

OUR VISION

Our Vision



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

AUDITORS' REPORT ON CORPORATE GOVERNANCE

Auditors' Report on Corporate Governance



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Indus Motor Company Limited to comply with the Listing Regulation No.37 (Chapter XI) of Karachi Stock Exchange, Clause 40 (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2003.

Karachi –

September 22, 2003

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants.

as at June 30, 2003

BALANCE SHEET

	Note	June 30, 2003	June 30, 2002
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets	3	988,824	1,126,537
Capital work-in-progress	4	5,678	2,670
Long-term loans	5	160	371
Long-term deposits	6	5,449	5,657
CURRENT ASSETS			
Stores and spares	7	71,511	53,576
Stock-in-trade	8	1,802,270	1,482,516
Trade debts	9	518,820	460,649
Loans, advances and prepayments	10	59,897	33,882
Short term investment	11	2,689,021	1,005,525
Other receivables	12	152,279	87,868
Taxation – net		-	51,417
Cash and bank balances	13	4,775,371	1,927,507
		10,069,169	5,102,940
TOTAL ASSETS		11,069,280	6,238,175
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
100,000,000 (2002:100,000,000)			
Ordinary shares of Rs.10 each		1,000,000	1,000,000
Issued, subscribed and paid-up	14	786,000	786,000
Reserves	15	1,758,887	1,067,914
		2,544,887	1,853,914
NON-CURRENT LIABILITY			
Deferred taxation	16	91,738	136,223
CURRENT LIABILITIES			
Short term running finances		-	2,740
Advances from customers and dealers	17	6,758,098	3,303,899
Creditors and accrued liabilities	18	697,337	521,712
Provisions and other liabilities	19	353,946	253,787
Provision for taxation – net		220,549	-
Dividends	20	402,725	165,900
		8,432,655	4,248,038
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		11,069,280	6,238,175

The annexed accounting policies and explanatory notes form an integral part of these financial statements.



Mazhar Valjee

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

CASH FLOW STATEMENT

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	29	5,213,526	3,829,890
Interest paid		(71,427)	(38,215)
Interest received		217,752	33,024
Income tax paid		(453,027)	(105,793)
Long term loans - net		211	85
Long term deposits		208	52
Net cash inflow from operating activities		4,907,243	3,719,043
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(105,227)	(168,849)
Sale proceeds of fixed assets		11,963	7,250
Short term investment in Term Deposit Receipts (TDRs)		(2,650,000)	(1,000,000)
TDRs matured		1,000,000	-
Net cash used in investing activities		(1,743,264)	(1,161,599)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loans		-	(230,118)
Dividend paid		(313,375)	(117,251)
Net cash used in financing activities		(313,375)	(347,369)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,850,604	2,210,075
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	30	1,924,767	(285,308)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30	4,775,371	1,924,767

The annexed accounting policies and explanatory notes form an integral part of these financial statements.



Mazhar Valjee

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

CHAIRMAN'S REVIEW

BISMILLAH HIR REHMAN NIR RAHIM

It gives me great pleasure to welcome you to the 14th Annual General Meeting of your Company and to present the report of your Company's performance for the year ended 30th June, 2003.

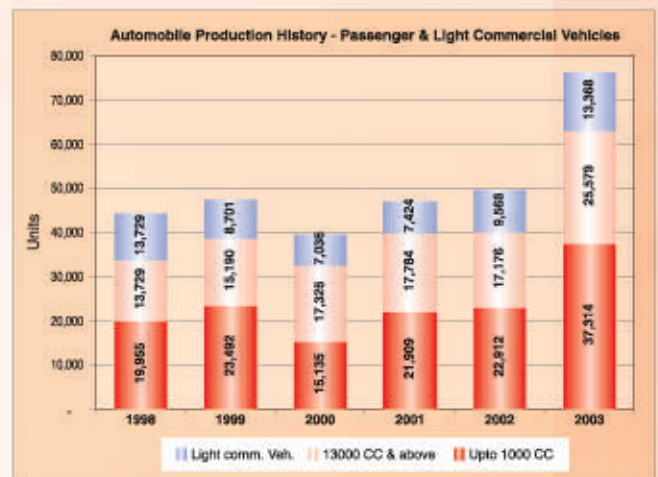


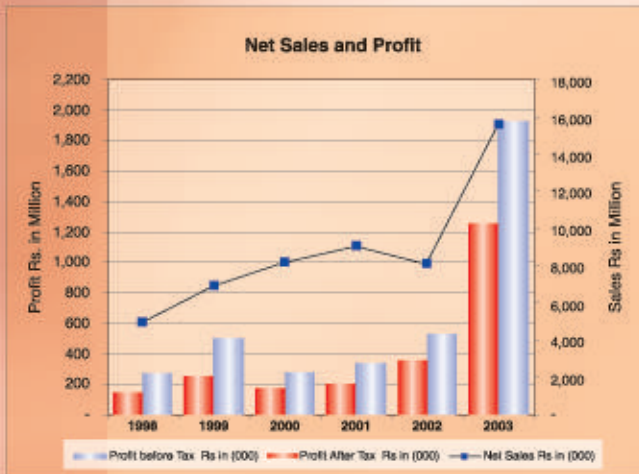
Mr. Ali S. Habib Chairman IMC, Mr. Shaukat Aziz Federal Minister for Finance & Mr. Mazhar Valjee CEO walking through the IMC Plant

This annual report also marks, by Allah's grace, the successful completion of ten years of manufacturing operations by Indus Motor Company Ltd. You will indeed be pleased to know that the year under review has been a record year for your Company, both in terms of sales turnover and profits. Your Company's performance was appreciated by the Minister of Finance Mr. Shaukat Aziz during his visit to our plant on 17th February, 2003.

The strong demand for the New Corolla launched in March 2002 together with exceptionally strong economic conditions, major increase in home remittances, excess liquidity in the finance industry, easy availability of consumer finance and historic low interest rates, all contributed to this buoyant performance. After years of near stagnation, the automobile sector (Passenger Cars and Light Commercial Vehicles), recorded an impressive growth of 49% as compared to last year (76,000 units vs. 51,000 units). Your Company's overall sales volumes

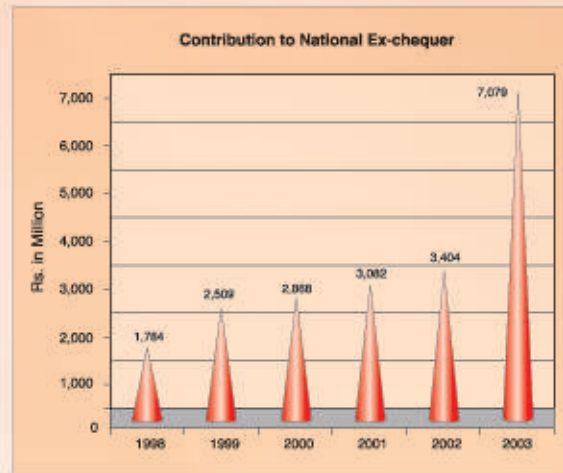
This annual report also marks, by Allah's grace, the successful completion of ten years of manufacturing operations by Indus Motor Company Ltd. You will indeed be pleased to know that the





increased by 83% (20,589 units vs. 11,238 units). The strong sales performance of all your Company's products resulted in the sales turnover nearly doubling to Rs. 15.6 billion (last year Rs. 8.1 billion). This resulted in a Gross Profit of Rs. 2,146.7 million (Rs. 794.9 million last year) and profit before tax of Rs. 1,932.8 million (last year Rs. 528.4 million). After providing for current and deferred tax of

Rs. 675.2 million, the net profit after tax of Rs. 1,257.6 million was achieved against Rs. 360.4 million last year (an increase of 250%). You may also be interested to know that your company is one of the highest contributors of revenue to the Government of Pakistan and that the total amount of sales tax,



The Governor State Bank of Pakistan, Dr. Ishrat Hussain visits IMC Plant

customs duty and income tax paid by your Company to the National Exchequer exceeds 1% of the total national revenue collected by the Central Board of Revenue. This fact was well appreciated by Dr. Ishrat Hussain, Governor State Bank of Pakistan on his visit to our plant on 21st February this year.

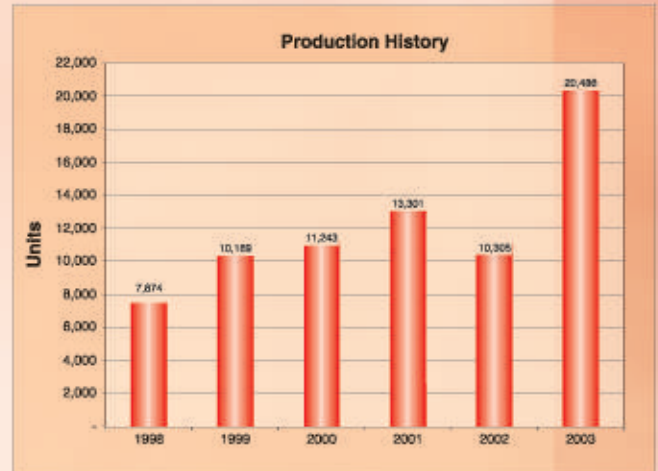
I am pleased to inform you that the Board of Directors have proposed a final cash dividend of 50% which together with the interim cash dividend of 20% previously announced, would add up to a total dividend of 70% for the current year (last year 20%). Further an amount of Rs. 708 million is being proposed to be appropriated to the general reserves (last year Rs.204 million) and as a result, the total reserves for your Company amount to Rs.1,759 million.

OPERATIONS AND MARKETING

During the year under review, sales for our flagship product, the Corolla, more than doubled to 12,867 units (last year 6,151 units), sales for Daihatsu Cuore also increased by almost 44% to 4,579 units (last year 3,174 units) whilst sales of Hilux increased by more than 64% to 2,861 units (last year 1,741 units). The market share for Corolla improved substantially from 34% last year to 50% for the year under review.

Your Company has taken a number of steps during the current year to increase production in an effort to cater to the continued strong demand from customers. As reported in the annual report last year, the Company's production capacity was increased to 70 units per day from 57 units per day, by separating the commercial vehicles assembly line from that of passenger cars. From March

this year, your Company started a second shift, further increasing its capacity to 100 units per day. As we will realize greater efficiencies with the passage of time, this capacity will further increase to approximately 120 units per day in the next fiscal year.



Mr. Liaquat All Khan Jatoti, Federal Minister for Industries & Production, inspecting the new Corolla

The increase in capacity has required your Company to invest in hardware, but more importantly in increased employment. Your Company's total strength has almost doubled to 1200 people (last year 697). This has required us to recruit and train a large number of Team Members in a very short period of time, a task performed admirably by our Human Resource and Technical Divisions. We have also been well supported by Toyota engineers in both the planning and the execution phases of this unprecedented capacity increase within a very short period of time.

The increase in capacity has required your Company to invest in hardware, but more importantly in increased employment. Your Company's total strength has almost doubled to 1200 people (last

Hilux customers continue to show their faith in your products' quality, durability and exceptional value retention. During the year under review, your Company secured a large number of orders from large fleet users and at times, was unable to meet the market demand from our Dealership network. The increased capacity available for Hilux in the future will enable us to meet demands from all segments within the market.

In the small car segment, the Daihatsu Cuore further strengthened its position and customers' demand continued to be in excess of our ability to produce and supply. Sales volumes recorded an increase of 44% (4,579 vs. 3,174 units) over the previous year. During the year the Company launched a CNG (Compressed Natural Gas) Cuore with the brand name of "Cuore ECO". To



10,000th Cuore being lined off

commemorate this occasion and to observe the increased capacity, the Federal Minister for Industries Mr. Liaqat Ali Khan Jatoi visited IMC as our Chief Guest. Earlier in the year we celebrated another major milestone in our history and that was the production of the 10,000th Daihatsu Cuore. On this occasion we were privileged to have with us the Federal Minister for Commerce Mr. Humayun Akhtar and Mr. I. Shingu President of Daihatsu Motor Company.



Mr. Ali S. Habib Chairman, IMC, Mr. K. Hanagata Consul General of Japan, Mr. Humayun Akhtar Federal Minister for Commerce, Mr. I. Shingu President Daihatsu Motor Company, Mr. Rafiq M. Habib Chairman, House of Habib on the occasion of the production of 10,000th Cuore

You will be further pleased to know that this tremendous increase in production and sales activities was achieved with administration and selling expenses being strictly

controlled. In addition, the manufacturing expenses were also controlled very well. However, the stresses and strains resulted in a very sharp increase in repairs and maintenance expense.

DEALERSHIP NETWORK

We continue to focus on the delivery of enhanced customer satisfaction and this, we achieve through our strong network of dealerships with whom your Company works. These dealerships operate on '3S' basis and provide high class service to the customers in the areas of 'sales, service and spare parts'.

During the year under review, the exceptionally strong demand for Toyota products together with short supply, has also resulted in numerous difficulties being encountered by our Dealership network in meeting the customers' expectations. In your Company's efforts to discourage investors and speculators who book cars in order to resell them later at premiums, we were forced to institute many measures to control this unfortunate situation. It is your Company's policy to ensure that all our authorized dealers sell products at prices published and announced by your company publicly. We are making every effort to meet the customers' demand in a timely way and provide satisfaction in the sales process. It is our strong resolve that we will continue to make every effort to improve this situation and fully restore the trust and confidence that customers and the general public have in your Company as a world class institution.

The Company's Service Department plays a very significant role by working very closely with the dealerships to constantly upgrade their abilities to provide the highest standard of after sales services to our valued customers. Some of the technical work undertaken during the year was in the areas of Check-up Campaigns, PDS Audits, formation of Rapid Response Teams and frequent Quality Review meetings. In addition, the other activities included dealerships audits, supply of special service tools and hi-tech diagnostic equipment and installation of 'workshop software program'.

In order to bring our dealerships to global levels in terms of their facilities and operations, a certification program was initiated. As a result, six dealerships qualified and were awarded Toyota Service Marketing, Japan certification during the year. This will be followed by other dealerships who would be qualifying for this certification.

SPARE PARTS

The sales of spare parts increased by 10% (Rs. 388 million vs. Rs. 352million) from a combination of effective sales campaigns, higher number of cars sold and

competitive pricing strategies. The Spare Parts market continues to see a large influx of grey imports and we continue to appeal to the Government to improve the valuation system and the process of clearing through customs of imported spare parts. We also urge to the Government to continue to maintain a ban on the import of used and old spare parts and resist the pressure to include spare parts in the now newly started Afghan Transit Trade Scheme.

In order to make genuine spare parts available to our customers, your Company plans to open new spare parts outlets in large cities. A beginning in this direction has been made and the first such outlet was opened in Lahore where the customers can be assured of genuine spare parts, Toyota motor oil and accessories.

In order to grow the business, new lubricants were added to provide the customers with Toyota Brake Fluid and Engine Coolants.

PRODUCT DEVELOPMENT & QUALITY ASSURANCE

It is heartening to point out that your company has been successfully meeting the

localization targets as were set by the Engineering Development Board. Our Product Development Department works very closely with the local Vendors to achieve Toyota quality standards for local parts. This has also involved the up-gradation of the technological level of Vendors' facilities. It would be appropriate to record appreciation and gratitude to Toyota Motor Corporation, Japan and Toyota Tsusho Corporation, Japan for their continuous guidance and assistance.



Mr. Shinozaki, GM Global Purchasing Dept. IMC handing over a souvenir to Mr. Javed Ashraf, Secretary Industries on the occasion of the Vendors & Suppliers Convention.

It is also remarkable that your Company's Vendors have risen to the challenges posed by the increasing production of vehicles and have taken the necessary steps in order to be able to adequately meet the increased demand for supply of local parts. These steps have included investment by them in their plant capacity and in some cases going into 2nd and 3rd shift operations. As the Company is further increasing its production capacity, it is expected that our Vendors will take further steps to gear up for enhanced supply levels.

One of the key activities of your Company is to facilitate the transfer of technology from world class component makers to our local vendors so as to ensure Toyota

quality parts. We are pleased to report that during the year, one such success has been achieved in arranging a technology transfer agreement from "Cubic" of Japan to one of our local vendors for value addition in decorative plastics. We continue to act as a facilitator and an active promoter for bringing more and more technological agreements to our vendors in Pakistan.

For improved communication and in order to obtain local feedback from our vendors, three vendor workshops were held during the year to work closely with our suppliers in ramping up to the increased production levels which had to be matched by our vendors. A Vendors & Suppliers Convention was held during July this year and all our vendors and suppliers were present as well as senior representatives from Toyota's Global Purchasing

Division. The Federal Secretary Ministry of Industries & Production, Mr. Javed Ashraf also attended this event to observe the display of local parts and increase his interaction with the stakeholders in the industry. The Secretary appreciated your Company's efforts towards indigenization and its contribution to the development of the capability of vendors. He also appreciated that your Company in procuring almost Rs. 4 billion worth of local parts, plays a huge role in creating growth in the economy and generating employment. On this and other occasions, we continue to request the Government to formulate a long term vision and policy for the Auto sector as this industry requires huge investments which not only require long lead times to implement but this investment would not be forthcoming in the absence of



IMC Vendors & Suppliers Convention



Mr. Shaukat Aziz, Federal Minister for Finance, inaugurating the Auto Expo 2003



Mr. Liaquat Ali Khan Jatoi, Federal Minister for Industries & Production, addressing the audience at the Auto Expo 2003

necessary strategies and long term protection to the local vendor and automotive industry. We continue to stress to the Government to also review the localization regulations and levels with a view to maintain them at economic merit based levels. During the current year, on an all Pakistan basis, the Pakistan Automotive Manufacturers Association (PAMA) and Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM) with active leadership of your Company, organized an Auto Expo held on 12th and 13th May, 2003 at Islamabad. Mr.

Shaukat Aziz Minister for Finance inaugurated the Expo.

This Expo was also visited by other Federal Ministers including Mr. Liaquat Ali Khan Jatoi, Minister for Industries & Production and Sheikh Rasheed Ahmed, Federal Minister for Information.



Sheikh Rasheed Ahmed, Federal Minister for Information at the Auto Expo 2003



Chairman PAMA and Chairman PAAPAM signing an MOU whilst Mr. Shaukat Aziz and Dr. Akram Sheikh look on.

Prominent parliamentarians, government officials and members of the armed forces also attended this Expo and appreciated the scale of the auto industry in Pakistan.



Mr. Shaukat Aziz receiving a memento from Chairman PAMA

HUMAN RESOURCE DEVELOPMENT

You will be pleased to note that your Company attaches great importance to people development. There is a strong emphasis on enhancing the skills and competencies of the staff through focused training programs with special efforts being made to properly train new staff. A total of +95,000 man hours of training was provided during the last year.

Your Company is committed towards achieving the No. 1 position in all respects in the automobile industry over the next few years and for this, necessary 'action plans' have been developed to deliver the Business Vision targets. People development and their motivation are an important part of these plans.

Your Company strongly believes in enhancing productivity and product quality through the implementation of 'Kaizen' concept, based on the Japanese system of continuous improvement. Annual Kaizen Conventions are held to acknowledge and honor those who make significant contributions towards increasing efficiencies, improving productivity and quality and which result in cost savings.

We would like to draw attention of the Government to the provision of the "Workers Profit Participation Fund" and "Workers Welfare Fund". While we whole-heartedly endorse and support the provision of such funds for the benefit of workers, who in our case are important stake holders, our team members do not receive this benefit fully as most of it goes to the Government and thus this becomes one more form of indirect taxation. We sincerely hope that these rules may be amended in future to provide much greater benefit to those very workers who produce these results.

ENVIRONMENT

Your company has always practiced the philosophy of 'Safer & Cleaner Environment for All' and for this, it has already achieved ISO 14001 certification. Subsequent successful 'Surveillance Audits' on an ongoing basis reflect your company's continued conformance to the 'Environmental Management Systems'. Your business faithfully practices 5R (Reuse, Recycle, Refine, Reduce and Retrieve) and 5S (Sorting, Sifting, Sweeping, Spick-n-Span and Supreme Attitude) concepts across the business.



Mr. Shaukat Aziz, Federal Minister for Finance, watering the tree planted by him on his visit to IMC on the occasion of IMC's 10th Anniversary



Mr. Humayun Akhtar, Federal Minister for Commerce, watering the tree planted by him on his visit to IMC on the occasion of 10,000th Cuore Line-Off

I am happy to report that in order to further improve Safety, Health and Environment practices, your Company is now taking steps towards the establishment of 'Integrated Management Systems' and also for the Occupational Health & Safety Assessment Series (OHSAS 18001) certification.

Your Company also continues to promote care for the environment at all occasions and every visit to

the IMC plant by dignitaries is commemorated by a tree plantation ceremony.

CONCERN BEYOND CARS

The Company strongly believes in making its humble contribution to various social causes. In this regard, the Company regularly provides financial assistance to various welfare and charitable organizations, free medical aid to people in the villages surrounding our plant and furniture and books to schools.

In line with our past tradition, your

Company donated a Daihatsu Cuore to the Layton Rahmatullah Benevolent Trust



Mr. Khawaja Zafar Hassan, Chairman, LRBT, receiving the Key of the Donated First Cuore ECO from Mr. Liaquat Ali Khan Jatoi, Federal Minister for Industries & Production and Mr. Ali S. Habib



Mr. Nasrullah Merchant of AKUH receiving a donation cheque for the new oncology ward from Mr. Shaukat Aziz, Federal Minister for Finance on the occasion of the 10th Anniversary of IMC.



Chuahdhy Pervaiz Elahi, Chief Minister Punjab, donating a cheque on behalf of IMC to Mr. Ahsan Saleem of The Citizens Foundation for construction of their school in Muzaffargarh

(LRBT) on the occasion of the Cuore Eco launch. To commemorate our 10th Anniversary, we made a contribution to the Aga Khan University Hospital for their new Oncology ward.

We further sponsored through The Citizen's Foundation (TCF), a school to be set up in Muzzafargarh at a simple ceremony held in Lahore in which the Chief Minister of Punjab, Chaudhry Pervaiz Elahi made a presentation to TCF on our behalf. Our concern beyond cars is not limited to financial contributions only. In August this year, a team from your Company was present in the rain affected area of Sindh in distributing relief supplies to the needy.

As usual the IMC Family Day was held on 5th April, 2003. On this occasion our entire IMC family of Team Members and Management along with their families were invited to spend the morning at the Alladin Water Park. The event concluded with a variety show, a band and presentation of gifts and awards in which all levels participated.

GOVERNMENT POLICY & FUTURE OUTLOOK

We would like to acknowledge with thanks the consistent industry friendly policy of the Government of Pakistan and in particular the role played by the Engineering Development Board and that of its Chief Executive, Dr. Akram Sheikh. It is encouraging to note that the Government recognizes the vital role the auto industry is playing in raising the level of industrialization in the country and in employment (both at OEMs as well as Vendors) and in making a substantial contribution to the national exchequer. However, the absence of a long term policy and some contradictory statements emanating from certain Government circles convey and



IMC employees and their families having fun at IMC Family Day at the Alladin Water Park

create an uncertain environment in which the huge investment needed to increase scale and merit based localization cannot occur.

The status of our localization program in the post TRIMS era is also unclear. We would like to urge the Government to take the lead in bringing all the stakeholders together for formulating a much needed Vision. We would like to point out at this point that it is heartening to note that the President General Pervaiz Musharraf personally presided over a meeting to formulate an Engineering Vision some time ago. This has been hugely welcomed in the industry and we hope that the broad policy parameters agreed there would be implemented in a tangible way for the benefit of the industry and the country. On its part, your Company has been making sincere efforts to appropriately respond to market expansion and over the last 12 months, it has consistently increased production capacity with single minded focus on meeting customers demand. It remains fully committed towards making available in large numbers, vehicles of the highest quality and safety which are a pleasure to own and drive.

The outlook for the current year appears very exciting at the time of writing this report. Demand continues to outstrip supply, more and more finance companies look to consumer finance to better employ their surplus funds. This is good news for your industry and we hope to be able to benefit from this growth. A number of new entrants are looking at our market and considering further investment which is again very welcome. We urge the government to take note of this investment and the entrance of new players bringing in investment which is much needed and currently still shy from our economy. We would again request the government to resist all pressures in allowing the import of used cars or any other policy initiatives that can jeopardize this very healthy growth and to remain committed and patient with the

belief that the demands of our local population will be met in this sector by local production and by new entrants, if necessary.

In the end we would like you to once again note that the year 2003 marks 10 years since we launched the first Corolla. On the following pages we have presented an index of all major milestones in your Company's history as well as a collection of photographs spread over the past 10 years.

We would like to thank our loyal customers, dealerships, vendors, suppliers, staff and team members for their support and commitment. We would also like to thank the Government, in particular the Ministry of Finance, Ministry of Industries, Ministry of Commerce and the Engineering Development Board for their continued support.

We pray to Allah for His blessings and guidance.

Karachi.

September 9, 2003



Ali S. Habib
Chairman

COMPANY INFORMATION



On the occasion of BOD meeting on September 9, 2003.

From left: Mr. M. Ilyas Suri, Mr. Mohamedali R. Habib, Mr. Mazhar Valjee, Mr. Yutaka Arae,
Mr. Ali. S Habib, Mr. Farhad Zulficar, Mr. Shozo Hasebe and Mr. Takashi Yoshida.

BOARD OF DIRECTORS

Mr. Ali S. Habib Chairman

Executive Directors

Mr. Yutaka Arae Vice Chairman
Mr. M. Ilyas Suri

Non Executive Directors

Mr. Farhad Zulficar
Mr. A. Okabe
Mr. K. Furubayashi
Mr. Mohamedali R. Habib

CHIEF EXECUTIVE OFFICER

Mr. Mazhar Valjee

COMPANY SECRETARY

Mr. Qaiser Pervaiz

AUDIT COMMITTEE MEMBERS

Mr. Mohamedali R. Habib
Mr. Farhad Zulficar / Mr.Kersi Kapadia (Alternate)
Mr. K. Furubayashi / Mr. M. Takeda (Alternate)

Bankers

- n ABN Amro Bank
- n American Express
- n Askari Commercial Bank
- n Bank of Tokyo-Mitsubishi, Ltd.
- n Citibank
- n Credit Agricole Indosuez
- n Bank Alfalah
- n Habib Bank AG Zurich
- n Habib Bank Limited
- n Hong Kong & Shanghai Banking Corporation
- n Metropolitan Bank Limited
- n Muslim Commercial Bank Ltd.
- n National Bank of Pakistan
- n Standard Chartered Bank
- n Union Bank Ltd.
- n United Bank Ltd.

Auditors

M/s. Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza
Beaumont Road, Karachi.

Legal Advisors

- n M/s A.K. Brohi & Company.
- n M/s Mansoor Ahmed Khan & Co.
- n M/s Mahmud & Co.
- n M/s Sayeed & Sayeed Co.

Registered Office

14, Banglore Town Housing Society,
Main Shahrah-e-Faisal, Karachi.

Registrar

M/s. Noble Computer Services (Pvt) Ltd.
14, Banglore Town Housing Society,
Main Shahrah-e-Faisal, Karachi.

Factory

Plot No. NWZ/1/P-1,
Port Qasim Industrial Estate,
Bin Qasim, Karachi.

DIRECTORS' REPORT

Directors' Report



DIRECTORS' REPORT

The Directors of Indus Motor Company Limited take pleasure in presenting this Report, together with the Accounts of the Company for the year ended June 30, 2003 and recommend the following appropriations:

	2003	2002
	(Rs. in '000)	(Rs. in '000)
OPERATING RESULTS		
Profit before taxation	1,932,846	528,364
Taxation - Current	719,717	174,606
- Prior	-	1,036
- Deferred	(44,485)	(7,741)
	<u>675,232</u>	<u>167,901</u>
PROFIT AFTER TAXATION		
Unappropriated Profit Brought Forward	147	884
	<u>1,257,761</u>	<u>361,347</u>
APPROPRIATIONS		
Transfer to General Reserves	707,500	204,000
Interim Dividend @ 20% i.e. Rs. 2 per share (2002 - Nil)	157,200	-
Proposed Final Dividend @ 50% (2002 - 20%)	393,000	157,200
	<u>1,257,700</u>	<u>361,200</u>
Unappropriated Profit Carried Forward	<u>61</u>	<u>147</u>

Further the Directors also confirm the following Statements:

- (a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- (d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- (e) The system of internal control, which was in place is being continuously reviewed by internal audit. The process of review will continue and any weaknesses in controls will be removed.
- (f) There are no significant doubts upon the Company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

Key Operating and Financial Data

The Key Operating and Financial Data is mentioned on Page No. 5.

Auditors

As recommended by the Audit Committee, the Auditors, M/s. Ford Rhodes Sidat Hyder & Co., retire at the conclusion of the 14th Annual General Meeting and being eligible, offer themselves for re-appointment.

Chairman's Review

The Directors of the Company endorse the contents of the Chairman's Review dealing with the Company's activities which are included in the Annual Report and form an integral part of the Directors' Report.

Earnings Per Share (EPS)

The Earnings Per Share is Rs. 16/-.

Government Levies

Government levies outstanding as at June 30, 2003 have been disclosed in Note No. 19 of the Annual Accounts.

Investments in Provident Fund

The Book Value of investment in the Employees Provident Fund as on 30th June 2003 was Rs. 38.936 million.

Board of Directors Meeting

A total of four meetings of the Board of Directors were held during the period of 12 months from July 01, 2002 to June 30, 2003. Attendance by each Director is as follows:-

Name of Directors	Number of meetings attended
Mr. Ali S. Habib	4
Mr. Y. Arae	4
Mr. Farhad Zulficar / Mr. Kersi Kapadia (Alternate)	4
Mr. Mohamedali R. Habib	4
Mr. M. Ilyas Suri	3

Mr. A. Okabe / Mr. Y. Saito / Mr. H. Iuchi (Alternate)	4
Mr. K. Furubayashi / Mr. M. Takeda (Alternate)	4
Mr. Mazhar Valjee (Chief Executive Officer)	4

Board Audit Committee

The Audit Committee which was approved by the Board of Directors in September 2002, comprises of 3 Non-executive directors. Its terms of reference include reviews of annual and quarterly financial statements, internal audit report, information before dissemination to Stock Exchanges and proposal for appointment of external auditors for approval of the shareholders, apart from other matters of significant nature. The Audit Committee holds its meetings prior to the Board meetings, four meetings were held during the period under review which included statutory meetings with external auditors without the Chief Financial Officer and Head of Internal Audit being present.

Pattern of Shareholding

The Pattern of Shareholding of the Company as at June 30, 2003 is given on Page 63.

Share Trading

During the year 5,000 shares of the Company were purchased by the CEO, Mr. Mazhar Valjee.

Karachi.

September 9, 2003



Mazhar Valjee
Chief Executive Officer



Yutaka Arae
Vice Chairman & Director

FINANCIAL STATEMENTS

Financial Statements as on June 30, 2003

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **INDUS MOTOR COMPANY LIMITED** as at June 30, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi -

September 15, 2003

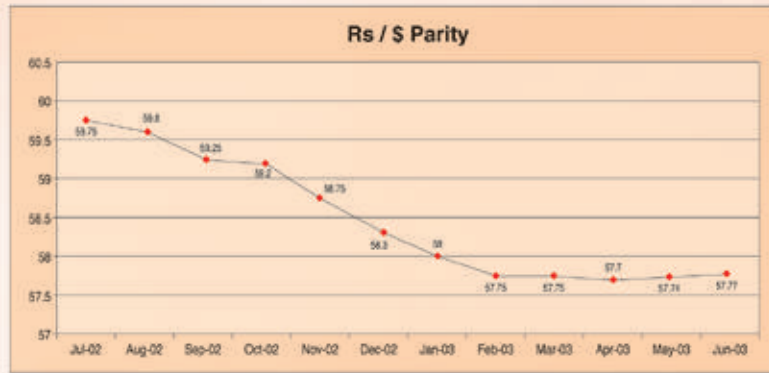
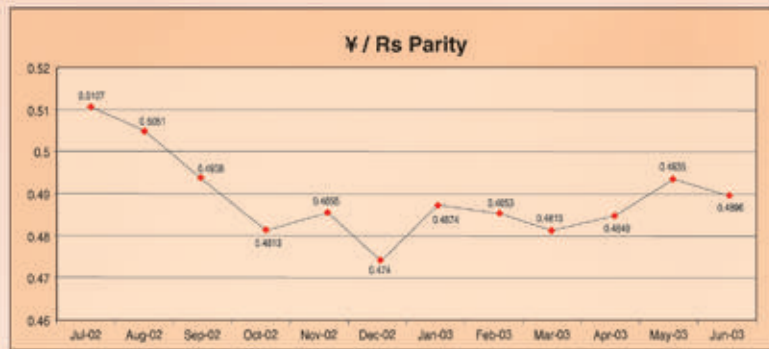
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants.
FRSH

FINANCIAL STATISTICAL SUMMARY

Financial Statistical Summary

Particulars		2003	2002	2001	2000	1999	1998
UNITS SOLD		23,331	11,823	13,942	11,944	11,249	9,295
SALES	Rs in '000'	15,634,980	8,111,289	9,054,730	8,246,268	6,957,876	4,973,991
GROSS PROFIT	Rs in '000'	2,146,677	794,926	618,722	544,341	735,799	446,129
NET PROFIT							
Before Taxation	Rs in '000'	1,932,846	528,364	338,918	280,230	501,310	271,702
After Taxation	Rs in '000'	1,257,614	360,463	203,370	172,254	251,289	147,164
PERCENTAGE TO SALES							
Gross Profit	% age	13.73	9.80	6.83	6.60	10.58	8.97
Profit Before Taxation	% age	12.36	6.51	3.74	3.40	7.20	5.46
Net Profit After Taxation	% age	8.04	4.44	2.25	2.09	3.61	2.96
Admin & Selling Expenses	% age	2.04	3.31	2.57	3.05	3.27	3.71
RATIOS							
Current	Ratio	1.25:1	1.24:1	1.58:1	1.46:1	1.73:1	1.4:1
Acid Test	Ratio	1.02:1	0.87:1	0.54:1	0.75:1	0.93:1	0.87:1
Long term Debt to Equity	Ratio	0:1	6:94	15:85	21:79	18:82	4:96
Debtor Turnover	Times	32	19	19	16	22	44
Debt Collection Period	Days	11	19	20	23	17	8
Inventory Turnover	Times	7.84	5.08	6.95	7.61	7.60	6.79
Inventory Holding Period	Days	47	72	52	48	48	53
Return on Equity	% age	42.81	19.44	12.43	11.11	16.80	10.50
Return on Average Fixed Assets	% age	118.90	32.01	17.09	15.57	24.61	14.52
Ownership to Fixed Assets	Times	2.97	1.65	1.45	1.24	1.40	1.44
Earning per Share	Rs	16.00	4.59	2.59	2.19	3.20	1.87
Dividend per share							
Interim	Rs	2.00	-	-	-	-	-
Final	Rs	5.00	2.00	1.50	1.50	2.00	1.50
Share Capital and Reserves	Rs in '000'	2,544,887	1,853,914	1,635,884	1,550,414	1,496,060	1,401,971
Number of Employees	Nos	1,021	697	628	643	625	611
Automobile Industry - Car Sales	Units	62,769	44,838	39,168	32,493	37,261	33,684

Exchange Rate Movement Graphs

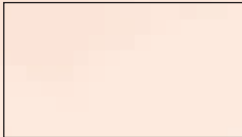


Share Price Movement

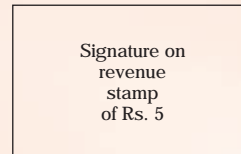


FORM OF PROXY

I/We _____
of _____
being member(s) of INDUS MOTOR COMPANY LIMITED, holding _____
ordinary shares, hereby appoint _____
of _____ or failing him / her _____
of _____ who is/are also member(s) of INDUS MOTOR COMPANY LTD. as
my / our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the
Fourteenth Annual General Meeting of the Company to be held on October 13, 2003 and/or
any adjournment thereof _____
As witness my / our hand / seal this _____ day of _____ 2003
Signed by _____
in the presence of _____



Member's Folio
Number



The Signature Should
agree with the specimen
registered with the
Company

IMPORTANT

1. This proxy form duly completed and signed, must be received at the Registered Office of the Company, i.e. 14, Banglore Town Housing Society, Main Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders/Corporate Entities:

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

- i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original NIC or original passport at the time of meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

Fourteenth annual general meeting

NOTES TO THE FINANCIAL STATEMENTS

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. The company also acts as the sole distributor of the Toyota vehicles in Pakistan.

The company acquired the sole distributorship of Daihatsu vehicles in Pakistan and concluded an agreement for the progressive assembling / manufacturing of the Daihatsu vehicles in Pakistan.

The registered office of the company is situated at 14, Bangalore Town Housing Society, Main Shahrah-e-Faisal, Karachi, Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement at fair value of derivatives and assets and liabilities that are hedged.

2.3 Tangible fixed assets

These are stated at cost less accumulated depreciation except for capital work in progress which is stated at cost. Leasehold land is amortised in equal sums over the period of lease. Depreciation on all other fixed assets is charged to income from the month of acquisition, applying the straight-line method whereby the cost of an asset is written off over its estimated useful life, and on disposal upto the month preceding the month of disposal. The rates of depreciation are stated in note 3 to the financial statements.

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

Maintenance and normal repairs are charged to income as and when incurred whereas major renewals and improvements are capitalised and the assets so replaced, if any, are retired.
Gain or loss on sale or retirement of fixed assets is included in income currently.

2.4 Capital work-in-progress

Capital work-in-progress is stated at cost. It consists of expenditure incurred in respect of tangible assets in the course of their construction and installation.

2.5 Stores and spares

Stores and spares are valued at lower of cost and net realisable value. Cost of stores and spares is determined on a moving average basis.

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

2.6 Stock-in-trade

Stocks, except in transit, are valued at the lower of cost and net realisable value. Stock in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Cost of raw materials, own manufactured vehicles and trading stock is determined on a moving average basis.

Work-in-process is valued at material cost consisting of CKD kits and local vendor parts.

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

2.7 Staff retirement benefits

The company operates an approved provident fund (defined contribution plan) for its permanent employees. Contributions in respect thereof are made in accordance with the terms of the scheme.

The company also operates an approved pension fund (defined benefit plan) for its permanent employees. The scheme provides life pension to employees and thereafter to their spouse and dependant children. Contributions are made annually to this fund on the basis of actuarial recommendations. Actuarial valuation of the scheme is carried out annually, using Projected Unit Credit method and the latest valuation was carried out as at June 30, 2003. Actuarial gain / loss is recognised on the basis of actuarial recommendation.

The future contribution rate of 10.93% (2002: 8.49%) of the basic salary includes allowances for deficits that will be contributed next year. Projected Unit Credit method, using following significant assumptions, is used for valuation of the scheme:

- Expected rate of increase in salaries at 5% (2002: 10%) per annum.
- Expected rate of interest on investments at 6% (2002: 11%) per annum.
- Expected discount rate at 6% (2002: 11%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

2.8 Compensated absences

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

2.9 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income currently.

2.10 Loans, advances and deposits

These are stated at cost.

2.11 Trade debts

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Other receivables are carried at cost.

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

2.12 Short term investment

Short term investment is initially recognised at cost, being the fair value of the consideration given. Investments with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity.

Subsequent to initial recognition at cost, these investments are measured at amortised cost, using the effective interest rate method, less provision for impairment in value, if any.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand and at banks net of short term running finances. The cash and cash equivalents are subject to insignificant risk of changes in value.

2.14 Creditors, accrued and other liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

2.15 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.16 Warranty obligations

The company recognises the estimated liability to repair or replace products under warranty at the balance sheet date.

2.17 Derivative financial instruments

In relation to fair value hedges, which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the profit and loss account. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss account.

In relation to cash flow hedges, which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion is recognised in the profit and loss account.

2.18 Taxation

(a) Current

The company falls under the final tax regime under Sections 148 and 169 of the Income Tax Ordinance, 2001 to the extent of commercial imports. Provision for tax on local sales and other income is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001, and whichever is higher is provided in the financial statements.

(b) Deferred

Deferred income tax is recognised, using the liability method, on all major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

2.19 Offsetting of financial assets and financial liabilities

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

2.20 Financial instruments

All financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

2.21 Revenue recognition

- Sales are recognised as revenue when goods are delivered and invoiced.
- Return on bank deposits and mark-up on advances to suppliers and contractors are accounted for on an accrual basis.
- Return on short term investment is recognised on a time proportion basis.
- Agency commission is recognised when shipments are made by the principal.

NOTES TO THE FINANCIAL STATEMENTS

	C O S T		Period / Rate	A C C U M U L A T E D D E P R E C I A T I O N		W R I T T E N D O W N V A L U E
	As at July 01, 2002	Additions (Disposals)		As at July 01, 2002	For the year (On disposals)	
	(Rs. in '000)					
Leasehold land	38,662	-	42 Yrs	4,604	921	33,137
Buildings on leasehold land						
- Factory	215,698	14,202	10%	126,703	11,491	91,706\
- Others	48,093	1,738	5%	16,756	1,791	31,284
Plant and machinery	1,288,777	16,905	10% to 20%	730,806	86,983	487,893
Motor vehicles	75,540	35,948 (16,777)	20%	28,224	12,452 (8,433)	62,468
Furniture and fixtures	18,224	3,382	20%	11,703	2,401	7,502
Office equipment	20,217	7,352	20%	12,518	2,769	12,282
Computers and related accessories	91,329	3,553 (663)	33.33%	54,040	23,664 (571)	17,086
Tools and equipment	302,259	19,139	20%	95,697	57,408	168,293
Jigs and fixtures	258,147	-	20% & 50%	149,358	31,616	77,173
June 30, 2003	2,356,946	102,219 (17,440)		1,230,409	231,496 (9,004)	988,824
June 30, 2002	2,153,786	215,964 (12,804)		1,027,907	209,295 (6,793)	1,126,537

3.1 Depreciation charge for the year has been allocated as follows:

	June 30, 2003	June 30, 2002
Cost of goods manufactured	192,578	175,871
Administrative and selling expenses	38,918	33,424
	231,496	209,295

for the year ended June 30, 2003

for the year ended June 30, 2003

NOTES TO THE FINANCIAL STATEMENTS

3.2 Assets disposed off during the year are as follows:

Assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchasers
Computers and related accessories	663	571	92	300	Insurance Claim	Adamjee Insurance Co. Ltd. Karachi
Vehicles	709	398	311	315	By Negotiation	Mr. Badarul-Haq - (Employee), Karachi
-----do-----	709	394	315	315	By Negotiation	Mr. Tariq Qudusi - (Employee), Karachi
-----do-----	4,788	1,606	3,182	4,789	Insurance Claim	Adamjee Insurance Co. Ltd., Karachi
-----do-----	838	201	637	752	By Negotiation	Mr. Farhat Jaffery, Karachi
-----do-----	685	360	325	598	By Negotiation	Mr. Atta Muhammad, Karachi
-----do-----	58	36	22	16	By Negotiation	Mr. Mukhtar Shaikh, Karachi
-----do-----	702	429	273	273	By Negotiation	Mr. Khalid Aslam - (Employee), Karachi
-----do-----	934	451	483	610	By Negotiation	Mr. Atta Muhammad, Karachi
-----do-----	904	597	307	637	By Negotiation	Mr. Rehan, Karachi
-----do-----	647	301	346	676	By Negotiation	Mr. Farooq, Karachi
-----do-----	668	519	149	533	By Negotiation	Mr. Rehan, Karachi
-----do-----	405	164	241	309	By Negotiation	Mr. M. Arif, Karachi
-----do-----	873	584	289	330	By Negotiation	Mr. Khurshed, Karachi
-----do-----	378	261	117	124	By Negotiation	Mr. Arjum Sharif - (Employee), Karachi
-----do-----	503	393	110	143	By Negotiation	Mr. Shaukat Memon - (Employee), Karachi
-----do-----	399	222	177	183	By Negotiation	Mr. Ghulam Muhammad - (Employee), Karachi
-----do-----	353	169	184	185	By Negotiation	Mr. Azam Akhtar - (Ex-Employee), Karachi
-----do-----	749	441	308	308	By Negotiation	Mr. Faisal Muneeb Khan - (Employee), Karachi
-----do-----	999	583	416	416	By Negotiation	Mr. Shah M. Saad Husain - (Employee), Karachi
-----do-----	476	324	152	151	By Negotiation	Mr. Shafiqat Habib - (Ex-Employee), Karachi
June 30, 2003	17,440	9,004	8,436	11,963		
June 30, 2002	12,804	6,793	6,011	7,250		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

Note	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
	(Rs. in '000)	
4. CAPITAL WORK-IN-PROGRESS		
Civil works	-	2,670
Office equipment	164	-
Tools and equipment	5,514	-
	<u>5,678</u>	<u>2,670</u>
5. LONG TERM LOANS		
Considered good – secured		
Executives	808	1,312
Employees	768	1,111
	1,576	2,423
Less: Recoverable within one year shown under current assets		
Executives	692	973
Employees	724	1,079
	<u>1,416</u>	<u>2,052</u>
	160	371
Loans outstanding for periods exceeding three years	-	-
Others	160	371
	<u>160</u>	<u>371</u>

The loans to executives and employees are either house building or personal loans. These are granted in accordance with the terms of their employment and are secured against their balances with the Employees' Provident Fund. The loans are repayable over a period of ten to twenty four months. House building and personal loans to management employees carry interest @ 6% (2002: 6%) per annum. Personal loans to non-management employees carry no interest.

The maximum aggregate amount due from the executives at the end of any month during the year was Rs. 1.185 (2002: Rs.1.392) million.

6. LONG TERM DEPOSITS

Utilities	4,687	4,572
Others	762	1,085
	<u>5,449</u>	<u>5,657</u>

7. STORES AND SPARES

Stores	55,923	36,626
Spares	15,588	16,950
	<u>71,511</u>	<u>53,576</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
8. STOCK-IN-TRADE			
In hand			
Manufacturing stock			
Raw material and components		704,651	872,676
Work-in-progress		89,883	72,731
Finished goods (vehicles – own manufactured)		131,361	21,600
Trading stock			
Vehicles		37,997	39,798
Spare parts		82,901	67,928
Special service tools and publications		211	633
		121,109	108,359
In transit		755,266	407,150
		<u>1,802,270</u>	<u>1,482,516</u>
9. TRADE DEBTS			
Considered good – unsecured			
Government agencies		399,819	189,176
Others		119,001	271,473
		<u>518,820</u>	<u>460,649</u>
10. LOANS, ADVANCES AND PREPAYMENTS			
Loans – considered good			
Current portion of long term loans			
Executives	10.1	692	973
Employees		724	1,079
		1,416	2,052
Advances – considered good			
Suppliers and contractors	10.2	18,007	27,476
Employees		662	2,660
Collector of Customs	10.3	38,429	-
		57,098	30,136
Prepayments			
Rent		1,263	341
Insurance		120	273
Maintenance		-	1,080
		1,383	1,694
		<u>59,897</u>	<u>33,882</u>

10.1 The maximum aggregate amount due from the executives in respect of loans at the end of any month during the year was Rs.0.782 (2002: Rs.1.303) million.

10.2 This includes a sum of Rs.9.249 (2002: Rs.16.399) million bearing interest at the rate of 10% to 14% (2002: 14%) per annum.

10.3 This represents amount paid to the Collector of Customs on June 30, 2003 in respect of import of raw materials subsequent to the end of the current year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

	Note	June 30, <u>2003</u>	June 30, <u>2002</u>
(Rs. in '000)			
11. SHORT TERM INVESTMENT			
Held to maturity			
Term Deposit Receipts (TDRs) - issued by banks	11.1	<u>2,689,021</u>	<u>1,005,525</u>

11.1 The TDRs have maturity dates, ranging between 3 and 12 months and carry profit at the rates ranging between 1.5% and 5.45% (2002: 8%) per annum, due on maturity. Profit accrued on the TDRs amounts to Rs.39.021 (2002: Rs.5.525) million and is included in the above.

The TDRs, amounting to Rs.1,000 million, shown under 'cash and bank balances' in prior year have been reclassified as 'short term investment' as the same is considered to be more appropriate for the purpose of presentation. For the same reason, interest accrued on TDRs, shown under 'other receivables' in prior year has been reclassified as 'short term investment'.

12. OTHER RECEIVABLES

Considered good

Earnest money		12,771	13,885
Warranty claims, agency commission and other receivables due from a related party - Toyota Tsusho Corporation		10,869	21,798
Return accrued on bank deposits		14,002	22,720
Warranty claims due from local vendors		32	472
Insurance claims		5,489	3,785
Sales tax - net	12.1	109,082	-
Unrealised gain on remeasurement of Forward Foreign Exchange Contracts		-	25,184
Miscellaneous		<u>34</u>	<u>24</u>
		<u>152,279</u>	<u>87,868</u>

12.1 This represents excess of input over output sales tax and is fully adjustable.

13. CASH AND BANK BALANCES

In hand		802	196
At banks in			
current accounts		<u>230,658</u>	186,639
deposit accounts	13.1	<u>4,543,911</u>	1,740,672
		<u>4,774,569</u>	1,927,311
		<u>4,775,371</u>	<u>1,927,507</u>

13.1 Included herein is a sum of Rs.688.300 (2002: Rs.Nil) million, representing amounts received from customers and placed in separate bank accounts (note 17).

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
		<u>June 30, 2003</u>	<u>June 30, 2002</u>
Number of shares	Ordinary shares of Rs.10 each fully paid in cash	<u>78,600,000</u>	<u>78,600,000</u>
15. RESERVES			
Capital reserve			
Premium on issue of Ordinary shares		196,500	196,500
Revenue reserves			
General reserve			
Balance brought forward		856,500	652,500
Transferred from Profit and Loss account		707,500	204,000
		1,564,000	856,500
Unappropriated profit		61	147
Net unrealised (loss) / gain on hedging instruments		<u>(1,674)</u>	<u>14,767</u>
		1,758,887	1,067,914
16. DEFERRED TAXATION			
Deferred tax credit arising on:			
Differences between written down values and tax bases of fixed assets		<u>91,738</u>	<u>136,223</u>
17. ADVANCES FROM CUSTOMERS AND DEALERS			
		<u>6,758,098</u>	<u>3,303,899</u>

Included herein is a sum of Rs.6,069.798 (2002: Rs.3,303.899) million, representing advances received by the company in respect of the sale of vehicles, carrying mark-up @ 1.80% (2002: 6%) per annum, being the weighted average rate of three months market treasury bills as at the end of the current year. The balance of Rs.688.300 million (2002: Rs.Nil) represents amount received by the company during the current year from customers as a result of revision in its booking procedures, which are not subject to any mark-up and are refundable on demand.

The mark-up, as referred to above, is calculated and payable after a period of 60 days from the receipt of advance, pursuant to a directive issued by the Engineering Development Board, Government of Pakistan, on September 17, 2002.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
18. CREDITORS AND ACCRUED LIABILITIES			
Creditors			
Associated undertakings / related parties			
- bills payable	18.1	388,368	215,493
- trade creditors	18.2	65,400	70,867
Others			
- other trade creditors		95,040	113,591
		548,808	399,951
Accrued liabilities			
Accrued expenses		137,095	117,997
Mark-up on:			
advances from customers		11,434	3,659
secured short term running finances-			105
		148,529	121,761
		697,337	521,712

18.1 This represents amounts due to related parties, namely (a) Toyota Tsusho Corporation: Rs.348.054 (2002: Rs.160.527) million and (b) Daihatsu Motor Corporation: Rs.40.314 (2002: Rs.54.966) million.

18.2 This consists of Rs.56.279 (2002: Rs.57.746) million due to a related party, Toyota Tsusho Corporation, and Rs.9.121 (2002: Rs.13.121) million due to an associated undertaking, Thal Engineering, a division of Thal Jute Mills Limited.

19. PROVISION AND OTHER LIABILITIES

Commission payable to dealers		871	475
Royalty	19.1	121,967	54,296
Security deposits from dealers	19.2	50,800	53,750
Retention money		3,090	1,931
Workers' Profit Participation Fund	19.3	103,860	28,294
Workers' Welfare Fund		39,471	9,218
Employees' Pension Fund	19.4	-	-
Sales tax - net		-	52,041
Custom duties		-	19,769
Warranty obligations	19.5	30,484	28,441
Tax deducted at source		296	5,572
Net unrealised loss on remeasurement of			
Forward Foreign Exchange contracts	19.6	3,107	-
		353,946	253,787

19.1 This represents royalty due to related parties, namely (a) Toyota Motor Corporation: Rs.111.966 (2002: Rs.48.013) million and (b) Daihatsu Motor Corporation: Rs.10.001 (2002: Rs.6.283) million.

19.2 These are interest free deposits, repayable to dealers upon the termination of dealership agreements.

These deposits, shown as 'advances from customers and dealers' in prior year have been reclassified as 'security deposits from dealers' in the current year as the same is considered to be more appropriate for the purpose of presentation.

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
19.3 Workers' Profit Participation Fund			
Opening balance		28,294	18,236
Add: Allocation for the year		103,860	28,294
Interest on funds utilised in the company's business		1,500	1,214
		<u>105,360</u>	<u>29,508</u>
		133,654	47,744
Less: Paid during the year		29,794	19,450
		<u>103,860</u>	<u>28,294</u>
19.4 Employees' Pension Fund			
(a) The amount recognised in the balance sheet is as follows:			
Present value of defined benefit obligation		28,181	20,570
Fair value of plan assets		29,703	22,401
		<u>(1,522)</u>	<u>(1,831)</u>
Unrecognised:			
Transitional obligation		(1,546)	(3,092)
Actuarial gain		3,068	4,923
Recognised liability		<u>-</u>	<u>-</u>
(b) The amount recognised in the Profit and Loss account is as follows:			
Current service cost		2,754	2,357
Interest cost		2,414	2,194
Amortisation of transitional obligation		1,546	1,546
Expected return on plan assets		(2,596)	(1,911)
Net actuarial gain recognised during the year		(141)	(104)
Pension cost recognised during the year		<u>3,977</u>	<u>4,082</u>
(c) Movement in net liability recognised in the balance sheet			
Opening balance		-	2,313
Cost recognised as above		3,977	4,082
Contributions paid during the year		<u>(3,977)</u>	<u>(6,395)</u>
Closing balance		<u>-</u>	<u>-</u>
(d) Expected and actual return on plan assets			
Expected return on plan assets		2,596	1,911
Actuarial gain on plan assets		729	203
Actual return on plan assets		<u>3,325</u>	<u>2,114</u>

19.5 This includes a sum of Rs.3.00 (2002: Rs.3.00) million for the current year. Provision utilised during the year, amounted to Rs.0.957 million (2002: Rs.Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
19.6 This comprises of the following:			
Net unrealised loss on remeasurement of			
Forward Foreign Exchange Contracts:			
Fair value hedge	26	1,433	-
Cash flow hedge		1,674	-
		3,107	-
20. DIVIDENDS			
Unclaimed		9,725	8,700
Proposed		393,000	157,200
		402,725	165,900

21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 The company during the year ended June 30, 2002, received a demand notice from the Assistant Collector of Customs, claiming short recovery of Rs.51.654 million on account of custom duties and sales tax on royalty paid to the Joint Venture Partner, Toyota Motor Corporation, taking the view that royalty pertains to the imported CKD Kits as opposed to the view of the company that the same relates to locally deleted parts only. The company has taken up this matter with the above-referred Authority and has attended a few hearings up to the end of the year in this regard. A further hearing is expected shortly. Pending a final decision in this matter, no provision has been made by the company in the financial statements of the current year against the above-referred sum as the management of the company is confident that the matter will be decided in favour of the company.

21.2 During the year ended June 30, 1994, the Income Tax Department issued a notice to the company to reopen the assessment for the year 1991-92 under Section 80C (5) of the repealed Income Tax Ordinance, 1979 on the grounds that the company took excess credit against its income resulting in the short payment of Rs.7.899 million. This is being contested by the company in the Honourable High Court of Sindh. Pending a final decision in this matter, no provision has been made by the company in the financial statements of the current year against the above-referred sum as the management of the company is confident that the matter will be decided in favour of the company.

NOTES TO THE FINANCIAL STATEMENTS

21.3 During the year ended June 30, 2002, the company received a notice under Section 85 of the repealed Income Tax Ordinance, 1979 from the Azad Kashmir tax authorities, demanding Rs.126.690 million, in respect of income tax and education cess in Azad Kashmir for the assessment years 1991-1992 to 2000-2001. The company thereafter filed appeals against the above-referred assessments with the Commissioner of Income Tax (Appeals) who has set aside the orders for the Assessment year 1991-92 and 1999-2000 and instructed the subordinate tax authorities to re-examine the case based on facts and relevant law, after which the tax authorities took up fresh proceedings. However, no orders have been passed by the authorities to date. The appellate orders for the Assessment Year 2000-2001 has not been received to date. The management is of the view that the income of the company is not taxable in Azad Kashmir as it does not have its own presence in Azad Kashmir and all sales are made in Pakistan ex-factory, therefore, no income accrues or arises to the company in Azad Kashmir.

Pending a final decision in this matter, no provision has been made by the company in the financial statements of the current year against the above-referred sum as the management of the company is confident that the matter will be decided in favour of the company.

Note	June 30, 2003	June 30, 2002
	(Rs. in '000)	
21.4 Outstanding bank guarantees	<u>196,829</u>	<u>268,717</u>

Commitments

21.5 Commitments in respect of capital expenditure as at June 30, 2003 amounted to Rs.47.294 (2002: Rs.1.815) million.

21.6 Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs.2,813.495 (2002: Rs.930.675) million, out of which commitments, valuing Japanese Yen 524.014 (2002: Yen 1,001) million [Rs.254.825 (2002: Rs.479.891) million], are covered under forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

22. OPERATING RESULTS

	Note	Manufacturing		Trading		Total	
		2003	2002	2003	2002	2003	2002
		Rs. in '000'					
Sales		15,235,758	7,669,763	877,496	664,630	16,113,254	8,334,393
Commission		457,323	210,614	8,450	5,160	465,773	215,774
Discounts		917	4,140	11,584	3,190	12,501	7,330
Net sales		14,777,518	7,455,009	857,462	656,280	15,634,980	8,111,289
Cost of sales							
Opening stock		21,600	450,196	108,359	101,263	129,959	551,459
Cost of goods manufactured		12,920,367	6,372,914	-	-	12,920,367	6,372,914
Purchases	22.1	-	-	690,447	521,949	690,447	521,949
Closing stock		(131,361)	(21,600)	(121,109)	(108,359)	(252,470)	(129,959)
Gross profit		12,810,606	6,801,510	677,697	514,853	13,488,303	7,316,363
		1,966,912	653,499	179,765	141,427	2,146,677	794,926
Administrative and selling expenses	23	301,348	246,543	17,843	22,273	319,191	268,816
Other charges	24	14,233	5,791	826	510	15,059	6,301
		315,581	252,334	18,669	22,783	334,250	275,117
Operating profit		1,651,331	401,165	161,096	118,644	1,812,427	519,809
Other income	25	239,908	60,462	114,399	28,343	354,307	88,805
		1,891,239	461,627	275,495	146,987	2,166,734	608,614
Financial charges	26	85,591	40,930	4,966	1,808	90,557	42,738
Workers' Profit Participation Fund		103,860	28,294	-	-	103,860	28,294
Workers' Welfare Fund		39,471	9,218	-	-	39,471	9,218
Profit before taxation		1,662,317	383,185	270,529	145,179	1,932,846	528,364

for the year ended June 30, 2003

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
22.1 Cost of goods manufactured			
Raw materials and vendor parts consumed			
Opening stock		872,676	439,705
Purchases		11,896,380	6,332,638
Closing stock		(704,651)	(872,676)
		12,064,405	5,899,667
Stores and spares consumed		312,083	158,672
Salaries, wages and other benefits	22.2	93,217	73,652
Rent, rates and taxes		1,695	1,664
Repairs and maintenance		45,280	12,475
Depreciation	3.1	192,578	175,871
Legal and professional		360	717
Travelling		6,648	3,987
Transportation		625	299
Insurance		10,290	8,166
Vehicle running		5,242	3,744
Communication		2,867	2,628
Printing, stationery and office supplies		1,911	1,552
Subscription		73	31
Fuel and power		62,601	45,549
Running royalty		120,716	50,758
Technical fee		12,165	3,334
Parts development		399	1,581
Staff training		3,476	-
Miscellaneous		888	1,298
		873,114	545,978
Add: Opening work-in-process		72,731	-
Less: Closing work-in-process		89,883	72,731
		12,920,367	6,372,914

22.2 Included herein is a sum of Rs. 2.158 (2002: Rs.1.953) million in respect of defined contribution plan.

23. ADMINISTRATIVE AND SELLING EXPENSES

Salaries, allowances and other benefits	23.1	83,492	71,644
Rent, rates and taxes		1,862	1,843
Insurance		4,998	3,838
Repairs and maintenance		17,049	15,730
Depreciation	3.1	38,918	33,424
Advertising and sales promotion		28,379	48,125
Travelling		16,143	17,433
Legal and professional		27,438	5,492
Vehicle running		10,511	9,447
Balance carried forward		228,790	206,976

NOTES TO THE FINANCIAL STATEMENTS

Note	June 30, 2003	June 30, 2002
	(Rs. in '000)	
Balance brought forward	228,790	206,976
Communication	7,077	6,658
Printing, stationery and office supplies	3,953	3,259
Staff training	6,733	5,054
Staff transport and canteen	35,128	26,748
Security	3,619	3,040
Subscription	2,926	970
Warranty claims and pre-delivery inspection	15,422	8,695
Development expenditure	4,207	521
Utilities	598	486
Share registrar and related expenses	2,890	2,102
Transportation	6,597	2,982
Running royalty	1,251	1,325
	<u>319,191</u>	<u>268,816</u>

23.1 Included herein is a sum of Rs.1.575 (2002: Rs.2.172) million in respect of defined contribution plan.

23.2 The administrative and selling expenses have been allocated between manufacturing and trading activities on the basis of turnover (note 22).

24. OTHER CHARGES

Auditors' remuneration	24.1	1,166	1,135
Exchange loss - net		1,013	1,828
Donations	24.2	<u>12,880</u>	<u>3,338</u>
		<u>15,059</u>	<u>6,301</u>

24.1 Auditors' remuneration

Audit fee	330	300
Tax services	630	409
Other certifications	121	374
Out-of-pocket expenses	<u>85</u>	<u>52</u>
	<u>1,166</u>	<u>1,135</u>

24.2 Donations

Donations include the following in whom a director or his spouse is interested:

Name of Director(s)	Interest in Donee	Name & Address of Donee	<u>Amount Donated</u>	
			<u>June 30, 2003</u>	<u>June 30, 2002</u>
			(Rs. in '000)	
1. Ali S. Habib	Trustee	Mohammedali Habib Welfare Trust 2nd Floor, Siddiq Sons Tower, Jinnah Co-operative Housing Society, Shahrah-e-Faisal, <u>Karachi.</u>	75	75
2. Mohammedali Habib and Ali S. Habib	Trustee	Habib Education Trust, 4th Floor, UBL Building, I.I. Chundrigar Road, <u>Karachi.</u>	700	700

for the year ended June 30, 2003

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2003	June 30, 2002
(Rs. in '000)			
25. OTHER INCOME			
Agency commission, net of commission expense of Rs.1.840 (2002: Rs.1.844) million		100,478	23,018
Gain on sale of fixed assets		3,527	1,239
Return on short term investment		97,558	5,525
Return on bank deposits		144,972	55,520
Mark-up on advances to suppliers and contractors		2,731	1,385
Miscellaneous		5,041	2,118
		<u>354,307</u>	<u>88,805</u>
26. FINANCIAL CHARGES			
Long Term Loans			
Mark-up on secured:			
Locally Manufactured Machinery loan		-	969
Term loan		-	19,429
		-	20,398
Working Capital			
Mark-up on:			
secured short term running finances		-	12,306
advances from customers		79,097	3,659
Bank charges		9,960	5,161
Interest on Workers' Profit Participation Fund		1,500	1,214
Unrealised (gain) / loss on remeasurement of creditors		(1,433)	10,417
Unrealised loss / (gain) on remeasurement of forward foreign exchange contracts	19.6	1,433	(10,417)
		-	-
		<u>90,557</u>	<u>22,340</u>
		<u>90,557</u>	<u>42,738</u>
27. TAXATION			
Current		719,717	174,606
Prior		-	1,036
Deferred		(44,485)	(7,741)
	27.1	<u>675,232</u>	<u>167,901</u>
27.1 Relationship between income tax expense and accounting profit			
Profit before taxation		<u>1,932,846</u>	<u>528,364</u>
Tax at the applicable tax rate of 35% (2002: 35%)		676,496	184,927
Tax effect of expenses that are admissible/inadmissible in determining taxable profit		52,021	12,475
Tax effect of available tax credits		-	(19,500)
Effect of tax on commercial imports under Final Tax Regime		(8,800)	(3,296)
		<u>719,717</u>	<u>174,606</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

Note	June 30, 2003	June 30, 2002
	(Rs. in '000)	
Effect of change in prior years' tax	-	1,036
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	(44,485)	(7,741)
	<u>675,232</u>	<u>167,901</u>

The income tax assessments of the company have been finalised upto and including the assessment year 2001-2002 pertaining to the accounting year ended June 30, 2001.

28. BASIC EARNINGS PER SHARE

Basic earnings per share has been computed by dividing the net profit for the year after taxation by the weighted average number of shares outstanding during the year. There is no dilutive effect on the basic earnings per share.

Profit for the year after taxation	<u>1,257,614</u>	<u>360,463</u>
	Number of Shares	
Weighted average number of shares outstanding during the year (in '000)	<u>78,600</u>	<u>78,600</u>
	Rupees	
Basic earnings per share	<u>16.00</u>	<u>4.59</u>

29. CASH GENERATED FROM OPERATIONS

	(Rs. in '000)	
Profit before taxation	1,932,846	528,364
Adjustment for non-cash charges and other items		
Depreciation	231,496	209,295
Gain on sale of fixed assets	(3,527)	(1,239)
Interest on short term investment and bank deposits	(242,530)	(61,045)
Mark-up on loans and advances from customers	79,097	36,363
Working capital changes	29.1 <u>3,216,144</u>	<u>3,118,152</u>
	<u>5,213,526</u>	<u>3,829,890</u>

29.1 Working capital changes

Decrease / (Increase) in current assets

Stores and spares	(17,935)	14,608
Stock-in-trade	(319,754)	(207,016)
Trade debts	(58,171)	(74,707)
Loans, advances and prepayments	(26,015)	29,436
Other receivables	(87,896)	(15,496)
	(509,771)	(253,175)

Increase in current liabilities

Advances from customers and dealers	3,454,199	3,221,511
Creditors and accrued liabilities	167,955	61,793
Provision and other liabilities	103,761	88,023
	3,725,915	3,371,327
	<u>3,216,144</u>	<u>3,118,152</u>

NOTES TO THE FINANCIAL STATEMENTS

Note **June 30,** **June 30,**
2003 **2002**
(Rs. in '000)

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet

Cash and bank balances	13	4,775,371	1,927,507
Short term running finances		-	(2,740)
		<u>4,775,371</u>	<u>1,924,767</u>

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2003			2002		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rs. in '000'					
Managerial remuneration	3,120	5,347	47,453	2,400	4,585	46,742
Retirement benefits	201	141	2,630	155	130	2,186
Utilities and upkeep	250	232	-	186	157	-
Leave passage / assistance	-	442	3,735	558	335	2,186
Medical expenses	206	172	3,023	76	156	431
	<u>3,777</u>	<u>6,334</u>	<u>56,841</u>	<u>3,375</u>	<u>5,363</u>	<u>51,545</u>
Number of persons	<u>1</u>	<u>2</u>	<u>118</u>	<u>1</u>	<u>2</u>	<u>96</u>

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

32. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

Transactions with associated undertakings / related parties are as follows:

Purchases	8,090,468	4,499,367
Insurance premium	31,554	-
Agency commission	102,318	24,862
Running royalty	121,967	52,083
Technical fee	12,165	3,334
Share registrar's fee, charges and other services	1,651	1,446

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

33. UNVAILED CREDIT FACILITIES

Short term running finance	<u>1,070,000</u>	<u>1,152,260</u>
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2003

34. PLANT CAPACITY AND PRODUCTION

	Note	June 30, 2003	June 30, 2002
		Number of units	
Capacity based on two shift basis		26,000	26,000
Production		20,486	10,305

The company is operating on a two shift basis from March 2003 based on market demand and is currently making efforts to achieve production to match available capacity.

35. FINANCIAL INSTRUMENTS

35.1 Interest / mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

NOTES TO THE FINANCIAL STATEMENTS

	Effective yield / mark-up rate	Interest / Mark-up bearing		Non-Interest / Mark-up bearing		Total June 30, 2002
		Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	
		Sub-total		Sub-total		
(Rupees in '000)						
FINANCIAL ASSETS						
Loans and advances	6	2,052	371	2,423	2,660	5,083
Long term deposits	-	-	-	-	5,657	5,657
Trade debts	-	-	-	-	460,649	460,649
Short term investment	8	1,000,000	-	1,000,000	5,525	1,005,525
Other receivables	-	-	-	-	73,983	73,983
Cash and bank balances	6 to 9.25	1,740,672	-	1,740,672	186,835	1,927,507
		<u>2,742,724</u>	<u>371</u>	<u>2,743,095</u>	<u>729,652</u>	<u>3,478,404</u>
FINANCIAL LIABILITIES						
Short term running finances	10 to 12.5	2,740	-	2,740	-	2,740
Creditors and accrued liabilities	-	-	-	-	521,712	521,712
Provision and other liabilities	-	-	-	-	138,893	138,893
Dividends	-	-	-	-	165,900	165,900
		<u>2,740</u>	<u>-</u>	<u>2,740</u>	<u>826,505</u>	<u>829,245</u>

for the year ended June 30, 2003

NOTES TO THE FINANCIAL STATEMENTS

35.2 Credit risk exposure and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs.8,021.325 (2002: Rs.3,478.404) million, the financial assets which are subject to credit risk amounted to Rs.3,245.954 (2002: Rs.1,550.897) million. The company manages credit risk in trade receivables by limiting significant exposure to any individual customers, by obtaining advance against sales.

The company is exposed to credit risk on loans, advances, deposits, trade debts, investments and other receivables. The company seeks to minimise the credit risk exposure through dealings with customers considered credit worthy and obtaining securities where applicable.

35.3 Liquidity risk

Liquidity risk reflects the company's inability of raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

35.4 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings. Payables exposed to foreign currency risks are covered through foreign exchange contracts.

35.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
36. NUMBER OF EMPLOYEES	<u>1,021</u>	<u>697</u>

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on September 09, 2003 by the Board of Directors of the company.

38. GENERAL

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



Mazhar Valjee

Chief Executive Officer



Yutake Arae

Vice Chairman & Director

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of Indus Motor Company Limited will be held on Monday, October 13, 2003, at 10:00 a.m. at the Auditorium of Finance & Trade Centre, Main Shahra-e-Faisal, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2003 and the report of the Directors and the Auditors thereon.
2. To approve and declare dividend (2002-03) on the ordinary shares of the Company. The directors have recommended a Final Cash dividend of 50% (or Rs.5.00 per share) together with the Interim Dividend of 20% (or Rs. 2 per share) already paid, the total dividend for 2002-2003 will thus amount to 70% or Rs. 7.00 per share.
3. To appoint Auditors and to fix their remuneration for the year ending 30th June, 2004. The present Auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

By order of the Board



Kaiser Pervaiz
Company Secretary

Karachi
September 22, 2003

NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him / her. Proxy forms must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.
2. Shareholders are requested to notify the change in their addresses, if any, immediately.
3. Share Transfer Books of the Company will be closed from 1st October 2003 to 13th October, 2003 (both days inclusive) for purpose of the Annual General Meeting.

CDC Account Holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original NIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Our Core Values

OUR CORE VALUES

- Product Quality
- Customer Satisfaction
- Teamwork
- Employee Care
- Ethical and Honest Practices

PATTERN OF SHARE HOLDING

as on June 30, 2003

NUMBER OF SHARE HOLDERS	SHARE HOLDING			TOTAL SHARES HELD
409	1	-	100	40,051
4888	101	-	500	2,345,763
582	501	-	1000	559,727
567	1001	-	5000	1,533,387
84	5001	-	10000	663,075
25	10001	-	15000	318,700
18	15001	-	20000	330,100
17	20001	-	25000	412,700
7	25001	-	30000	199,300
5	30001	-	35000	165,400
3	35001	-	40000	115,900
2	40001	-	45000	81,500
6	45001	-	50000	296,000
2	50001	-	55000	107,000
3	55001	-	60000	174,100
1	65001	-	70000	69,000
4	70001	-	75000	297,000
3	75001	-	80000	229,500
1	80001	-	85000	82,900
1	90001	-	95000	95,000
3	95001	-	100000	300,000
3	100001	-	105000	309,500
1	115001	-	120000	118,000
1	120001	-	125000	124,000
2	125001	-	130000	260,000
2	130001	-	135000	268,900
1	140001	-	145000	142,200
2	145001	-	150000	295,500
2	210001	-	215000	422,600

as on June 30, 2003

PATTERN OF SHARE HOLDING

NUMBER OF SHARE HOLDERS	SHARE HOLDING			TOTAL SHARES HELD
1	215001	-	220000	219,300
4	220001	-	225000	884,667
1	225001	-	230000	228,000
1	275001	-	280000	279,000
1	295001	-	300000	300,000
1	300001	-	305000	304,000
1	345001	-	350000	350,000
1	445001	-	450000	450,000
1	565001	-	570000	567,500
1	595001	-	600000	600,000
1	615001	-	620000	620,000
1	815001	-	820000	819,250
1	1050001	-	1055000	1,054,750
1	1335001	-	1340000	1,338,500
1	1625001	-	1630000	1,630,000
1	3255001	-	3260000	3,260,000
1	4370001	-	4375000	4,370,800
2	9820001	-	9825000	19,650,000
1	31315001	-	31320000	31,317,430
6,668				78,600,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
1. INDIVIDUALS	6,546	9,450,403	12.023
2. Investment Companies	9	2,293,900	2.918
3. Insurance Companies	8	1,142,400	1.453
4. Joint Stock Companies	73	8,371,300	10.651
5. Financial Institutions	7	4,752,800	6.047
6. Modaraba Companies	4	614,700	0.782
7. Foreign Investors	13	51,869,097	65.991
8. Charitable Trust	3	59,400	0.076
9. Others	5	46,000	0.059
	<u>6,668</u>	<u>78,600,000</u>	<u>100.000</u>

PATTERN OF SHARE HOLDING ADDITIONAL INFORMATION

Category No.	Categories of Share Holders	Number of Shares Held	Category wise No. of Folios / CDC Accounts	Category wise Shares Held	Percentage %
1	INDIVIDUALS		6,535	8,866,752	11.28
2	INVESTMENT COMPANIES		4	2,139,000	2.72
3	JOINT STOCK COMPANIES		65	1,441,300	1.83
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		7	573,151	0.73
	MR. ALI S. HABIB	135,000			
	MRS. MUNIZEH ALI HABIB W/O MR. ALI S. HABIB	601			
	MR. MOHAMEDALI R. HABIB	130,000			
	MR. FARHAD ZULFICAR	300,000			
	MR. MAZHAR VALJEE	5,000			
	MR. M. I. SURI	2,550			
5	EXECUTIVES		4	10,500	0.01
6	NIT / ICP		4	4,520,200	5.75
	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT. INVESTMENT CORPORATION OF PAKISTAN	4,370,800			
	INVESTMENT CORPORATION OF PAKISTAN	149,400			
7	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		2	4,890,000	6.22
	M/S. PAKISTAN PAPERSACK CORPORATION LIMITED	3,260,000			
	M/S. THAL JUTE MILLS LIMITED	1,630,000			
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS				
9	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS		26	4,184,600	5.32
10	FOREIGN INVESTORS holding 10% or more voting interest in the listed company.		13	51,869,097	66.00
	OVERSEAS PAKISTAN INVESTORS AG	31,317,430			
	TOYOTA TSUSHO CORPORATION	9,825,000			
	TOYOTA MOTOR CORPORATION	9,825,000			
	OTHERS below 10% Shareholding	901,667			
11	CO-OPERATIVE SOCIETIES		3	59,400	0.08
12	CHARITABLE TRUSTS		5	46,000	0.06
13	OTHERS				
	TOTALS		6,668	78,600,000	100.00

as on June 30, 2003

PROFIT AND LOSS ACCOUNT

	Note	June 30, <u>2003</u>	June 30, <u>2002</u>
		(Rs. in '000)	
NET SALES	22	15,634,980	8,111,289
Cost of sales	22	13,488,303	7,316,363
GROSS PROFIT		2,146,677	794,926
Administrative and selling expenses	23	319,191	268,816
Other charges	24	15,059	6,301
		334,250	275,117
OPERATING PROFIT		1,812,427	519,809
OTHER INCOME	25	354,307	88,805
		2,166,734	608,614
Financial charges	26	90,557	42,738
Workers' Profit Participation Fund		103,860	28,294
Workers' Welfare Fund		39,471	9,218
PROFIT BEFORE TAXATION		1,932,846	528,364
Taxation	27	675,232	167,901
NET PROFIT FOR THE YEAR		1,257,614	360,463
Unappropriated profit brought forward		147	884
PROFIT AVAILABLE FOR APPROPRIATION		1,257,761	361,347
APPROPRIATIONS			
Transfer to general reserves		707,500	204,000
Interim dividend @ 20% (Rs.2 per share) (2002: Nil)		157,200	-
Proposed dividend @ 50% (Rs.5 per share) [2002: 20% (Rs.2 per share)]		393,000	157,200
		1,257,700	361,200
UNAPPROPRIATED PROFIT CARRIED FORWARD TO REVENUE RESERVES		61	147
BASIC EARNINGS PER SHARE (Rupees per share)	28	16.00	4.59

The annexed accounting policies and explanatory notes form an integral part of these financial statements.



Mazhar Valjee

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

for the year ended June 30, 2003

STATEMENT OF CHANGES IN EQUITY

	Share capital issued, subscribed and paid-up	Capital reserve Premium on issue of Ordinary shares	Revenue reserves		Unrealised gain on hedging instruments	Total
			General reserve	Unappropriated profit		
			(Rs. in `000)			
Balance as at June 30, 2001	786,000	196,500	652,500	884	-	1,635,884
Net profit for the year	-	-	-	360,463	-	360,463
Transfer to general reserve	-	-	204,000	(204,000)	-	-
Net unrealised gain on remeasurement of Forward Foreign Exchange Contracts	-	-	-	-	14,767	14,767
Proposed dividend @ 20%	-	-	-	(157,200)	-	(157,200)
Balance as at June 30, 2002	786,000	196,500	856,500	147	14,767	1,853,914
Net gain on cash flow hedge removed from equity and reported in net profit for the year	-	-	-	-	(14,767)	(14,767)
Net profit for the year	-	-	-	-	-	1,257,614
Transfer to general reserve	-	-	707,500	(707,500)	-	1,257,614
Net unrealised loss on remeasurement of Forward Foreign Exchange Contracts	-	-	-	-	(1,674)	(1,674)
Interim dividend @ 20%	-	-	-	(157,200)	-	(157,200)
Proposed dividend @ 50%	-	-	-	(393,000)	-	(393,000)
Balance as at June 30, 2003	786,000	196,500	1,564,000	61	(1,674)	2,544,887

The annexed accounting policies and explanatory notes form an integral part of these financial statements.



Mazhar Valjee

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

for the year ended June 30, 2003

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board includes 4 independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. To the best of our knowledge all the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies arose on the Board during the year.
5. The Company has prepared a "Statement of Ethics and Business Practices", which is in the process of confirmation by the directors and employees.
6. The Management has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Company and the same is in the process of approval by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and, determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of the CFO / Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO. At present the post of CFO and Company Secretary is being held by the same person and the company is reviewing the possibility of separating both these functions.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises 3 members, who are all non-executive directors including the Chairman of the committee. Presently the Manager Finance is acting as Secretary of the Audit Committee on a temporary basis. Further, to fully comply with the Code of Corporate Governance, the Company is in the process of entrusting this responsibility to a non-finance personnel.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company, as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi.

September 9, 2003



Mazhar Valjee
Chief Executive Officer



Yutaka Arae
Vice Chairman & Director

TOYOTA'S GUIDING PRINCIPLES



Mr. Fujio Cho, President, Toyota Motor Corporation

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