



INDUS MOTOR COMPANY LTD.

Condensed Interim Financial Information
For the Nine Months Ended March 31, 2018
(Un-audited)



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Directors' Report

For the quarter and nine months ended March 31, 2018

The Directors of Indus Motor Company Limited are pleased to present the un-audited accounts of the Company for the quarter and nine months ended March 31, 2018.

Pakistan Automobile Market

The overall growth momentum in the automobile market has remained strong throughout the nine months ended March 31, 2018, owing to rising disposable income of consumers, availability of reasonably priced auto financing and growth in ride hailing services.

The total industry sales of locally manufactured PC & LCV vehicles were 70,826 units during the 3rd Quarter of financial year 2017-18, up 14% from 62,001 units, for the same period last year. However, on a nine months basis, the sales of locally manufactured PC & LCV vehicles witnessed an increase of 23% to 198,176 units compared to 161,692 units sold during the same period last year. Import of used cars is on a rising trend, standing at around 56,000 units for the nine months ended March 31, 2018, compared to around 42,000 units in the same period last year.

Company Review

Your Company's combined sales of CKD & CBU for nine months period ended March 31, 2018, was up 2%, to 47,103 units against 46,216 units sold for the same period last year. Market share stood at 22% for the nine months period.

The company operated its manufacturing facilities beyond capacity, working daily overtime hours and off Saturdays to produce 46,672 units for the nine months period, as compared to 46,011 units produced against the same period last year. Moreover, a multi-billion rupee investment has been made in the Paint Shop to eradicate bottlenecks and increase production capacity, this is expected to yield results in the next financial year.

In the month of February 2018, Toyota Hilux was launched with significant improvements having advanced features aimed at luxury and a superior off-road performance. In the month of March 2018, Toyota Fortuner underwent a minor model change with futuristic styling and cutting edge features, and another variant of diesel engine with high performance was launched. Both these products have received strong customer acceptance for their quality and feel good functionality factor.

The depreciation of the rupee has added to the cost of imported inputs and has ultimately forced the company to regretfully pass on the impact to the customers in terms of price increase of its vehicles.

Your Company won the 33rd Corporate Excellence Award from the Management Association of Pakistan for the Industrial Awards Category, along with the first prize of the Business Sustainability Award 2017 in the category of Multinational Companies from the United Nations Global Compact Network Pakistan.

With effect from February 7, 2018, Mr. Susumu Matsuda was appointed as Director replacing Mr. Hiroyuki Fukui on the completion of his term in Pakistan. We thank Mr. Hiroyuki Fukui for his valuable contributions made to the Company and welcome Mr. Susumu Matsuda on the Board.

Financial Performance

The Company's net sales turnover for the nine months ended March 31, 2018 increased by 19% to Rs. 100.2 billion as compared to Rs. 84.3 billion for the same period last year, while profit after tax increased by 14% to Rs. 11.6 billion as against Rs. 10.2 billion achieved for the same period last year. The increase in

Directors' Report

For the quarter and nine months ended March 31, 2018

revenues and net profit against last year same period was mainly attributable to improved turnover of CKD vehicles on account of launch of Toyota Corolla, Hilux and Fortuner with minor model changes made during the year, improvement in operational efficiencies and sales mix.

The Earnings Per Share of your Company for the nine months period ended March 31, 2018, is Rs. 148.04 as compared to Rs. 130.34 reported during the same period last year.

The Board of Directors is pleased to declare third interim cash dividend of Rs. 32.5 per share for the quarter ended March 31, 2018, which on cumulative basis, adds up to Rs. 95 per share for nine months ended March 31, 2018 as compared to Rs. 80 per share for the same period last year. During the period, the transactions with related parties as disclosed in the financial statements were carried out in the ordinary course of business.

Near Term Business Outlook

The last quarter of each year has traditionally been strong owing to liquidity from the agricultural sector and end of the fiscal year phenomena of budgetary utilization. This year the Holy month of Ramadan will fall during the May and June period and together with the holidays, early presentation of the Federal budget, upcoming euphoria of the general election season and the continued weakness of Pak Rupee is likely to create volatility in the economic environment.

The auto sector is expected to attract further investment from new players as a result of the strong demand and Automotive Development Policy 2016-2021, however, the true growth and benefits of technology transfer, job creation and local value addition can only be fully realized by including incentives in the policy for Auto Parts manufacturers, which have not been considered in the new Auto Policy.

We are concerned at the rising trend of used car imports that may affect the existing and new players, unless measures are taken to avoid the misuse of such import facilities. The steps taken earlier by the government for documentation for used car imports should be restored. In a recent development the Government has made a decision to close the Engineering Development Board. We would request the Government to urgently put into place an alternate enabling platform.

Your Company remains committed to 'Customer First' philosophy that demands a high level of contribution dedication and efficiency from all levels in the company to delight all our valued customers in the entire supply chain. This is the cornerstone of the 'Toyota Way' and critical for the long-term success of the Company.

Acknowledgement

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

On behalf of the Board of Directors.

April 27, 2018
Karachi.


Ali Asghar Jamali
Chief Executive


Yuji Takarada
Vice Chairman & Director

ڈائریکٹرز رپورٹ

برائے نومبر اور سہ ماہی ختمہ 31 مارچ 2018ء

بورڈ آف ڈائریکٹرز انڈس موٹر کمپنی انتہائی مسرت سے ادارے کے مالی سال کی 31 مارچ 2018ء کو ختم ہونے والی نو ماہ مدت اور سہ ماہی کے غیر جانچ شدہ (unaudited) حسابات (Accounts) پیش کرتے ہیں۔

پاکستان آٹو موبائل مارکیٹ :

ڈسپوز ایبل آمدنی کا بڑھنا، آٹو فنانسنگ کی مناسب شرح اور Ride hailing سروسز میں بے پناہ ترقی و اضافہ سے 31 مارچ 2018ء کی نو ماہ کی مدت میں گاڑیوں کی مجموعی طلب مستحکم رہی۔

انڈسٹری کی مقامی طور پر تیار کی گئی PC/LCV کی مجموعی فروخت تیسری سہ ماہی کے دوران 70,826 یونٹس رہی، جو کہ گزشتہ سال کی اسی مدت کے دوران فروخت ہونے والے 62,001 یونٹس کے مقابلے میں 14 فیصد زائد تھیں۔ 31 مارچ، 2018ء کو ختم ہونے والے نو ماہ کی مدت میں یہ فروخت 198,176 یونٹس رہی، جو کہ گزشتہ سال کی اسی مدت میں رہنے والے 161,692 یونٹس کے مقابلے میں 23 فیصد زیادہ تھی۔ جب کہ اسی مدت میں استعمال شدہ گاڑیوں کی درآمد موجودہ مالی سال کے مذکورہ نو ماہ میں تقریباً 56,000 یونٹس رہی جب کہ گزشتہ سال کی اسی مدت میں یہ تعداد تقریباً 42,000 یونٹس تھی۔

کمپنی کا جائزہ

کمپنی کی CKD اور CBU کی مشترکہ فروخت 31 مارچ 2018ء کو ختم ہونے والی 9 ماہ کی مدت میں 47,103 یونٹس رہی جو کہ گزشتہ برس اسی مدت میں رہنے والی فروخت 46,216 یونٹس کے مقابلے میں 2 فیصد زائد ہے۔ 31 مارچ، 2018ء کو ختم ہونے والی نو ماہ کی مدت میں کمپنی کا مارکیٹ شیئر 22 فیصد رہا۔

کمپنی نے اپنی پیداواری صلاحیتوں سے زیادہ کام کیا، اور روزانہ زیادہ سے زیادہ گھنٹوں کے اوور ٹائم اور ہفتے کی چھٹیوں میں بھی کام کیا۔ 31 مارچ، 2018ء کو ختم ہونے والی نو ماہ کی مدت کے دوران 46,672 یونٹس بنائے گئے جو کہ گزشتہ سال کی اسی مدت میں 46,011 یونٹس بنائے گئے تھے۔ پیداواری صلاحیت بڑھانے کے لئے Paint Shop میں کئی ارب روپے کی سرمایہ کاری کی گئی، جس کے نتائج اگلے مالی سال میں حاصل ہونے کی توقع ہے۔

ماہ فروری 2018ء میں Toyota Hilux کو minor improvement کے ساتھ متعارف کرایا گیا جس میں لکڑی اور اعلیٰ آف روڈ کی کارکردگی شامل تھی۔ مارچ 2018ء میں Toyota Fortuner کو minor model change کے ساتھ متعارف کرایا گیا جس کا اسٹائل لا جواب اور جدید ترین خصوصیات شامل تھیں، جب کہ اسی گاڑی کو اعلیٰ کارکردگی کے ڈیزل انجن کے ساتھ بھی متعارف کرایا گیا۔ دونوں پراڈکٹس کا صارفین نے بہترین خیر مقدم کیا اور نئی خصوصیات سے خوش ہوئے۔

اس مدت میں ہونے والی روپے کی قدر میں کمی سے کمپنی کی جانب سے درآمد کی جانے والی اشیاء کی لاگتوں میں اضافہ ہو گیا، جس کی وجہ سے کمپنی گاڑیوں کی قیمت میں اضافے پر مجبور ہوئی۔

آپ کی کمپنی نے منیجمنٹ ایسوسی ایشن آف پاکستان کی جانب سے منعقدہ 33 ویں کارپوریٹ ایکسیلنس ایوارڈ کی انڈسٹریل کیٹیگری میں ایوارڈ حاصل کیا جب کہ اس کے ساتھ یونائیٹڈ نیشنز گلوبل کمپیکٹ نیٹ ورک پاکستان کی جانب سے منعقدہ بزنس سسٹین ایبلٹی ایوارڈ 2017ء کی ملٹی نیشنل کمپنیوں کی کیٹیگری میں پہلا انعام حاصل کیا۔

فروری 7، 2018ء کو Susumu Matsuda کا بحیثیت ڈائریکٹر تقرر Hiroyuki Fukui کی جگہ کیا گیا، جو پاکستان میں اپنی تقرری کی مدت پوری کر چکے ہیں۔ ہم Hiroyuki Fukui کی قابل قدر شراکت کے مشکور ہیں، اور Susumu Matsuda کا اپنے بورڈ پر استقبالیہ کرتے ہیں۔

مالیاتی کارکردگی :

31 مارچ، 2018ء کو ختم ہونے والی نو ماہ کی مدت کے لئے کمپنی کی خالص فروخت کی آمدنی 19 فیصد اضافہ سے 100.2 بلین روپے تک جا پہنچی جب کہ گزشتہ سال اسی مدت کے لئے فروخت کی آمدنی 84.3 بلین روپے رہی۔ بعد

از ٹیکس منافع 14 فیصد اضافے کے ساتھ 11.6 بلین روپے رہا جب کہ گزشتہ سال اسی مدت کے لئے بعد از ٹیکس منافع 10.2 بلین روپے تھا۔ گزشتہ برس کے مقابلے میں آمدنی اور خالص منافع میں نمایاں اضافہ اس عرصہ کے دوران CKD گاڑیاں یعنی Toyota Corolla، Hilux اور Fortuner میں minor model changes اور آپریشنل سمیت سیلز مکس میں بہتری کی وجہ سے ہوا۔

31 مارچ، 2018 کو ختم ہونے والے نو ماہ کی مدت کے لئے فی حصص آمدنی 148.04 روپے رہی جب کہ گزشتہ سال اسی مدت میں فی حصص آمدنی 130.34 روپے رہی تھی۔

بورڈ آف ڈائریکٹرز نے 31 مارچ 2018 کو ختم ہونے والی سہ ماہی کے لئے بمسرت تیسرے عبوری منافع منقسمہ کا اعلان کیا ہے جو کہ 32.5 روپے فی حصص بنتا ہے، مجموعی طور پر 31 مارچ 2018 کو ختم ہونے والے نو ماہ کے لئے فی حصص 95 روپے بنتا ہے، جو کہ گزشتہ برس کی اسی مدت میں 80 روپے فی حصص تھا۔ مالیاتی سسٹمٹس میں ظاہر کی جانے والی متعلقہ پارٹیز کے ساتھ ٹرانزیکشنز کو عام کاروبار کی حیثیت سے لیا گیا ہے۔

مستقبل قریب میں کاروباری امکانات :

ہر سال کی آخری سہ ماہی زراعت کے شعبے اور مالی سال کے اختتام کے رجحان کی وجہ سے روایتی طور پر مستحکم ہوتی ہے۔ اس سال رمضان المبارک مئی اور جون میں آئے گا، وفاقی بجٹ بھی قبل از وقت پیش کیا جا رہا ہے اس کے علاوہ آئندہ انتخابات بھی آئیں گے اور روپے کی قدر میں مسلسل کمی کی وجہ سے معیشت میں مسلسل اتار چڑھاؤ آتا رہتا ہے جس کی وجہ سے ہم پُر امید و محنت ہیں۔

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

ہم استعمال شدہ گاڑیوں کی درآمدات کے بڑھتے ہوئے رجحان پر محتاط ہیں جو موجودہ اور نئے مینوفیکچررز کو متاثر تک کر سکتا ہے، جب تک کہ اس طرح کی درآمد کی سہولیات کے غلط استعمال سے بچنے کے لئے اقدامات نہ کئے جائیں۔

استعمال شدہ گاڑی کی درآمد کی Documentation کے لئے حکومت کی جانب سے جو اقدامات پہلے کئے گئے تھے وہ بحال کئے جائیں گے۔ حکومت نے حال ہی میں انجینئرنگ ڈیولپمنٹ بورڈ کو بند کرنے کا فیصلہ کیا ہے، حکومت سے ہماری درخواست ہے کہ وہ جلد از جلد اس نئے فیصلے کا نفاذ کر کے متبادل پلیٹ فارم تشکیل دے۔

آپ کی کمپنی "Customer First" کے فلسفہ کے ساتھ پُر عزم ہے جس کا تقاضہ ہے کہ کمپنی کے تمام شعبہ جات سے اعلیٰ سطحی شراکت dedication اور عمدہ کارکردگی کا مطالبہ کرتی ہے تاکہ پوری سپلائی چین سے تمام قابل قدر صارفین خوش رہیں، یہ "Toyota Way" کی بنیاد ہے اور کمپنی کی طویل المدتی کامیابی کے لئے اہم ہے۔


اعتراف:


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

بورڈ آف ڈائریکٹرز کی جانب سے

27 اپریل، 2018ء

کراچی


یوجی تکارادا
وائس چیئرمین اور ڈائریکٹر


علی اصغر جمالی
چیف ایگزیکٹو

Condensed Interim Statement of Financial Position

As at March 31, 2018

	Note	March 31 2018 (Unaudited)	June 30 2017 (Audited)
------(Rupees in '000)-----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,299,971	6,257,927
Intangible assets		94,070	87,517
Long-term loans and advances		42,429	9,368
Long-term deposits		9,443	9,443
Deferred Taxation		39,782	73,969
		<u>7,485,695</u>	<u>6,438,224</u>
Current assets			
Stores and spares		306,331	203,829
Stock-in-trade		10,890,389	9,317,883
Trade debts		1,141,894	758,872
Loans and advances		2,901,418	1,652,906
Short-term prepayments		15,234	20,839
Accrued return		115,367	376,037
Other receivables		412,817	402,304
Short-term investments	6	51,540,040	41,487,709
Cash and bank balances		1,717,201	3,221,120
		<u>69,040,691</u>	<u>57,441,499</u>
TOTAL ASSETS		<u>76,526,386</u>	<u>63,879,723</u>
EQUITY			
Share capital			
Authorised capital			
500,000,000 (June 30, 2017: 500,000,000)			
Ordinary shares of Rs 10 each		<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2017: 78,600,000)			
Ordinary shares of Rs 10 each		<u>786,000</u>	<u>786,000</u>
Reserves		<u>34,383,352</u>	<u>30,410,962</u>
		<u>35,169,352</u>	<u>31,196,962</u>
LIABILITIES			
Non-Current liabilities			
Deferred Revenue		18,431	3,933
Current liabilities			
Trade, other payables and provisions		16,450,375	9,682,879
Advances from customers and dealers		23,563,582	22,188,881
Taxation - provision less payment		1,324,646	807,068
		<u>41,338,603</u>	<u>32,678,828</u>
TOTAL EQUITY AND LIABILITIES		<u>76,526,386</u>	<u>63,879,723</u>

CONTINGENCIES AND COMMITMENTS

7

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



Aqeel Loon
Chief Financial Officer



Ali Asghar Jamali
Chief Executive



Yuji Takarada
Vice Chairman & Director

Condensed Interim Profit and Loss Account

For the quarter and nine months ended March 31, 2018

	Note	Nine months ended		Quarter ended	
		March 31		March 31	
		2018	2017	2018	2017
----- (Rupees in '000) -----					
Net sales	8	100,187,521	84,343,249	36,869,062	32,943,553
Cost of sales	9	(82,608,979)	(69,135,511)	(30,423,714)	(26,610,957)
Gross profit		17,578,542	15,207,738	6,445,348	6,332,596
Distribution expenses		(910,144)	(844,509)	(328,692)	(350,379)
Administrative expenses		(1,070,088)	(738,086)	(386,663)	(287,497)
Other operating expenses		(73,569)	(93,046)	(3,785)	(58,704)
		(2,053,801)	(1,675,641)	(719,140)	(696,580)
		15,524,741	13,532,097	5,726,208	5,636,016
Workers' Profit Participation Fund and Workers' Welfare Fund		(1,228,333)	(1,091,685)	(445,624)	(442,922)
		14,296,408	12,440,412	5,280,584	5,193,094
Other income		2,679,012	2,523,571	909,167	899,342
		16,975,420	14,963,983	6,189,751	6,092,436
Finance costs		(401,824)	(234,150)	(129,246)	(116,190)
Profit before taxation		16,573,596	14,729,833	6,060,505	5,976,246
Taxation		(4,937,706)	(4,485,490)	(1,788,824)	(1,806,494)
Profit after taxation		11,635,890	10,244,343	4,271,681	4,169,752
Earnings per share - basic and diluted (Rupees)		148.04	130.34	54.35	53.05

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


Aqeel Loon
Chief Financial Officer


Ali Asghar Jamali
Chief Executive


Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Comprehensive Income

For the quarter and nine months ended March 31, 2018

	Nine months ended		Quarter ended	
	March 31		March 31	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Profit after taxation for the period	11,635,890	10,244,343	4,271,681	4,169,752
Other comprehensive income for the period - net of tax	-	-	-	-
Total comprehensive income for the period	11,635,890	10,244,343	4,271,681	4,169,752

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


Aqeel Loon
 Chief Financial Officer


Ali Asghar Jamali
 Chief Executive


Yuji Takarada
 Vice Chairman & Director

Condensed Interim Cash Flow Statement

For the nine months ended March 31, 2018

	Note	Nine months ended	
		March 31	
		2018	2017
------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	20,898,524	11,366,310
Workers' Welfare Fund paid		(356,881)	(355,749)
Income tax paid		(4,385,949)	(3,999,486)
Mark-up paid on advances from customers		(266,319)	-
Deferred Revenue		14,498	2,461
Long term loans and advances		(3,061)	(13,398)
Movement in long-term deposits		-	(1,500)
Net cash generated from operating activities		15,900,812	6,998,638
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(2,456,124)	(1,387,235)
Proceeds from disposal of property, plant and equipment		39,505	40,345
Interest received on bank deposits and savings account		1,715,085	1,875,187
Investment in Term Deposit Receipts		-	(5,000,000)
Proceeds from redemption of Term Deposit Receipts		7,000,000	6,500,000
Investment in listed mutual fund units		(14,605,961)	(12,274,950)
Proceeds from redemption of listed mutual fund units		8,736,309	9,616,996
Redemption of Pakistan Investment Bonds		5,063,031	-
Purchase of Market Treasury Bills		(728,176)	(2,428,500)
Proceeds from redemption of Market Treasury Bills		1,026,677	3,620,075
Net cash inflow from investing activities		5,790,346	561,918
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(7,520,521)	(6,729,691)
Net increase in cash and cash equivalents		14,170,637	830,865
Cash and cash equivalents at the beginning of the period		32,599,720	29,737,569
Cash and cash equivalents at the end of the period	11	46,770,357	30,568,434

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


Aqeel Loon
Chief Financial Officer


Ali Asghar Jamali
Chief Executive


Yuji Takarada
Vice Chairman & Director

Condensed Interim Statement of Changes in Equity

For the nine months ended March 31, 2018

	Share Capital	Reserves				
	Issued, subscribed and paid-up	Capital	Revenue		Sub-Total	Total
		Premium on issue of ordinary shares	General reserve	Unappropriated profit		
----- (Rupees in '000) -----						
Balance as at July 1, 2016	786,000	196,500	19,851,050	6,796,059	26,843,609	27,629,609
Total comprehensive income for the half year ended December 31, 2016	-	-	-	10,244,343	10,244,343	10,244,343
Transfer to general reserve for the year ended June 30, 2016 appropriated subsequent to year end	-	-	3,600,000	(3,600,000)	-	-
Transactions with owners						
Final dividend @ 400% for the year ended June 30, 2016 declared subsequent to year end	-	-	-	(3,144,000)	(3,144,000)	(3,144,000)
Interim dividend @ 200% declared during the period ended September 30, 2016	-	-	-	(1,965,000)	(1,965,000)	(1,965,000)
Interim dividend @ 250% declared during the period ended December 31, 2016	-	-	-	(1,965,000)	(1,965,000)	(1,965,000)
Balance as at March 31, 2017	786,000	196,500	23,451,050	6,366,402	30,013,952	30,799,952
Balance as at July 1, 2017	786,000	196,500	23,451,050	6,763,412	30,410,962	31,196,962
Total comprehensive income for the half year ended March 31, 2018	-	-	-	11,635,890	11,635,890	11,635,890
Transfer to general reserve for the year ended June 30, 2017 appropriated subsequent to year end	-	-	4,000,000	(4,000,000)	-	-
Transaction with owners						
Final dividend @ 350% for the year ended June 30, 2017 declared subsequent to year end	-	-	-	(2,751,000)	(2,751,000)	(2,751,000)
Interim dividend @ 300% declared during the period ended September 30, 2017	-	-	-	(2,358,000)	(2,358,000)	(2,358,000)
Interim dividend @ 325% declared during the period ended December 31, 2017	-	-	-	(2,554,500)	(2,554,500)	(2,554,500)
Balance as at March 31, 2018	786,000	196,500	27,451,050	6,735,802	34,383,352	35,169,352

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


Aqeel Loon
 Chief Financial Officer


Ali Asghar Jamali
 Chief Executive


Yuji Takarada
 Vice Chairman & Director

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

1 THE COMPANY AND ITS OPERATIONS

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Company for the year ended June 30, 2017.

2.2 The comparative balance sheet presented in this condensed interim financial information as at June 30, 2017 has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2017 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the nine months ended March 31, 2017 have been extracted from the condensed interim financial information of the Company for the nine months then ended. The figures included in the condensed interim profit and loss account for the quarters ended March 31, 2018 and 2017 and in the notes forming part thereof have neither been reviewed nor audited.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation of balances adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2017.

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

3.2 New standards, amendments to approved accounting standards and new interpretations which became effective during the nine months ended March 31, 2018

There are certain amendments to approved accounting standards that are mandatory for accounting periods beginning on July 1, 2017. However, these do not have any significant effect on the Company's financial reporting and operations and therefore, have not been disclosed in this condensed interim financial information.

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

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in this condensed interim financial information. During the current period the SECP has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Customers', the impacts of which on the Company's future financial statements are being assessed. Further, certain new standards are yet to be adopted by the Securities and Exchange Commission of Pakistan.

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2017.

4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

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

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those applied to the financial statements as at and for the year ended June 30, 2017.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2017.

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

March 31
2018
(Unaudited)
----- (Rupees in '000) -----
June 30,
2017
(Audited)

5 PROPERTY, PLANT AND EQUIPMENT

Operating assets	7,058,664	5,190,839
Capital work-in-progress	241,307	1,067,088
	<u>7,299,971</u>	<u>6,257,927</u>

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

Additions (at cost)		Disposals (at cost)	
Nine months ended March 31		Nine months ended March 31	
2018	2017	2018	2017
----- (Rupees in '000) -----			

Tangible - Owned

Buildings on leasehold land:

Factory	693,738	10,615	-	-
Others	14,767	56,611	-	-
Plant and machinery	2,272,155	234,256	35,209	13,603
Motor vehicles	104,853	73,707	59,332	14,157
Furniture and fixtures	7,277	4,885	-	-
Office equipment	16,402	12,527	479	401
Computers and related accessories	56,269	11,209	5,807	430
Tools and equipment	80,610	49,369	4,607	1,190
Jigs, moulds and related equipments	6,298	251,247	-	-
	<u>3,252,369</u>	<u>704,426</u>	<u>105,434</u>	<u>29,781</u>

Intangible assets

Computer Software	29,537	63,664	-	-
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5.1.1 Additions to owned assets include transfers from capital work-in-progress amounting to Rs 2,994.512 million (March 31, 2017: Rs 758.145 million).

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

March 31 2018 (Unaudited)	June 30 2017 (Audited)
------(Rupees in '000)-----	

6 SHORT-TERM INVESTMENTS

Investments 'at fair value through profit or loss'

- Mutual Fund Units	6,068,670	-
Held to Maturity		
- Government securities		
Market Treasury Bills	14,971,370	5,224,678
Pakistan Investment Bonds (PIBs)	-	5,063,031
- Term Deposit Receipts (TDRs)	30,500,000	31,200,000
	<u>51,540,040</u>	<u>41,487,709</u>

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 The status of contingencies as disclosed in annual financial statements of the Company for the year ended June 30, 2017 has remained unchanged.

7.1.2 As at March 31, 2018, the claims not acknowledged as debt by the company amounts to Rs 992.518 million (June 30, 2017: Rs 1,008.465 million).

7.1.3 Contingencies in respect of outstanding bank guarantees at March 31, 2018 amounted to Rs 12,728.588 million (June 30, 2017: Rs 13,228.265 million). This includes an amount of Rs 6,495.740 million (June 30, 2017: Rs 7,397.771 million) in respect of bank guarantees from related parties.

7.2 Commitments

Commitments in respect of capital expenditure as at March 31, 2018 aggregate to Rs 1,370.155 million (June 30, 2017: Rs 1,355.781 million).

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

	Nine months ended		Quarter ended	
	March 31		March 31	
	2018	2017	2018	2017
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
8 SALES				
Manufacturing				
Gross sales	113,553,326	94,478,524	41,986,200	37,386,126
Sales tax	(16,517,564)	(13,717,022)	(6,097,849)	(5,422,894)
	97,035,762	80,761,502	35,888,351	31,963,232
Commission	(2,879,179)	(2,436,248)	(1,066,996)	(975,469)
Discounts	(6,641)	(2,752)	(2,317)	(1,487)
Manufacturing net sales	94,149,942	78,322,502	34,819,038	30,986,276
Trading				
Gross sales	7,399,272	7,502,230	2,524,870	2,434,298
Sales tax	(826,803)	(897,491)	(281,081)	(279,160)
	6,572,469	6,604,739	2,243,789	2,155,138
Commission	(233,754)	(327,106)	(85,351)	(100,667)
Discounts	(301,136)	(256,886)	(108,414)	(97,194)
Trading net sales	6,037,579	6,020,747	2,050,024	1,957,277
Net sales	100,187,521	84,343,249	36,869,062	32,943,553
9 COST OF SALES				
Manufacturing	78,548,169	65,363,343	29,074,753	25,414,790
Trading	4,060,810	3,772,168	1,348,961	1,196,167
	82,608,979	69,135,511	30,423,714	26,610,957

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

	Note	Nine Months ended March 31	
		2018	2017
		------(Rupees in '000)-----	
10 CASH GENERATED FROM OPERATIONS			
Profit before taxation		16,573,596	14,729,833
Adjustment for non-cash charges and other items:			
Depreciation		1,369,617	1,169,764
Amortization		22,984	14,329
Gain on sale of fixed assets		(24,571)	(19,987)
Unrelaised loss on foreign exchange contracts & derivatives-net		1,007	14,266
Gain on redemption / revaluation of listed mutual fund units		(199,018)	(213,109)
Return on bank deposits		(1,428,202)	(1,181,325)
Income on Pakistan Investment Bonds		(23,744)	(427,401)
Amortization Income on Pakistan Investment Bonds		(2,469)	(42,413)
Income on Market Treasury Bills		(570,144)	(208,846)
Amortization Income on Market Treasury Bills		(100,493)	(130,805)
Workers' Profit Participation Fund		890,096	791,076
Workers' Welfare Fund		338,237	300,609
Reversal of provision for doubtful debts		-	(6,303)
Mark-up on advances from customers		360,615	-
Working capital changes	10.1	3,691,013	(3,423,378)
		20,898,524	11,366,310
10.1 Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		(102,502)	(60,219)
Stock-in-trade		(1,572,506)	(2,346,181)
Trade debts		(383,022)	271,481
Loans and advances		(1,278,512)	(723,814)
Short-term prepayments		5,605	19,520
Other receivables		(48,785)	61,802
		(3,379,722)	(2,777,411)
Increase / (decrease) in current liabilities			
Trade and other payables		5,696,034	1,650,763
Advances from customers and dealers		1,374,701	(2,296,730)
		7,070,735	(645,967)
		3,691,013	(3,423,378)
11 CASH AND CASH EQUIVALENTS			
Term Deposit Receipts	6	30,500,000	18,000,000
Market Treasury Bills		14,553,156	11,346,625
Cash and bank balances		1,717,201	1,221,809
		46,770,357	30,568,434

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

12 TRANSACTIONS AND BALANCES WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

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

	Nine months ended		Quarter Ended	
	March 31		March 31	
	2018	2017	2018	2017
	------(Rupees in '000)-----		------(Rupees in '000)-----	
With associated undertakings / related parties:				
Sales	170,304	197,426	60,784	88,807
Purchases	46,633,292	39,624,757	17,403,314	14,793,751
Insurance premium	56,318	68,744	20,565	24,436
Agency commission	17,907	34,684	15,276	4,260
Running royalty	1,862,930	1,661,623	677,821	635,114
Rent expense	933	1,590	311	530
Return on bank deposits	562,777	523,118	187,363	177,401
Proceeds from disposal of fixed assets / insurance claim	2,824	2,464	2,060	582
Donations	44,944	53,860	-	32,360
Bank charges	36,467	30,436	10,690	9,548
LC charges	6,692	4,442	3,193	464
Contribution to retirement benefit funds	69,309	59,603	26,042	15,758
With key management personnel:				
- Salaries and benefits	147,768	102,104	66,555	31,480
- Post employment benefits	9,184	6,406	3,255	2,135
- Sale of fixed assets	-	1,394	-	1,368

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

Nature of balances	March 31	June 30
	2018	2017
	(Unaudited)	(Audited)
	------(Rupees in '000)-----	
Short-term prepayments	4,806	5,909
Accrued Return	42,780	52,739
Bank balances and Term Deposit Receipts	8,366,394	12,559,392
Warranty claims, agency commission and other receivables	242,700	280,242
Trade, other payables and provisions	3,802,360	1,560,778

12.2 During the period, Rs 0.875 million (March 31, 2017: Rs 0.875 million) was paid as director fee.

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

13 SEGMENT REPORTING

	Nine months ended March 31, 2018			Nine months ended March 31, 2017		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	94,149,942	6,037,579	100,187,521	78,322,502	6,020,747	84,343,249
Profit before taxation	14,594,685	1,978,911	16,573,596	12,438,269	2,291,564	14,729,833

	Quarter ended March 31, 2018			Quarter ended March 31, 2017		
	Manufacturing	Trading	Total	Manufacturing	Trading	Total
	(Rupees in '000)					
Net sales	34,819,038	2,050,024	36,869,062	30,986,276	1,957,277	32,943,553
Profit before taxation	5,352,978	707,527	6,060,505	5,220,738	755,508	5,976,246

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

	---- As at March 31, 2018 ----			---- As at June 30, 2017 ----		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	----- Rupees in '000 -----					
Financial assets / (liabilities) 'at fair value through profit or loss'						
- Mutual Fund Units	6,068,670	-	-	-	-	-
- Derivative financial instruments	-	-	16,231	-	-	17,238

Notes to and forming part of the Condensed Interim Financial Information

For the nine months ended March 31, 2018

15 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on April 27, 2018 have proposed an interim cash dividend of Rs 32.5 per share (March 31, 2017: Rs 30 per share) in respect of the year ending June 30, 2018. The condensed interim financial information for the nine months ended March 31, 2018, does not include the effect of this dividend which will be accounted for in the annual financial statements for the year ended June 30, 2018.

16 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 27, 2018 by the Board of Directors of the Company.

17 GENERAL

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



Aqeel Loon
Chief Financial Officer



Ali Asghar Jamali
Chief Executive



Yuji Takarada
Vice Chairman & Director

Company Information

Board of Directors

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

Chief Financial Officer

Mr. Aqeel Loon

Company Secretary

Mr. Muhammad Arif Anzer

Audit Committee Members

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

Human Resource and Remuneration

Committee Members

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

Auditors

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

Legal Advisors

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

Bankers

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

Registrar

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

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