governance.

### **Pakistan Automobile Market**

The industry sustained robust demand for Passenger Cars and Commercial Vehicles in the first half of FY 2016–17. However, vehicle sales for the first half of FY 2016–17 declined by 10% to approximately 105,900 units from the estimated 117,400 units sold during the corresponding period last year. The culmination of the Punjab Government Apna Rozgar Scheme contributed to this decline, coupled with the phasing out of models to prepare for the introduction of new models by certain manufacturers, periodic plant maintenance and technology upgrades by a major OEM, and the yearend phenomenon of customers deferring purchases in favour of the New Year date. The passenger car segment continued to deliver robust performance, led by Toyota Corolla.

Following the introduction of the New Auto Policy by the government of Pakistan, various automakers have expressed their desire to enter Pakistan, and many are pursuing negotiations with the government departments. Notwithstanding the 3 year age limit, used cars continue to enter the country, and a total of 24,100 used cars arrived in Pakistan during the half year period FY 2016 – 2017, that is 4.8% more than the 23,000 units imported over the corresponding period last year.

### **Company Performance**

Despite the continued strong demand for Toyota vehicles; various factors such as plant maintenance and upgradation, migration from the legacy SAP system to the state of the art SAP S4 HANA version, pre-launch production related activities for the new Hilux and transport disruptions limited our ability to meet demand and our combined sales of CKD and CBU products stood at 28,833 units, down 7% from the 30,896 units sold during the same period last year.

In order to reduce the impact of the afore-stated factors on production, the Company continued to operate its manufacturing facility at full capacity, working daily overtime hours and off Saturdays to offset the loss in production. The total production at IMC stood at 28,996 units, down 5% from 30,474 units produced in the corresponding period last year.

The Company's Net sales revenue for the Half Year ended December 31, 2016 was Rs. 51.4 billion, as compared to Rs. 51.3 billion achieved for the same period last year. The resultant profit after tax is Rs. 6.1 billion, as against Rs 5.9 billion achieved for the same period last year. The revenue and profit increased marginally against same period last year, mainly on account of improved turnover of trading segment.

Based on the results recorded above, the Board of Directors is pleased to declare an interim dividend of Rs.25 per share (i.e. 250%) for the half year ended December 31, 2016. This is in addition to the First Interim Dividend already paid at Rs. 25 per share, i.e. 250%.

# Directors' Report

For the half year ended December 31, 2016

## Near Term Business Outlook

We foresee a strong second half of FY 2016–17 for the auto industry on account of the macroeconomic environment, development and infrastructure expansion under the CPEC agreements and availability of consumer finance, all these auger well for the demand of automobiles. However, the persisting issue of power and gas shortages, the poor road conditions in Karachi's industrial areas and the continued unabated entry of under invoiced vehicles by commercial importers continue to pose an unnecessary burden on the industry and erode the domestic manufacturers' competitive advantage. It is essential that these concerns be tangibly addressed on a priority basis to achieve efficiency and competitiveness with the global players.

The newly introduced Auto Policy has gained the attention of various global automakers, many of whom are developing strategies to enter the Pakistan market. At the same time, existing automakers have approached the government to facilitate their future expansion and investment projects. We would strongly support any such efforts made by the government as investments in the sector, either by a new entrant or an existing player would benefit the industry. The government would also do well to revisit the valuation of used vehicles (SRO 577) and auto parts (Ruling 661, formerly 329), that are otherwise only facilitating the misuse of used car import privileges for commercial purposes that are reserved for expatriate Pakistanis. The concessionary duties and valuations applied to these used vehicles create an un-level playing field that puts the local industry at a huge disadvantage.

Effective 1 January 2017, Mr. Parvez Ghias, who successfully headed the company for more than 11 years, stepped down as Chief Executive. The Board was pleased to appoint Mr. Ali Asghar Abbas Jamali (the Chief Operating Officer previously identified as his successor) as Chief Executive of the Company. We thank Mr. Parvez Ghias for his valuable contribution to the organization in delivering business results and reaching out to society with his dedicated efforts towards various social causes. We wish him all the success for his new position as the CEO of Habib University Foundation, a social sector organization seeking to promote higher education in Pakistan. He will continue to serve as a Director on the Company's Board.

Also effective 1 January 2017, Mr. Sadatoshi Kashihara assumed the office of Senior Director Manufacturing and Director on the Company's Board. We welcome him and thank Mr. Yoshiyuki Matsuo, the outgoing Senior Director Manufacturing for his contribution to the Company.

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

24 February 2017  
Karachi

  
**Ali Asghar Abbas Jamali**  
 Chief Executive & Director

  
**Toshiya Azuma**  
 Vice Chairman & Director

# ڈائریکٹرز رپورٹ

برائے ششماہی مختتمہ 31 دسمبر 2016ء

انڈس موٹر کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے غیر آڈٹ شدہ اکاؤنٹس برائے ششماہی مختتمہ 31 دسمبر 2016ء پیش خدمت ہیں۔ اس رپورٹ سے منسلک مالیاتی گوشواروں کا قانونی آڈیٹرز نے محدود جائزہ لیا ہے، جیسا کہ کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب ہے۔

## پاکستان آٹوموبائل مارکیٹ

صنعت مالی سال 2016-17 کی پہلی ششماہی میں پینچر کاریں اور ہلکی کمرشل گاڑیوں کی بھرپور طلب کو پورا کرنے میں کامیاب رہی۔ تاہم گاڑیوں کی فروخت، جو گزشتہ سال اسی مدت میں 117,400 یونٹس تھی، مگر کر 105,900 یونٹس ہو گئی، یعنی 10% کی کمی ہوئی۔ اس کمی کی وجہ حکومت پنجاب کی 'پناروزگار اسکیم' کی کامیاب تکمیل ہے۔ اس کے علاوہ کچھ مزید وجوہات بھی شامل ہیں: کچھ مینیوفیکچررز نے نئے ماڈل متعارف کرانے کی غرض سے موجودہ ماڈل مارکیٹ سے ہٹا دیے، ایک بڑے OEM نے پلانٹ کی دیکھ بھال اور ٹیکنالوجی کو دور جدید کے تقاضوں سے ہم آہنگ کیا، اختتام سال کا عمل، جس میں صارفین سال نو کے آغاز تک خریداری کو ملتوی کر دیتے ہیں، جبکہ پانچر کارسکیمٹ میں "قائد مارکیٹ" کی حیثیت سے ٹویٹا کو روٹا کی زبردست مقبولیت جاری رہی۔ حکومت پاکستان کی نئی آٹو پالیسی متعارف ہونے کے بعد مختلف آٹو مینیوفیکچررز نے پاکستان میں کام شروع کرنے کی خواہش ظاہر کی ہے اور اس سلسلے میں بات چیت کا آغاز کر چکے ہیں۔ استعمال شدہ گاڑیوں کی ملک میں آمد کا سلسلہ 3 سال کی حد کے قطع نظر جاری ہے، اور مالی سال 2016-17ء کی پہلی ششماہی کے دوران مجموعی طور پر 24,100 استعمال شدہ گاڑیاں ملک میں لائی گئیں، جبکہ گزشتہ سال اسی مدت کے دوران یہ تعداد 23,000 تھی، یعنی 4.8% کا اضافہ ہوا۔

## کمپنی کی کارکردگی

ٹویٹا کی مانگ میں مسلسل استحکام کے باوجود کچھ اسباب کے باعث ہماری کارکردگی مطلوبہ سطح سے کم رہی، جیسے کہ پلانٹ مینٹیننس اور اپ گریڈیشن، SAP سسٹم کی جگہ جدید ترین ورژن SAP 4 HANA کا نفاذ، نئی ہائی کس متعارف کرانے سے قبل پروڈکشن سے متعلق سرگرمیاں اور ذرائع نقل و حمل میں رکاوٹیں، اس دوران CKD اور CBU گاڑیوں کی فروخت 28,833 یونٹس تھی، جبکہ گزشتہ سال اسی مدت کے دوران 30,896 یونٹس تھی، یعنی 7% کی کمی ہوئی۔

مندرجہ بالا عناصر کے اثرات کو کم کرنے کے لئے کمپنی نے اپنی مکمل استعداد پر مینیوفیکچرنگ جاری رکھی؛ روزانہ مقررہ وقت سے زیادہ اور

چھٹی کے روز یعنی (Off Saturday) ہفتے کے دن بھی کام کیا گیا تاکہ پیداوار میں ہونے والے خسارے کی تلافی کی جاسکے۔ اس سال آئی ایم سی کی کل پیداوار 28,996 یونٹس تھی، جبکہ گزشتہ سال اسی مدت میں 30,474 یونٹس تھی، یعنی 5% کی کمی ہوئی۔

ششماہی ختمہ 31 دسمبر 2016ء کی مدت میں کمپنی کی net سبز آمدنی 51.4 بلین روپے رہی جو گزشتہ برس کی اسی مدت میں 51.3 بلین روپے تھی۔ جس کے نتیجے میں منافع بعد از ٹیکس 6.1 بلین روپے رہا جو گزشتہ سال کی اسی مدت میں 5.9 بلین روپے رہا تھا۔ آمدنی اور منافع میں پچھلے سال کی نسبت اس سال معمولی اضافہ ہوا، جس کا سبب کاروباری شعبے کا پہلے سے زیادہ ٹرن اوور تھا۔

ان نتائج کی روشنی میں بورڈ آف ڈائریکٹرز نے برائے ششماہی ختمہ 31 دسمبر 2016ء کے لئے 25 روپے فی حصص یعنی 250% عبوری منافع منقسمہ کا اعلان کیا ہے یہ اس 25 روپے فی حصص کے اس پہلے عبوری منافع منقسمہ یعنی 250% عبوری منافع منقسمہ سے الگ ہے جو پہلے ہی ادا کیا جا چکا ہے۔

## مستقبل و تریب کی پیش بینی


ہمیں مالی سال 2016-17ء کی دوسری ششماہی میں آٹو صنعت کے لئے استحکام نظر آ رہا ہے، جس کے اسباب کلاں معاشیات کا ماحول، CPEC معاہدوں کے تحت انفراسٹرکچر میں توسیع و ترقی اور کنزرویٹو فرنس کی دستیابی ہے، جو گاڑیوں کی طلب کے لئے خوش آئند علامات ہیں۔ تاہم بجلی اور گیس کی مسلسل قلت، کراچی کے صنعتی علاقوں میں سڑکوں کی خستہ حالی، اور گاڑیوں کے کمرشل درآمد کنندگان کی جانب سے اصل سے کم قیمت پر مسلسل پلا روک ٹوک درآمدات سے صنعت پر غیر ضروری بوجھ برقرار ہے اور مقامی تیار کنندگان کے مسابقتی فائدے پر ضرب پڑ رہی ہے۔ ان مسائل کے حل کی ترجیحی بنیادوں پر سنجیدہ کوشش ضروری ہے تاکہ عالمی سطح پر مؤثریت اور مسابقت حاصل کی جاسکے۔


حالیہ متعارف کردہ آٹو پالیسی نے عالمی سطح پر گاڑیوں کے تیار کنندگان کی توجہ حاصل کی ہے، جن میں سے متعدد ادارے پاکستانی مارکیٹ میں داخل ہونے کا لائحہ عمل وضع کر رہے ہیں۔ چنانچہ موجودہ تیار کنندگان نے حکومت سے رابطہ کیا کہ وہ انہیں اپنے توسیعی منصوبوں اور انوسٹمنٹ پرائیکٹس میں سہولیات فراہم کرے۔ ہم اس شعبے میں نئے آنے والے یا پرانے صنعتکار کی سرمایہ کاری پر حکومت کی پیش رفت کا خیر مقدم کرتے ہیں جو دونوں صورتوں میں صنعت کے لئے فوائد کا باعث ہوگا۔ استعمال شدہ گاڑیوں اور پرزہ جات کی مالیت کے تعین (بالترتیب ایس آر او 577 اور رولنگ 661 سابقہ رولنگ 329) پر نظر ثانی بھی ایک خوش آئند کل وقتی اقدام ہوگا، ورنہ ان سے پرانی گاڑیوں کی درآمد کی مراعات کا کاروباری مقاصد کے لئے غلط استعمال ہوتا رہے گا، جو اصل میں بیرون ملک منقسم پاکستانیوں کے لئے ہیں۔ استعمال شدہ گاڑیوں پر عائد کردہ رعایتی محصولات اور valuations سے مسابقتی میدان ناہموار ہو جاتا ہے اور مقامی صنعت پر شدید ضرب پڑتی ہے۔

یکم جنوری 2017 میں جناب پرویز غیاث جنہوں نے گیارہ سال سے زائد تک کمپنی کی سربراہی کی کمپنی کے سی ای او کی ذمہ داری سے سبکدوش ہوئے۔ چنانچہ بورڈ نے جناب علی اصغر عباس جمالی کو (سابقہ چیف آپریٹنگ آفیسر (COO) کو ان کے جانشین کی حیثیت سے) بطور چیف ایگزیکٹو آفیسر (CEO) مقرر کیا۔ ہم جناب پرویز غیاث کے مشکور ہیں کہ انہوں نے اپنی قابل قدر کوششوں سے کمپنی کو بھرپور کاروباری نتائج سے ہمکنار کیا اور مختلف سماجی مقاصد کے ذریعے عوام تک رسائی حاصل کی۔ ہم موصوف کو پاکستان میں اعلیٰ تعلیم کے فروغ کے لئے کوشاں سوشل سیکر ادارے حبیب یونیورسٹی فاؤنڈیشن کے سی ای او کے نئے عہدے پر فائز ہونے پر مبارکباد دیتے ہیں

اور ان کے لئے نیک تمناؤں کا اظہار کرتے ہیں۔ جناب پرویز غیاث کمپنی کے بورڈ آف ڈائریکٹرز میں اپنی خدمات جاری رکھیں گے۔  
 یکم جنوری 2017ء سے جناب Sadatoshi Kashiwara سینئر ڈائریکٹر مینوفیکچرنگ اور کمپنی کے بورڈ میں ڈائریکٹر کے طور پر  
 شامل ہوئے۔ ہم ان کو خوش آمدید کہتے ہیں اور سبکدوش ہونے والے سینئر ڈائریکٹر مینوفیکچرنگ جناب Yoshiyuki Matsuo  
 کمپنی کی ترقی میں اہم کردار ادا کرنے پر شکریہ ادا کرتے ہیں۔  
 ہم اپنے قیمتی صارفین کے اپنی مصنوعات کی مسلسل سرپرستی کے لئے مشکور ہیں، اور پوری انڈس ٹری، بشمول عملہ، سپلائرز، ڈیلرز اور تمام بزنس  
 پارٹنرز کے بھی مشکور ہیں کہ وہ چیلنجز سے بھرپور دور میں انتھک محنت کر رہے ہیں، اور ہم اُمید کرتے ہیں کہ وہ اسی لگن کے ساتھ سرگرم عمل  
 رہیں گے۔

24 فروری 2017ء  
 کراچی

  
 توشیا زوما  
 وائس چیئرمین اور ڈائریکٹر

  
 علی اصغر عباس جمالی  
 چیف ایگزیکٹو اور ڈائریکٹر



# Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Indus Motor Company Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as 'the condensed interim financial information') for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

## 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 condensed interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants  
Engagement Partner: Rashid A. Jafer  
Dated: February 24, 2017  
Karachi

# Condensed Interim Balance Sheet

As at December 31, 2016

	Note	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	4,984,821	4,918,986
Intangibles		74,839	19,291
Long-term loans and advances		5,824	3,794
Long-term investments	6	-	5,005,805
Long-term deposits		9,948	9,948
Deferred taxation		104,191	198,621
		<b>5,179,623</b>	<b>10,156,445</b>
<b>Current assets</b>			
Stores and spares		179,728	153,561
Stock-in-trade		9,654,892	7,785,245
Trade debts		871,384	1,131,702
Loans and advances		746,169	1,125,490
Short-term prepayments		27,256	45,520
Accrued return		393,378	513,355
Other receivables		343,637	191,303
Short-term investments	7	38,826,300	33,696,804
Cash and bank balances		2,237,177	2,737,569
		<b>53,279,921</b>	<b>47,380,549</b>
<b>TOTAL ASSETS</b>		<b>58,459,544</b>	<b>57,536,994</b>
<b>EQUITY</b>			
<b>Share capital</b>			
<b>Authorised capital</b>			
500,000,000 (June 30, 2016: 500,000,000) ordinary shares of Rs 10 each		<b>5,000,000</b>	<b>5,000,000</b>
<b>Issued, subscribed and paid-up capital</b>			
78,600,000 (June 30, 2016: 78,600,000) ordinary shares of Rs 10 each		<b>786,000</b>	<b>786,000</b>
Reserves		<b>27,809,200</b>	<b>26,843,609</b>
		<b>28,595,200</b>	<b>27,629,609</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred revenue		209	-
<b>Current liabilities</b>			
Trade, other payables and provisions		11,480,804	10,035,145
Advances from customers and dealers		17,530,156	19,127,360
Taxation - provision less payment		853,175	744,880
		<b>29,864,135</b>	<b>29,907,385</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>58,459,544</b>	<b>57,536,994</b>

## CONTINGENCIES AND COMMITMENTS

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

  
**Ali Asghar Abbas Jamali**  
 Chief Executive & Director

  
**Toshiya Azuma**  
 Vice Chairman & Director

## Condensed Interim Profit and Loss Account

For the half year and quarter ended December 31, 2016

	Note	Half year ended		Quarter ended	
		December 31		December 31	
		2016	2015	2016	2015
----- (Rupees in '000) -----					
<b>Net sales</b>	9	51,399,696	51,333,906	25,647,828	26,476,350
Cost of sales	10	(42,524,554)	(42,889,664)	(20,951,156)	(22,225,586)
<b>Gross profit</b>		<b>8,875,142</b>	<b>8,444,242</b>	<b>4,696,672</b>	<b>4,250,764</b>
Distribution expenses		(494,130)	(396,721)	(290,349)	(180,382)
Administrative expenses		(450,589)	(409,098)	(230,077)	(220,177)
Other operating expenses		(34,342)	(31,794)	(31,920)	(26,854)
		(979,061)	(837,613)	(552,346)	(427,413)
		<b>7,896,081</b>	<b>7,606,629</b>	<b>4,144,326</b>	<b>3,823,351</b>
Workers' Profit Participation Fund and Workers' Welfare Fund		(648,763)	(627,138)	(330,358)	(312,167)
		<b>7,247,318</b>	<b>6,979,491</b>	<b>3,813,968</b>	<b>3,511,184</b>
Other income		1,624,229	1,574,860	750,022	776,705
		<b>8,871,547</b>	<b>8,554,351</b>	<b>4,563,990</b>	<b>4,287,889</b>
Finance costs		(117,960)	(39,896)	(106,557)	(20,179)
<b>Profit before taxation</b>		<b>8,753,587</b>	<b>8,514,455</b>	<b>4,457,433</b>	<b>4,267,710</b>
Taxation		(2,678,996)	(2,619,597)	(1,430,203)	(1,307,117)
<b>Profit after taxation</b>		<b>6,074,591</b>	<b>5,894,858</b>	<b>3,027,230</b>	<b>2,960,593</b>
----- (Rupees) -----					
<b>Earnings per share - basic and diluted (Rupees)</b>		<b>77.28</b>	<b>75.00</b>	<b>38.51</b>	<b>37.67</b>

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

  
**Ali Asghar Abbas Jamali**  
 Chief Executive & Director

  
**Toshiya Azuma**  
 Vice Chairman & Director

## Condensed Interim Statement of Comprehensive Income

For the half year and quarter ended December 31, 2016

	Half year ended		Quarter ended	
	December 31		December 31	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
<b>Profit after taxation for the period</b>	<b>6,074,591</b>	<b>5,894,858</b>	<b>3,027,230</b>	<b>2,960,593</b>
Other comprehensive income for the period - net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>6,074,591</b>	<b>5,894,858</b>	<b>3,027,230</b>	<b>2,960,593</b>

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

  
**Ali Asghar Abbas Jamali**  
 Chief Executive & Director

  
**Toshiya Azuma**  
 Vice Chairman & Director

# Condensed Interim Cash Flow Statement

For the half year ended December 31, 2016

Note	Half year ended	
	December 31	
	2016	2015
	------(Rupees in '000)-----	

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations	11	6,895,856	5,892,855
Workers' Welfare Fund paid		(355,749)	(4,564)
Income tax paid		(2,476,271)	(2,747,676)
Movement in long-term deposits		-	(281)
Movement in deferred revenue		209	-
Movement in long-term loans and advances		(2,030)	1,258
<b>Net cash generated from operating activities</b>		<b>4,062,015</b>	<b>3,141,592</b>

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment and intangible assets		(909,398)	(593,781)
Proceeds from disposal of property, plant and equipment		11,179	17,499
Interest received on bank deposits and savings account		1,214,152	1,011,227
Investment in Term Deposit Receipts		(5,000,000)	-
Proceeds from redemption of Term Deposit Receipts		4,500,000	2,000,000
Investment in listed mutual fund units		(9,250,153)	(1,250,000)
Proceeds from redemption of listed mutual fund units		6,765,441	3,000,000
Purchase of Market Treasury Bills		(2,428,500)	(7,060,639)
Proceeds from redemption of Market Treasury Bills		2,313,125	8,107,500
<b>Net cash (outflow) / inflow from investing activities</b>		<b>(2,784,154)</b>	<b>5,231,806</b>

## CASH FLOWS FROM FINANCING ACTIVITY

Dividend paid		(5,085,203)	(4,741,722)
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>		<b>(3,807,342)</b>	<b>3,631,676</b>
Cash and cash equivalents at the beginning of the period		29,737,569	24,722,888
<b>Cash and cash equivalents at the end of the period</b>	12	<b>25,930,227</b>	<b>28,354,564</b>

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

  
**Ali Asghar Abbas Jamali**  
 Chief Executive & Director

  
**Toshiya Azuma**  
 Vice Chairman & Director

## Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2016

	Share Capital	Reserves				
	Issued, subscribed and paid-up	Capital	Revenue		Sub-Total	Total
		Premium on issue of ordinary shares	General reserve	Unappro- priated profit		
			----- (Rupees in '000) -----			
Balance as at July 1, 2015	786,000	196,500	16,851,050	6,201,970	23,249,520	24,035,520
Total comprehensive income for the half year ended December 31, 2015	-	-	-	5,894,858	5,894,858	5,894,858
Transfer to general reserve for the year ended June 30, 2015 appropriated subsequent to year end	-	-	3,000,000	(3,000,000)	-	-
Transactions with owners						
Final dividend @ 400% for the year ended June 30, 2015 declared subsequent to year end	-	-	-	(3,144,000)	(3,144,000)	(3,144,000)
Interim dividend @ 200% declared during the period ended December 31, 2015	-	-	-	(1,572,000)	(1,572,000)	(1,572,000)
Balance as at December 31, 2015	<u>786,000</u>	<u>196,500</u>	<u>19,851,050</u>	<u>4,380,828</u>	<u>24,428,378</u>	<u>25,214,378</u>
Balance as at July 1, 2016	786,000	196,500	19,851,050	6,796,059	26,843,609	27,629,609
Total comprehensive income for the half year ended December 31, 2016	-	-	-	6,074,591	6,074,591	6,074,591
Transfer to general reserve for the year ended June 30, 2016 appropriated subsequent to year end	-	-	3,600,000	(3,600,000)	-	-
Transactions with owners						
Final dividend @ 400% for the year ended June 30, 2016 declared subsequent to year end	-	-	-	(3,144,000)	(3,144,000)	(3,144,000)
Interim dividend @ 250% declared during the period ended December 31, 2016	-	-	-	(1,965,000)	(1,965,000)	(1,965,000)
Balance as at December 31, 2016	<u>786,000</u>	<u>196,500</u>	<u>23,451,050</u>	<u>4,161,650</u>	<u>27,809,200</u>	<u>28,595,200</u>

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

  
**Ali Asghar Abbas Jamali**  
 Chief Executive & Director

  
**Toshiya Azuma**  
 Vice Chairman & Director

# Notes to and forming part of the Condensed Interim Financial Information

For the half year ended December 31, 2016

## 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 the Pakistan Stock Exchange.

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

The registered office of the Company and the factory 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** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information does 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, 2016.

**2.2** This condensed interim financial information comprises of the condensed interim balance sheet as at December 31, 2016 and the condensed interim profit and loss account, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim cash flow statement and notes thereto for the half year then ended which has been subjected to a review by the statutory auditor in accordance with the Pakistan Stock Exchange rules but not audited.

**2.3** The comparative balance sheet presented in this condensed interim financial information as at June 30, 2016 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2016 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the half year ended December 31, 2015 have been extracted from the condensed interim financial information of the Company for the half year then ended, which were subjected to a review by the statutory auditors but not audited. The comparative condensed interim profit and loss account for the quarter ended December 31, 2015 included in this condensed interim financial information was neither subjected to a review nor audit.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**3.1** The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2016.

# Notes to and forming part of the Condensed Interim Financial Information

For the half year ended December 31, 2016

## 3.2 Deferred Revenue

Amount received on account of sale of extended warranty is recognized initially as deferred revenue and credited to the profit and loss account in the relevant period covered by the warranty.

## 3.3 New standards, amendments to approved accounting standards and new interpretations which became effective during the half year ended December 31, 2016

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning on July 1, 2016. However, these do not have any significant effect on the Company's financial reporting and operations and therefore, have not been disclosed in this condensed interim financial information.

## 3.4 New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company

There are certain new standards and amendments to the approved accounting standards that are mandatory for the Company's accounting periods beginning after July 1, 2016, but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in this condensed interim financial information.

## 4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with the approved accounting standards as applicable in Pakistan for interim reporting 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 this condensed interim financial information are the same as those applied to the financial statements as at and for the year ended June 30, 2016.

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, 2016.

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	----- (Rupees in '000) -----	
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets	4,635,313	4,710,786
Capital work-in-progress	349,508	208,200
	<u>4,984,821</u>	<u>4,918,986</u>



# Notes to and forming part of the Condensed Interim Financial Information

For the half year ended December 31, 2016

## 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	
	2016	2015	2016	2015
	(Rupees in '000)			
<b>Tangible - Owned</b>				
Buildings on leasehold land:				
Factory	10,615	132,085	-	-
Others	56,611	19,885	-	-
Plant and machinery	234,256	93,081	13,603	52,494
Motor vehicles	73,707	64,459	14,157	26,136
Furniture and fixtures	4,885	918	-	-
Office equipment	12,527	28,353	401	1,100
Computers and related accessories	11,209	10,927	430	3,065
Tools and equipment	49,369	13,421	1,190	264
Jigs, moulds and related equipment	251,247	226	-	-
	<u>704,426</u>	<u>363,355</u>	<u>29,781</u>	<u>83,059</u>
<b>Intangible assets</b>				
Computer software	<u>63,664</u>	<u>9,624</u>	<u>-</u>	<u>-</u>

5.1.1 Additions to owned assets include transfers from capital work-in-progress amounting to Rs 614.930 million (December 31, 2015: Rs 273.086 million).

	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	------(Rupees in '000)-----	
<b>6 LONG-TERM INVESTMENTS</b>		
Held to Maturity		
- Government securities - Pakistan Investment Bonds	<u>-</u>	<u>5,005,805</u>
<b>7 SHORT-TERM INVESTMENTS</b>		
Investments 'at fair value through profit or loss'		
- Mutual Fund Units	<u>2,596,633</u>	<u>-</u>
Held to Maturity		
- Government securities		
Pakistan Investment Bonds	<u>5,033,550</u>	<u>-</u>
Market Treasury Bills	<u>6,696,117</u>	<u>6,196,804</u>
- Term Deposit Receipts (TDRs)	<u>24,500,000</u>	<u>27,500,000</u>
	<u>38,826,300</u>	<u>33,696,804</u>

# Notes to and forming part of the Condensed Interim Financial Information

For the half year ended December 31, 2016

## 8 CONTINGENCIES AND COMMITMENTS

### 8.1 Contingencies

**8.1.1** The status of contingencies as disclosed in the annual financial statements of the Company for the year ended June 30, 2016 has remained unchanged.

**8.1.2** As at December 31, 2016, the claims not acknowledged as debts by the company amount to Rs 926.563 million (June 30, 2016: Rs 1,033.301 million).

**8.1.3** Contingencies in respect of outstanding bank guarantees at December 31, 2016 amounted to Rs 7,997.728 million (June 30, 2016: Rs 8,361.897 million). This includes an amount of Rs 3,879.392 million (June 30, 2016: Rs 4,087.059 million) in respect of bank guarantees from related parties.

### 8.2 Commitments

Commitments in respect of capital expenditure as at December 31, 2016 aggregate to Rs 1,045.622 million (June 30, 2016: Rs 1,021.117 million).

		Half year ended		Quarter ended	
		December 31		December 31	
9	SALES	2016	2015	2016	2015
----- (Rupees in '000) -----					
	<b>Manufacturing</b>				
	Gross sales	57,092,398	58,460,974	27,950,267	30,056,036
	Sales tax	(8,294,128)	(8,493,345)	(4,060,708)	(4,366,739)
		48,798,270	49,967,629	23,889,559	25,689,297
	Commission	(1,460,779)	(1,492,140)	(708,907)	(765,995)
	Discounts	(1,265)	(1,375)	(862)	(1,375)
	<b>Manufacturing net sales</b>	<b>47,336,226</b>	<b>48,474,114</b>	<b>23,179,790</b>	<b>24,921,927</b>
	<b>Trading</b>				
	Gross sales	5,067,932	3,379,813	3,120,365	1,832,538
	Sales tax	(618,331)	(369,109)	(399,023)	(197,396)
		4,449,601	3,010,704	2,721,342	1,635,142
	Commission	(226,439)	(49,960)	(171,352)	(29,990)
	Discounts	(159,692)	(100,952)	(81,952)	(50,729)
	<b>Trading net sales</b>	<b>4,063,470</b>	<b>2,859,792</b>	<b>2,468,038</b>	<b>1,554,423</b>
	<b>Net sales</b>	<b>51,399,696</b>	<b>51,333,906</b>	<b>25,647,828</b>	<b>26,476,350</b>
10	<b>COST OF SALES</b>				
	Manufacturing	39,948,553	41,009,675	19,391,536	21,179,824
	Trading	2,576,001	1,879,989	1,559,620	1,045,762
		42,524,554	42,889,664	20,951,156	22,225,586

# Notes to and forming part of the Condensed Interim Financial Information

For the half year ended December 31, 2016

	Note	Half year ended	
		December 31	
		2016	2015
		----- (Rupees in '000) -----	
<b>11 CASH GENERATED FROM OPERATIONS</b>			
<b>Profit before taxation</b>		<b>8,753,587</b>	<b>8,514,455</b>
<b>Adjustment for non-cash charges and other items:</b>			
Depreciation		772,961	774,848
Amortisation		8,116	2,557
Gain on sale of fixed assets		(4,241)	(14,561)
Unrealised loss / (gain) on foreign exchange contracts and derivatives - net		40,953	(16,956)
Gain on redemption / revaluation of listed mutual fund units		(111,921)	(135,016)
Return on bank deposits		(809,241)	(741,495)
Income on Pakistan Investment Bonds		(284,934)	(287,276)
Amortization income on Pakistan Investment Bonds		(27,745)	(22,801)
Income on Market Treasury Bills		(116,321)	(148,770)
Amortization Income on Market Treasury Bills		(74,567)	(2,254)
Workers' profit participation fund		470,118	457,080
Workers' welfare fund		178,645	170,058
Reversal of provision for doubtful debts		(6,312)	(242)
Working capital changes	11.1	(1,893,242)	(2,656,772)
		<b>6,895,856</b>	<b>5,892,855</b>
<b>11.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
Stores and spares		(26,167)	6,791
Stock-in-trade		(1,869,647)	(1,194,540)
Trade debts		266,630	(140,862)
Loans and advances		379,321	1,131,716
Short-term prepayments		18,264	(1,652)
Other receivables		(196,513)	(189,504)
		<b>(1,428,112)</b>	<b>(388,051)</b>
<b>(Decrease) / increase in current liabilities</b>			
Trade, other payables and provisions		1,132,074	(755,869)
Advances from customers and dealers		(1,597,204)	(1,512,852)
		<b>(465,130)</b>	<b>(2,268,721)</b>
		<b>(1,893,242)</b>	<b>(2,656,772)</b>
<b>12 CASH AND CASH EQUIVALENTS</b>			
Term deposit receipts		19,500,000	26,000,000
Market Treasury Bills		4,193,050	-
Cash and bank balances		2,237,177	2,354,564
		<b>25,930,227</b>	<b>28,354,564</b>

# Notes to and forming part of the Condensed Interim Financial Information

For the half year ended December 31, 2016

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

- 13.1** 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	
	2016	2015	2016	2015
----- (Rupees in '000) -----				
<b>With associated undertakings / related parties:</b>				
Sales	108,619	314,425	46,183	233,190
Purchases	24,831,006	23,070,503	12,781,543	11,521,180
Insurance premium	44,308	41,172	22,813	21,503
Agency commission	30,424	65,547	12,809	18,698
Running royalty	1,026,509	1,181,106	520,832	612,285
Rent expense	1,060	1,008	530	1,008
Donations	21,500	2,415	21,500	500
Return on bank deposits	345,717	377,331	184,458	178,134
Proceeds from disposal of fixed assets	1,882	537	-	360
Banks charges	20,888	21,351	10,595	11,789
LC charges	3,978	3,670	1,476	1,631
Contribution to retirement benefit funds	43,845	32,528	22,170	14,146
<b>With key management personnel:</b>				
- Salaries and benefits	70,624	62,786	35,312	32,427
- Post employment benefits	4,271	3,654	2,135	1,827
- Sale of fixed assets	26	1,945	-	566

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

Nature of balances	December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	----- (Rupees in '000) -----	
Long-term deposits	2,005	2,005
Short-term prepayments	13,404	31,889
Accrued return	90,743	132,276
Bank balances and Term deposit receipts	11,725,767	10,199,180
Warranty claims, agency commission and other receivable	57,249	52,321
Trade, other payables and provisions	2,632,153	2,716,164

- 13.2** During the period, Rs 0.625 million (December 31, 2015: Rs 0.500 million) was paid as director fee.

# Notes to and forming part of the Condensed Interim Financial Information

For the half year ended December 31, 2016

## 14 SEGMENT REPORTING

	Half year ended December 31, 2016			Half year ended December 31, 2015		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	47,336,226	4,063,470	51,399,696	48,474,114	2,859,792	51,333,906
Profit before taxation	7,217,531	1,536,056	8,753,587	7,457,369	1,057,086	8,514,455
	Quarter ended December 31, 2016			Quarter ended December 31, 2015		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	23,179,790	2,468,038	25,647,828	24,921,927	1,554,423	26,476,350
Profit before taxation	3,526,896	930,537	4,457,433	3,735,867	531,843	4,267,710

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

The Board of Directors in its meeting held on February 24, 2017 have proposed an interim cash dividend of Rs 25 per share (December 31, 2015: Rs 20 per share) in respect of the year ending June 30, 2017. The condensed interim financial information for the half year ended December 31, 2016, does not include the effect of this dividend which will be accounted for in the condensed interim financial information for the quarter ending March 31, 2017.

## 16 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 24, 2017 by the Board of Directors of the Company.

## 17 GENERAL

Figures in this condensed interim financial information have been rounded off to the nearest thousand rupees.

  
**Ali Asghar Abbas Jamali**  
 Chief Executive & Director

  
**Toshiya Azuma**  
 Vice Chairman & Director

## Company Information

### Board of Directors

Mr. Ali S. Habib	Chairman
Mr. Toshiya Azuma	Vice Chairman
Mr. Ali Asghar Abbas Jamali	Chief Executive
Mr. Parvez Ghias	Director
Mr. Farhad Zulficar	Director
Mr. Mohamedali R. Habib	Director
Mr. Hiroyuki Fukui	Director
Mr. Masato Yamanami	Director
Mr. Sadatoshi Kashiara	Director
Mr. Azam Faruque	Independent Director

### Chief Financial Officer

Mr. Mohammad Ibadullah

### Company Secretary

Ms. Anam Fatima Khan

### Audit Committee Members

Mr. Mohamedali R. Habib	Committee Chairman
Mr. Farhad Zulficar	Member
Mr. Hiroyuki Fukui	Member
Mr. Masato Yamanami	Member
Mr. Azam Faruque	Independent Director
Mr. Ahmed Waseem Khan	Secretary & Head of Internal Audit

### 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.

Tel: 0800 - 23275  
Fax: (92-21) 34326053  
Email: info@cdcpak.com

### Factory / Registered Office

Plot No. N.W.Z/1/P-1, Port Qasim Authority,  
Bin Qasim, Karachi.

Phone: (PABX) (92-21) 34720041-48  
(UAN) (92-21) 111-TOYOTA (869-682)  
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