

Corporate Social Responsibility Review



2009-10 was a record year for Indus Motor despite several economic and political challenges faced by the industry. During the year, the company celebrated its 20th anniversary of incorporation in December 2009. The success IMC has enjoyed would not have been possible without the confidence and support of our loyal customers. I am grateful to them for their strong preference for our products and commit to doing our best to satisfy them in future too. I also wish to acknowledge efforts of the entire Indus team including our staff, vendors, dealers and business partners and look forward to their continued support.

You will find information on financial and operating performance for 2009-10 presented in earlier pages. This section of the report, "Concern Beyond Cars" covers our Corporate Social Responsibility initiatives. Great companies are driven by purpose as well as profit. IMC has a proud heritage of improving people's lives and making their world a better place. Giving back to the community is an important part of our efforts to help build a better Pakistan. We want to build on this heritage and that of HOH by being a good neighbor locally and a trusted corporate citizen globally, operating responsibly and sustainably.

Our CSR Program is aligned with our business objectives. To achieve business and societal objectives, we work closely with our stakeholders, including our customers, employees, investors, dealers, suppliers and the communities. All these stakeholders are essential to our company's long-term success. At Indus Motor, CSR is effectively managing our business processes to create an overall positive impact on the society.

As a member of the UN Global Compact we are steadfast in our desire to abide with the UNGC Principles. We are pleased to report that our first UNGC Communication on Progress (COP) was amongst the notable COP's worldwide. In January 2010, we uploaded our 3rd COP which can be viewed at IMC (toyota-indus.com) or UNGC (unglobalcompact.org) websites.



Parvez Ghias
Chief Executive Officer

<p>Customers</p> 	<p>Business Partners</p> 	<p>Education</p> 	<p>Community & Philanthropy</p> 
<p>Employees</p> 	<p>Road Safety</p> 	<p>Environment</p> 	<p>Corporate Governance</p> 

Statement of Changes in Equity

For the year ended June 30, 2010

	Share capital		Reserves			Sub-Total	Total
	Issued, subscribed and paid-up	Capital Premium on issue of ordinary shares	Revenue		Unrealised gain/(loss) on hedging instruments		
			General reserve	Unappropriated profit			
----- (Rupees in '000) -----							
Balance at June 30, 2008	786,000	196,500	6,457,700	1,976,459	19,681	8,650,340	9,436,340
Final dividend @ 65% for the year ended June 30, 2008 declared subsequent to year end	-	-	-	(510,900)	-	(510,900)	(510,900)
Transfer to general reserve for the year ended June 30, 2008 appropriated subsequent to year end	-	-	1,465,550	(1,465,550)	-	-	-
Unrealised gain on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	(19,681)	(19,681)	(19,681)
Total comprehensive income for the year ended June 30, 2009	-	-	-	1,385,102	6,112	1,391,214	1,391,214
Balance at June 30, 2009	786,000	196,500	7,923,250	1,385,111	6,112	9,510,973	10,296,973
Final dividend @ 100% for the year ended June 30, 2009 declared subsequent to year end	-	-	-	(786,000)	-	(786,000)	(786,000)
Transfer to general reserve for the year ended June 30, 2009 appropriated subsequent to year end	-	-	599,100	(599,100)	-	-	-
Unrealised gain on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	(6,112)	(6,112)	(6,112)
Total comprehensive income for the year ended June 30, 2010	-	-	-	3,443,403	32,351	3,475,754	3,475,754
Interim dividend @ 50%	-	-	-	(393,000)	-	(393,000)	(393,000)
Balance at June 30, 2010	786,000	196,500	8,522,350	3,050,414	32,351	11,801,615	12,587,615

Proposed final dividend and transfer between reserves made subsequent to the year ended June 30, 2010 are disclosed in note 38 to these financial statements.

The annexed notes 1 to 41 form an integral part of these financial statements.


Parvez Ghias
Chief Executive Officer


Koji Hyodo
Vice Chairman & Director

Cash Flow Statement

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	7,952,792	6,538,777
Interest paid		(77,415)	(8,267)
Workers' Profit Participation Fund paid		(282,674)	(105,538)
Workers' Welfare Fund paid		(37,587)	(50,069)
Interest received		1,605,244	612,950
Income tax paid		(1,749,120)	(465,156)
Movement in long-term loans and advances		12,939	13,832
Movement in long-term deposits		100	-
Net cash generated from operating activities		7,424,279	6,536,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(270,252)	(721,823)
Proceeds from disposal of fixed assets		19,864	42,806
Investment made in listed mutual fund units		(1,490,000)	-
Proceeds from redemption of investment in listed mutual fund units		1,515,186	55,922
Net cash used in investing activities		(225,202)	(623,095)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,174,263)	(510,853)
Net cash used in financing activities		(1,174,263)	(510,853)
Net increase in cash and cash equivalents		6,024,814	5,402,581
Cash and cash equivalents at the beginning of the year		9,731,166	4,328,585
Cash and cash equivalents at the end of the year	31	15,755,980	9,731,166

The annexed notes 1 to 41 form an integral part of these financial statements.

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For the year ended June 30, 2010

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Statement of Comprehensive Income

For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
Profit for the year	3,443,403	1,385,102
Other comprehensive income		
Unrealised gain on revaluation of foreign exchange contracts	32,351	6,112
Total comprehensive income for the year	3,475,754	<u>1,391,214</u>

The annexed notes 1 to 41 form an integral part of these financial statements.



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Profit and Loss Account

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
Net sales	21	60,093,139	37,864,604
Cost of sales	21	55,382,306	35,540,418
Gross profit		4,710,833	2,324,186
Distribution expenses	22	468,496	469,985
Administrative expenses	23	381,575	352,249
		850,071	822,234
		3,860,762	1,501,952
Other operating expenses	25	416,106	156,479
		3,444,656	1,345,473
Other operating income	26	1,801,459	727,080
		5,246,115	2,072,553
Finance costs	27	3,576	26,540
Profit before taxation		5,242,539	2,046,013
Taxation	28	1,799,136	660,911
Profit after taxation		3,443,403	1,385,102
		(Rupees)	
Earnings per share	29	43.81	17.62

The annexed notes 1 to 41 form an integral part of these financial statements.


Parvez Ghias
Chief Executive Officer


Koji Hyodo
Vice Chairman & Director

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

1 THE COMPANY AND ITS OPERATIONS

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Company has adopted IAS 1 (Revised) and has chosen to present all non-owner changes in equity in a separate statement of comprehensive income along with the income statement (profit and loss account). The adoption of the above standard does not have any significant effect on the Company's financial statements other than certain increased disclosures. Furthermore, the adoption of this standard neither has any impact on earnings per share nor does it require the restatement or reclassification of comparative information.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

- IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, but does not have an impact on the Company's financial position or performance.
- IFRS 8, 'Operating segments' was effective from January 1, 2009. IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is required to be presented on the same basis as that used for internal reporting purposes. Operating segments are determined and presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has determined operating segments on the basis of business activities i.e. manufacturing and trading activities.

The adoption of the above standard does not have any significant effect on the Company's financial statements other than certain increased disclosures. Furthermore, the adoption of this standard neither has any impact on earnings per share nor does it require the restatement or reclassification of comparative information.

IFRS 8 'Operating Segments' (Amendments) effective January 1, 2010 has been early adopted by the Company. Under the amendment, it has been clarified that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision-maker. Accordingly, segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision-maker on a regular basis.

2.1.3 Other standards, interpretations and amendments to published accounting standards that are effective in the current year

The following amendments to existing standards have been published and are mandatory for the first time for the financial year beginning July 1, 2009:

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

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

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

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

IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent. Previously IAS 19 required an entity to recognise certain contingent liabilities in respect of multi-employer plan. Now an entity is required only to disclose information about some contingent liabilities.

The amendment does not have any significant impact on the Company's financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

- IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment does not have any significant effect on the Company's financial statements.
- IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. The amendment does not have any significant effect on the Company's financial statements.
- IAS 39 (Amendment), 'Eligible hedged item' (effective from July 1, 2009). The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. Further, in a hedge of one-sided risk with options, it prohibits including time value in the hedged risk. The amendment does not have any significant effect on the Company's financial statements.

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

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

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 1, 2010.

- IAS 1 (amendment), 'Presentation of financial statements' (effective January 1, 2010). The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on the Company's financial statements.
- IAS 7 (Amendment), 'Statement of cash flows' (effective from January 1, 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Company's financial statements.
- IAS 18 (Amendment), 'Revenue' (effective from January 1, 2010). The amendment provides additional guidance regarding the determination as to whether an entity is acting as a principal or an agent. The amendment is not expected to have any impact on the Company's financial statements.
- IAS 24 'Related party disclosures' (revised) (effective from January 1, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

There are other amendments to the approved accounting standards and interpretations that are not yet effective but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

2.1.5 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

Significant accounting estimates and areas where judgments were made by management in the application of accounting policies are disclosed in note 2.21 to these financial statements.

2.2 Basis for measurement

These financial statements have been prepared under the historical cost convention except that investments classified as financial assets 'at fair value through profit or loss' or available for sale and derivative financial instruments have been marked to market and certain staff retirement benefits are carried at present value of defined benefit obligation less fair value of plan assets.

2.3 Fixed assets

2.3.1 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation except capital work-in-progress which is stated at cost. Cost in relation to property, plant and equipment signifies historical cost.

Depreciation is charged to income applying the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life. The cost of leasehold land is amortised equally over the lease period. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal. The rates of depreciation are stated in note 3.2 to these financial statements.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to income as and when incurred.

Gains and losses on sale or retirement of property, plant and equipment are included in income currently.

Capital work-in-progress

All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

2.3.2 Intangible - computer software

Computer software are stated at cost less accumulated amortisation. Software costs are only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight line method at the rates stated in note 3.2 to these financial statements.

2.3.3 Impairment

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment and intangible assets may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and the differences are recognised in income currently.

2.4 Stores and spares

Stores and spares, except in transit are valued at cost, determined on a moving average basis. Provision is made for any slow moving and obsolete items. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.5 Stock-in-trade

Stock-in-trade, except in transit, are valued at the lower of cost and net realisable value. Stock in transit is stated at invoice price plus other charges incurred thereon.

Cost of raw materials, own manufactured vehicles and trading stock is determined on a moving average basis. Cost of work-in-process is valued at material cost.

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

2.6 Financial instruments

2.6.1 Financial assets

2.6.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Company are categorised as follows:

a) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprises of trade debts, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity.

d) Available for sale

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets 'at fair value through profit or loss'.

2.6.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

2.6.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) Financial asset 'at fair value through profit or loss' & 'available for sale'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income.

b) 'Loans and receivables' & 'held to maturity'

'Loans and receivables' and 'held to maturity' financial assets are carried at amortised cost.

2.6.1.4 Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of a financial asset below its cost / amortised cost is also an objective evidence of impairment. Provision for impairment in the value of financial assets, if any, is taken to the profit and loss account.

2.6.1.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 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 liabilities simultaneously.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

2.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

2.6.3 Derecognition

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

2.7 Loans, advances and deposits

These are stated at cost less estimates made for any doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

2.8 Trade debts and other receivables

Trade debts are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are carried at cost less estimates made for doubtful receivables, if any.

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

2.9 Derivative financial instruments and hedge accounting

The Company designates derivative financial instruments as either fair value hedge or cash flow hedge.

Fair value hedge

Fair value hedge represents hedges of the fair value of recognised assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

Cash flow hedge

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

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

2.10 Taxation

Current

The provision for current taxation is based on taxable income at the current rates of taxation, after considering rebates and tax credits available, if any and taxes paid under the Final Tax Regime. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted by the balance sheet date.

2.11 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and bank deposits net of running finances. The cash and cash equivalents are readily convertible to known amounts of cash and are therefore subject to insignificant risk of changes in value.

2.12 Trade and other payables

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

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.14 Warranty obligations

The Company recognises the estimated liability, on an accrual basis, to repair or replace products under warranty at the balance sheet date.

2.15 Staff retirement benefits

Defined contribution plan - Employees Provident Fund

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the Fund by the Company and the employees in accordance with the rules of the Fund. The Company has no further payment obligation once the contributions have been paid. The contributions made by the Company are recognised as an employee benefit expense when they are due.

Defined benefit / contribution plan - Employees Pension Fund

The Company also operates an approved funded pension scheme for its permanent employees.

The employee pension is governed by two set of Rules 'New Rules' - Defined contribution plan and 'Old Rules' - Defined benefit plan. The New Rules are applicable to all members of the Fund with effect from July 1, 2008. However, the Old Rules continue to apply to all persons whose employment with the Company ceased before July 1, 2008 and who are entitled to pension from the Fund. In addition, the Old Rules also apply to existing employees who have not opted to be governed by the New Rules.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

In accordance with the New Rules, an actuarial balance was determined by the actuary as at June 30, 2008, in respect of all members of the Fund who were in the service of the Company as of that date and opted to be governed by the New Rules, which was credited to the members' individual accounts. With effect from July 2008, the Company is required to make a fixed monthly contribution to the Fund based on the basic salary of the employees which is credited into the individual account of each member. The Company has no further payment obligation once these monthly contributions have been paid to the Fund. Profit earned on the investments maintained by the Fund is also allocated into the individual account of each member.

The pension liability recognised in the balance sheet in respect of members governed by the Old Rules is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets attributed to these members, together with adjustments for unrecognised actuarial gains or losses and past service costs. Contributions are made to cover the pension obligations in respect of the members governed by the Old Rules on the basis of actuarial recommendations. Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the higher of the present value of the Company's pension obligation for these members and the fair value of the Fund's assets are amortised over the expected average remaining working lives of the employees.

The Projected Unit Credit Method, using the following significant assumptions, is used for the valuation of the pension liability at June 30, 2010 in respect of members governed by the Old Rules:

- Expected rate of increase in salaries at 11.75% (2009: 10%) per annum.
- Expected rate of return on plan assets at 12.75% (2009: 11%) per annum.
- Expected discount rate at 12.75% (2009: 11%) per annum.

2.16 Employees' compensated absences

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

2.17 Dividend distribution and transfer between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the year in which such dividends are approved / transfers are made.

2.18 Revenue recognition

Sales are recognised as revenue when goods are delivered and invoiced.

Return on bank deposits and mark-up on advances to suppliers and contractors are accounted for on an accrual basis.

Agency commission is recognised when shipments are made by the principal.

Unrealised gains / losses arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the profit and loss account in the period in which these arise.

2.19 Foreign currency transactions and translation

Foreign currency transactions are recognised or accounted for into Pakistani Rupees using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gain / loss on foreign currency translations are included in income / equity along with any related hedge effects.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

2.20 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.21 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Useful lives of property, plant and equipment (notes 2.3 and 3.2);
- ii) Provision for slow moving stores and spares (notes 2.4 and 6)
- iii) Provision for slow moving stock-in-trade (notes 2.5 and 7)
- iv) Provision for doubtful trade debts (notes 2.8 and 8)
- v) Income taxes (notes 2.10 and 28)
- vi) Warranty obligations (notes 2.14 and 16.6); and
- vii) Staff retirement benefits (notes 2.15 and 24);

	Note	2010	2009
		(Rupees in '000)	
3 FIXED ASSETS			
Property, plant and equipment	3.1	3,320,876	3,930,501
Intangible assets	3.2	3,457	3,972
		3,324,333	3,934,473
3.1 Property, plant and equipment			
Operating assets	3.2	3,257,960	3,900,977
Capital work-in-progress	3.5	62,916	29,524
		3,320,876	3,930,501

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

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

	2010							Total tangible assets	Intangible assets		
	Tangible assets										
	Leasehold land	Factory building on leasehold land	Other building on leasehold land	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Computer and related accessories	Tools and equipment	Jigs and Fixtures	Computer software
At July 1, 2009											
Cost	38,662	914,680	90,709	4,347,073	174,095	154,016	64,250	161,598	509,971	1,145,061	35,832
Accumulated depreciation / amortisation	11,051	348,118	35,152	2,074,133	65,764	54,286	37,124	144,856	404,924	523,730	31,860
Net book value	27,611	566,562	55,557	2,272,940	108,331	99,730	27,126	16,742	105,047	621,331	3,972
Year ended June 30, 2010											
Opening net book value	27,611	566,562	55,557	2,272,940	108,331	99,730	27,126	16,742	105,047	621,331	3,972
Additions	-	10,235	10,711	100,621	36,289	13,206	2,812	7,147	19,012	35,132	1,695
Transfers	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-
Disposals / write offs	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	9,357	30,960	-	-	22,990	371	-	63,678
Depreciation	-	-	-	9,309	14,412	-	-	22,914	371	-	47,006
Depreciation / amortisation charge for the year	921	83,671	3,966	458,115	30,416	27,325	9,401	11,350	36,009	200,336	2,210
Closing net book value	26,690	493,126	62,302	1,915,398	97,656	85,611	20,537	12,463	88,050	456,127	3,457
At June 30, 2010											
Cost	38,662	924,915	101,420	4,438,337	179,424	167,222	67,062	145,755	528,612	1,180,193	37,527
Accumulated depreciation / amortisation	11,972	431,789	39,118	2,522,939	81,768	81,611	46,525	133,292	440,562	724,066	34,070
Net book value	26,690	493,126	62,302	1,915,398	97,656	85,611	20,537	12,463	88,050	456,127	3,457
Depreciation / amortisation rate % per annum	2.38%	10%	5%	10%-20%	20%	20%	20%	33.33%	20%	20%-25%	33.33%

(Rupees in '000)

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

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

(Rupees in '000)

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

Note **2010** 2009
(Rupees in '000)

3.3 The depreciation charge for the year has been allocated as follows:

Cost of goods manufactured	21.3	809,360	732,376
Distribution expenses	22	28,639	30,754
Administrative expenses	23	23,511	23,140
		861,510	<u>786,270</u>

3.4 Particulars of operating assets having a net book value exceeding Rs 50,000 disposed off during the year are as follows:

Asset description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer
----- (Rupees in '000) -----							
EDP Equipment	137	61	76	57	(19)	Negotiation	Agriauto Industries Limited, Karachi
Motor vehicles	434	203	231	265	34	Employee scheme	Mr. Ali Abbas, Islamabad (Employee)
	1,309	977	332	458	126	Employee scheme	Mr. Hamid Rasul, Karachi (Employee)
	434	347	87	168	81	Employee scheme	Mr. Mukhtar A. Baig, Karachi (Employee)
	459	367	92	178	86	Employee scheme	Mr. Omar Razzak, Karachi (Employee)
	1,209	967	242	-	(242)	Employee scheme	Mr. S. M. Askari, Islamabad (Ex-employee)
	419	335	84	138	54	Employee scheme	Mr. Sabir Ali, Karachi (Employee)
	535	89	446	476	30	Employee scheme	Mr. Saeed Akhtar, Karachi (Employee)
	969	775	194	291	97	Employee scheme	Mr. Shahid Shah, Islamabad (Employee)
	399	319	80	133	53	Employee scheme	Mr. Sheheryar Piracha, Karachi (Ex-employee)
	459	372	87	178	91	Employee scheme	Mr. Siraj-ur-Rehman, Karachi (Employee)
	419	335	84	138	54	Employee scheme	Mr. Wajid Bux, Karachi (Employee)
	424	232	192	231	39	Employee scheme	Mr. Wali Muhammad, Karachi (Employee)
	459	318	141	275	134	Employee scheme	Mr. Waqas Ahmed, Karachi (Employee)
	424	209	215	424	209	Insurance claim	Habib Insurance Company Limited, Karachi
	485	145	340	485	145	Insurance claim	Habib Insurance Company Limited, Karachi
	1,309	628	681	1,309	628	Insurance claim	Habib Insurance Company Limited, Karachi
	539	162	377	539	162	Insurance claim	Habib Insurance Company Limited, Karachi
	669	56	613	669	56	Insurance claim	Habib Insurance Company Limited, Karachi
	709	24	685	709	24	Insurance claim	Habib Insurance Company Limited, Karachi
	1,719	258	1,461	1,719	258	Negotiation	Agriauto Industries Limited, Karachi
	1,719	258	1,461	1,719	258	Negotiation	Agriauto Industries Limited, Karachi
	2,799	2,090	709	784	75	Negotiation	Agriauto Industries Limited, Karachi
	1,799	540	1,259	1,354	95	Negotiation	Agriauto Industries Limited, Karachi
	283	226	57	305	248	Negotiation	Mr. Asif Riaz, Karachi
	1,799	330	1,469	1,500	31	Negotiation	Auivitronics Limited, Karachi
	6,000	2,960	3,040	3,040	-	Negotiation	Auivitronics Limited, Karachi
	1,799	510	1,289	1,485	196	Negotiation	Habib Metropolitan Bank Limited, Karachi
	980	379	601	700	99	Negotiation	Mr. Nisar, Karachi

2010 2009
(Rupees in '000)

3.5 Capital work-in-progress

Civil works	971	5,004
Plant and machinery	41,356	5,178
Furniture and fixtures	10,488	5,906
Office equipment	314	80
Computer and related accessories	455	942
Tools and equipment	6,066	8,667
Jigs and fixtures	3,266	3,747
	62,916	<u>29,524</u>

3.6 During the year, capital work-in-progress amounting to Rs 187.064 million (2009: Rs 1,006.646 million) was transferred to operating assets.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
4 LONG-TERM LOANS AND ADVANCES			
Considered good			
Loans due from - secured			
- Executives	4.2 & 4.3	11,242	17,499
- Employees		2,389	1,983
Advances to suppliers - unsecured	4.1 4.4	13,631 18,582	19,482 45,327
Less: Recoverable within one year shown under current assets			
Loans due from - secured			
- Executives	9	6,132	8,289
- Employees	9	2,269	1,889
Advances to suppliers - unsecured	9	8,242	26,122
		16,643	36,300
		15,570	28,509

4.1 These represent house building and personal loans granted to executives and employees. These are granted in accordance with the terms of their employment and are secured against their balances with the Employees' Provident Fund. The loans are repayable over a period of 12 to 72 (2009: 12 to 72) months. House building and personal loans to management employees carry interest at the rate of 3.00% to 3.50% (2009: 3.00% to 3.50%) per annum. Personal loans to non-management employees carry no interest.

	2010	2009
	(Rupees in '000)	
4.2 Reconciliation of carrying amount of loans to executives is as follows:		
Opening balance	17,499	13,051
Disbursements during the year	5,452	21,585
Repayments during the year	(11,709)	(17,137)
Closing balance	11,242	17,499

4.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs 16.807 million (2009: Rs 17.499 million).

4.4 These represent advances to suppliers which is deducted from payments in respect of supplies over a period of 1 to 3 years (2009: 1 to 4 years). These carry interest at the rate of 5% to 10% (2009: 5% to 10%) per annum.

	Note	2010	2009
		(Rupees in '000)	
5 LONG-TERM DEPOSITS			
Utilities		4,522	4,522
Others	5.1	2,600	2,700
		7,122	7,222

5.1 These include a deposit made against rent to a related party amounting to Rs 2.005 million (2009: Rs 2.005 million).

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
6 STORES AND SPARES			
Stores		171,840	166,282
Spares		151,688	147,155
		<u>323,528</u>	<u>313,437</u>
Less: Provision for slow moving stores and spares		(211,961)	(184,954)
		<u>111,567</u>	<u>128,483</u>
7 STOCK-IN-TRADE			
In hand			
Manufacturing stock			
Raw material and components	7.1	1,579,769	1,384,179
Less: Provision for slow moving stock		(14,098)	(39,738)
		<u>1,565,671</u>	<u>1,344,441</u>
Work-in-process		411,932	95,076
Finished goods (vehicles – own manufactured)	7.2	424,262	613,117
		<u>2,401,865</u>	<u>2,052,634</u>
Trading stock			
Vehicles	7.3 & 7.4	320,422	498,823
Spare parts		350,743	356,487
Special service tools and publications		2,846	2,846
Less: Provision for slow moving stock		(88,962)	(89,014)
		<u>585,049</u>	<u>769,142</u>
In transit		<u>2,211,453</u>	<u>1,267,082</u>
		<u>5,198,367</u>	<u>4,088,858</u>

7.1 These include raw materials amounting to Rs 13.585 million (2009: Nil) held with the Company's vendor at year end.

7.2 These include finished goods amounting to Rs 364.588 million (2009: Rs 545.039 million) held with the Company's authorised dealers at year end.

7.3 These include vehicles amounting to Rs 274.776 million (2009: Rs 413.007 million) held with the Company's authorised dealers at year end.

7.4 These include stocks costing Rs 2.250 million (2009: Nil) that have been valued at their net realisable value amounting to Rs 2.211 million (2009: Nil).

	Note	2010	2009
		(Rupees in '000)	
8 TRADE DEBTS - unsecured			
Considered good			
Government agencies		1,096,348	1,331,690
Others	8.1	516,899	404,941
		<u>1,613,247</u>	<u>1,736,631</u>
Considered doubtful		<u>2,104</u>	<u>2,104</u>
		<u>1,615,351</u>	<u>1,738,735</u>
Less: Provision for doubtful debts		(2,104)	(2,104)
		<u>1,613,247</u>	<u>1,736,631</u>

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

- 8.1** These include balances due from associated undertakings / related parties amounting to Rs 0.076 million (2009: Rs 0.361 million).
- 8.2** As at June 30, 2010, Rs 17.405 million (2009: Rs 138.415 million) are overdue but not impaired in respect of trade debts. These relate to various customers for whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	Note	2010	2009
(Rupees in '000)			
Upto 1 month		13,852	14,053
1 to 6 months		3,536	95,218
More than 6 months		17	29,144
		17,405	138,415

9 LOANS AND ADVANCES

Current portion of long-term loans and advances - considered good

Loans due from - secured			
- Executives	4	6,132	8,289
- Employees	4	2,269	1,889
Advances to suppliers - unsecured	4	8,242	26,122
		16,643	36,300

Advances - considered good

Suppliers and contractors		115,340	43,570
Employees		6,693	4,670
Collector of Customs	9.1	701,143	765,977
Margin with banks	9.2	-	43,942
		823,176	858,159
		839,819	894,459

- 9.1** This represents amounts paid to the Collector of Customs in respect of the import of stock-in-trade. An amount of Rs 701.143 million (2009: Rs 765.977 million) was cleared subsequent to the year end.
- 9.2** This includes an amount of Nil (2009: Rs 43.942 million) held with a related party.

10 SHORT-TERM PREPAYMENTS

	Note	2010	2009
(Rupees in '000)			
Rent	10.1	11,309	13,692
Insurance		1,240	1,261
Others		6,229	1,923
		18,778	16,876

- 10.1** These include an amount of Rs 10.428 million (2009: Rs 9.385 million) paid to a related party.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
11 OTHER RECEIVABLES			
Considered good			
Warranty claims, agency commission and other receivables due from a related party – Toyota Tsusho Corporation	11.1	29,557	14,040
Warranty claims due from local vendors		1,554	903
Earnest money		3,361	3,584
Insurance claims – due from related party		5,953	10,444
Sales tax – net		1,390	-
Workers' Profit Participation Fund	11.2	2,164	1,326
Net unrealised gain on revaluation of foreign exchange contracts	11.3	135,341	12,455
Receivable against sale of fixed assets		1,438	1,236
Receivable from Collector of Customs		9,634	9,634
Receivable from Pension Fund - Defined Benefit Scheme	24	-	6,004
Others		5,849	8,276
		<u>196,241</u>	<u>67,902</u>

11.1 The maximum aggregate amount due at the end of any month during the year was Rs 29.557 million (2009: Rs 39.637 million).

	Note	2010	2009
		(Rupees in '000)	
11.2 Workers' Profit Participation Fund			
Opening receivable		1,326	4,064
Allocation for the year	25	(281,836)	(108,276)
Amount paid during the year		282,674	105,538
Closing receivable		<u>2,164</u>	<u>1,326</u>
11.3 Net unrealised gain on revaluation of foreign exchange contracts			
Fair value hedge		102,990	6,343
Cash flow hedge	14	32,351	6,112
		<u>135,341</u>	<u>12,455</u>
12 CASH AND BANK BALANCES			
Cash in hand		950	1,197
With banks in:			
Current accounts	12.1	142,065	62,110
Deposit accounts	12.2	15,612,965	9,667,859
		<u>15,755,030</u>	<u>9,729,969</u>
		<u>15,755,980</u>	<u>9,731,166</u>

12.1 These include an aggregate balance of Rs 13,000 million (2009: Rs 6,900 million) representing fixed deposit receipts having maturity dates ranging between 30 to 90 days (2009: 30 to 60 days). These balances carry profits at rates varying between 11.00% to 11.75 % (2009: 12.10% and 13.00%) per annum, which is due on maturity.

12.2 Balances with banks include an amount of Rs 5,051 million (2009: Rs 4,363 million), [including fixed deposit receipts amounting to Rs 3,000 million (2009: Rs 1,600 million) as referred to in note 12.1] held with related parties.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009	Note	2010	2009
(Number of shares in '000)			(Rupees in '000)	
78,600	78,600		786,000	786,000

Ordinary shares of Rs 10 each fully paid in cash

14 RESERVES

Capital reserve

Premium on issue of ordinary shares

196,500 196,500

Revenue reserves

General reserve

Balance brought forward

Transferred from unappropriated profit

7,923,250 6,457,700
599,100 1,465,550

8,522,350 7,923,250

Unappropriated profit

3,050,414 1,385,111

Net unrealised gain on cash flow hedge

11.3 32,351 6,112

11,801,615 9,510,973

15 DEFERRED TAXATION

Deferred tax liability arising on taxable temporary differences:

Due to accelerated tax depreciation

426,990 574,742

Deferred tax asset arising on deductible temporary differences:

In respect of provisions

(101,193) (71,042)

325,797 503,700

16 TRADE, OTHER PAYABLES AND PROVISIONS

Creditors

- Associated undertakings / related parties

16.1 221,835 104,130

- Others

1,162,373 531,355

Bills payable to associated undertakings / related parties

16.2 1,604,295 833,948

Accrued liabilities

16.3 1,189,964 1,027,271

Unclaimed dividends

32,073 27,336

Royalty payable to associated undertakings / related parties:

- Toyota Motor Corporation

276,675 430,881

- Daihatsu Motor Company

17,595 17,959

Security deposits from dealers

16.4 80,800 71,800

Customs duty payable

16.5 302,498 108,015

Retention money

7,207 10,662

Workers' Welfare Fund

116,543 41,789

Technical fee payable to associated undertakings / related parties

2,134 1,952

Warranty obligations

16.6 285,003 183,770

Payable to dealers

273,997 152,227

Payable to Pension Fund - Defined Contribution Scheme

-

Tax deducted at source

31,778 8,790

Sales tax - net

-

Federal excise duty payable - net

10,844 73,615

Other government levies payable

289,448 186,916

5,905,062 3,942,988

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

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

	2010	2009
	(Rupees in '000)	
Toyota Tsusho Corporation	165,786	69,819
Thal Limited	36,826	25,653
Hinopak Motors Limited	19,223	8,658
	<u>221,835</u>	<u>104,130</u>

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

	2010	2009
	(Rupees in '000)	
Toyota Tsusho Corporation	1,483,265	787,768
Daihatsu Motor Company	121,030	46,180
	<u>1,604,295</u>	<u>833,948</u>

16.3 These include an amount of Rs 23.971 million (2009: Rs 25.502 million) payable to associated undertakings / related parties.

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

16.5 This includes Rs 194.483 million provided during the year in respect of a case on which the decision is currently pending. The amount recognised in the current year is included in note 21.3.

	2010	2009
	(Rupees in '000)	
16.6 Warranty obligations		
Opening balance	183,770	144,742
Add: Charge for the year	109,611	51,460
	<u>293,381</u>	<u>196,202</u>
Less: Utilisation during the year	(8,378)	(12,432)
	<u>285,003</u>	<u>183,770</u>

17 ADVANCES FROM CUSTOMERS AND DEALERS

2010	2009
<u>8,076,281</u>	<u>5,926,529</u>

These represent advances received by the Company from customers and dealers in respect of sale of vehicles.

18 SHORT-TERM RUNNING FINANCES

At June 30, 2010, the Company has unutilised short-term running finance facilities under mark-up arrangements aggregating to Rs 4,450 million (2009: Rs 4,450 million) available from various commercial banks carrying mark-up rates based on 1 month KIBOR as benchmark rate (2009: 1 month KIBOR). The above facilities include an amount of Rs 1,500 million (2009: Rs 1,500 million) available from related parties.

The Company also has facilities for opening letters of credit and bank guarantees under mark-up arrangements as at June 30, 2010 amounting to Rs 7,850 million (2009: Rs 7,700 million) from various commercial banks, including Rs 3,000 million (2009: Rs 3,000 million) available from related parties. The unutilised balance at June 30, 2010 was Rs 2,853 million (2009: Rs 4,167 million).

Short-term running finance and bank guarantees are secured by pari passu hypothecation charge to the extent of Rs 8,043 million (2009: Rs 7,327 million) and ranking hypothecation charge to the extent of Nil (2009: Rs 267 million) on movable assets and receivables.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

19 TAXATION - NET

The income tax assessments of the Company have been finalised by the Income Tax Department or deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 up to the year ended June 30, 2009.

20 CONTINGENCIES AND COMMITMENTS

Contingencies

20.1 The Company, during the years 2005-06 and 2006-07, received demand notices from the Collector of Customs, claiming short recovery of Rs 480.311 million in aggregate on account of customs duty amounting to Rs 305.426 million and sales tax amounting to Rs 174.885 million on royalty payment to the Joint Venture Partner, Toyota Motor Corporation. The demand has been raised based on the view that royalty value should be included as part of imported CKD kits which is opposed to the view of the Company based on factual position that the royalty pertains to locally deleted parts.

During year ended June 30, 2008, the Customs, Excise and Sales Tax Appellate Tribunal decided the case in the Company's favour and accordingly, the demand to the extent of Rs 370.373 million (customs duty of Rs 235.775 million and sales tax of Rs 134.598 million) has been reversed. During the current year, an appeal was filed by the Custom Authorities before the Sindh High Court against the decision of Customs, Excise and Sales Tax Appellate Tribunal, which is pending for hearing.

In respect of the balance aggregate demand, the appeals are pending before the Collector of Customs Appeal for Rs 54.348 million and before the Appellate Tribunal for Rs 55.590 million. A similar favourable decision is expected out of the said pending appeals as the facts are common and involve identical question of law. Therefore, no provision has been made by the Company in the financial statements against the above mentioned sums as the management is confident that the matters will be decided in the favour of the Company.

20.2 As at June 30, 2010, the claims not acknowledged as debt by the company amounts to Rs 587.687 million (2009: Rs 587.687 million).

2010	2009
	(Rupees in '000)

20.3 Outstanding bank guarantees

<u>1,556,570</u>	<u>1,343,214</u>
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Outstanding bank guarantees include an amount of Rs 859.225 million (2009: Rs 1,056.833 million) in respect of bank guarantees from related parties.

Commitments

20.4 Commitments in respect of capital expenditure at June 30, 2010 amounted to Rs 28.524 million (2009: Rs 21.592 million).

20.5 Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs 3,412.153 million (2009: Rs 2,168.649 million) out of which commitments valuing Japanese Yen 2,221.674 million are covered through foreign exchange contracts. The above letters of credit include an amount of Rs 1,504.802 million (2009: Rs 653.818 million) availed from related parties.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

20.6 Commitments for rentals under operating lease agreement in respect of leasehold land from Port Qasim Authority amounted to Rs 226.132 million (2009: Rs 229.590 million) which are payable over the next five years and onwards as follows:

Year	2010	2009
	(Rupees in '000)	
2009-2010	-	3,458
2010-2011	3,631	3,631
2011-2012	3,812	3,812
2012-2013	4,002	4,002
2013-2014	4,202	4,202
2014-2015	4,412	4,412
2015 onwards	206,073	206,073
	226,132	229,590

21 OPERATING RESULTS

Note	Manufacturing		Trading		Total	
	2010	2009	2010	2009	2010	2009
	----- (Rupees in '000) -----					
Gross sales	65,631,009	41,857,505	6,428,800	5,295,512	72,059,809	47,153,017
Sales tax	(8,964,417)	(5,716,188)	(708,320)	(665,955)	(9,672,737)	(6,382,143)
Federal excise duty	(560,942)	(1,722,875)	-	-	(560,942)	(1,722,875)
	56,105,650	34,418,442	5,720,480	4,629,557	61,826,130	39,047,999
Commission	(1,300,366)	(844,518)	(99,233)	(93,140)	(1,399,599)	(937,658)
Discounts	-	(1,042)	(333,392)	(244,695)	(333,392)	(245,737)
Net sales	54,805,284	33,572,882	5,287,855	4,291,722	60,093,139	37,864,604
Cost of sales						
Opening stock	613,117	277,233	769,142	846,551	1,382,259	1,123,784
Cost of goods manufactured	50,576,917	32,200,995	-	-	50,576,917	32,200,995
Purchases	-	-	4,432,441	3,597,898	4,432,441	3,597,898
Closing stock	(424,262)	(613,117)	(585,049)	(769,142)	(1,009,311)	(1,382,259)
	50,765,772	31,865,111	4,616,534	3,675,307	55,382,306	35,540,418
Gross profit	4,039,512	1,707,771	671,321	616,415	4,710,833	2,324,186
Distribution expenses	433,865	419,930	34,631	50,055	468,496	469,985
Administrative expenses	347,999	312,324	33,576	39,925	381,575	352,249
	781,864	732,254	68,207	89,980	850,071	822,234
	3,257,648	975,517	603,114	526,435	3,860,762	1,501,952
Other operating expenses	414,176	152,288	1,930	4,191	416,106	156,479
	2,843,472	823,229	601,184	522,244	3,444,656	1,345,473
Other operating income	1,591,403	593,797	210,056	133,283	1,801,459	727,080
	4,434,875	1,417,026	811,240	655,527	5,246,115	2,072,553
Finance costs	3,261	23,532	315	3,008	3,576	26,540
Profit before taxation	4,431,614	1,393,494	810,925	652,519	5,242,539	2,046,013

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

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

21.2 This includes an amount of Rs 0.040 million (2009: Rs 0.090 million) in respect of write off against stock-in-trade.

	Note	2010	2009
(Rupees in '000)			
21.3 Cost of goods manufactured			
Raw materials and vendor parts consumed			
Opening stock		1,344,441	909,030
Purchases		47,596,864	30,204,952
Closing stock	7	(1,565,671)	(1,344,441)
	21.4	47,375,634	29,769,541
Stores and spares consumed		836,967	523,311
Salaries, wages and other benefits	21.5	367,359	310,377
Rent, rates and taxes		20,794	3,137
Repairs and maintenance		109,014	63,221
Depreciation	3.3	809,360	732,376
Legal and professional		514	383
Travelling		14,274	10,555
Transportation		1,686	1,063
Insurance		25,514	26,841
Vehicle running		10,545	10,109
Communication		4,699	5,895
Printing, stationery and office supplies		2,041	2,084
Subscription		337	75
Fuel and power		150,367	121,542
Running royalty		1,015,145	504,690
Technical fee		7,811	20,547
Staff catering, transport and uniforms		129,305	102,413
Staff training		-	11,638
Others		12,407	4,314
		3,518,139	2,454,571
		50,893,773	32,224,112
Add: Opening work-in-process		95,076	71,959
Less: Closing work-in-process	7	(411,932)	(95,076)
		50,576,917	32,200,995

21.4 Cost of goods manufactured include Rs 5.184 million (2009: Rs 6.899 million) in respect of write off against stock-in-trade and reversal of Rs 0.658 million (2009: charge of Rs 5.855 million) in respect of write off against stores and spares.

21.5 Included in these is an amount of Rs 9.357 million (2009: Rs 8.193 million) in respect of charge against employee provident fund and Rs 1.329 million (2009: Rs 3.165 million) in respect of charge against employee pension fund.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
22 DISTRIBUTION EXPENSES			
Salaries, allowances and other benefits	22.1	80,454	75,726
Rent, rates and taxes		893	812
Repairs and maintenance		1,815	6,018
Depreciation	3.3	28,639	30,754
Advertising and sales promotion		141,610	209,506
Travelling		16,705	17,065
Vehicle running		8,246	9,438
Communication		5,836	4,646
Printing, stationery and office supplies		2,537	2,369
Staff training		2,349	10,625
Staff transport and canteen		10,433	9,790
Subscription		488	619
Warranty claims and pre-delivery inspection		134,853	65,109
Development expenditure		8,037	5,526
Utilities		199	571
Transportation		18,846	15,998
Running royalty		6,556	5,404
Bad debts		-	9
		468,496	469,985

22.1 Included herein is a sum of Rs 2.717 million (2009: Rs 2.649 million) in respect of charge against employee provident fund and Rs 1.759 million (2009: Rs 1.118 million) in respect of charge against employee pension fund.

	Note	2010	2009
		(Rupees in '000)	
23 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	23.1	145,138	130,034
Rent, rates and taxes		1,602	2,076
Insurance		16,619	35,348
Repairs and maintenance		28,191	20,190
Depreciation	3.3	23,511	23,140
Amortisation	3.2	2,210	1,464
Travelling		27,663	23,825
Legal and professional		42,174	37,105
Vehicle running		13,946	14,449
Communication		8,508	11,167
Printing, stationery and office supplies		2,792	2,683
Staff training		28,869	17,248
Staff transport and canteen		19,750	11,402
Security		12,335	12,651
Subscription		2,664	2,760
Utilities		573	679
Share registrar and related expenses		4,396	4,641
Transportation		41	126
Others		593	1,261
		381,575	352,249

23.1 Included herein is a sum of Rs 3.001 million (2009: Rs 2.755 million) in respect of charge against employee provident fund and Rs 0.002 million (2009: Rs 1.115 million) in respect of charge against employee pension fund.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

24 DEFINED BENEFIT PLAN - Approved pension fund

As mentioned in note 2.15, the Company operates an approved pension fund for certain of its permanent employees. Based on the latest actuarial valuation carried out at June 30, 2010, the Company has recognised the following amounts in the financial statements for its obligations towards members governed under the Old Rules as explained in note 2.15:

	2010	2009
	(Rupees in '000)	
(a) The amount recognised in the balance sheet is as follows:		
Fair value of plan assets	9,917	14,752
Present value of defined benefit obligation	(9,650)	(8,702)
	267	6,050
Unrecognised actuarial gains	(267)	(46)
	-	6,004
(b) The amount recognised in the profit and loss account is as follows:		
Current service cost	522	469
Interest cost	969	935
Expected return on plan assets	(1,599)	(1,307)
Settlement gain arising due to amendment in rules of the Fund	-	(5,615)
Pension (reversal) / cost recognised during the year	(108)	(5,518)
(c) Movement in net asset recognised in the balance sheet		
Opening balance	6,004	-
Reversal for the year	108	5,518
(Refund received) / Contributions paid during the year	(6,112)	486
Closing balance	-	6,004
(d) Movement in fair value of plan assets		
Opening balance	14,752	97,740
Assets attributed to members covered under New Rules as explained in note 2.15	-	(83,902)
Expected return on plan assets	1,599	1,307
(Refund to) / Contributions by the employer	(6,112)	486
Benefits paid	(311)	(300)
Actuarial loss	(11)	(579)
Closing balance	9,917	14,752
(e) Movement in present value of defined benefit obligation		
Opening balance	8,702	91,609
Actuarial balance of members covered under New Rules as explained in note 2.15	-	(83,902)
Current service cost	522	469
Interest cost	969	935
Benefits paid	(311)	(300)
Actuarial gain	(232)	(109)
Closing balance	9,650	8,702

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
(f) Expected and actual return on plan assets		
Expected return on plan assets	1,599	1,307
Actuarial loss on plan assets	(11)	(579)
Actual return on plan assets	<u>1,588</u>	<u>728</u>
(g) Plan assets comprises as follows:		
Equity	754	888
Debt	9,135	6,232
Cash and bank balances	28	7,632
	<u>9,917</u>	<u>14,752</u>

(h) Historical information

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Fair value of plan assets	9,917	14,752	97,740	82,496	67,389
Present value of defined benefit obligation	(9,650)	(8,702)	(91,609)	(71,322)	(60,658)
Surplus	<u>267</u>	<u>6,050</u>	<u>6,131</u>	<u>11,174</u>	<u>6,731</u>
Experience (gain) / loss on obligation	-0.3%	-0.1%	7%	-2%	3%
Experience (loss) / gain on plan assets	0%	-0.6%	0.5%	8%	7%

- (i) The expected return on plan assets is determined by considering the expected long-term returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yield as at the balance sheet date. Expected returns on equity are based on long-term real rates experienced in the stock market.
- (j) The expected charge for the defined benefit plan for the year ending June 30, 2011 is Rs 0.553 million.
- (k) The charge for the year in respect of Pension Fund amounts to Rs 3.090 million, which includes Rs 3.198 million in respect of members covered under New Rules and reversal of Rs. 0.108 million in respect of members covered under Old Rules.

	Note	2010	2009
		(Rupees in '000)	
25 OTHER OPERATING EXPENSES			
Workers' Welfare Fund - for the year		112,568	41,145
- for prior years		(227)	(29,918)
Workers' Profit Participation Fund	11.2	112,341	11,227
Auditors' remuneration	25.1	281,836	108,276
Donations	25.2	1,472	1,559
		<u>20,457</u>	<u>35,417</u>
		<u>416,106</u>	<u>156,479</u>

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	2010	2009
	(Rupees in '000)	
25.1 Auditors' remuneration		
Audit fee	750	575
Interim review and other certifications	436	757
Out-of-pocket expenses	286	227
	1,472	1,559

25.2 Donations

Donations include the following in which a Director or his spouse is interested:

	Name of Director(s)	Interest in Donee	Name & Address of Donee	Amount donated	
				2010	2009
				(Rupees in '000)	
1.	Ali S. Habib	Trustee	Mohamedali Habib Welfare Trust, 2nd Floor, Siddiq Sons Tower, Jinnah Co-operative Housing Society, Shahrah-e-Faisal, Karachi.	150	150
2.	Mohamedali R. Habib and Ali S. Habib	Trustee	Habib Education Trust, 4th Floor, UBL Building, I. I. Chundrigar Road, Karachi.	2,500	2,560
3.	Mohamedali R. Habib and Ali S. Habib	Director	Habib University Foundation, 147, Block 7 & 8, Banglore Co-operative Housing Society, Tipu Sultan Road, Karachi.	2,500	-

	2010	2009
	(Rupees in '000)	
26 OTHER OPERATING INCOME		
Income from financial assets		
Return on bank deposits	1,611,554	628,882
Gain on redemption of investment in listed mutual fund units	25,186	1,751
Mark-up on advances to suppliers	2,156	3,631
Exchange gain	5,384	7,365
Income from other than financial assets		
Agency commission, net of commission expense of Rs 4.276 million (2009: Rs 2.754 million)	55,147	53,420
Exchange gain on agency commission	1,572	4,420
Gain on sale of fixed assets	3,192	10,664
Liabilities no longer payable written back	97,268	16,947
	1,801,459	727,080

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	Note	2010	2009
		(Rupees in '000)	
27 FINANCE COSTS			
Mark-up on advances from customers		77,686	8,835
Bank charges		22,165	17,731
Unrealised loss/(gain) on revaluation of creditors		372	(3,734)
Unrealised (gain)/loss on revaluation of foreign exchange contracts - net		(96,647)	3,708
		<u>(96,275)</u>	<u>(26)</u>
		<u>3,576</u>	<u>26,540</u>
28 TAXATION			
Current - for the year		1,992,215	705,877
- for prior years		(15,176)	(16,528)
		<u>1,977,039</u>	<u>689,349</u>
Deferred - current and prior year	15 28.1	(177,903)	(28,438)
		<u>1,799,136</u>	<u>660,911</u>
28.1 Relationship between income tax expense and accounting profit			
Profit before taxation		5,242,539	2,046,013
Tax at the applicable tax rate of 35% (2009: 35%)		1,834,889	716,105
Tax effect of permanent differences		18,646	7,234
Tax effect of exempt income		(8,815)	(613)
Others		(30,408)	(25,731)
Prior years' tax		(15,176)	(16,528)
Deferred tax - prior year		-	(19,556)
		<u>1,799,136</u>	<u>660,911</u>

29 EARNINGS PER SHARE

29.1 Basic

Basic earnings per share has been computed by dividing the net profit for the year after taxation by the weighted average number of shares outstanding during the year.

	2010	2009
	(Rupees in '000)	
Profit after taxation	<u>3,443,403</u>	<u>1,385,102</u>
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	<u>78,600,000</u>	<u>78,600,000</u>
	(Rupees)	
Basic earnings per share	<u>43.81</u>	<u>17.62</u>

29.2 Diluted

No figure for diluted earnings per share has been presented as the Company has not yet issued any instruments which would have an impact on basic earnings per share when exercised.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	Note	2010	2009
(Rupees in '000)			
30 CASH GENERATED FROM OPERATIONS			
Profit before taxation		5,242,539	2,046,013
Adjustment for non-cash charges and other items			
Depreciation		861,510	786,270
Amortisation		2,210	1,464
Gain on sale of fixed assets		(3,192)	(10,664)
Bad debts		-	9
Gain on redemption of investment in listed mutual fund units		(25,186)	(1,751)
Net unrealised gain on revaluation of creditors and foreign exchange contracts		(96,275)	(26)
Return on bank deposits		(1,611,554)	(628,882)
Workers' Profit Participation Fund		281,836	108,276
Workers' Welfare Fund		112,341	11,227
Mark-up on advances from customers		77,686	8,835
Working capital changes	30.1	3,110,877	4,218,006
		7,952,792	6,538,777
30.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		16,916	103,659
Stock-in-trade		(1,109,509)	(1,451,229)
Trade debts		123,384	(403,808)
Loans and advances		54,640	(157,087)
Short-term prepayments		(1,902)	6,272
Other receivables		(4,615)	(12,321)
		(921,086)	(1,914,514)
Increase / (decrease) in current liabilities			
Trade, other payables and provisions		1,882,211	1,148,433
Advances from customers and dealers		2,149,752	4,984,087
		4,031,963	6,132,520
		3,110,877	4,218,006
31 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprises of the following balance sheet amounts:			
	Note	2010	2009
(Rupees in '000)			
Cash and bank balances	12	15,755,980	9,731,166
Short-term running finances	18	-	-
		15,755,980	9,731,166

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	10,985	13,599	100,763	11,036	15,941	91,102
Retirement benefits	-	-	6,697	-	-	5,064
Utilities and upkeep	-	-	-	-	56	-
Medical expenses	30	32	-	63	4	180
	<u>11,015</u>	<u>13,631</u>	<u>107,460</u>	<u>11,099</u>	<u>16,001</u>	<u>96,346</u>
Number of persons at year end	<u>1</u>	<u>3</u>	<u>46</u>	<u>1</u>	<u>4</u>	<u>44</u>

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

33 TRANSACTIONS AND BALANCES WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

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

	2010	2009
	(Rupees in '000)	
With associated undertakings / related parties:		
Sales	118,777	66,515
Purchases	32,608,635	20,274,923
Insurance premium	112,558	128,499
Agency commission	59,423	56,174
Running royalty	1,021,701	510,094
Rent expense	12,036	12,036
Technical fee	7,811	20,547
Return on bank deposits	755,954	417,124
Proceeds from disposal of fixed assets / insurance claim	5,620	4,258
With key management personnel:		
Salaries and benefits	53,221	54,711
Post employment benefits	1,540	1,411
Sale of fixed assets	458	2,126

- 33.1 Accrued return on bank deposits of Rs 57.254 million as disclosed in the balance sheet include an amount of Rs 32.675 million (2009: Rs 28.148 million) receivable from related parties.
- 33.2 Contribution to and accruals in respect of staff retirement benefits are made in accordance with actuarial valuations / terms of contribution plan and are disclosed in respective notes to the financial statements.
- 33.3 The status of outstanding balances with associated undertakings / related parties as at June 30, 2010 is included in the respective notes to the financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

	2010	2009
	(Number of units)	
34 PLANT CAPACITY AND PRODUCTION		
Capacity based on double shift basis	53,040	53,040
Production	50,557	34,298

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

35 FINANCIAL INSTRUMENTS BY CATEGORY

	-----As at June 30, 2010-----		
	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging
	-----Rupees in '000-----		
Assets			
Loans	13,631	-	-
Deposits	7,122	-	-
Trade debts	1,613,247	-	-
Accrued return on bank deposits	57,254	-	-
Other receivables	47,712	-	135,341
Cash and bank balances	15,755,980	-	-
	17,494,946	-	135,341
			17,630,287

	-----As at June 30, 2010-----		
	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	-----Rupees in '000-----		
Liabilities			
Trade, other payables and provisions	-	5,153,951	5,153,951
Accrued mark-up	-	944	944
	-	5,154,895	5,154,895

	-----As at June 30, 2009-----		
	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging
	-----Rupees in '000-----		
Assets			
Loans	19,481	-	-
Deposits	7,222	-	-
Trade debts	1,736,631	-	-
Accrued return on bank deposits	50,944	-	-
Other receivables	44,487	-	12,455
Cash and bank balances	9,731,166	-	-
	11,589,931	-	12,455
			11,602,386

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

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company currently finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. The Company's activities exposes it to a variety of financial risk; credit risk, liquidity risk and market risk.

36.1 Credit risk exposure and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk arises from derivative financial instruments and balances with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rs 17,630.287 million (2009: Rs 11,602.386 million), the financial assets which are subject to credit risk amounted to Rs 17,629.337 million (2009: Rs 11,601.189 million), including GoP balances.

Out of the total receivable from customers, other than related parties, of the company amounting to Rs 1,613.171 million (2009: Rs 1,736.270 million), an amount of Rs 1,138.930 million (2009: Rs 1,392.955 million) relates to direct customers.

Out of the total bank balance of Rs 15,755.030 million placed with banks, amounts aggregating to Rs 12,065.674 million (2009: Rs 8,669.036 million) have been placed with banks having credit rating of AA+ and above, whereas remaining amounts are placed with banks having minimum credit rating of A+.

Due to the Company's long standing business relationships with its counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

For trade receivables, internal risk assessment process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Accordingly, the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

36.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure adequate liquidity is maintained.

The management forecasts the liquidity of the Company on the basis of expected cashflow considering the level of liquid assets necessary to meet such risk.

The maturity profile of the Company's liability based on contractual maturities is disclosed in note 36.3.2 to these financial statements.

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

36.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk.

36.3.1 Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company manages its exposure against foreign currency risk by entering into foreign exchange contracts where considered necessary.

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD) and Japanese Yen (JPY). The net foreign currency exposure at June 30, 2010 is USD 8.150 million (2009: USD 5.640 million) and JPY 1,429.840 million (2009: JPY 1,034.848 million).

36.3.2 Interest rate risk

Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark-up rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to interest / mark-up rate risk in respect of the following:

----- 2010 -----							
Effective Interest / mark - up rate	Interest/ mark-up bearing			Non - Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2010
%	(Rupees in '000)						
On balance sheet financial instruments							
Assets							
Loans	3.0-3.5	6,726	5,230	11,956	1,675	-	13,631
Deposits	-	-	-	-	-	7,122	7,122
Trade debts	-	-	-	-	1,613,247	-	1,613,247
Accrued return on bank deposits	-	-	-	-	57,254	-	57,254
Other receivables	-	-	-	-	183,053	-	183,053
Cash and bank balances	5.0 to 13.0	15,612,965	-	15,612,965	143,015	-	15,755,980
		<u>15,619,691</u>	<u>5,230</u>	<u>15,624,921</u>	<u>1,998,244</u>	<u>7,122</u>	<u>17,630,287</u>
Liabilities							
Trade, other payables and provisions	-	-	-	-	5,153,951	-	5,153,951
Accrued mark-up	-	-	-	-	944	-	944
		<u>-</u>	<u>-</u>	<u>-</u>	<u>5,154,895</u>	<u>-</u>	<u>5,154,895</u>
On balance sheet gap (a)		<u>15,619,691</u>	<u>5,230</u>	<u>15,624,921</u>	<u>(3,156,651)</u>	<u>7,122</u>	<u>(3,149,529)</u>
Off-balance sheet financial instruments							
Commitment in respect of capital expenditure	-	-	-	-	28,524	-	28,524
Commitment in respect of letters of credit	-	-	-	-	3,412,153	-	3,412,153
Outstanding bank guarantees	-	-	-	-	183,234	1,373,336	1,556,570
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,623,911</u>	<u>1,373,336</u>	<u>4,997,247</u>

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

----- 2009 -----								
Effective Interest / mark - up rate	Interest/ mark-up bearing			Non - Interest / mark-up bearing			Total June 30, 2009	
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
%	(Rupees in '000)							
On balance sheet financial instruments								
Assets								
Loans	3.0 to 3.5	8,800	9,304	18,104	1,377	-	1,377	19,481
Deposits	-	-	-	-	-	7,222	7,222	7,222
Trade debts	-	-	-	-	1,736,631	-	1,736,631	1,736,631
Accrued return on bank deposits	-	-	-	-	50,944	-	50,944	50,944
Other receivables	-	-	-	-	56,942	-	56,942	56,942
Cash and bank balances	5.0 to 13.0	9,667,859	-	9,667,859	63,307	-	63,307	9,731,166
		9,676,659	9,304	9,685,963	1,909,201	7,222	1,916,423	11,602,386
Liabilities								
Trade, other payables and provisions	-	-	-	-	3,393,297	-	3,393,297	3,393,297
Accrued mark-up	-	-	-	-	673	-	673	673
		-	-	-	3,393,970	-	3,393,970	3,393,970
On balance sheet gap (a)		9,676,659	9,304	9,685,963	(1,484,769)	7,222	(1,477,547)	8,208,416
Off-balance sheet financial instruments								
Commitment in respect of capital expenditure	-	-	-	-	21,592	-	21,592	21,592
Commitment in respect of letters of credit	-	-	-	-	2,168,649	-	2,168,649	2,168,649
Outstanding bank guarantees	-	-	-	-	76,253	1,266,961	1,343,214	1,343,214
		-	-	-	2,266,494	1,266,961	3,533,455	3,533,455

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

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

36.3.3 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short-term in nature or periodically repriced.

According to Amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The derivative financial instruments carried at fair value as disclosed in note 11.3 fall in level 3 of the fair value hierarchy. There are no other instruments which fall in the fair value hierarchy.

37 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing its operations through equity and working capital. The Company has no gearing risk in the current and prior year.

38 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 27, 2010 has proposed a cash dividend in respect of the year ended June 30, 2010 of Rs 10 (2009: cash dividend of Rs 10) per share. This is in addition to the interim cash dividend of Rs 5 (2009: Nil) per share resulting in a total dividend for the year of Rs 15 (2009: Rs 10) per share. The Directors have also announced appropriation of Rs 2,264.400 million (2009: Rs 599.100 million) to general reserve. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2010 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2011.

39 CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison. No significant rearrangements or reclassifications were made in these financial statements except as required because of the changes in accounting policies as more fully explained in note 2.1.2.

40 DATE OF AUTHORISATION

These financial statements were authorised for issue on August 27, 2010 by the Board of Directors of the Company.

41 GENERAL

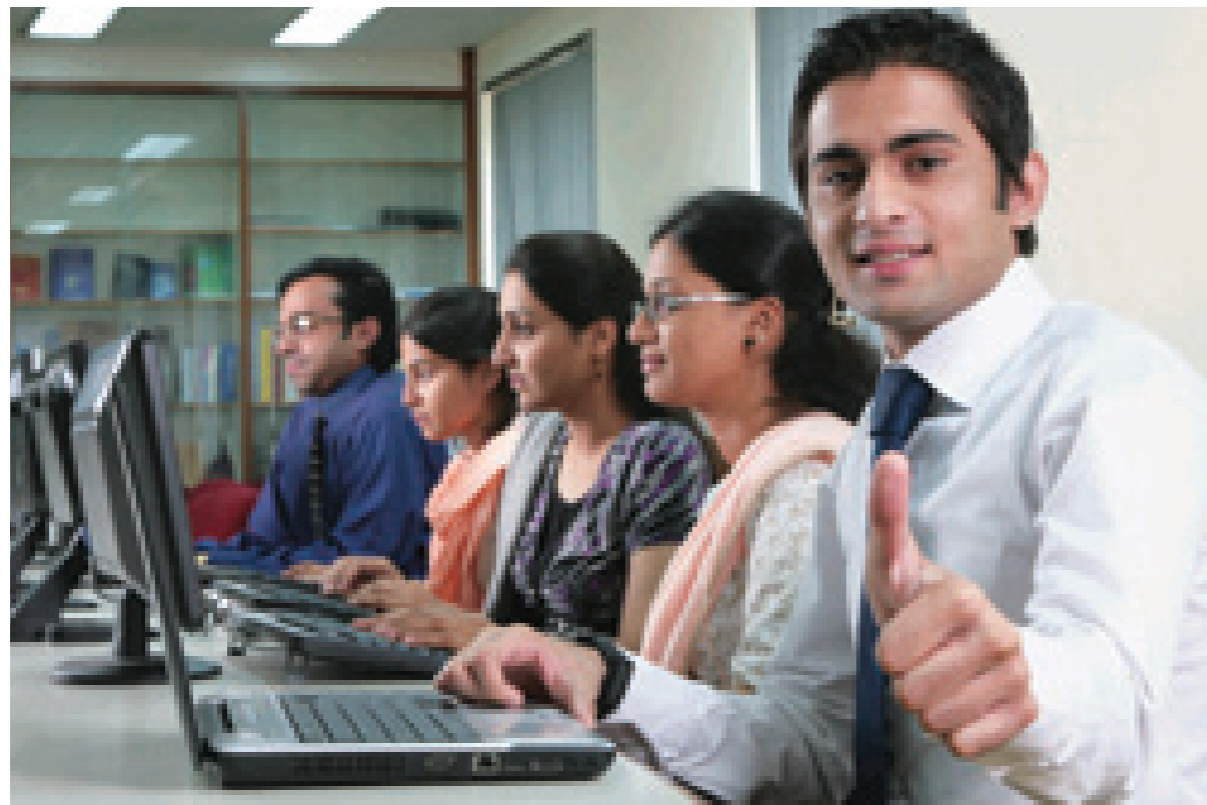
Figures in these financial statements have been rounded off to the nearest thousand Rupees.


Parvez Ghias
Chief Executive Officer


Koji Hyodo
Vice Chairman & Director

Customers

At Indus Motor Company, we believe in the philosophy of 'Customers for Life'. This year we added to it the catchphrase 'Customer First' to drill down their importance to the organization.



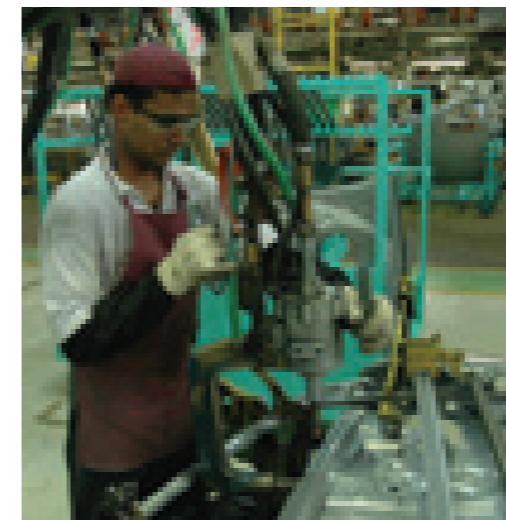
▶ Customer Assistance Centre's team at IMC

All employees are focused towards improving customer satisfaction and trust, keeping the 'Customer First' policy in mind. In order to achieve this we aspire to produce and market safe, innovative and high quality products and then go on to support these products with a variety of after sales services for a pleasant ownership experience for our customers.

To delight our customers we listen to their needs and aspire to satisfy their complaints in a timely manner. The status of all customer complaints reported to IMC is discussed at different forums weekly and monthly at which top management is also present. In order to improve our services, processes and products we proactively solicit customer feedback. Customer Satisfaction Surveys are regularly conducted at our Dealerships through independent agencies. Our goal is to turn customer satisfaction into "Complete Customer Satisfaction", which means delivering beyond expectations, listening to customers, constantly seeking to improve, and going the extra mile to ensure that owners feel positive about their vehicle at every stage.

Employees

The growth and success of our organization is linked to our employees who form our backbone.



▶ A Team Member at the Weld Shop

We trust and respect our employees as one Indus Team and aim for a corporate culture that promotes the highest standards of ethics and integrity.

We are an equal opportunity employer promoting gender diversity amongst our employees. We maintain a safe and healthy working environment, strive to provide a good workplace for our employees and assist them in time of their need.

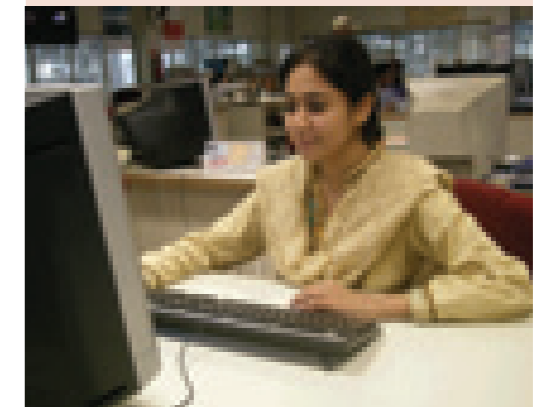
Our employees have the right of freedom of association and collective bargaining. We have very cordial labor-management relations and take a proactive approach to employee issues.

"Working for brands like Toyota and Daihatsu is a joyful and knowledge-building experience. As for the work environment at IMC, despite the fact that our head office is outside the main Karachi city, it gives me a feeling of complete safety and ease just like home. A decentralised management style is followed in the company which empowers every one involved in decision making."



Zurva Salman
Assistant Manager-Marketing

"Working at IMC has been a great experience for me. People are very cooperative, talent and innovative thinking is valued here and the overall environment is also friendly and pleasant. I have learnt a lot here. I am grateful to IMC for giving me an opportunity to work here and develop my career as a professional engineer."



Amna Khalid
Assistant Manager-Production Support

Business Partners - Dealers & Vendors

We respect and treat our business partners with dignity and have built a long term mutually beneficial relationships with them.

Our business partners comprising of dealers who are a source of our strength and Vendors with whom we continue to strengthen our supply base are part of the extended Indus family.

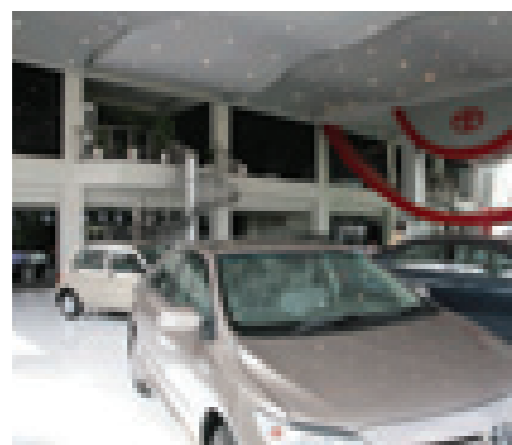
We evaluate our business partners on their overall strengths, their quality standards, competitiveness and customer focus. We maintain fair and free competition in accordance with the letter and spirit of our laws.

We ensure that our business partners adhere to Human Rights and comply with applicable laws and regulations. We forbid use of any form of forced or child labor in our supply chain.

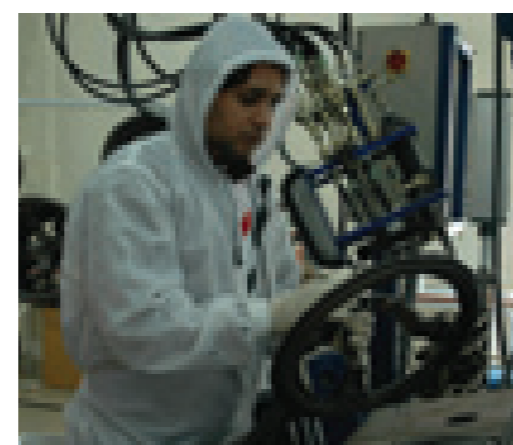
To improve quality standards, build capacity and reach the highest levels of customer satisfaction we expose our dealers and vendors to modern management practices, by technology transfer, through on site visits abroad to state of the art facilities and different trainings and educational programs.



▶ Service facility at a Dealership



▶ Display area at a Dealership



▶ Steering Wheel Assembly at a Vendor

Road Safety

In order for automobiles to continue developing as a means of transportation that will provide the convenience of mobility in the future, it is important to minimize the negative effects of traffic accidents, traffic congestion and environmental impact.

IMC is actively involved in trying to improve Road Safety in Pakistan and has made some progress on this front. Our Road Safety initiatives are aimed to create awareness in society about this important issue, reduce road accidents, leverage each others strengths and help create a safe environment for all road users.

involved in collecting accurate data of road accident cases received at the five major hospitals of Karachi; JPMC, AKU, Liaquat National, Civil and Abbasi Shaheed. This data is useful in identifying and analyzing the major causes of road accidents and finding appropriate remedial measures to overcome them.

Road Traffic Injury Research Project (RTIR)

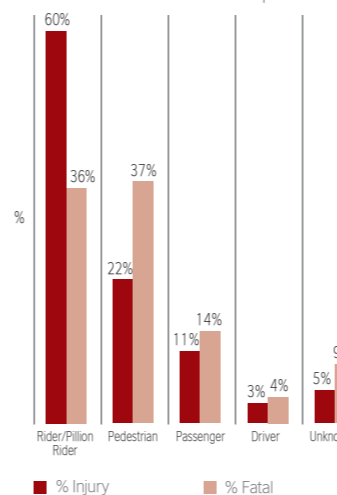
Indus Motor Company in partnership with Jinnah Post Medical College, Aga Khan University Hospital and NED Engineering University launched this research project in 2006. A team of 35 people fully funded by IMC is actively

We have collected data on 124,203 cases recorded in the 47 month period since the start of the project and the results have been shared with the relevant government functionaries and stakeholders which have led to countermeasures being taken at several vulnerable accident spots resulting in a positive downward trend of accidents at these locations.

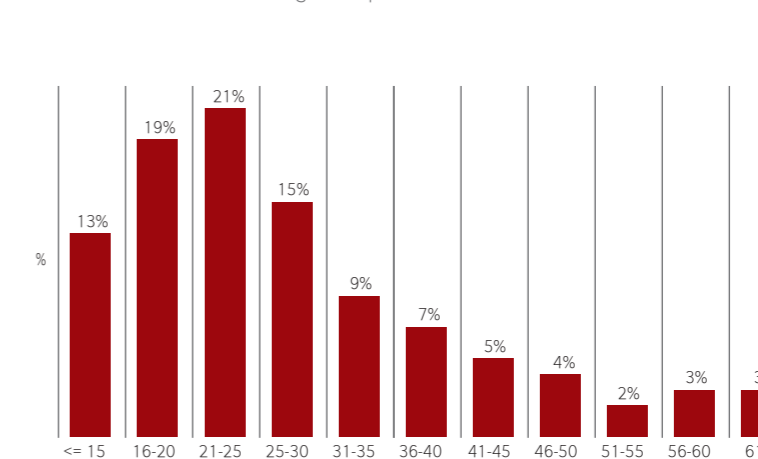
Vulnerable Accident Spots and Countermeasures taken during 2009-10

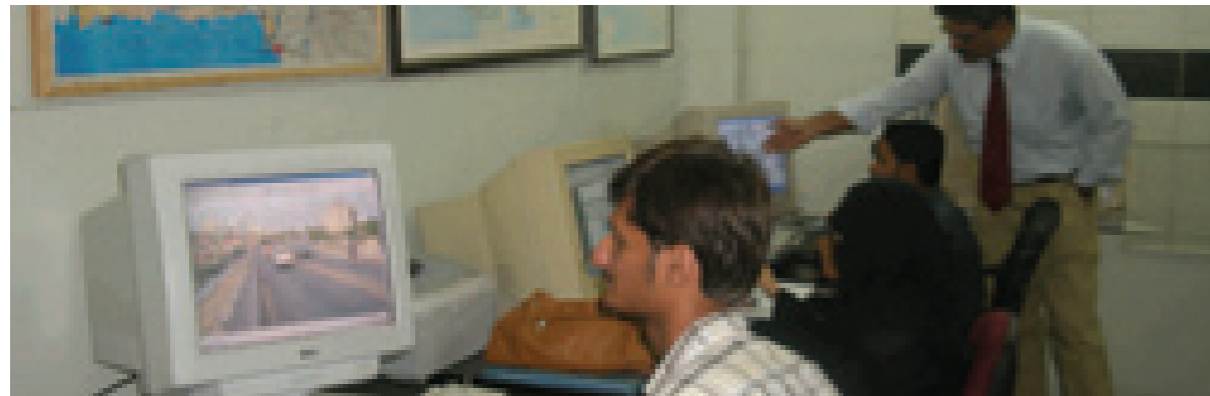
- Identification as a Black Spot & Safety Improvement at Native Jetty Ramp
- Identification of Vulnerable Pedestrian spots and subsequent Pedestrian Bridges on many locations of Karachi.
- Road Safety Improvements at Shahrah Usman Ramz (Pedestrian Safety)
- Safety Improvements at Shaheed Millat Express way (Signages & Barrier)
- Road Safety Audit of Under construction Work zone at Jail Interchange
- Identification of Petrol Pump Chowrangi as a Black Spot and Engineering solution provided

Traffic Injuries and Deaths for each Road User Group



Age Group of Accident Victims





▶ RTIR team compiling and evaluating road accidents

2nd National Road Safety Conference

In order to create awareness of Road Safety at a national level and to co-ordinate the efforts of stakeholders in the private, government, academic and other sectors for reducing road traffic accidents, Indus Motor Company and Shell Pakistan in partnership with the Aga Khan University, Sindh Education Foundation and the Road Traffic Injury Research Centre (Ministry of Health) organized the 2nd National Road Safety Conference (NRSC) in July 2009 at the Aga Khan University Auditorium, Karachi.

The event followed from the 1st NRSC, organized during the UN Global Road Safety Week in 2007. Dr Arbab Alamgir Khan, Federal Minister of Communication was the Chief Guest at the conference which was attended by over 250 participants that included government and regulatory body dignitaries, stakeholders from the corporate, education, health, road traffic systems and the engineering sectors. The conference was geared towards sharing the results of the ongoing landmark RTIR Project, including focus on the most vulnerable road user group i.e. motorcycle/pillion riders, and came up with intervention measures for road accidents reduction.



▶ IMC, Shell Pakistan and AKU management welcoming Federal Minister of Communication

Over 1,000 children from 30 schools in Karachi region participated in the Art Contest. There were two categories; Model making and Painting, in which the children competed and displayed that they had good grasp of rules and conduct of Road Safety. A prize distribution ceremony was held at the Indus Motor Plant in June 2010 to award prizes to the winners, which was attended by TCF school teachers and management. Later, the students and the school teachers were given a plant tour.

Toyota Road Safety Art Contest

The RTIR Project results have shown that a high number of road traffic accidents involve children. Therefore, one of our main objectives has been to educate and increase awareness amongst the young population about road safety and safe driving.

During the year, the 3rd Toyota Road Safety Art Contest was held in collaboration with The Citizens Foundation.



▶ The winning studentes with IMC and TCF management



▶ Heartbeat Band performing at the Children's Benefit Concert organized by FESF aimed at highlighting social issues and Road Safety



▶ Road Safety Training for IMC Drivers

Road Safety Awareness Campaign in the Corporate Sector

During the year, Indus Motor Company and Shell Pakistan jointly initiated a Road Safety Awareness Campaign for the corporate sector. The objective of the campaign is to collectively create synergies on existing Road Safety

initiatives so that the entire corporate sector is able to help create a strong ripple effect in the country and this make a meaningful impact on the society.

A focus group session was held with few companies to chalk out the road map to take the initiative forward in the coming year.



▶ Road Safety Awareness Session attended by representatives of OICCI Member Companies

Education

The future of our nation resides in the youth. They are the ones who can play a meaningful role to steward the country towards a brighter future tomorrow.

It is with this conviction that we have apportioned our resources to improve the level of education with special emphasis on those under privileged who cannot afford it. We support over 20 schools and educational institutions ranging from small village and garage schools to postgraduate level universities including IBA and LUMS and provide more than 50 scholarships annually to school and university students. We have fully sponsored two TCF Schools, in Hyderabad and Muzafargarh.

Our Apprenticeship Training Program at Indus is well institutionalized and allows developing high quality technicians for auto manufacturing.



▶ IMC TCF School Campus in Muzafargarh



▶ Apprenticeship Training Program

Toyota Team participates in Shell Eco Marathon

IMC works on numerous platforms to support the spread of technical education and simultaneously channeling the creativity of students towards achieving engineering endeavors. Two teams from National University of Science and Technology (NUST) were sponsored by IMC to participate in Shell Eco Marathon that was held at Kuala Lumpur, Malaysia on July, 2010.

Our sponsored teams proposed prototype of fuel efficient vehicle which was well appreciated by the judges. We look forward to continue the support for such student based quests that are oriented toward environmental preservation and sustainable mobility.



▶ IMC and Shell's Management inspecting the vehicle



▶ Toyota Team

3rd Toyota Technical Education Program (T-TEP) launched

T-TEP is a global initiative which was introduced in Pakistan in the year 2000. Toyota Motor Corporation supports IMC in this successful training endeavor in which students secure diploma after three year of advanced training in the latest automobile technology.

Indus Motor launched its 3rd T-TEP Program at the Construction Technology Training Institute, Islamabad in February 2009 to cater to the demands of the northern region.

The company operates T-TEP Program at Government College of Technology, Lahore and Saint Patrick's Institute of Science & Technology, Karachi to cater to the demands of the Central and Southern region respectively. T-TEP Career Days are held regularly, across the country here at which the graduating students are offered jobs by the auto industry including our dealerships and vendors. To date, several hundred T-TEP students have graduated and found jobs in Pakistan and the Middle East.



▶ Certificate of appointment being given to CTTI

2nd National Auto Journalists Awards 2009

We organized the 2nd National Auto Journalists Awards (NAJA) in August 2009 to recognize the professional skills, knowledge and competencies of local journalists working in the specialized field of auto journalism.

The awards are aimed at giving recognition to auto reporting, enhancing the quality of professionalism in this field and encouraging capacity building in line with modern reporting methodologies practiced internationally. Nominations for the awards are shortlisted from publications that appeared in the prior fiscal year 2008-09. The award winners are selected by an independent reputable jury. Erum Zaidi of The Nation was named as the "Auto Journalist of The Year".



▶ Mr Monis Ahmed, of the Daily Times, receiving the 2nd runner-up prize



IMC contingent in the iLMathon Walk. The Walk is organized by the supporters of TCF to raise money for educating thousands of children studying in TCF schools all over Pakistan.

Environment

Indus Motor Company, as a good Corporate Citizen, is fully cognizant of its responsibilities towards the environment and has taken many initiatives in this area.

We are committed to continuously improve the company's environment management system by identifying and avoiding those activities that have negative environmental impacts. We comply with all applicable legal, regulatory and other requirements, and assist society by making the environment friendlier. Indus Motor is ISO 14001 and 9001 certified company.

Cogeneration Power Plant

Energy efficiency and resource conservation are critical to running a strong business. Our 7.5 MW Cogeneration Power Plant has now been functioning effectively for last two years. Its purpose has been for Indus Motor to achieve self reliance in electrical power resulting in energy saving and reduce emissions to the environment. The waste heat recovered is effectively used for producing hot water and subsequently for chilled water used in air-conditioning purposes.



▶ Cogeneration Power Plant



▶ Waste Heat Recovery Equipment



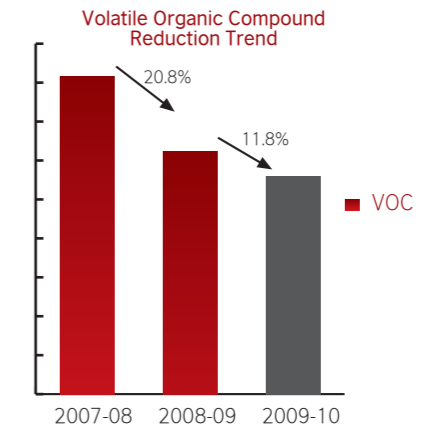
▶ Waste Water Treatment Plant



▶ Thinner Recycling Machine

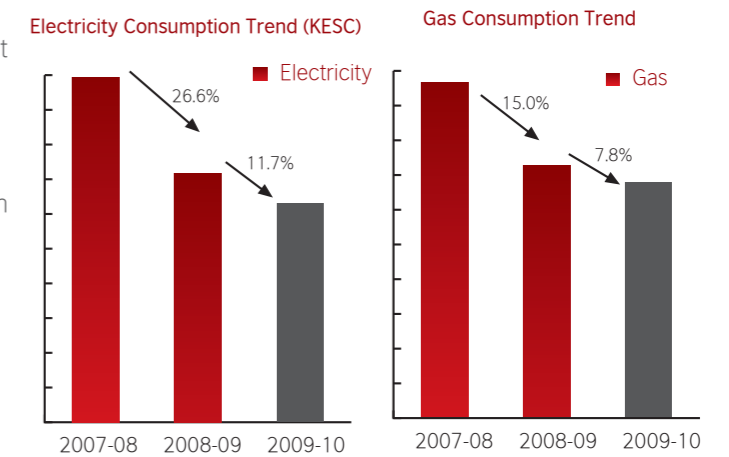
Ozone Protection

There has been a positive downward trend in the Volatile Organic Compounds (VOC) during the year 2009-10. We have introduced an extra shift and increased the operating hours on the thinner recycling machine to recycle more waste thinner used in manufacturing process. The investment is serving to reduce the VOC concentration in the air as well as saving the cost of thinner usage in process.



Green House Gas Reduction Strategy

We at Indus have been able to consistently reduce electricity and gas consumption by a significant amount which has indirectly benefited in CO2 reduction.



Environmental Audits

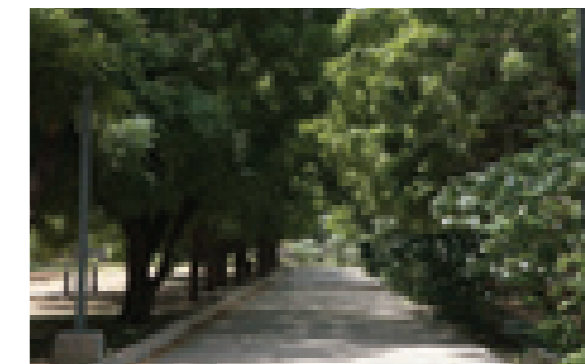
Our environmental audit program involves recertification of ISO 14001 and Global Environment Management System (EMS) Audit by Toyota Motor Corporation. All fuel tanks at Indus Motor are inspected at a monthly frequency to ensure fuel mass balance and to avoid any leakages and soil contamination. Bi-annually we conduct exhaust emission tests to monitor emission standards of our vehicles.

In order to address environmental issues and work towards enhancing its awareness, IMC observed June as World Environment Month and from June 21 - 26, as Environment week with the theme "We Love Eco Work & Life" which involved activities like planting trees, distribution of biodegradable bags to discourage usage of plastic bags and company wide placement of posters and banners. Around 300 trees were planted within IMC premises to support the environmental preservation.

A World Water Day was observed in March to highlight importance of fresh water in our daily lives. The Theme of the Day, "You are No.1 Water Saving Device" was aimed towards raising awareness about rising water demand and its declining reservoirs. World Water Day served as a platform where employees were educated about importance of using water intelligently and efficiently.



▶ Director Marketing Division, Mr. Raza Ansari planting a tree during the environment month



▶ There are more than 6000 trees at our plant

Community and Philanthropy

Our philanthropic activities are aimed to help strengthen our communities and contribute to the betterment of society.

We strive to make meaningful contributions to improve the health and living standards of our fellow citizens and provide institutionalized financial support to several hospitals and healthcare institutions. We do understand our responsibility towards the disadvantaged communities, especially those in our neighborhood, and provide them with food, rations and medical services.

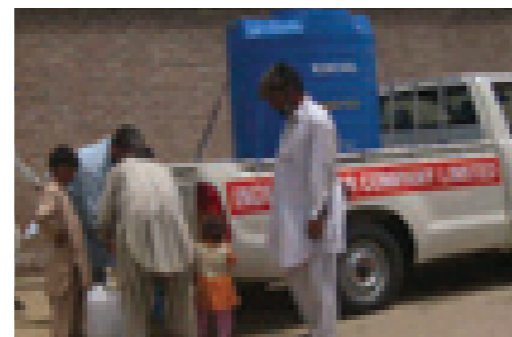
Whenever our country has been faced with a natural calamity such as 2006 earthquake in northern Pakistan, floods in Sindh and Balochistan, earthquake in Balochistan, etc. we have been at the forefront to provide much needed assistance to the affectees.



▶ Relief goods being distributed to IDPs by IMC staff

Swat IDPs Relief Operation

IMC in collaboration with HOH has undertaken relief operation for IDPs of Swat, Buner and Dir Districts. It is indeed heart wrenching to see the plight of these people. In our relief efforts, through our dealership in Mardan, we had distributed food rations, kitchen utensils and household items to 2,000 families sheltered at Babuzai, Charsadda, Takbai, Mardan, Jalala Dargai, Gangi Hospital, Rustom, etc. Two Toyota Hilux vehicles and one Ambulance were used to provide the transportation needs i.e. for water supply, pick-&-drop facility and medical services. Our staff also participated in these efforts. We also provided medical services through National Commission for Human Development.



▶ Toyota Hilux supplying water to the IDPs



We started a "Toyota Goth Education Program" with an aim to encourage education of children of underprivileged families living in the Goths (villages) around our plant. The children have been enrolled in a nearby TCF School and provided books, uniforms, shoes, school bags, stationery, etc. IMC is also paying their school fees.

We provide free medical services to the villages around our plant. Two doctors, including one lady doctor, run medical camps every week at Razzaqabad and Pipri in Karachi.



Plant Visits

IMC creates opportunities for communication to deepen dialogue with many stakeholders for them to have a better understanding about our corporate activities. We welcome hundreds of visitors every year to our plant from all walks of life which include government

organizations, educational institutions, trade bodies, and many companies from the private sector. These plant visits are very informative for our guests and they get an opportunity to learn about the auto industry and specifically about our operations and CSR practices.



▶ National Assembly Standing Committee with IMC Management

Indus Motor Company - a member of UN Global Compact

Indus Motor Company remained an active member of the UN Global Compact and submitted. Our 3rd Communication on Progress for the year 2009 is posted on website of IMC and UNGC.

The United Nations Global Compact is the largest corporate citizenship and sustainability initiative in the world with over 5,200 corporate participants and stakeholders from over 130 countries. It is essentially a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

There are a number of benefits to our company in becoming a member of the UN Global Compact which include being seen as demonstrating leadership by advancing responsible corporate citizenship, networking and sharing best practices and learning, adopting an established and globally recognized policy framework for the development, implementation, and disclosure of environmental, social, and governance policies and practices, improving operational efficiency, producing practical solutions to contemporary problems in the automobile industry and related sectors.

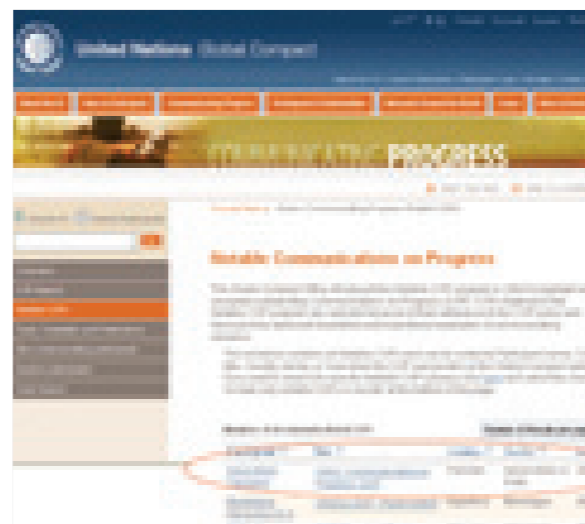
The Global Compact Office introduced the Notable COP program in 2004 to highlight and recognize outstanding Communications on Progress (COP). COPs featured in the Notable COP program are selected because of their adherence to the COP policy and because they represent illustrative and inspirational examples of communicating progress. We are proud to inform that our COP submitted in the first year has been classified as a "Notable COP" by UNGC and we became the first company in Pakistan to achieve this distinction.

We also received an award from UNGC Pakistan Local Network for successfully internalizing the UNGC 10 principles within IMC. The award was adjudged by an international jury of CSR experts.



► Mr. Sheheryar Piracha Manager Corporate Planning, Indus Motor Co. receiving UNGC Pakistan Local Network Award for internalizing UNGC Principles within IMC

- Ten Principles
- Human Rights
1. Support and respect the protection of internationally proclaimed Human Rights
 2. Ensure businesses are not complicit in Human Rights abuses
- Labor
3. Uphold the freedom of association and the effective recognition of the right to Collective Bargaining
 4. Elimination of all forms of Forced and Compulsory Labor
 5. Effective abolition of Child Labor
 6. Elimination of Discrimination in respect of Employment and Occupation
- Environment
7. Support a precautionary approach to Environmental Challenges
 8. Undertake initiatives to promote greater Environmental Responsibility
 9. Encourage the Development of Diffusion of Environment Friendly Technologies
- Anti-Corruption
10. Work against Corruption in all its forms, including Extortion and Bribery



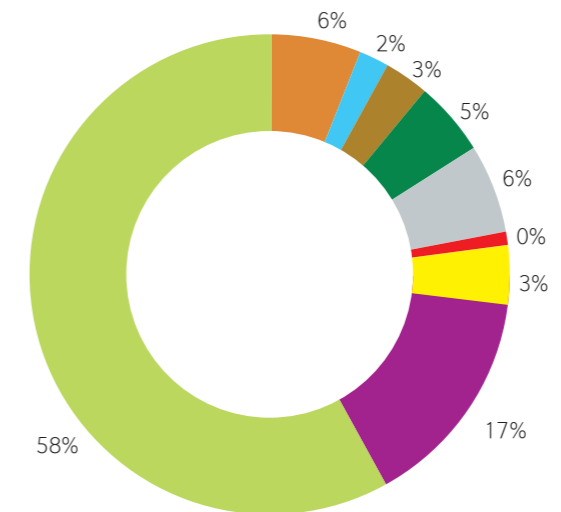
► UNGC website with IMC as Notable COP (www.unglobalcompact.org)

Indus Motor Company CSR Contribution 2009-10

As a policy, Indus Motor Company allocates 1% profit before tax each year for social contributions. During the last five years we have contributed about Rs 170 million towards Health, Education, Natural Calamities, Community Welfare, Environment and Road Safety Projects, thus playing a significant role in the communities where we operate.

We actively participate in various Seminars, Workshops and Forums on CSR and work closely with the relevant stakeholders including institutions such as CIPE, ACCA-WWF, RBI, PCP, LUMS etc. for renewed focus on CSR and Responsible Business practices.

Rs. 20.4 million
2009-2010
Social Contribution



- Road Safety
- Community
- Employee Welfare
- Other Institution
- Miscellaneous
- Education
- Natural Calamities
- Health
- Environment