

# Indus Motor Company Ltd.

## 2014 ANNUAL REPORT



### INDUS MOTOR COMPANY LTD.

Plot No. N.W.Z/1/P-1, Port Qasim Authority,  
Karachi, Pakistan.  
www.toyota-indus.com



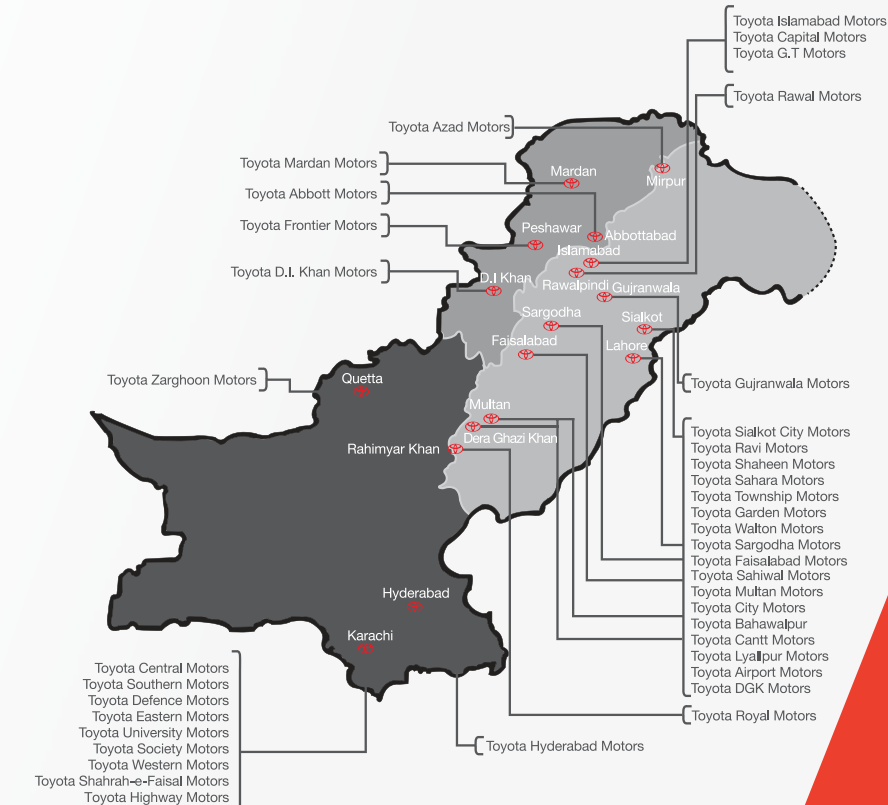
## CORPORATE PROFILE

IMC was incorporated in 1989 as a joint venture company between the House of Habib of Pakistan, Toyota Motor Corporation and Toyota Tsusho Corporation of Japan. The Company manufactures and markets Toyota brand vehicles in Pakistan. The main product offerings include several variants of the flagship 'Corolla' in the passenger cars category, 'Hilux' in the light commercial vehicles segment and the 'Fortuner' Sport Utility Vehicle. The Company also sells limited units of Daihatsu brand vehicles.

The manufacturing facility and offices are located at a 105 acre site in Port Qasim, Karachi, while the product is delivered to end customers nationwide through a strong network of 39 independent 3S Dealerships spread across the country. In its 25 years history since inception, IMC has sold more than 500,000 CBU/CKD vehicles and has demonstrated an impressive growth, in terms of volumetric increase from a modest beginning of 20 vehicles per day production in 1993 to 210 units daily at present through the development of human talent embracing the 'Toyota Way' of quality and lean manufacturing. Over the years, IMC has made large scale investments in enhancing its own capacity and in meeting customer requirements for new products. Today, Corolla is the largest selling automotive brand model in Pakistan and it also has the distinction of being #1 in Toyota's Asian market.

The Company invests heavily in training its 2,000 plus workforce of team members & management employees and creating a culture of high performing empowered teams working seamlessly across processes in search of quality and continuous improvement. The core values of the Company encourage employees to pursue high standards of business ethics and safety; communicate candidly by giving bad news first and respect for people. The bi-annual TMC morale surveys show employees giving a high positive score to the IMC work environment and level of job satisfaction.

The Company has played a major role in the development of the entire value chain of the local auto industry and is proud to have contributed in poverty alleviation at the grass root level by nurturing localization that in turn has directly created thousands of job opportunities and transferred technology to over 60 vendors supplying parts. IMC is also a major tax payer and significant contributor to the GOP exchequer.





At IMC, we strive to provide our customers with the highest quality and deliver the finest performance, driven by the passion of our people and the vision of Toyota. And this year, this propensity for excellence has resulted in the launch of the all **New Corolla**.

A perfect blend of elegance, power, technology and comfort, the new Corolla has redefined itself with cutting edge design, features and performance, surpassing its own reputation as one of the world's leading sedans.



**BEYOND  
EXPECTATIONS**



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OUR VISION

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

OUR MISSION

IMC’s Mission is reflected in our Company’s Slogan

ACT #1

Action, Commitment and Teamwork to become # 1 in Pakistan.

- Respect & Corporate Image
- Quality & Safety
- Customer Satisfaction
- Production & Sales
- Profitability
- Best Employer



OUR CORE VALUES

- World class production quality
- Achieving the ultimate goal of complete customer satisfaction
- Being seen as the best employer
- Fostering the spirit of teamwork
- Inculcating ethical and honest practices





## TOYOTA GUIDING PRINCIPLES



**Akio Toyoda**  
President TMC

The Toyota business is guided by seven principles:



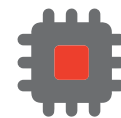
- 1 | Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.



- 2 | Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.



- 3 | Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.



- 4 | Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.



- 5 | Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.



- 6 | Pursue growth in harmony with the global community through innovative management.



- 7 | Work with business partners in research and creation to achieve stable long-term growth and mutual benefits, while keeping ourselves open to new partnerships.



## BEYOND SAFETY

Toyota's Advanced Global Outstanding Assessment (GOA) body, manufactured in Pakistan, is designed to offer superior cabin and road safety in the event of a collision.

STRATEGIC OBJECTIVES

Achieving Market Leadership by Delivering Value to Customers

- Following our “Customer First” philosophy in manufacturing and providing high quality vehicles and services that meet the needs of Pakistani customers.
- Enhancing the quality and reach of our 3S Dealership Network.
- Employing customer insight and feedback for continuous corporate renewal, including product development, improving service and customer care.

Bringing Toyota Quality to Pakistan

- Maximizing QRD (Quality, Reliability and Durability) by built-in engineering.
- Transferring technology and promoting indigenization at IMC and its Vendors.
- Raising the bar in all support functions to meet Toyota Global Standards.

Optimizing Cost by Kaizen

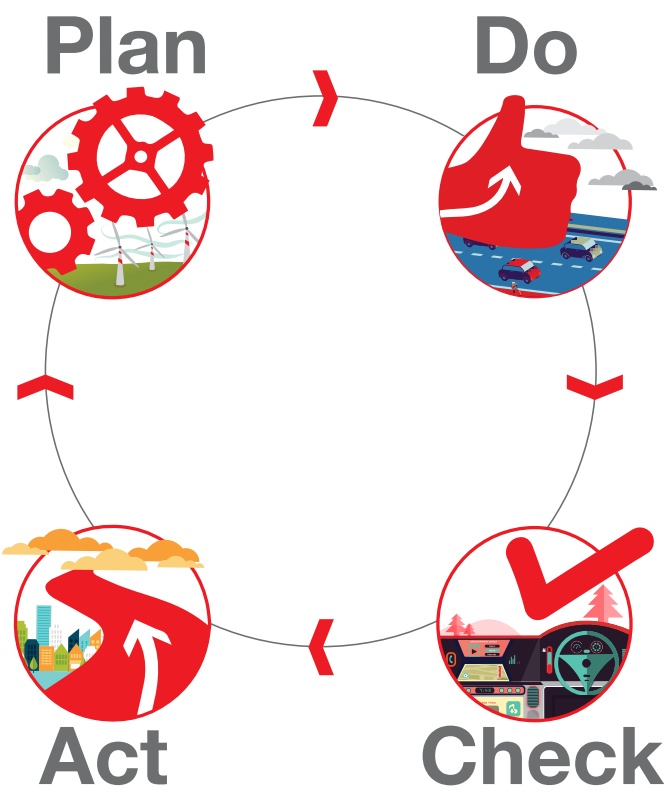
- Fostering a Kaizen culture and mindset at IMC, its Dealers and Vendors.
- Implementing Toyota Production System.
- Removing waste in all areas and operating in the lowest cost quartile of the industry.

Respecting our People

- Treating employees as the most important sustainable competitive resource.
- Providing a continuous learning environment that promotes individual creativity and teamwork.
- Supporting equal employment opportunities, diversity and inclusion without discrimination.
- Building competitive value through mutual trust and mutual responsibility between the Indus Team and the Company.

Becoming a Good Corporate Citizen

- Following ethical business practices and the laws of the land.
- Engaging in philanthropic and social activities that contribute to the enrichment of the Pakistani society, especially in areas that are strategic to both societal and business needs e.g. road safety, technical education, environment protection, etc.
- Enhancing corporate value and respect while achieving a stable and long term growth for the benefit of our shareholders.





## BOARD OF DIRECTORS



**Ali S. Habib**  
Chairman

Ali S. Habib is the Chairman of Indus Motor Company Ltd. and is also the Founding Director of the Company. He also serves as a Member on the board of directors of Thal Ltd., Shabbir Tiles & Ceramics Ltd., Habib Metropolitan Bank Ltd, Metro Habib Cash and Carry Pakistan (Pvt.) Ltd.

He is a graduate in Mechanical Engineering from the University of Minnesota, USA. He has attended the PMD Program at Harvard University.

Keiichi Murakami was appointed as a Director on the Board and Vice Chairman of Indus Motor Company Limited with effect from January 2013. He has been serving at Toyota Motor Corporation for over 30 years now and has worked in different capacities primarily in the areas of Product Planning and Marketing Research. He has looked after Toyota's business in Asia, Oceania and Middle East with various Toyota distributors. He had served as an Executive Director at UMW which is the Toyota distributor in Malaysia.



**Keiichi Murakami**  
Vice Chairman



**Parvez Ghias**  
Chief Executive Officer

Parvez Ghias is the Chief Executive of Indus Motor Company Ltd., since 2005. Prior to joining the Company, he was the Vice President and CFO at Engro Chemical Pakistan Limited and served as a Member of the Board of Directors. He also serves as an independent director on the boards of Standard Chartered Bank (Pakistan) Ltd., Dawood Hercules Corporation Limited and INJAZ Pakistan.

He is a fellow of the Institute of Chartered Accountants from England & Wales and holds a Bachelors Degree in Economics and Statistics.

Farhad Zulficar is the Founding Director of Indus Motor Company Ltd. He was the first Managing Director of the Company from 1989 to 2001 and has also been a Director on a various listed and private companies. At year end June 30, 2014 he is the Vice Chairman of the House of Habib and Chairman of Makro Habib Pakistan Ltd.

He is a Commerce graduate from the University of Karachi.



**Farhad Zulficar**  
Director



**Mohamedali R. Habib**  
Director

Mohamedali R. Habib is the Founding Director of Indus Motor Company Ltd. He has been an Executive Director of Habib Metropolitan Bank Ltd. since 2004 and also serves as a Member on the Board of Thal Limited and Habib Insurance Company Ltd. He was appointed as Joint-President & Division Head (Asia) & Member of General Management of Habib Bank AG Zurich in 2011.

He is a graduate in Business Management – Finance from Clark University, USA.

Kyoichi Tanada was appointed as a Director of Indus Motor Company Ltd. in May 2013. Currently he is serving as the President of Toyota Motor Thailand and Managing Officer of Toyota Motor Corporation.

He is a graduate in foreign studies from Tokyo University, Japan.



**Kyoichi Tanada**  
Director



**Tetsuro Hirai**  
Director

Tetsuro Hirai was appointed as Director of Indus Motor Company Ltd. in July 2013. He has been associated with Toyota Motor Corporation from 1980 to 2009, during which he has held various senior positions. He joined Toyota Tsusho Corporation in January 2010 as a member of Management team. He holds directorships of certain companies of the Toyota Group in various countries.

He is a graduate from Faculty of Science and Engineering of Waseda University, Japan.

Yoshiyuki Matsuo was appointed as Director of Indus Motor Company Limited in January 2014 and is serving the Company as Senior Director Manufacturing. He has been with the Toyota Group since 1986 during which he has held various senior executive positions. He has a vast experience in the areas of Production, Logistics, Plant Engineering and Quality Control at various Toyota plants in the world.

He is a graduate from the Nanzan University, Japan.



**Yoshiyuki Matsuo**  
Director



**Raza Ansari**  
Director

Raza Ansari was elected in October 2011 as a Director of the Company. He joined Indus Motor Company Ltd. in 1989 when the company was formed and served in various positions. Raza Ansari is currently the Chief Executive of Shabbir Tiles, a leading ceramic and porcelain tile manufacturer in the country.

He holds a degree of Bachelor of Science and a post graduate diploma in Business Administration. Prior to joining Indus he had worked with Pakistan Papersack Limited, a group company, in 1986.

CORPORATE GOVERNANCE

IMC’s Basic Approach to Corporate Governance

IMC has a range of long-standing in-house committees responsible for monitoring and discussing management and corporate activities from viewpoints of various stakeholders to make prompt decisions for developing strategies, speed up operation while ensuring heightened transparency and the fulfillment of social obligations. IMC has a unique corporate culture that places emphasis on problem solving and preventative measures in line with Toyota Global Standards.

Basic Concept of Compliance

IMC follows the guiding principles of Toyota and not only complies with local laws and regulations, but also meets social norms, corporate ethics and expectations of various stakeholders. IMC undertakes open and fair corporate activities to meet local standards as well as Toyota Global Standards.

Board Human Resource and Remuneration Committee

The Remuneration Committee is a sub-committee of the Board. It recommends human resource management policies to the Board. It also recommends selection, evaluation, compensation and succession plan of the CEO and Senior Management who directly report to the CEO. The Committee consists of three Non-Executive Directors, one Executive Director, the CEO and Secretary.

Board Ethics Committee

The Committee has the responsibility of overseeing ethical policies and compliance by the Company. It provides expeditious actions on disclosures of wrongdoing. The Ethics Committee also reviews and investigates incidents of whistle-blowing.

The Committee consists of the CEO the two Non-Executive Directors.

Investment Committee

The Investment Committee assists the Board in fulfilling its oversight responsibility for the investment in assets of the company. It evaluates the capital expenditures required to be made and recommends the same to the Board for approval. The Committee is also responsible for formulating the overall policies for investment in fixed assets, subject to approval by the Board, and establishing investment guidelines in furtherance of those policies.

The Committee consists of the CEO, two Directors, the CFO and Secretary.

Marketing Technical Co-ordination Committee

Marketing Technical Co-ordination Committee is a management committee responsible for synchronization between the marketing and technical departments. The committee also controls new products or minor model specification changes and schedules.

The Committee is chaired by the CEO every month and representation is from marketing and technical departments.

ACT #1 Management Committee

The ACT #1 Management Committee is responsible for the monitoring of organizational KPIs and stewardship of financial performance every month. It also reviews departmental targets and accomplishments achieved during the month. In addition ACT #1 reviews government regulatory affairs including macro-economic situations which results in formation of the Company’s strategy and risk management policies.

The meeting is headed by the Chairman with representation from all departments.

Safety, Health and Environment Committee

The Committee meets on a monthly basis and keeps a close eye on company wide Safety, Health and Environment (S.H.E) statistics, KPI trends, relevant local laws compliance, promulgating drive and focus on S.H.E. right from the top; enabling Management to have a first hand feel of S.H.E issues prevailing on the shop floor and ways to resolve them via efficient and swift decision-making. The S.H.E Committee, chaired by the CEO, formulates the overall policies and S.H.E framework for the company.



COMPANY INFORMATION

Bankers

Askari Bank Limited  
Bank Alfalah Limited  
Barclays Bank PLC Pakistan  
Bank Al-Habib Limited  
Citibank N.A.  
Habib Bank Limited  
Habib Metro Bank Limited  
HSBC Bank Middle East Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Tokyo-Mitsubishi UFJ Limited  
United Bank Limited

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

Share Registrar

Noble Computer Services (Private) Limited  
First Floor, House of Habib Building  
(Siddiqsons Tower), 3-Jinnah C. H. Society,  
Main Shahrah-e-Faisal, Karachi-75350.  
Phone: (PABX) (92-21) 34325482-84  
Fax: (92-21) 34325442  
Email: ncsl@hoh.net

Factory / Registered Office

Plot No. N.W.Z/1/P-1, Port Qasim Authority,  
Bin Qasim, Karachi.  
Phone: PABX) (92-21) 34720041-48  
(UAN) (92-21) 111-TOYOTA (869-682)  
Fax: (92-21) 34720056  
Website: www.toyota-indus.com

Chief Financial Officer

Mr. Rayomand Ghadiali

Company Secretary

Ms. Anam Fatima Khan

Audit Committee Members

Mr. Mohamedali R. Habib (Chairman)  
Mr. Farhad Zulficar  
Mr. Kyoichi Tanada  
Mr. Tetsuro Hirai  
Mr. Raza Ansari  
Mr. Ahmed Waseem Khan (Secretary)

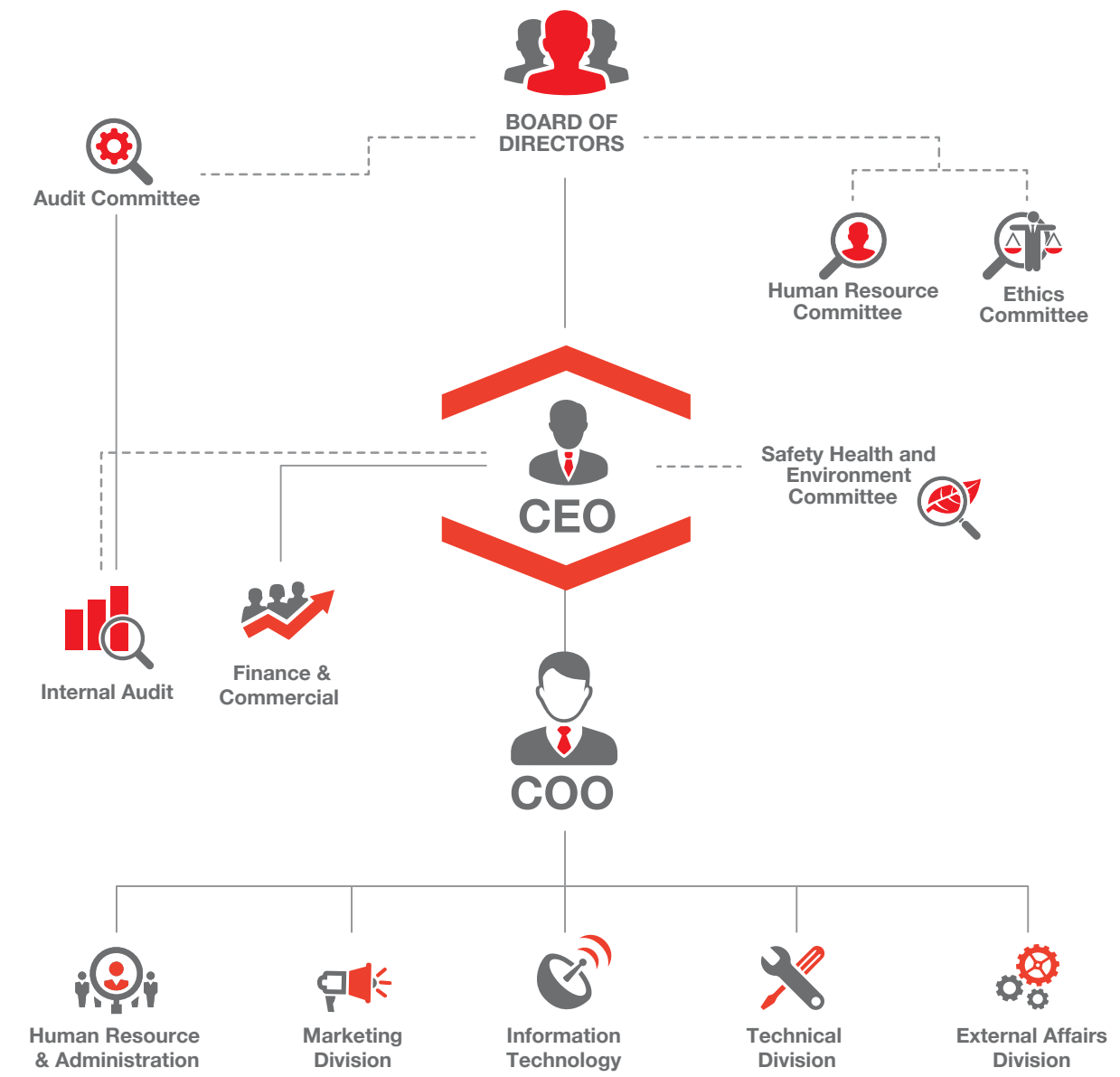
Board Human Resource and Remuneration Committee Members

Mr. Ali S. Habib (Chairman)  
Mr. Farhad Zulficar  
Mr. Raza Ansari  
Mr. Keiichi Murakami  
Mr. Parvez Ghias  
Mr. Faisal Munib Khan (Secretary)

Board Ethics Committee Members

Mr. Farhad Zulficar (Chairman)  
Mr. Parvez Ghias  
Mr. Raza Ansari

ORGANIZATION CHART



SHAREHOLDER INFORMATION

Factory / Registered Office

Plot No. N.W.Z/1/P-1, Port Qasim Authority,  
Bin Qasim, Karachi.  
PABX: 92-21-34720041-48  
Fax: 92-21-34720056

Share Registrar

Noble Computer Services (Private) Limited  
First Floor, House of Habib Building  
(Siddiqsons Tower), 3-Jinnah C. H. Society,  
Main Shahrah-e- Faisal, Karachi – 75350.  
PABX: (92-21) 34325482-84  
Fax: (92-21) 34325442  
Email: ncsi@hoh.net

Annual General Meeting

The Annual General Meeting will be held at 9:00 a.m. on October 21, 2014 at the Pearl Continental Hotel, Karachi.

Shareholders as of October 6, 2014 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company’s Share Registrar by close of business at 5pm on Saturday, 18 October, 2014.

Ownership

On June 30, 2014 there were 3,307 shareholders on record of the Company’s ordinary shares.

Dividend Payment

The proposal of the Board of Directors for dividend payment will be considered at the Annual General Meeting. The dividend warrants will be sent to persons listed in the register of members on October 6, 2014. Income Tax and Zakat will be deducted in accordance with the prevailing regulations.

Shareholders who wish to have the dividends deposited directly in their bank accounts must submit their application to the Company’s Share Registrar by October 6, 2014.

Listing on Stock Exchanges

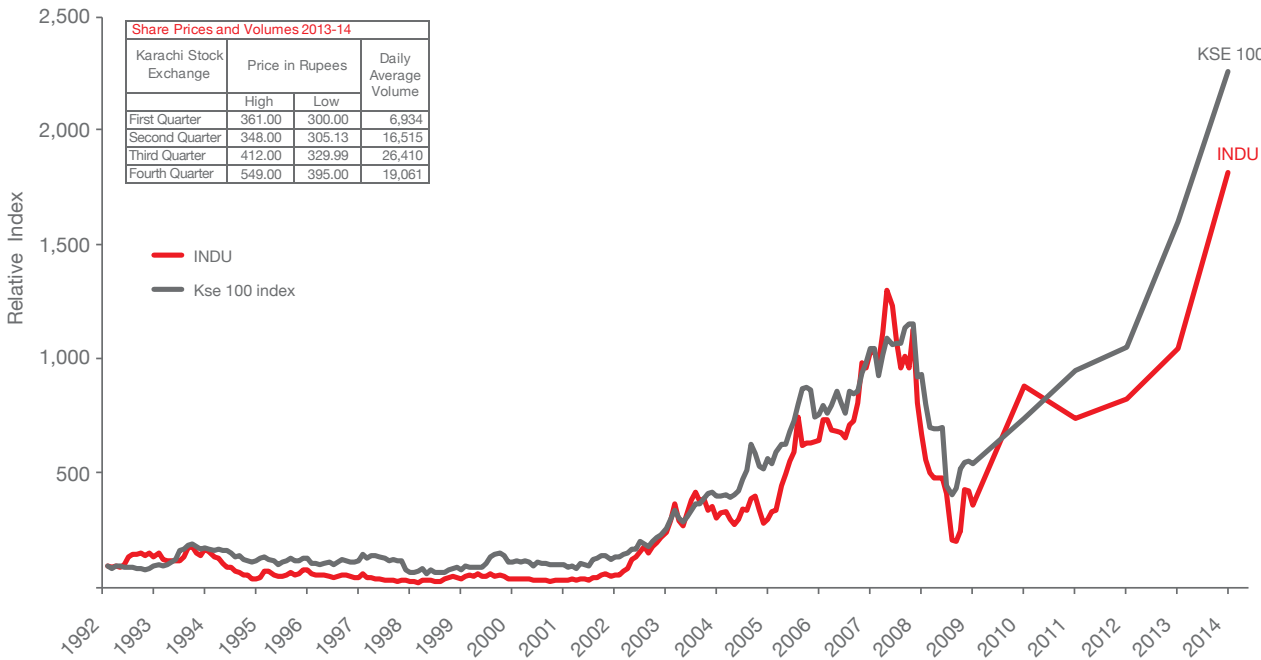
Indus Motor Company Limited equity shares are listed on Karachi, Lahore and Islamabad Stock Exchanges.

Stock Code

The stock code for dealer in equity shares of Indus Motor Company Limited at KSE, LSE and ISE is INDU.

INDU Vs KSE 100 (1992 - 2014)

As at June 30th



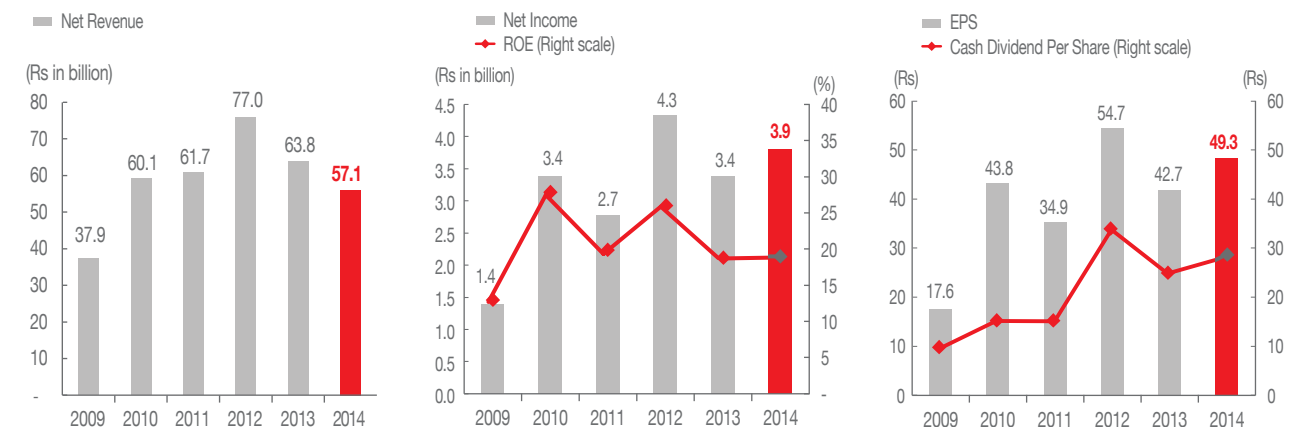


## OPERATING HIGHLIGHTS

		Year ended June 30	
		2014	2013
Profit After Tax	Rs in billion	3.9	3.4
Vehicle Sales	Units	34,470	38,517
Vehicle Production	Units	33,012	37,405
Net Revenues	Rs in billion	57.1	63.8
Earnings Per Share	Rs	49.3	42.7
Annual Cash Dividend Per Share	Rs	29.5	25.0
Shareholders' Equity	Rs in billion	19.9	17.7
Contribution to National Exchequer	Rs in billion	19.3	21.3
Manpower	No. of employees	2,091	2,225

## FINANCIAL SUMMARY

		% Change	Year ended June 30					
For The Year		2014 Vs 2013	2014	2013	2012	2011	2010	2009
Units sold		-11%	34,470	38,517	55,060	50,943	52,063	35,276
Net revenues	Rs in billion	-11%	57.1	63.8	77.0	61.7	60.1	37.9
Profit before tax	Rs in billion	3%	5.0	4.9	6.3	4.0	5.2	2.1
Net income	Rs in billion	15%	3.9	3.4	4.3	2.7	3.4	1.4
Return on equity	Percentage	2%	19.4	19.0	25.3	19.4	27.4	13.5
Per Share Data								
Earnings (EPS)	Rs	15%	49.3	42.7	54.7	34.9	43.8	17.6
Cash dividends	Rs	18%	29.5	25.0	32.0	15.0	15.0	10.0
Shareholder's equity	Rs	13%	253.4	225.1	216.5	179.6	160.1	131.0
At Year-End								
Total assets	Rs in billion	4%	26.1	25.1	27.6	26.8	27.1	20.7
Shareholders' equity	Rs in billion	13%	19.92	17.69	17.01	14.12	12.59	10.30
Share Performance (June 30)								
Price per share	Rs	73%	537.9	311.0	245.1	220.0	262.4	107.7
Market capitalization	Rs in billion	73%	42.3	24.4	19.3	17.3	20.6	8.5



VERTICAL ANALYSIS

	2014	%	2013	%	2012	%	2011	%	2010	%	(Rs in million)	2009	%
BALANCE SHEET													
Fixed Assets	6,033	23.1	2,742	10.9	3,473	12.6	4,226	15.7	3,324	12.2	3,934	19.0	
Long-term loans and advances	29	0.1	131	0.5	6	0.0	12	0.0	16	0.1	29	0.1	
Long-term deposits	10	0.0	10	0.0	8	0.0	9	0.0	7	0.0	7	0.0	
Deferred taxation	-	-	34	0.14	-	-	-	-	-	-	-	-	
Stores and spares	142	0.5	154	0.6	178	0.6	190	0.7	112	0.4	128	0.6	
Stock-in-trade	4,469	17.1	7,883	31.4	7,530	27.3	5,690	21.2	5,198	19.2	4,089	19.8	
Trade debts	1,737	6.7	1,383	5.5	1,460	5.3	1,356	5.1	1,613	5.9	1,737	8.4	
Loans and advances	1,006	3.9	1,558	6.2	945	3.4	926	3.5	840	3.1	895	4.3	
Short-term prepayments	15	0.1	11	0.0	21	0.1	19	0.1	19	0.1	17	0.1	
Accrued return	87	0.3	12	0.0	45	0.2	53	0.2	57	0.2	51	0.2	
Other receivables	176	0.7	163	0.6	448	1.6	150	0.6	196	0.7	68	0.3	
Investments	4,332	16.6	6,698	26.7	2,691	9.8	4,993	18.61	-	-	-	-	
Taxation - payment less provision	1,216	4.66	131	0.52	-	0.0	399	1.49	-	-	-	-	
Cash and bank balances	6,857	26.3	4,195	16.7	10,771	39.1	8,812	32.8	15,756	58.1	9,731	47.0	
Total Asset	26,111	100.0	25,106	100.0	27,576	100.0	26,835	100.0	27,138	100.0	20,686	100.0	
Issued, subscribed and paid up capital	786	3.0	786	3.1	786	2.9	786	2.9	786	2.9	786	3.8	
Reserves	19,130	73.3	16,907	67.3	16,228	58.8	13,334	49.7	11,802	43.5	9,511	46.0	
Shareholders' Equity	19,916	76.3	17,693	70.5	17,014	61.7	14,120	52.6	12,588	46.4	10,297	49.8	
Deferred taxation	219	0.84	-	-	166	0.6	454	1.7	326	1.2	504	2.4	
Trade, other payables and provisions	4,253	16.3	6,014	24.0	6,512	23.6	5,741	21.4	5,905	21.8	3,942	19.1	
Advances from customers and dealers	1,723	6.6	1,399	5.6	3,824	13.9	6,520	24.3	8,075	29.7	5,927	28.7	
Accrued mark-up	-	-	0	0.0	-	-	-	-	1	0.0	1	0.0	
Short-term running finance	-	-	-	-	-	-	-	-	-	-	-	-	
Taxation - provision less payment	-	-	-	-	60	0.22	-	-	243	0.9	15	0.07	
Total Equity and Liabilities	26,111	100.0	25,106	100.0	27,576	100.0	26,835	100.0	27,138	100.0	20,686	100.0	
PROFIT AND LOSS ACCOUNT													
Net Sales	57,064	100.0	63,829	100.0	76,963	100.0	61,703	100.0	60,093	100.0	37,865	100.0	
Cost of sales	51,270	89.8	57,972	90.8	70,401	91.5	57,614	93.4	55,237	91.9	35,541	93.9	
Gross Profit	5,794	10.2	5,857	9.2	6,562	8.5	4,089	6.6	4,856	8.1	2,324	6.1	
Distribution costs	794	1.4	814	1.3	820	1.1	690	1.1	468	0.8	470	1.2	
Administrative expenses	635	1.1	644	1.0	628	0.8	463	0.8	382	0.6	352	0.9	
Other operating expenses	424	0.7	436	0.7	516	0.7	356	0.6	416	0.7	156	0.4	
Operating income	1,113	2.0	1,038	1.6	1,776	2.3	1,508	2.4	1,796	3.0	727	1.9	
Operating profit before finance costs	5,055	8.9	5,000	7.8	6,374	8.3	4,088	6.6	5,386	9.0	2,073	5.5	
Finance costs	38	0.1	31	0.0	61	0.1	77	0.1	144	0.2	27	0.1	
Profit before taxation	5,016	8.8	4,970	7.8	6,313	8.2	4,011	6.5	5,242	8.7	2,046	5.4	
Taxation	1,143	2.0	1,612	2.5	2,010	2.6	1,268	2.1	1,799	3.0	661	1.7	
Profit after taxation	3,873	6.8	3,358	5.3	4,303	5.6	2,743	4.4	3,443	5.7	1,385	3.7	

HORIZONTAL ANALYSIS

	2014	%	2013	%	2012	%	2011	%	2010	%	(Rs in million)	2009	%
BALANCE SHEET													
Fixed Assets	6,033	120.0	2,742	(21.0)	3,473	(17.8)	4,226	27.1	3,324	(15.5)	3,934	(2.5)	
Long-term loans and advances	29	(77.6)	131	2089.0	6	(50.0)	12	(25.0)	16	(44.8)	29	(31.0)	
Long-term deposit	10	0.0	10	20.8	8	(11.1)	9	28.6	7	-	7	-	
Deferred taxation	-	(737.5)	34	120.7	-	-	-	-	-	-	-	-	
Stores and spares	142	(7.8)	154	(13.7)	178	(6.3)	190	69.6	112	(12.5)	128	(44.8)	
Stock-in-trade	4,469	(43.3)	7,883	4.7	7,530	32.3	5,690	9.5	5,198	27.1	4,089	55.0	
Trade debts	1,737	25.6	1,383	(5.3)	1,460	7.7	1,356	(15.9)	1,613	(7.1)	1,737	30.3	
Loans and advances	1,006	(35.4)	1,558	64.9	945	2.1	926	10.2	840	(6.1)	895	21.4	
Short-term prepayments	15	38.4	11	(48.6)	21	10.5	19	0.0	19	11.8	17	(26.1)	
Accrued return	87	618.7	12	(73.0)	45	(15.1)	53	(7.0)	57	11.8	51	45.7	
Other receivables	176	7.7	163	(63.6)	448	198.7	150	(23.5)	196	188.2	68	(8.1)	
Investments	4,332	(35.3)	6,698	148.9	2,691	(46.1)	4,993	-	-	0.0	-	(100.0)	
Taxation - payment less provision	1,216	1026.0	131	318.9	-	(85.0)	399	264.2	-	0.0	-	(93.0)	
Cash and bank balances	6,857	63.4	4,195	(61.1)	10,771	22.2	8,812	(44.1)	15,756	61.9	9,731	124.8	
Total Asset	26,111	4.0	25,106	(9.0)	27,576	2.8	26,835	(1.1)	27,138	31.2	20,686	50.5	
Issued, subscribed and paid up capital	786	-	786	-	786	-	786	-	786	-	786	-	
Reserves	19,130	13.1	16,907	4.2	16,228	21.7	13,334	13.0	11,802	24.1	9,511	10.0	
Shareholders' Equity	19,916	12.6	17,693	4.0	17,014	20.5	14,120	12.2	12,588	22.2	10,297	9.1	
Deferred taxation	219	737.5	-	(120.7)	166	(63.4)	454	39.3	326	(35.3)	504	(5.3)	
Trade, other payables and provisions	4,253	(29.3)	6,014	(7.6)	6,512	13.4	5,741	(2.8)	5,905	49.8	3,942	39.0	
Advances from customers and dealers	1,723	23.2	1,399	(63.4)	3,824	(41.3)	6,520	(19.3)	8,075	36.2	5,927	528.5	
Accrued mark-up	-	(100.0)	0	-	-	-	-	(100.0)	1	100.0	1	100.0	
Short-term running finance	-	-	-	-	-	-	-	-	-	-	-	-	
Taxation - provision less payment	-	-	-	(318.9)	60	85.0	-	(264.2)	243	0.0	15	93.0	
Total Equity and Liabilities	26,111	4.0	25,106	(9.0)	27,576	2.8	26,835	(1.1)	27,138	31.2	20,686	50.5	
PROFIT AND LOSS ACCOUNT													
Net Sales	57,064	(10.6)	63,829	(17.1)	76,963	24.7	61,703	2.7	60,093	58.7	37,865	(8.6)	
Cost of sales	51,270	(11.6)	57,972	(17.7)	70,401	22.2	57,614	4.3	55,237	55.4	35,541	(5.4)	
Gross Profit	5,794	(1.1)	5,857	(10.7)	6,562	60.5	4,089	(15.8)	4,856	109.0	2,324	(39.6)	
Distribution costs	794	(2.5)	814	(0.7)	820	18.8	690	47.4	468	(0.4)	470	(3.5)	
Administrative expenses	635	(1.5)	644	2.5	628	35.6	463	21.2	382	8.5	352	18.5	
Other operating expenses	424	(2.8)	436	(15.5)	516	44.9	356	(14.4)	416	166.7	156	(49.0)	
Operating income	1,113	7.3	1,038	(41.6)	1,776	17.8	1,508	(16.0)	1,796	147.0	727	(7.6)	
Operating profit before finance costs	5,055	1.1	5,000	(21.5)	6,374	55.9	4,088	(24.1)	5,386	159.8	2,073	(41.5)	
Finance costs	38	24.6	31	(49.7)	61	(20.8)	77	(46.5)	144	433.3	27	800.0	
Profit before taxation	5,016	0.9	4,970	(21.3)	6,313	57.4	4,011	(23.5)	5,242	156.2	2,046	(42.2)	
Taxation	1,143	(29.1)	1,612	(19.8)	2,010	58.5	1,268	(29.5)	1,799	172.2	661	(47.2)	
Profit after taxation	3,873	15.4	3,358	(22.0)	4,303	56.9	2,743	(20.3)	3,443	148.6	1,385	(39.5)	

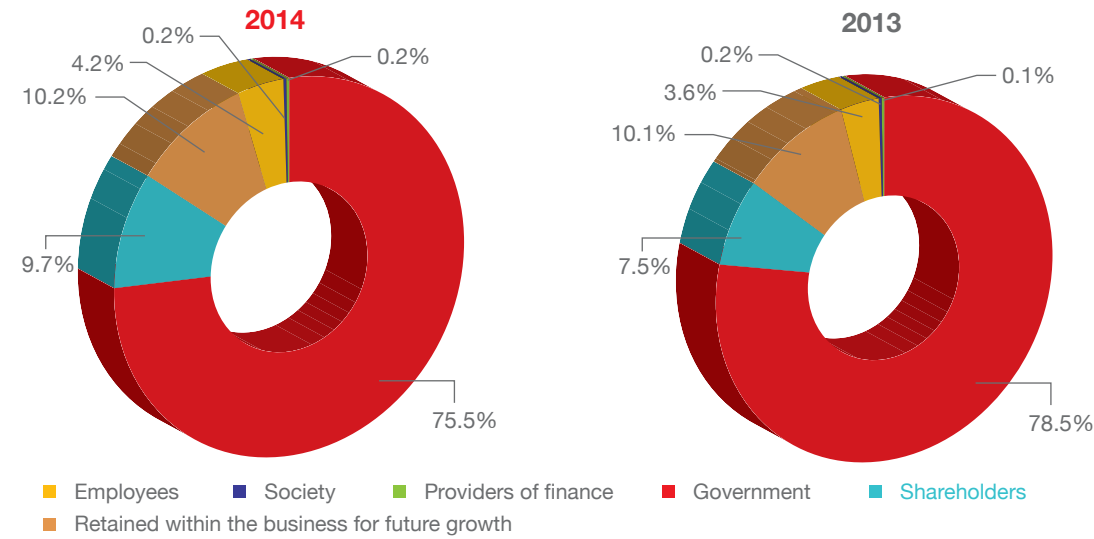


STATEMENT OF VALUE ADDITION

For the year ended June 30, 2014

	2014 Rupees in '000	%	2013 Rupees in '000	%
WEALTH GENERATED				
Gross revenue	68,529,700	98.4%	75,949,653	98.7%
Other income	1,113,316	1.6%	1,037,840	1.3%
	69,643,016	100.0%	76,987,493	100.0%
Bought in material and services and other expenses	45,692,426	65.6%	50,652,499	65.8%
	23,950,590	34.4%	26,334,994	34.2%
WEALTH DISTRIBUTED				
Employees				
Salaries, wages and other benefits	997,973	4.2%	935,916	3.6%
Society				
Donations towards education, health and environment	49,655	0.2%	63,119	0.2%
Providers of finance				
Finance cost	38,254	0.2%	30,704	0.1%
Government				
Income tax, sales tax, excise duty, custom duty, WWF and WPPF	18,095,801	75.5%	20,688,498	78.5%
Shareholders				
Dividend	2,318,700	9.7%	1,965,000	7.5%
Retained within the business for future growth				
Retained earnings, depreciation and amortisation	2,450,207	10.2%	2,651,757	10.1%
	23,950,590	100.0%	26,334,994	100.0%

DISTRIBUTION OF WEALTH



BEYOND PERFORMANCE

The newly localized Manual Transmission is yet another milestone for the company and a proof of its long term commitment to transfer technology to Pakistan.

## DIRECTORS' REPORT

The Directors of Indus Motor Company Limited takes pleasure in presenting Directors' Report, together with the Accounts of the Company for the year ended June 30, 2014 and recommend the following appropriations:

	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>PROFIT AFTER TAXATION</b>	<b>3,873,452</b>	<b>3,357,545</b>
Unappropriated Profit from prior year	680,158	787,613
Profit available for appropriation	4,553,610	4,145,158
<b>APPROPRIATIONS</b>		
First Interim @ 60% i.e. Rs. 6 per share (2013: 60% i.e. Rs. 6 per share)	471,600	471,600
Second Interim NIL (2013: 40% i.e. Rs. 4 per share)	-	314,400
	471,600	786,000
Unappropriated Profit Carried Forward	4,082,010	3,359,158
<b>SUBSEQUENT EFFECTS</b>		
Proposed Final Dividend @ 235% i.e. Rs 23.5 per share (2013: 150% i.e. Rs 15 per share)	1,847,100	1,179,000
Transfer to General Reserves	2,000,000	1,500,000
	3,847,100	2,679,000
Basic and Diluted Earnings Per Share	49.28	42.72

### Code of Corporate Governance

The Board members are pleased to state that the management of the company is committed to good corporate governance and complying with the best practices. In compliance with the Code of Corporate Governance, the Directors are pleased to state as follows:

- » The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- » Proper books of accounts of the Company have been maintained.
- » Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- » International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- » The system of internal control is sound in design and has been effectively implemented and monitored.
- » There are no significant doubts upon the Company's ability to continue as a going concern.
- » There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.

### Key Operating and Financial Data

The Key Operating and Financial Data is mentioned on pages 114 to 115 of the Annual Report.

### Appointment of Auditors

The present auditors, M/s A.F. Ferguson & Co., Chartered Accountants retire at the conclusion of the meeting and being eligible, offer themselves for re-appointment. The directors endorse recommendation of the Audit Committee for re-appointment of M/s A.F. Ferguson & Co., as the auditors for the financial year 2014-15.

### Chairman's Review

The Directors of the Company endorse the contents of the Chairman's Review dealing with the Company's performance, major activities carried out during the year and the future outlook.

### Investments of Retirement Benefit Funds

The following are the values of Investments held by the retirement benefit funds at the year end:

	2014 (Unaudited) (Rupees in '000)	2013 (Audited) (Rupees in '000)
Indus Motor Company Limited Employees' Provident Fund	467,739	419,560
Indus Motor Company Limited Employees' Pension Fund	240,008	216,903

### Government Levies

Government levies outstanding as at June 30, 2014 have been disclosed in Note No. 17 to the Financial Statements.

### Board of Directors Meeting

A total of Four meetings of the Board of Directors were held during the period of 12 months from July 01, 2013 to June 30, 2014.

Attendance by each Director is as follows:-

Name of Directors	Number of Meetings Attended
Mr. Ali S. Habib	3
Mr. Keiichi Murakami	4
Mr. Parvez Ghias	4
Mr. Mohamedali R. Habib	2
Mr. Farhad Zulficar	4
Mr. Kyoichi Tanada / Mr. M. Aoi (Alternate)	3
Mr. Tetsuro Hirai / Mr. R. Hatakeyama (Alternate)	4
Mr. Yoshiyuki Matsuo / Mitoshi Okimoto (Former director)	3
Mr. Raza Ansari	4

During the year, Mr. Hiroyuki Niwa resigned as Director with effect from July 4, 2013 and Mr. Tetsuro Hirai was appointed as Director with effect from July 4, 2013. Furthermore, Mr. Mitoshi Okimoto resigned as Director with effect from January 1, 2014 and Mr. Yoshiyuki Matsuo was appointed as Director with effect from January 1, 2014. The Board acknowledges the valuable contribution made by the outgoing Directors and welcome the new Directors.

### Board Audit Committee

The Board Audit Committee comprises of five non-executive directors, including the Chairman of the Board Audit Committee.

The terms of reference of the Committee include reviews of annual and quarterly financial statements, internal audit report, information before dissemination to Stock Exchanges and proposal for appointment of external auditors for approval of the shareholders, apart from other matters of significant nature. Four meetings were held during the period under review.

### Trading of Shares of the Company

The Directors, the executives, and their spouses and minor children have not carried out trading of shares of the Company, other than that disclosed in the Pattern of Shareholding.

### Pattern of Shareholding

The Pattern of Shareholding of the Company as at June 30, 2014 is given on pages 112 to 113.

Karachi.  
August 27, 2014

  
**Parvez Ghias**  
Chief Executive

  
**Keiichi Murakami**  
Vice Chairman & Director



**Ali S. Habib**  
Chairman

## CHAIRMAN'S REVIEW

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

“

I welcome you all to this 25<sup>th</sup> Annual General Meeting of your company and it is my pleasure to present to you the Company's performance for the year ended June 30, 2014.

”

- Industry Review
- Company Review
- Marketing
- Customer Relations
- Customer Service
- Parts Business
- Safety, Health and Environment
- Human Resources
- Operations
- Strategy to Face the External Challenges

INDUSTRY REVIEW

The fiscal year 2013-14 was yet again a difficult year for the industry, with overall demand for automobiles down 8% compared to the same period last year. Locally manufactured vehicles posted modest gains driven primarily by increased sales in the commercial pickup and van segment. An earlier decision by the Government in December 2012 to restrict the age limit of imported used vehicles to 3 years, provided necessary relief to the auto industry. Despite the restriction, around 30,000 used vehicles still entered the market during the year as traders took advantage of the 50% duty and sales tax concession provided to hybrid vehicles and targeted hybrid imports.

Demand for automobiles declined and remained subdued during the second half of the year mainly on account of dampened customer sentiment over the state of economy and the impact of budgetary measures that led to a significant increase in the cost of vehicle ownership. The sales of locally manufactured Passenger Cars (PC) and Light Commercial Vehicles (LCV) were up 1% to 136,888 units, compared to 135,310 units sold last year. In response to the declining market conditions, all manufacturers were compelled to operate their plants below capacity, with combined output of 134,975 units compared to 136,324 units produced last year.

The industrial and security atmosphere during the year remained grim with prolonged power outages, impact of the war on terror, and deteriorating law and order situation within the Country. On the economic front, the Government's efforts to reverse the trend of free fall in the value of Pakistani Rupee against major currencies and stabilize the economy were well received and provided a pleasant respite to the industry struggling with rising inflationary pressures. Local manufacturers quickly responded to the strengthening Pakistani Rupee with a reduction in vehicle prices to facilitate customers and boost demand.

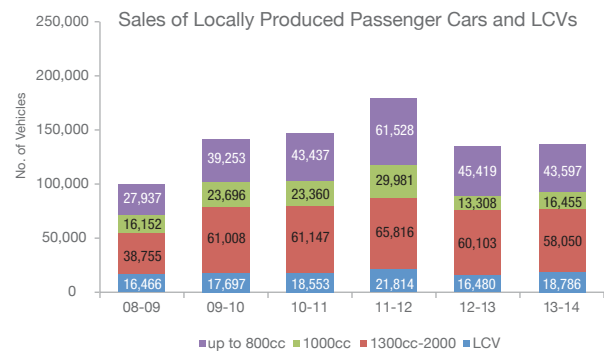
Stable and consistent Government policies are crucial to allow for unhindered growth of the auto industry. Unfortunately, this remains an elusive target and the Industry is faced with a severe dilemma having to plan for the introduction of new models with this overhang of uncertainty. Throughout 2013-14, there was continuous dialogue with the Government over the much awaited long term auto policy, future trade with India and key tax and custom duty inequities damaging the domestic auto industry.

We appreciate the efforts of the Federal Board of Revenue during the year for clarifying the issue of 2% extra sales tax on the purchase of auto parts

by automobile manufacturers introduced vide SRO 896(I)2013, which created uncertainty with suppliers and for tweaking the valuations of imported used SUVs and auto parts under ruling 364 and 329 respectively. Simultaneously, we acknowledge their efforts in the 2014-2015 Budget announcement to withdraw the 10% Federal Excise Duty on locally manufactured vehicles in excess of 1800cc engine capacity and bring about nominal increases in valuations of used vehicles under SRO 577. However, much remains to be done to curb the gross misuse of used vehicle imports schemes by traders who exploit the schemes and import used vehicles on a commercial basis.

The prevalent concessionary duties and valuations need further realignment in order to create a level playing field with the local industry and to ensure that the Government receives its fair share of revenue, instead of losing billions of Rupees annually due to significantly lower valuation on both used vehicles and auto parts.

The Pakistani market offers huge potential and we urge the Government to embrace good governance as a key item on the public policy agenda and long term industrial policies in order to restore market confidence without stifling the dynamism that underlies the economy. Regrettably, the Government's lack of strong will to effectively control the ongoing malpractices of under invoicing and incorrect declaration of imported auto parts by unprincipled importers continues unabated, creating difficulties for genuine parts manufacturers and distributors.



Team members working at the assembly line



Team member installing suspension



An under body view of the Corolla post engine installation



Team member installing the newly localized weather strip



## COMPANY REVIEW

### CKD & CBU Business

The Company performed well and stayed aligned with the competition for the first nine months of the year. However, in preparation for the new model, the last quarter witnessed the start of run-out of the 10<sup>th</sup> Generation Corolla and re-tooling of the assembly lines requiring plant closures. There were 18 non-production days during the year as against 53 days of plant closure last fiscal year. This coincidentally occurred at a time when in response to the Government's intervention to strengthen the value of Pak Rupee we led the auto industry with major reductions in product prices. Customers lauded the price reduction initiative, and while it created a favorable environment providing a boost in the market place, the Company was unable to backfill its inventory resulting in about 1,500 units of lost production and sales.

The Company sales of Toyota and Daihatsu brand (CKD and CBU) vehicles during 2013-14 were down 11% to 34,470 units, compared to 38,517 units sold in the prior year resulting in drop of market share to 20% from 21% achieved in 2012-13.

The Company achieved various notable landmarks during the year. We were the first OEM to launch a hybrid vehicle – the Toyota Prius complete with dedicated after sales service. Prius is one of the most technologically advanced Hybrid vehicles and a global trendsetter in Hybrid technology offering unmatched fuel efficiency. Despite the concessionary rate of custom duty applicable on Hybrid vehicles, the full rate of Sales Tax was applied on sales made by IMC to customers. This anomaly continues to exist and was not addressed in this year's budget as well. Used Prius continue to be imported in very large quantities due to extremely favorable 50% concession on both the custom duty and sales tax applicable to used vehicles.

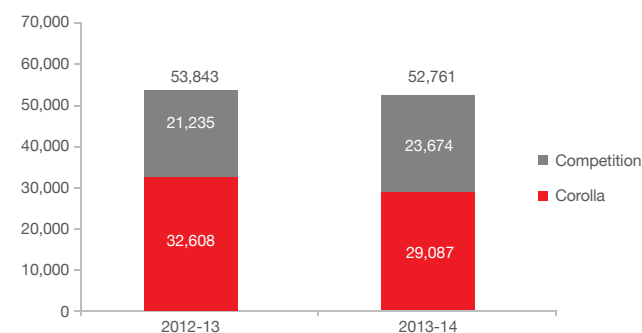
We believe the Government seriously needs to reconsider its strategy to introduce more fuel efficient vehicles such as Eco Car Schemes in Thailand and Indonesia.

An important milestone was the introduction of the first ever loyalty program by an auto OEM. The Toyota Loyalty Program aims at recognizing and rewarding the lifelong loyalty of customers to the

Toyota brand with variety of engagements and benefits. The response has been overwhelming and gaining popularity leveraged by social media.

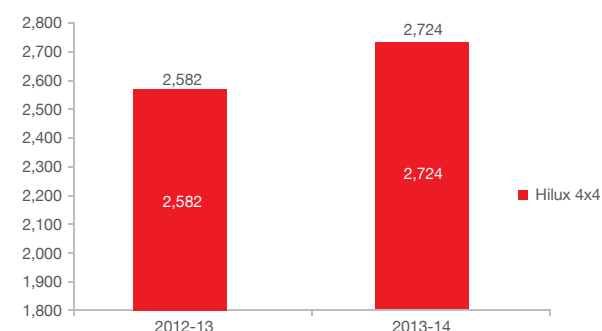
### CKD Passenger Cars: Small High Segment

This segment declined by 2% to 52,761 units in which the Company's market share was 55% or 29,087 units compared to 60% share achieved for FY 2013. Decline in market share was due to the run out model of Corolla 10th Generation CKD.



### CKD Pickup Segment

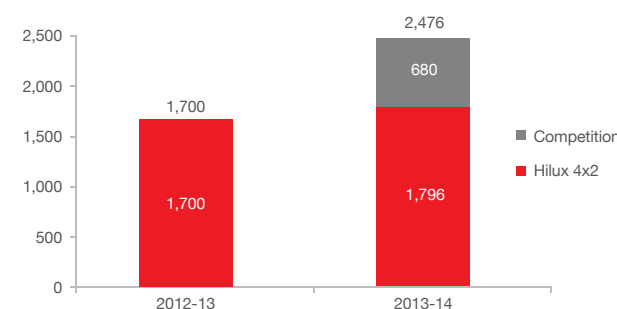
Our Hilux 4x4 Pickup continued to gain customer appreciation and achieved a sales volume of 2,724 units, recording 6% increase in annual growth. Hilux 4x2 remains a favorite amongst fleet users, institutional buyers, farmers, transporters, entrepreneurs and SMEs due to its sturdy build, durability, versatility and superb performance for use on challenging terrain. It also recorded a 6% growth in sales volume to 1,796 units over the prior year.



### CBU Segment

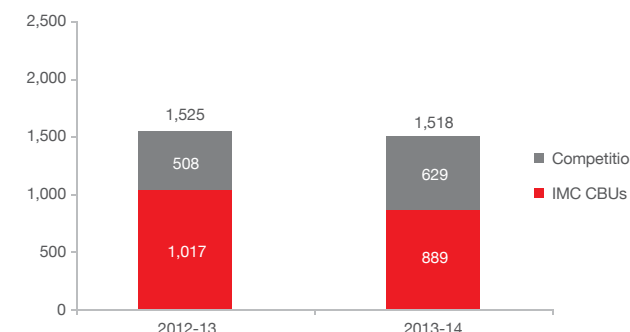
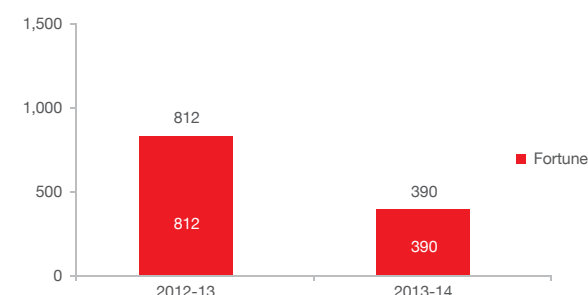
Market for new CBU vehicles remained depressed due to many factors however most damaging was amnesty granted to vehicles smuggled into the country. The industry sales were 1,518 units, in which IMC's share was 58% mainly comprising of Toyota Hiace, Daihatsu Terios, Toyota Avanza vehicles.

We reiterate our request to the Government to abolish the 50% regulatory duty on high end vehicles as its punitive nature causes volume to drop. Lower duties will create demand for CBUs and yield more revenues for the exchequer and benefit the economy.



### CKD SUV Segment

Toyota Fortuner is the first true local sports utility vehicle produced in the country that has attracted many customers for the luxury, elegance, safety, price and all round comfort it offers. With the removal of FED in the Finance Act 2014-15 this vehicle is expected to achieve increased volumes during the new fiscal year.



Final inspection before line off



Business Results

On a year to date basis, sales of Toyota CKD and CBU decreased by 10% to 34,470 units compared to 38,517 units sold during the same period last year.

Despite the uncertainties, exacerbated by the inability of the Government to reach closure on a long-term auto policy, the company for its part continued to aggressively expand the marketing network and launched new, spruced up variations in our existing product line up.

Adverse market conditions including the overhang of used car inventory especially at the beginning of the year compelled the company to curtail production to 33,012 units, down 12% compared to 37,405 units produced during the same period last year. IMC's combined market share for locally manufactured vehicles for FY14 stood at 25%.

Sales revenue for the year ended June 2014 was Rs 57 billion, down 11% compared to Rs 64 billion for the same period last year, while the profit after tax at Rs 3.9 billion were up 15% as against Rs 3.3 billion posted for the FY13. The increase in the after tax profit is mainly attributable to tax credits flowing from capitalization of the new Corolla project and Kaizen initiatives aimed at improving operational efficiencies, work processes, strategic sourcing of supplies and cost reduction in general.

Dividend

The company achieved a return on Equity of 19% for the year 2013-14 (2012-13: 19%). Based on the results, the Board of Directors is pleased to propose a final dividend of Rs 23.50 per share, making the total payment of Rs 29.50 per share compared to Rs 25 per share paid to the shareholders last year. An amount of Rs 2.0 billion is recommended for appropriation to the general reserve to be utilized for continuing growth and plant capacity expansion.

Contribution to the National Exchequer

In FY14 the Company contributed a sum of Rs 19 billion to the national exchequer, which amounts about 1% of the total revenue collection by the Government of Pakistan during the year.

Inquiry by the Competition Commission of Pakistan

During the 2013-14 period, there were several interactions between IMC and the Competition Commission of Pakistan (CCOP) and a hearing was held relating to changes proposed in the terms and conditions of the Company's Provisional Booking Order. Certain amendments were agreed to and revised, which were approved by the CCOP through its order in 2013. Subsequently, CCOP disposed off the matter initiated against the Company. Earlier in 2013, the Company had clarified and settled a matter pertaining to Used Car Campaign with the CCOP Office of Fair Trade, in which various comparison were shown on the difference between used car imports and locally produced cars.



Ready for the road: A line of locally assembled Hilux



# BEYOND ATTITUDE

The sleek and stylish headlamps offer greater illumination on roads while creating an impressive, grand appearance. These are manufactured locally with substantial support from IMC.



## MARKETING

Toyota continues to be the brand with strong affinity appealing to all generations. Our history tells us that as things change with time, so do people. With customers at the epicentre of our Company, we listen to them by adopting changes through innovation to ensure sustainability in growth. Driven by our commitment to make 'Always Better Cars', we cherish the loyalty that our customers have displayed towards us. The trust of these customers who depend on IMC to supply nothing but the best, in terms of service, superior quality and greater value fuels the passion in us to surpass our benchmarks to a single most valuable end – earning smiles from our customers.

### The 11th Generation Corolla Launch

The launch of 11th Generation Corolla starting July 2014 represents a significant milestone for IMC. The new model with its dramatic styling, exhilarating performance, cutting-edge functionalities and iconic interior will mark the beginning of another era in the automotive history of Toyota in Pakistan and its many attractions and features are bound to send the customer spirits soaring.

The line up of full model range includes:

- Corolla 1.8L Altis comes in four variants of manual and automatic transmission with the Grande offering top of the line specs of Continuous Variable Transmission 7 speed sport sequential paddle shift, Wi-Fi enabled multimedia touchscreen, rearview camera,

leather seats, reclining rear seats and lot more in many amazing colors.

- The corolla 1.6L Altis is designed with a view to offer value for customers who need superior performance with enhanced fuel economy and luxury. Equipped with a 7 speed Automatic Transmission, it offers the performance that the Altis is known to promise.
- Corolla 1.3L GLi and Xli with the same extraordinary styling and for the first time will be available in both manual and automatic transmission. Standard features include manually controlled air conditioning, new comfortable seat design with fabric upholstery, more leg and trunk room, LED type stop lamps, in-dash audio system including MP3 and USB connectivity, etc.

### Toyota SURE

The Toyota Certified Used Vehicle (TCUV) concept was introduced four years ago for our customers to provide facility of trading in their old Toyota vehicles for new ones. The TCUV network grew to 16 dealerships in 2013. In line with Toyota's Global strategy, the TCUV business has been restructured to increase efficiency, reliability and to provide greater value to the customers. Rebranded as Toyota SURE, the project is starting with 9 pilot dealers, eventually 4 more dealers will be added, bringing the count to 13 Toyota SURE Facilities.



Last vehicle of the 10<sup>th</sup> generation Corolla at the line off ceremony



Apart from facilitating trade business, Toyota SURE will also provide customers the facility of purchasing a used Toyota vehicle backed with limited warranty and after sales service.

It is expected that Toyota SURE will provide added value to customers and will help in retaining and expanding the customer base for Toyota. At the same time, it will facilitate sales of new vehicles and create additional opportunities from the used car trade-in business.

### 3S DEALERSHIP NETWORK

We expanded our dealership network with the launch of Toyota Highway Motors located in the

outskirts of Karachi. Opening dealerships in peripheries of major cities and in small towns is part of our strategy to get closer to our valued customers and provide quality service at their doorsteps. Currently we have three dealerships under construction phase, these include one in Hyderabad and two in Karachi city.

Our dealership network maintains Toyota's excellent standards of service and provides pleasurable experience to customers. Furthermore, through a dealership uplift plan the entire network has been considerably upgraded to enhance the customer experience and now offers sales, services and spare parts facilities at 39 dealerships in 19 cities throughout the country.



3S Dealership at Super Highway, Karachi



3S Dealership at Sahiwal, Punjab

CUSTOMER RELATIONS DEPARTMENT

People form a lifelong affinity with their vehicles, and IMC Customer Relations (CR) plays a vital role to keep customers satisfied and delighted. We are aggressively driven towards implementing Toyota's Global Customer Relations standards in full letter and spirit at IMC and dealerships. The focal point of Company's CR is the 'Voice of Customer', which proactively records and disseminates customer feedback throughout the organization to add value to our products, services and overall customer experience.

The key to satisfying customers is to be aware of their level of satisfaction with our product and service offerings. We validate this through the biannual Customer Satisfaction Index research aimed at gathering data that assesses our performance in handling and serving our valued customers and identifying the areas for improvement. Additionally, the Company annually conducts a focused "Toyota Customer Delight Workshop" to provide cross-functional training to IMC frontline and Dealership staff enabling them to practically embody and promote the 'Customer First' Toyota mindset.

While our customer's first line of contact is the dealership, we are just a call away and can be reached at 0800 11123 during the office hours where our dedicated representatives are available to provide swift response. We can also be reached at customer.relations@toyota-indus.com through email.

Dealer Operations Guidelines

With the support of Toyota Motor Asia Pacific, we initiated a pilot project to monitor compliance against the newly revamped Dealer Operations Guidelines that give accreditation to dealership for maintaining high level of employee satisfaction, an aspect viewed as instrumental in ensuring customer satisfaction.

It is heartening to note that Toyota Defence Motors achieved the distinction of being the only dealer in the Asia Region to have successfully implemented the program, thereby becoming the only compliant dealer.



View of the 12<sup>th</sup> Customer Relations Manager Workshop

PARTS

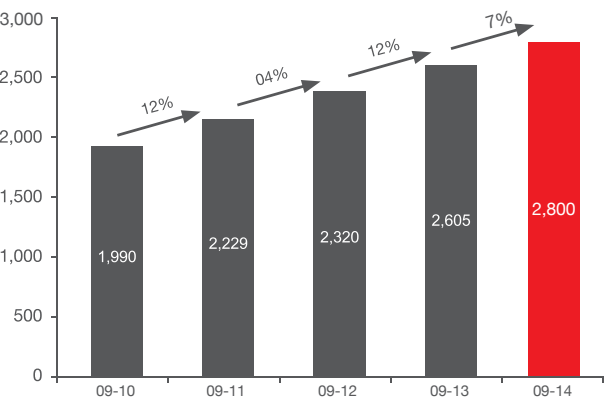
The most exciting experience of owning a Toyota is its superior build, quality and durability, which ensures that the vehicle remains in good pristine condition for many years. The Parts department plays a pivotal role in satisfying customers with the assurance of spare parts availability throughout our dealership network and retail outlets across the country.

Our Parts and Motor Oil continues to register growth in sales and profitability. The business was recognized by Toyota Motor Asia Pacific for its best sales performance. On the product development end, we recently localized the Premium category Engine oil Toyota General Motor Oil SN Grade that will yield significant cost merit and reduce the exposure to currency fluctuations.

We believe the auto parts business has huge potential to offer and be a strong revenue generator for the Government if only there was better governance and rule of law in the system. The unabated influx of illegally sourced spare parts continues to enter the country against under invoicing and mis-declaration from commercial importers. It is imperative that the custom authorities enhance the existing low valuation which is creating an uneven playing field against OEMs and severely hurting the registered businesses of OEMs, also causing revenue loss to the Government of Pakistan in terms of custom duties and taxes.

During the year, various advertising and customer care campaigns were carried out to highlight the importance of genuine parts for maintaining the overall health of the car. A free air conditioner checkup campaign provided value to all customers in wake of an increasingly hot summer. These campaigns, carried out through print media and radio spots, were well received. Also due to low product differentiation, it remains a challenge for the customers to distinguish between genuine and fake parts. To address this problem, we recently initiated an awareness campaign to educate people how to differentiate genuine from non-genuine parts.

Parts Sales (Rs million)



Parts campaign encouraging customers to use genuine parts and motor oil



SAFETY, HEALTH AND ENVIRONMENT

As an ethical and a socially responsible Company, we take the well-being of our society seriously and give work safety precedence over sales and profits. We are always striving to enforce and implement standards that ensure safety and well-being of our employees, contractors and visitors. It is in this trend that IMC embodies the concept of DOJO (Safety Door) simulation training, to allow Company personnel to obtain a real time feel of potential hazards, to prevent any inadvertent injury.

Safety Record

During the year, we surpassed our previous best milestones and established a new record of no Lost Work Day (LWD) injury for the third consecutive year. Another major achievement was winning the Toyota Global Safety Award for Karakuri (Automation System) Activity at the Weld shop.

Safety Month

We dedicated November 2013 as the safety month with the slogan “No Safety Know Pain - Know Safety, No Pain”, aimed at instilling safety awareness amongst both Company personnel, and employees of third party contractors. It involved plant wide display of work place safety rules, trainings on fire fighting and emergency response procedures, company wide fire drills and distribution of safety souvenirs to employees for achieving the new record of LWD injury free years.

Environment Month

In line with the United Nations Global Action for Environment, the month of June was designated as the environment month during which we shared information at the company facilities regarding themes of energy conservation, importance of tree plantation and usage of cloth bags instead of plastic bags. More than 150 trees were planted in the open areas of the plant and an especially developed ‘ECO Diary’ made with recycled paper was distributed to employees to instill the use of 3Rs (Recycle, Reduce and Reuse).

Toyota EMS Audit

Toyota Motor Asia Pacific conducted a stringent environmental audit to ensure compliance with the Toyota Environment Management System in which we achieved an overall score comparable with the best of Toyota Plants across Asia Pacific Region.

EMS ISO 14001:2004 Audit

During the year, IMC maintained its impressive record of zero non-compliance in the EMS ISO 14001 audit ensuring strict adherence to the requirements. It is a commendable achievement that we strive to sustain in the future.



Tea Plantation activity during the environment month in June 2014



BEYOND UTILITY

Corolla's Premium Beige Dashboard is ergonomically designed to offer intuitive access to storage and utility controls. The dashboard is manufactured locally in accordance with the highest global standards.



## HUMAN RESOURCES

The Company maintained its focus on development of human capital and capacity building to support business growth. At the heart of our human development initiative remains Kaizen, an incessant commitment to excellence and improvement. In line with the spirit of being a continually learning and forward thinking organization, the Senior Management conducted a 'Vision 2025' brainstorming session this year, which allowed the Management to chart out and calibrate the future direction and vision of the Company.

### ACCA and ICAEW Certification

During the year, two prestigious UK based world-renowned institutions; the Institute of Chartered Accountants in England and Wales (ICAEW) and the Association of Chartered Certified Accountants (ACCA) accredited IMC as one of their certified partners. This accreditation gives us the opportunity to engage candidates pursuing professional ACCA/ICAEW qualification and support them through their education with practical hands on work experience and structured training.

The ACA qualification is one of the most advanced learning and professional development programs available. Its integrated components provide individuals with an in-depth understanding across accountancy, finance and business. Combined with the work exposure, they help build the technical knowledge, professional skills and practical experience needed to become an ICAEW Chartered Accountant.

### Battle of Brains

The annual 'Battle of Brains' competition created and sponsored by the Company has now become a signature event attracting top tier business schools

of Pakistan such as IBA, KSBL and LUMS. The competition encourages application of creative and critical thought process to develop solutions to real life business challenges and scenarios faced by the company. Attractive prizes were given to all the participants competing in the final round. In all over 400 students participated with the LUMS team winning the final challenge round.

### In House Training and Development

During the year, the company utilized services of a distinguished international trainer Sunil Gupta for two high profile dedicated training sessions – The 6 Thinking Hats and One Minute Manager for IMC staff. The training sought to equip the middle management with skills and necessary aptitude to effectively manage resources and enabled them to move outside the habitual thinking style and get a more diverse view of the situation.

The Company extensively pilot tested Thomas International Testing Tool to identify the development needs of our middle management resources. The rich data gathered through this exercise will enable the HR function to tailor future training and development programs focused on individual employee and company business needs.

### Family Day

Family Day at IMC is a cherished event in the annual calendar that all employees and families look forward to attend. This year's Family Day was particularly special as it was held after a gap of over a year and attracted over 4,300 people for a day packed with fun and entertainment with performances from renowned television artistes that was appreciated by all the participants.



ACCA Trainees with the Finance Team



IMC Family Day 2014

## OPERATIONS

Though market demand forced the company to cut back production volume resulting in 18 days of plant shut down the technical team effectively utilized the lean periods to undertake plant maintenance and modifications to the assembly lines in preparation of the full model change of Corolla.

The two successive years of volume decline has seriously hurt the industry and created a devastating situation for hundreds of small-sized part suppliers who have either closed down or curtailed their operations. Despite the drop in volume, our management elected not to pursue a policy of downsizing or worker layoffs. Instead we resorted to a hiring freeze and focused on developing and enhancing the capabilities of team members through awareness training during the non-production days that enabled us to keep the morale of workers high.

### Skill Contest

To increase motivation, competitiveness and pride of work, Toyota organizes a regional skill contest amongst team members annually to showcase the best practices in the business. IMC is proud of its employees who won a silver and bronze medal each in the Team Member category and two silver medals in the Group Leader category of the Toyota Motor Asia Pacific Regional Contest organized in Bangkok this year.

### First In-house Vehicle Transmission

In pursuit of our commitment towards enhancing localization, IMC has recently localized the manual transmission system for 1300cc vehicles. An

assembly line has been installed with an assembly tester for inspection to ensure quality. This localization project is expected to yield cost merits and also enhance the technological prowess of the local industry.

### Last Line off of 10th Generation Corolla

In a simple ceremony, the last unit of current generation Corolla was lined off on June 11, 2014 from the production line. The event marked the end of the production of the current 10th generation Corolla and the 218,818th unit of production of the Company, which is the new record for being the largest selling Corolla model in Pakistan. This 10th Generation model has been a phenomenal success, giving us another major milestone of the 500,000th vehicle to line off from the production line in the history of IMC.

### Toyota Quality Jiritsuka (Self Reliance) Audit

Quality Assurance is singly the biggest hurdle in an era of globalization of production that every Toyota manufacturing plant must overcome. No matter where Toyota vehicles are made, they must comply with the same level of quality standards and that's why Toyota opts to put one label for all, i.e. 'Made by Toyota' instead of naming the country of manufacture. It means there is a need to spread Toyota's manufacturing philosophy – the 'Toyota Way' to all the overseas bases such that same quality assurance cuts across all frontiers.

Consistent with this mindset, TMC has established well laid out procedures for maintaining and sustaining product quality by using the built-in quality defect prevention system that ensures



Participants taking oath during the QCC Convention Inaugural Event



outflow prevention to the next process or customer. A team of Jiritsuka auditors visited IMC in October 2013, and IMC was successful in securing step 1 and step 2 of the quality Audit. The third and final step shall take place in October 2014. We remain confident that our quality standards will yet again confirm or exceed the global ones as stipulated by Toyota.

### The 11th Generation Corolla

We are proud to announce that on the manufacturing front, the 11th Generation Corolla comprises of additional 133 new 'Made in Pakistan' parts, a testament of IMC's unwavering commitment to localization and with this, the total number of parts localized in new Corolla stands at 752, more than any other model in this class of vehicle. These include big stamping parts and new in-house manual assembly transmission, and transfer of technology in many outsourced parts like alternator & starter from

Denso, seat track, frame and air cleaner from Toyota Boshoku, regulators from Shiroki, fuel tank from Asno Horie and lamps metalizing from Koito.

Some new technologies introduced for the first time in Pakistan are Expanded Polypropylene (EPP) foam, a flexible type plastic for cushioning applications, rubber molding weather strips, heat insulators, gas injection moulding and high tensile steel sheet metal parts.

The new model Corolla 2014 has provided a platform for new joint ventures and technology transfer agreements and this auger well for the development of the auto industry which is well positioned to meet the future challenges of growth given a stable operating environment.

We are grateful to TMC/TMAP, our own employees and the part manufacturers for their excellent support and cooperation in the execution of this challenging multibillion Pak Rupees.



Omar Razzaq addressing the participants during the Jishuken (Self Study) activity

## BEYOND LUXURY

The New Corolla seat offers maximum comfort and enhanced adjustability to suit to a wide variety of seating positions. The height adjustment seat is locally manufactured utilizing the best craftsmanship.

## STRATEGY FOR FACING EXTERNAL CHALLENGES

Two years of successive decline in the demand for automobiles, marred by a stagnant economy, used car imports, failure of the Government to firm up the much awaited auto policy that expired in June 2012, punitive taxation measures and lack of effective leadership at the Engineering Development Board has severely weakened the auto value chain financially, particularly the upstream vendor industry, compounding uncertainty over its long term future.

Throughout FY 2013-14, the company remained in constant dialogue with the GOP to seek redress on several taxation matters that not only hurt the industry but also deprived the exchequer of much needed revenue. These included inter alia the 10% FED on the only locally made SUV – the Fortuner, review of the concessionary duties and outdated valuations applied to used imported vehicles that created an un-level playing field for local manufacturers, rampant mis-declaration in value of spare parts imports and 2% extra sales tax on the parts purchases from suppliers. Although further action is required, we genuinely appreciate the positive attitude demonstrated by the FBR to resolve these difficulties and the new Budget announcement offering status quo provides a much needed boost and renewed hope to the industry to stage recovery in the New Year.

Moving forward, we expect the industry to deliver robust performance during 2014-15, although the operating environment is likely to remain challenging stemming from weaknesses in the social and economic order. The two main factors contributing to our optimistic outlook are; (a) launch of the new 11th Generation Toyota Corolla early in the new-year and (b) Suzuki's agreement for sale of 50,000 vehicles under the 'Apna Rozgar Scheme' of the Punjab Government. It is unfortunate that commercial vehicles like Hilux have not been considered by the Punjab Government, which can create far greater economic activity including employment generation. We hope in future the Punjab Government will consider other local manufactures to also share in such a scheme to boost the entire auto industry and not be concentrated to one manufacturer.

Whereas, these developments and the budgetary measures auger well in restoring lost confidence, it is imperative that the Government quickly finalizes the new auto policy paving way for the new entrants and the existing manufacturers to plan and invest in new models and technologies for future growth of the industry and also resolve the menace of power shortages, poor governance and law and order that is adding significantly to the cost of doing business and eroding the country's competitive advantage.

The Government's decision to provide extraordinary tax concession to the Hybrid Electric Vehicles (HEV) as a means of promoting fuel-efficient technology has not only failed to demonstrate any significant merit but it has hurt the local industry with commercial importers taking full advantage of substantially lower prices of used hybrid vehicles and benefiting from the anomaly in sales tax, much to the disadvantage of the local OEMs who introduced new hybrid vehicles with complete after sales infrastructure support and yet failed to make any substantial inroads into this HEV market segment.

The prospect of trade with India under the Non Discriminatory Market Access presents a host of opportunities and challenges for the industry. We look forward to an effective and balanced trade regime and hope that the Government will safeguard the industry interests by strengthening trade defence laws, the enforcing bodies and continuously engaging the industry whilst firming the trade agreements with India and other countries. This is vitally important because Pakistan has a far more liberal import environment than India, which is heavily protected by tariff and nontariff barriers that limit market access to imported goods and in view of the significant role played by the entire auto industry value chain in the economic development of the country through job creation, skills development, contribution to the exchequer and transfer of technology. It is also important to note that under the SAFTA agreement, Pakistan is committed to substantial reduction in tariffs on Trade with India to a level of 5 to 10%, other than 100 line items. We believe that the Government should review and renegotiate this decision.

We have challenged ourselves to capture and exceed on the lost market share. The introduction and repositioning of the new model Toyota Corolla with a wide variety of cutting edge industry first features, sleek body design and superb engineering is sure to catch the attention of our existing and potential customer base. Besides its elegant looks, the new Corolla has set a new benchmark for enhanced localization, a further testimony of Toyota's and IMC commitment towards indigenization for growth of the local supplier industry through technology transfer. We expect strong demand for the new Corolla and urge our valued customers to say no to premium practices in the market place and be patient with the deliveries of their chosen models as we ramp up the production.

The whole IMC team has worked dedicatedly over last two years to bring the most advanced Corolla to Pakistan. Now moving forward, we aim is to work closely with Toyota to secure a few new exciting products that further strengthen our existing product slate to provide a wider choice to customers and with the government on the new auto policy and trade with India to ensure that the policy framework is enabling and geared towards providing auto industry with sustainable growth and value creation. We are equally determined to achieve the targeted results with sharp focus on our Hoshin and its four principal areas: firstly, we aim to ensure safe operations at the plant for our employees, contractors and visitors with the objective of achieving zero lost work-day injury; secondly, we will work towards enriching our Human Resource capabilities by promoting IMC as the preferred employer of choice leveraged through appropriate training and skills; thirdly, our efforts will be geared towards enhancing the Company's image and ensuring customer satisfaction and finally we will attempt to sustain and augment the Company's growth through cost reduction and increased sales during the year.

Our customer centric approach demands high-level of contribution, dedication and efficiency from every level in the company, while also necessitating the development of the capabilities of our vendors through technology transfer. We will ensure the professional development of our team through training and skill development as well as providing appropriate incentives through our reward system. The cohesive, motivated work force at IMC is ready to face the challenges ahead.

As a responsible corporate entity and a member of the UN Global Compact, we are proud of our outreach to the communities in education, health and social services that is contributing to changing lives of the underprivileged segments of the society. Additionally, we will continue to retain focus on road safety, technical education, protection of environment and responding to natural disasters.

Finally, I wish to thank the Board of Directors and the Management team who have responded well to the challenge and provided constant guidance to the company, helping us deliver impressive results despite the host of operational difficulties. Our customers have demonstrated unrelenting confidence in our vehicles and after sales service, for which we are immensely grateful. I also wish to express gratitude to the Indus team of our shareholders, dealers, vendors and other business partners for their contribution to the strength of the Company.

We bow to Allah and pray for His blessings and guidance.



**Ali S. Habib**  
Chairman



## CONCERN BEYOND CARS: OUR CONTRIBUTION TO SOCIETY & COMMUNITY



**Parvez Ghias**  
CEO

As a key player in the automotive industry in the country, we have a responsibility to consider how our actions and decisions impact our long-term performance and affect the people, places and resources associated with our operations. We strive to meet this responsibility by taking a sustainable approach to all aspects of our business.

By embedding sustainability considerations within our strategies and company goals, we seek to enhance efficiency, improve management performance, ensure accountability, increase the positive impact of our operations and reduce the risks that could derail us from achieving our goals.

Guided by our core values built on the strong foundations of the House of Habib and Toyota Motor Corporation, we hold ourselves to the highest standards of transparency and integrity, recognizing that how we do business is as important as why we do business.

Strong financial performance is key to our company's long-term success. However, achieving those financial returns depends on our ability to manage our resources and relationships in ways that consistently deliver superior value for all of our stakeholders.

Despite a difficult year for business operations, there was no let-up in the corporate giving for the philanthropic causes which exceeded Rs 51 million and additionally involved well over thousand hours of employee engagement, volunteering their quality time to bring smiles to the faces of the underprivileged communities in the neighborhood and work on other social development projects for the common good of all stakeholders. On safety at plant site we completed a record three years without a lost workday injury and fully met the National Environmental Quality Standards despite operational challenges caused by lower production volume due to dampened demand.

We concluded our research project to calculate cost of traffic congestion on the 20 kilometer of national highway that runs near IMC plant site. This cost is estimated at over US\$ 700 million annually. Our lobbying efforts backed by data appear to be successful as overhead flyover construction work is underway at couple of key bottleneck locations identified by the research and there are plans underway to reconstruct a specific portion of highway that will prove to be a game changer for the industry located at Port Qasim.

We plan to continue with our social efforts to uplift the disadvantaged by improving their access to basic health, elementary education and food insecurity. We believe such an engagement with the communities will help in combating their poverty, improve literacy and the resolution of the environmental concerns for the realization of a better world for all.

During the year our achievements were recognized with couple of distinctive awards at the national level. We received the Management Association of Pakistan's Top Corporate Excellence award in the Industrials' category, while the Consumer Association of Pakistan honored Corolla as brand of the year on basis of consumers' choice and preferences in the passenger car segment. It is the second consecutive year that we have received these prestigious awards, which is a matter of great pride for us and we laud the efforts of employees and business partners for their contributions.

Finally, I would like to convey my gratitude to everyone in our value chain for their continuous support. The results we achieved in this difficult environment would not have been possible without the guidance of our partners, TMC, TTC and HOH. I look forward to similar support to meet the challenges that lie ahead.

TOYOTA MOTOR CORPORATION CSR POLICY

CSR POLICY: CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

Preamble

We, Toyota Motor Corporation and our subsidiaries, take initiative to contribute to harmonious and sustainable development of society and the earth through all business activities that we carry out in each country and region, based on our Guiding Principles. We comply with local, national and international laws and regulations as well as the spirit thereof and we conduct our business operations with honesty and integrity. In order to contribute to sustainable development, we believe that management interacting with its stakeholders as described below is of considerable importance, and we will endeavor to build and maintain sound relationships with our stakeholders through open and fair communication. We expect our business partners to support this initiative and act in accordance with it.

Customers

- Based on our philosophy of “Customer First,” we develop and provide innovative, safe and outstanding high quality products and services that meet a wide variety of customers’ demands to enrich the lives of people around the world. (Guiding Principles 3 and 4)
- We will endeavor to protect the personal information of customers and everyone else we are engaged in business with, in accordance with the letter and spirit of each country’s privacy laws. (Guiding Principles 1)

Employees

- We respect our employees and believe that the success of our business is led by each individual’s creativity and good teamwork. We stimulate personal growth for our employees. (Guiding Principles 5)
- We support equal employment opportunities, diversity and inclusion for our employees and do not discriminate against them. (Guiding Principles 5)
- We strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees. (Guiding Principles 5)
- We respect and honor the human rights of people involved in our business and, in particular, do not use or tolerate any form of forced or child labor. (Guiding Principles 5)
- Through communication and dialogue with our employees, we build and share the value “Mutual Trust and Mutual Responsibility” and work together for the success of our employees and the company.
- We recognize our employees’ right to freely associate, or not to associate, complying with the laws of the countries in which we operate. (Guiding Principles 5)
- Management of each company takes leadership in fostering a corporate culture, and implementing policies, that promote ethical behavior. (Guiding Principles 1 and 5)

Business Partners

- We respect our business partners such as suppliers and dealers and work with them through long-term relationships to realize mutual growth based on mutual trust. (Guiding Principles 7)
- Whenever we seek a new business partner, we are open to any and all candidates, regardless of nationality or size, and evaluate them based on their overall strengths. (Guiding Principles 7)
- We maintain fair and free competition in accordance with the letter and spirit of each country’s competition laws. (Guiding Principles 1 and 7)

Shareholders

- We strive to enhance corporate value while achieving a stable and long-term growth for the benefit of our shareholders. (Guiding Principles 6)
- We provide our shareholders and investors with timely and fair disclosure on our operating results and financial condition. (Guiding Principles 1 and 6)

Global Society/Local Communities

Environment

- We aim for growth that is in harmony with the environment by seeking to minimize the environmental impact of our business operations, such as by working to reduce the effect of our vehicles and operations on climate change and biodiversity. We strive to develop, establish and promote technologies enabling the environment and economy to coexist harmoniously, and to build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation. (Guiding Principles 3)

Community

- We implement our philosophy of “respect for people” by honoring the culture, customs, history and laws of each country. (Guiding Principles 2)
- We constantly search for safer, cleaner and superior technology that satisfies the evolving needs of society for sustainable mobility. (Guiding Principles 3 and 4)
- We do not tolerate bribery of or by any business partner, government agency or public authority and maintain honest and fair relationships with government agencies and public authorities. (Guiding Principles 1)

Social contribution

- Wherever we do business, We actively promote and engage, both individually and with partners, in social contribution activities that help strengthen communities and contribute to the enrichment of society. (Guiding Principles 2)

THE TEN UNGC PRINCIPLES WE ADHERE TO

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

GLOBAL VISION FOR THOSE WE SERVE

Defining the ideal form of the company for each stakeholder and the outline for the future it should take in order to realize the Global Vision

Process for devising KPI Strategic Focus

After we drew up the “Global Vision for Those We Serve”, which describes how we embody the Toyota Global Vision, we commenced full-scale KPI (Key Performance Indicators) development. Based on the KPI Strategic Focus, which were newly-established

after a process extending over two years, our CSR activities have been further enhanced from FY2012 involving the efforts of both external experts and Toyota executives.



Customers

Provide safe and reliable vehicles that inspire enthusiasm at affordable prices. Listen sincerely to customer voices and continue to reinvent ourselves through sufficient information disclosure and dialogue.



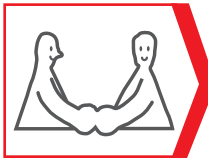
Shareholders

Ensure sustainable growth by fostering the virtuous circle, Always better cars.  
  
- Enriching lives of communities  
- Stable base of business



Employees

Create working environments for various employees to work proudly and with loyalty and confidence in fulfilling their potential, which realize their self-growth.



Business Partners

Contribute for economic development of local communities with an open stance to new suppliers and dealers and through sustainable growth based on mutually beneficial business relationships with dealers distributors and suppliers.



Global Society/Local Communities

Reduce environmental burdens through life cycle by developing various eco-friendly vehicles and technologies and making them prevail. Be aware of responsibilities of developing and producing vehicles and contribute towards the realization of a new mobility which makes society free from traffic accidents and congestion. As a good corporate citizen, respect the culture and customs of every nation and contribute to social development.



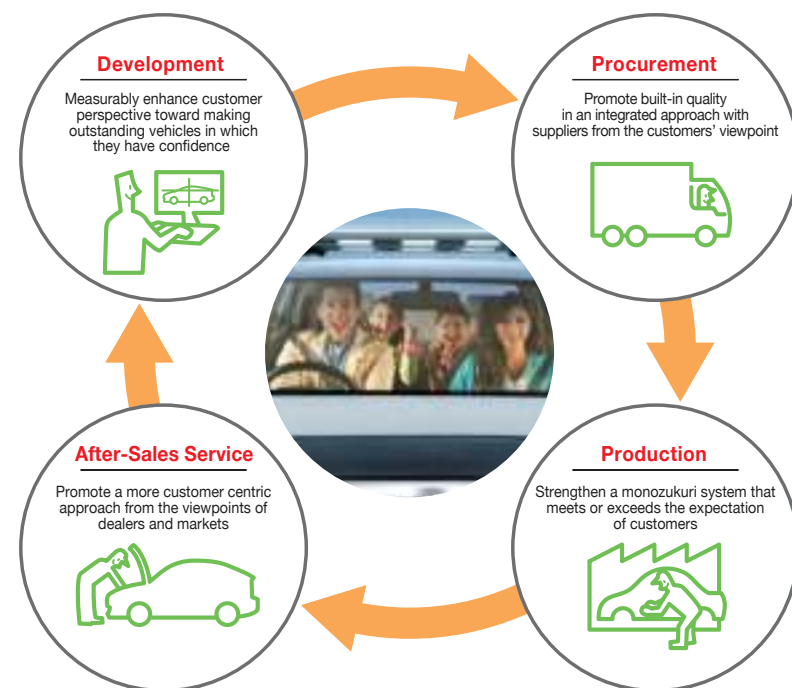
## RELATIONS WITH CUSTOMERS

**“Provide Customers with high-quality, reliable products, we sincerely listen to Customer voices and continue to reinvent ourselves through sufficient information disclosure and dialogue”**



The smiles that we earn from our customers are our greatest reward. Is there a gap between the "great cars" Toyota thinks of and the expectations of our customers? Are they satisfied with our current services? To be able to respond to the constantly-changing expectations of customers and society, we listen to customers' voices with sincerity and continually work

on improvement. We never forget that the support of various stakeholders has made Toyota what it is today; we value the relationships of trust we have built; and we work toward continuing to provide accurate and appropriate communication and respond transparently and promptly to be a company that is continually trusted.



### Basic Concepts of Quality

Quality is achieved through the integration of Development, Design, Purchasing, Production and After-sales Service. Each is indispensable in the delivery of satisfactory quality to customers.

We continue to aim to put the concepts of "Customer First" and "Quality First" into practice and to respond to the expectations of customers and society. That is why every member across our operations maintains high consciousness, and takes ownership and the responsibility of striving for continuous improvement and the enhancement of customer confidence and trust by cooperating closely with one another.

### Quality Award

IMC received Toyota Motor Asia Pacific's Quality Achievement Award 2013-14 for Warranty Reduction, an accolade conferred to only 4 manufacturers out of 10 in the Asia Pacific region for reduction in number of customer complains under warranty. IMC's consistent year of success in winning this award will help further improve customer satisfaction.

This great achievement could not be realized without the combined efforts of Service, Production, Product Development and Quality Assurance & Quality Control departments.

### Applying Customer Feedback

Toyota's principle of "Customer First exists" for the purpose of providing customers with products and services that earns their smiles. On this basis, we hope to offer cars with superior features in terms of environmental, safety and quality performance, while also offering the intrinsic appeal of cars, such as driving performance, at an affordable price.

Based on a "Customer First" philosophy, we strive to create a sale and after-sale structure that promptly responds to the various needs of customers nationwide.

### Consumer Choice Award 2013

The Consumer Association of Pakistan's "Consumer Choice Award" is one of the most prestigious awards presented annually to organizations recognized solely on the basis of consumers' choice and preference. Indus Motor won the Consumer Choice Award in the category of Best Car for the year 2013 for the Corolla GLi, which is IMC's flagship product. It is a testament of the faith, trust and confidence of our valued customers in IMC's ability to deliver quality products to customers and ensure the best possible after-sales services.

### Customer Delight Workshop

By always keeping the 'customer first' principle as top priority, IMC ensures the development of such a mind-set among its employees who continue to understand the customers more so that their expectations are not just met, but exceeded. In its effort

to instill the "Customer First" principle, Toyota Customer Delight Workshop (TCDW) is held every year. The workshop involves participants across Sales, Service, Parts and Customer Relations function. Workshop helps in building strong cross-functional co-ordination across the four departments. 3S + CR department presence also fosters the concept of being ONE TEAM focusing collectively on achieving ONE DREAM, Delighting Customers!

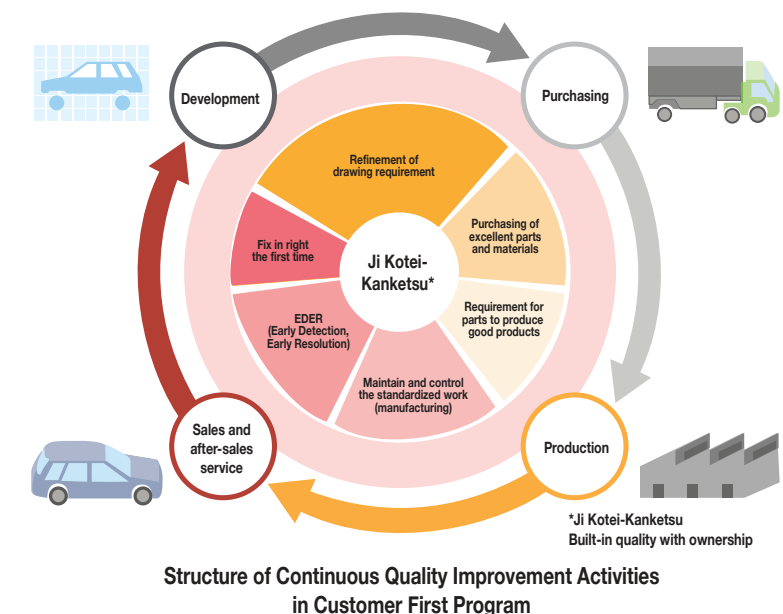
### Customer Satisfaction Survey

Our valued customers have shown trust and satisfaction on services provided by Toyota 3S dealerships in the country. Improvements in results from surveys of wave 11 prove that the efforts of the entire IMC team at delivering superior value to customers in delighting and motivating them is strengthening the relationship.

### Customer Assistance Centre

Our customer assistance centre is the busiest communication channel between customers and dealers. IMC Customer Assistance Center (CAC) facilitates more than 36,000 customers' calls seeking different product inquiries and complaints every year. CAC was initiated at IMC in 2008 and since then has been trying to upgrade operations continuously to provide assistance to our valued customers.

Members work diligently so that each opinion voiced by our customers is processed and addressed promptly with input of all cross functional departments.



RELATIONS WITH EMPLOYEES

“Create working environments for various employees to work proudly and with loyalty and confidence in fulfilling their potential, which realize their self-growth”



In order to strengthen IMC’s human resource base, which supports its growth, the company is striving to create a positive working environment in which all employees can work with confidence, vigour and enthusiasm. We endeavour to foster employees’ pride and loyalty to the company, workplace and colleagues by encouraging a culture of teamwork through communication and friendly competition.

Based on the Toyota Way, a set of principles and behaviours that underlined by Toyota’s managerial approach and Toyota Production System, and as well as Functional and Advanced Management Programs from leading institutions in Pakistan and abroad, we conduct step by step training program for our future leaders. This along with on-the-job learning has resulted in an environment that supports human empowerment, both in terms of contributing to our business objectives and achieving personal career goals.

Employee Training, Education and Recognition

Moments of inspiration often occur when we have an opportunity to listen to, share with and learn from others. Indus Motor strives to provide our employees with inspiring training and education experiences that broaden and enhance skills and uncover new concepts and ideas. Talent development takes many forms at Indus, including training sessions for key functional areas. To ensure a world-class workforce, IMC trains, educates and recognizes employees so that they are successful contributors to the business. IMC’s performance management and career development philosophy is that employees should be engaged, aligned and excited about their careers and make meaningful contributions to the company’s success.

Management Development Program

Training	Management Trainee	AM / Engineer	DM / Manager	Senior Manager	GM / SGM	Director
Orientation	●	●	●	●	●	●
Fundamental Skill Training	●	●				
Toyota Way	●	●	●	●	●	●
PDCA – Plan Do Check Act	●	●	●	●	●	●
A3 Report	●	●	●	●	●	●
Toyota Business Practice		●	●	●	●	●
Managerial Skills		●	●	●	●	●
Marketing Strategy			●	●	●	●
Leadership Grid			●	●	●	●
Advance Management Program				●	●	●
Management Development Program				●	●	●

Respecting Diversity and Human Rights to provide all employees with Workplaces where they can fulfil their potential

Respect for Diversity

Innovation comes from the diverse perspectives that an inclusive, inspiring culture helps to foster. As a joint venture company, we embrace and respect the diverse cultures of our employees and believe it is these distinct attributes that make our organization an innovative and rewarding place to work. We treat all employees on an equal basis, regardless of physical, financial or social characteristics, and we do not tolerate harassment of any kind. We respect their individuality and human rights and provide them with workplaces where they can work with a high level of motivation. As an equal-opportunity employer, we encourage gender diversity in workplace and ensure the well-being of all the workforce members through an environment conducive to conflict-free functioning.

During the fiscal year 2013-14, a number of managers, including GMs received diversity training to develop a common understanding of diversity management. We will continue to provide managers with this training to create a workplace culture that takes full advantage of diversity.

Safety and Health

Ensuring employee safety and health is one of Toyota’s most important business activities and is a universal value, unaffected by times. At IMC, we strongly believe that safety culture can only be built by creating a safety mind set through constant reminders, systems and initiatives aimed at reinforcing the Safety and Health message, be it in the form of posters identifying health hazards prevalent in society like tobacco chewing, to ensuring non smoking offices, to adopting basic rules (stop, point, call) for crossing internal roads, to more precise and data based systems and competitions requiring each section to identify potential hazards and taking corrective actions. (Haro Hatti), as well as having ZERO accidents and lost workday as a company wide goal. These measures are beginning to take effect and last year we again closed with zero lost work day injuries for our employees.

Global Human Resource Management

The globalization of human resources is one of the IMC’s most urgent deliveries. Every year, the Asia Pacific Human Resource Management meeting held for Toyota group companies in which all HR heads participate. At this meeting, an overseas human resource network was built and participants share their company’s policies on regional HR

development. Subsequently, we also create company’s HR Hoshin Kanri to set common indicators across the Toyota group to develop global human resources.

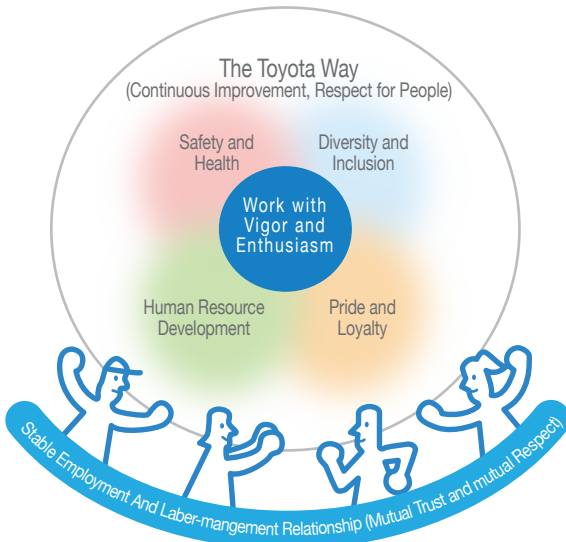
Pride and Loyalty

Creating an inspiring and rewarding workplace is fundamental to IMC’s talent recruitment and retention strategy. We provide an exceptional and inspiring workplace involves recognizing people for a job well done. Every year, competition of Quality Control Circle held across its network that gives an opportunity to employees to compete and present their kaizen initiatives reflecting their identification of work site issues and their resolution through rigorous analysis to improve productivity, safety, quality, cost and overall the work place. This concept of being in charge of and responsible for your own area is a testament to IMC’s culture of empowerment of its people and generates a sense of pride and ownership of their work and work environment.

Strong Relations between Labor and Management

The approach of mutual trust and respect between labor and management at IMC is symbolized by the healthy industrial relations climate that has jointly led the company and its workforce see through different phases, industry and macro environment challenges with a positive, mature and result oriented mind set ensuring stable employment and a healthy, fair and conducive work environment.

At IMC, we truly believe in the Toyota Way and its two pillars - Continuous Improvement and Respect For People because we realize that in the end, it is our people who make the difference.

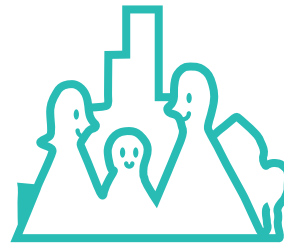




## GLOBAL SOCIETY/ LOCAL COMMUNITIES

(Social Contribution/Education)

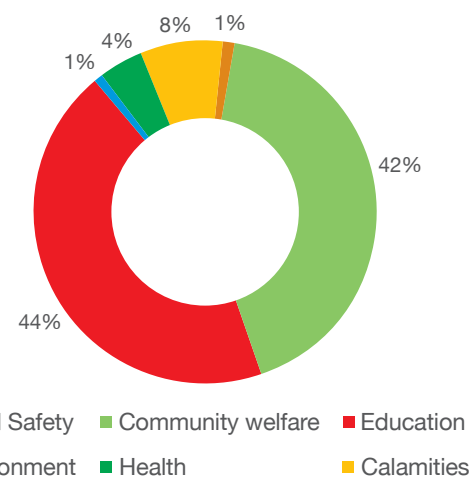
**“As a good corporate citizen, respect the culture and customers of every nation and contribute to social development”**



### The Basic Concepts of Social Contribution

Toyota laid down the principles and policies for social contribution activities based on the Guiding Principles at Toyota and its CSR Policy, which the company shares globally.

IMC spent approximately Rs. 51 million on social contribution activities in FY14, with more than 100 employees taking part in volunteer activities.



Contribution Towards Sustainable Development is at the heart of the CSR Policy, which explain how Toyota actively promotes and engages in social contribution activities that help strengthen communities and contribute to the enrichment of

society. Based on these concepts, Toyota's approach to social contribution activities, initiatives and goals are expressed clearly in the principles and policies that are shared with all Toyota companies throughout the world.

### Community Health Care

In response to the needs of surrounding communities, IMC arranged community based free medical services aiming towards enhancement of poor people's access to health care services. The medical facility was set up near Razakabad, Kohi Goth and Sale Muhammad. Weekly OPD clinics were arranged at these locations with free distribution of medicines. During the year, 30,000 patients were screened at IMC health care facility.

### Responding to Natural Calamities

IMC is at the forefront and actively engaged in providing assistance whenever the country is hit with humanitarian disaster through natural calamity or other emergency.

During the year, we were amongst the first to respond to the plight of the victims of the earthquake in the Awaran district of Baluchistan with relief goods and again later supporting large number of people displaced in North Waziristan following the Pakistan Army's 'Zarb-e-Azb' operation to clean up the area of terrorists.



Ration distribution in the neighbouring communities during Ramadan



NDMA Chairman and IMC Team during IDP Relief Activity

### Toyota Technical Education Program (T-TEP)

The Toyota Technical Education Program (T-TEP) was initiated to train and develop human resources on the latest automobile technology, thereby equipping them with the skills to make them productive members of the country's workforce.

Besides the three institutes present in Islamabad, Karachi and Lahore, a fourth T-TEP institute is currently under establishment in collaboration with the AMAN foundation's subsidy AMAN TEC. The new T-TEP Institute would be the first institution in Pakistan to provide training in the discipline of Auto Body & Paint Repair technology. The institute is expected to start functioning from late 2014.

To date, over 1,850 students have successfully graduated from these institutes and over one third of who are employed within the Toyota network in Pakistan.

### Habib University Foundation

Indus Motor is conscious of the need to develop human capital for the future growth and prosperity of Pakistan. The Habib University Foundation initiative to establish a world class university at Karachi is a welcome step where we plan to lend full support. Habib University through its partnership with world renowned institutions will encourage sharing of knowledge and experience to students thereby enriching the potential for human resources in Pakistan.



Students during a visit to the company's facilities

### Pakistan Innovation Fund

IMC strongly favors promotion of innovation based entrepreneurship culture in the country, if we are to keep pace with the fast progress being made in the developed world. It would require the gap between our academia and local industries to be bridged, so that innovation based entrepreneurship can take roots and get commercialized.

In support of this concept, IMC joined hands with the Pakistan Innovation Foundation for 'Toyota Manufacturing Innovation Challenge 2013-14', a year-long open competition that encourages Pakistanis to provide innovative solutions for solving the country development challenges in two critical domains of, (a) enhancing productivity and (b) developing innovation products. The winning projects will be financed by IMC.

### Community Support for Education

IMC believes that it is our youth which will steward the country towards a brighter future and it is in them we need to invest. IMC provided benefits to over 30 educational institutions and helped educational activities in general by building schools and by launching scholarships for meritorious students. Under Toyota Goth Education Program (TGE), more than 250 students are enrolled, studying in TCF schools located in Bin Qasim Area. Through this Program, IMC provides educational support to underdeveloped and poor communities near the IMC plant.



Students of school run by TGE

## GLOBAL SOCIETY / LOCAL COMMUNITIES

### (Traffic Safety)

Global Vision for Those We Serve – “Be aware of responsibilities of developing and producing vehicles and contribution for realization of new mobility, society free from traffic accidents and congestion”



#### Basic Concepts

In order for automobiles to develop as a means of transportation that continue to provide the convenience of mobility in the future, it is important to minimize the negative effects of environmental impact, traffic accidents and traffic congestion. With the aim of achieving an affluent mobile society, Toyota has for some time positioned the response to this social task as an extremely important issue and has been actively involved in addressing it.

Since motor vehicles are one of the sources of road congestions and add to the pollution in the city, IMC feels responsibility to find remedial measures through its CSR activities to minimize casualties from traffic accidents; promote road traffic safety education and undertake research to find indigenous solutions to mitigate the adverse environmental impact.

#### Toyota Road Traffic Injury Research Project

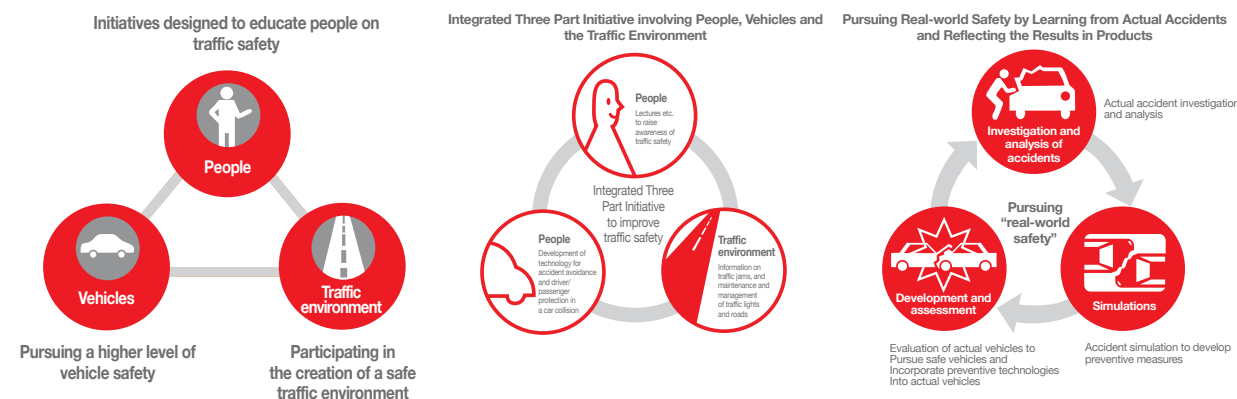
During 2006-11, we focused our energy on the Road Traffic Injury Research Project (RTIRP) in collaboration with Jinnah Postgraduate Medical Centre, the NED Engineering University and Aga Khan University Hospital to evaluate the nature, location, magnitude and major causes of traffic hazards in Karachi. The data has been tremendously helpful in correcting engineering faults in road designs thereby reducing number of accident casualties at

these black spots and enabled hospitals to better equip themselves to quickly respond to accident emergencies. In 2011, the RTIRP was recognized and taken over by UN-WHO under their "Decade of Actions for Road Safety 2011-20".

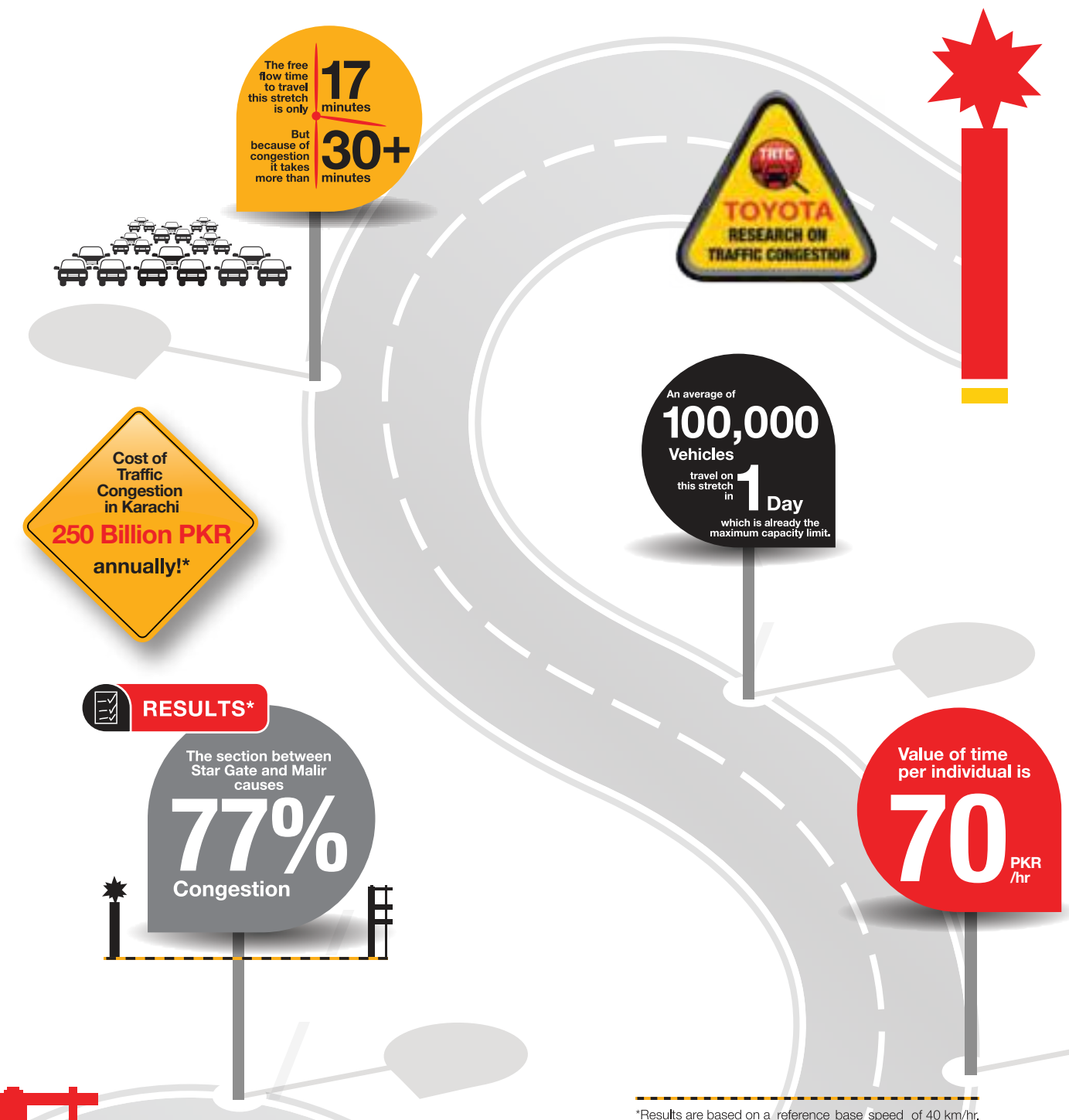
#### Toyota Research on Traffic Congestion

Later during 2012-14, we undertook a second pioneering project titled 'Toyota Research on Traffic Congestion' (T-RTC) with assistance of the NED Engineering University to evaluate the economic cost of traffic chaos on roads in Karachi. The purpose of this project was to quantify the economic cost of traffic congestion and its socio-economic impact on the overall economy. The study was conducted on the road stretch between Airport Star Gate and the Pakistan Steel Mills turn off on the National Highway and results were replicated on the entire 1,300 kilometer road network of Karachi.

The findings of T-RTC were made public and shared with all its stakeholders in December 2013. We believe it provides valuable planning data to development authorities like the City District Government Karachi, the Karachi Metropolitan Corporation, the National Highway Authority and the Traffic Police. Construction of overhead flyovers in underway at the major traffic choke points identified by the research and along with planned relaying of a portion of the road, this is likely to be an efficiency game changer for the industries at Port Qasim.



## COST OF TRAFFIC CONGESTION: A TOYOTA STUDY



### IMC initiated the Toyota Research on Traffic Congestion in collaboration with NED University as a pilot project

The objectives of the TRTC were to identify the level of traffic congestion and then to quantify its effects in monetary terms, focusing on the direct cost to general road users. This research was the first of its kind carried out in Pakistan.



GLOBAL SOCIETY/ LOCAL COMMUNITIES  
(Environment)

Global Vision for Those We Serve – “Reduce environmental burdens through life cycle by developing various eco-friendly vehicles and technologies and making them prevail”



Environmental Philosophy, Policy and the Toyota Environmental Action Plan

The Fifth Toyota Environmental Action Plan sets the future direction of Toyota’s environmental activities, outlines the company’s ideal form and defines the action plan and goals for the five-year period starting in FY2011. In developing the new plan, Toyota streamlined actions from two points of view: environmental risks and business opportunities incorporate operations and environmental initiatives expected of a company toward the decade 2020 between 2030. The company positioned these issues

under the three priority themes: of (1) contribution to a low-carbon society, (2) contribution to are cycling-based society and (3) environmental protection and contribution to a harmony with nature society. Embracing these themes,Toyota will contribute to the sustainable development of society and the world through manufacturing, car-making, and products and services that are in harmony with the global environment.



Environmental Conservation and Contribution to a Harmony with Nature Society

The ever increasing environmental degradation, with challenges of energy deficiency, food shortages, deforestation, and rapidly increasing carbon footprints indicate an alarming need for a sustainable and comprehensive management of the environment. IMC is committed to preserving the environment and the prevention of pollution from its activities and operations, and to protect the employees and workplaces from hazards of pollution. The Management strongly believes in following environmentally sustainable practices pertaining to the management of gaseous emissions, particulate matter, noise levels, effluents and solid waste. The Company strives to bring continuous improvement in its environmental management system to enhance the health, safety, and environmental performance.

Safe Work Place

A safe work place is the prime objective of our organization. We are striving to inculcate safety mind-set in our work force through comprehensive safety training and skill enhancement programs for our own and contractor employees.

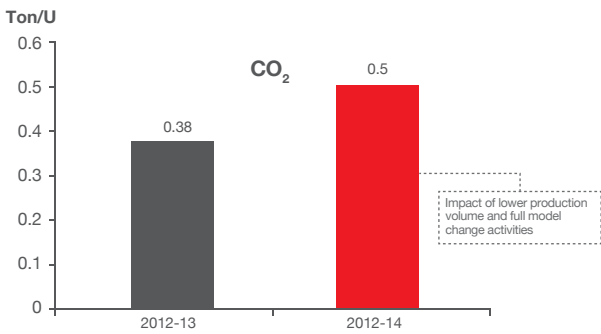
2013-14 is the third year running that we achieved the distinction of no lost work day injury and in process posted 15 million man-hours without LWD injury. At the same we have reduced total number of injuries by 50% during the last 2 years.

In this year IMC also achieved another milestone by winning the Toyota Global Safety Award for Karakuri Activity done in Weld Shop.

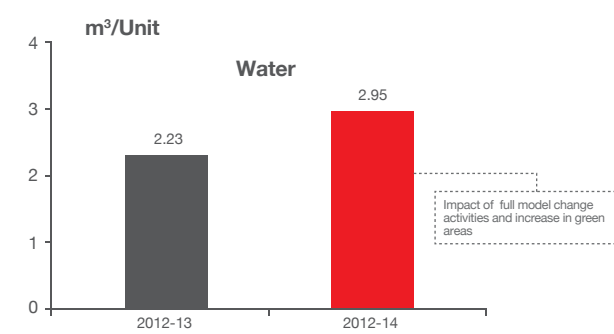
The Fifth Toyota Environmental Action Plan: Main Status of Actions

Field	Status of Action
Energy Global Warming	Missed the CO2 reduction goal in 2013 due to restricted production volumes
Recycling of Resources	No. of parts receiving in returnable plastic bins decreased in 2013 due to full model change activities
Consolidated Environmental Management	Continuous compliance of NEQS for air emissions & waste water.

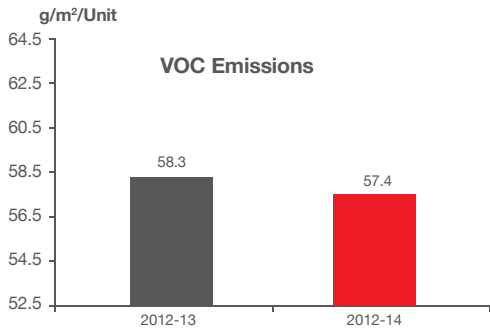
Emissions in manufacturing process



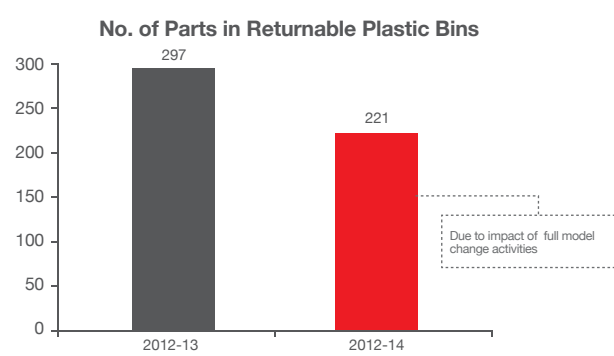
Water usage in vehicle production process



Volatile Organic Compound emissions in painting process



Reusable Bins usage in Packing parts



IMC remained Committed to Environmental Management by Complying to all national Environment Quality Standards.

Air & Waste Water Quality Data					Achievements
S.No	KPI	Equipment	Parameters	NEQS Limits	2014
1	Air Emissions	Gas Generators	Sox (mg/N.m)	1700	34
			Nox (mg/N.nr)	400	226
			CO (mg/N.m)	800	741
2	Waste Water		pH	6-9	7.53
			BOD (mg/l)	80	20
			COD (mg/l)	150	43
			TDS (mg/l)	3500	1796

## Safety DOJO Simulation Training

The concept of DOJO simulation training was introduced to give the real time feeling of the potential Hazards that employees may face in the plant environment and offices. This training is being imparted to 100% employees.

## Safety Plant Management Requirement

During the year, our press shop achieved the distinction of 100% implementation of step 3E of Safety Jiritsuka (Self Reliance) that assures safety in handling and operating machines. This is another step towards achieving self reliance in safety.

## Safety and Environment Awareness Months

IMC celebrated Safety month in November with the slogan "No Safety Know Pain, Know Safety No Pain". The idea was to instil safety awareness amongst all own and contractor employees. There was special focus on visualisation of Safety Rules at work places, training on emergency response procedures and surprise fire drills.

Similarly, the Environment month was celebrated in June and involved planting more than 150 trees at plant site and 100 saplings at Karachi airport, screening movie to enhance awareness on environmental issues,

design and display of banners based on the theme of energy conservation and promoting the 3R concept of recycle, reduce and reuse.

## Toyota EMS Audit

TMAP conducts a stringent environmental audit annually to ensure compliance with the Toyota Environment Management System (EMS). This enables IMC to further improve on our environment KPI's. The Company was able to improve on prior year's performance with a significantly enhanced score.

## EMS ISO 14001:2004 Audit Results

IMC maintains an impressive record of zero non-compliance in the EMS ISO 14001 audit ensuring strict adherence to the requirements. It's a laudable achievement that we strive to sustain in the future.

## Social Awareness Campaign: "Say No to Plastic Bags"

In collaboration with WWF-Pakistan, IMC launched an awareness campaign "Say No to Plastic Bags" and undertook free distribution of 100,000 paper grocery bags of 5-kg capacity to prominent Superstores in Karachi with the message "Save the Earth, Use paper Bags".

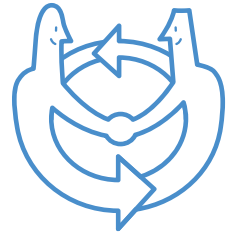


Achieving 100% implementation of step 3E of Safety Jiritsuka (Self Reliance)



Paper bags distribution to raise environmental awareness

# RELATIONS WITH SHAREHOLDERS

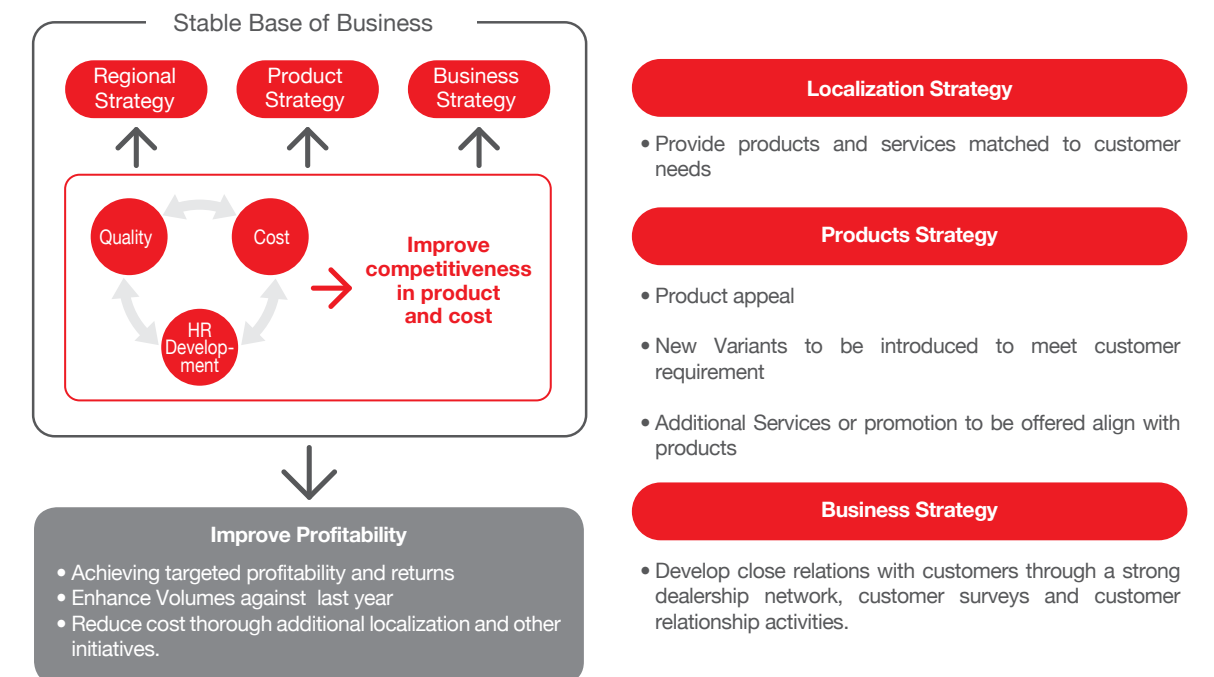


**'Ensure sustainable growth by fostering the virtuous circles, always better cars, enriching lives of communities, stable base of business'**

IMC's basic management principle is to benefit society through its business activities while realizing common growth founded on long term perspective. The three key components of Toyota's financial strategy are "growth", "efficiency" and "sustainability". From the viewpoint of growth, IMC plans to implement forward-looking investments to respond to structural shifts in demand ensure long term

sustainable growth. Regarding efficiency, IMC steps up its cost reduction efforts and increasing level of localization. In view of anticipated medium to long term growth in the automotive sector, IMC believes that maintaining adequate liquidity is essential in terms of stability, retaining funds for future capital expenditure for long term growth and maintaining improved cash flows.

## Sustainable Growth



## Key Components of Financial Strategy

**Enhancing corporate value through Long Term Stable growth**

- Growth : Sustainable growth through continuous forward looking investments
- Efficiency : Improving profitability and enhance cost reduction efforts
- Stability : Maintaining a solid financial base

## Dividends

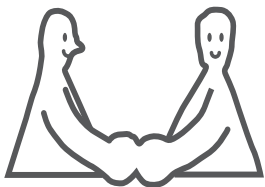
**Benefitting Shareholders is one of our top management priorities**

IMC strives to continue paying dividends while giving due consideration to factors such as the business results in each term, investment plans and cash reserves.



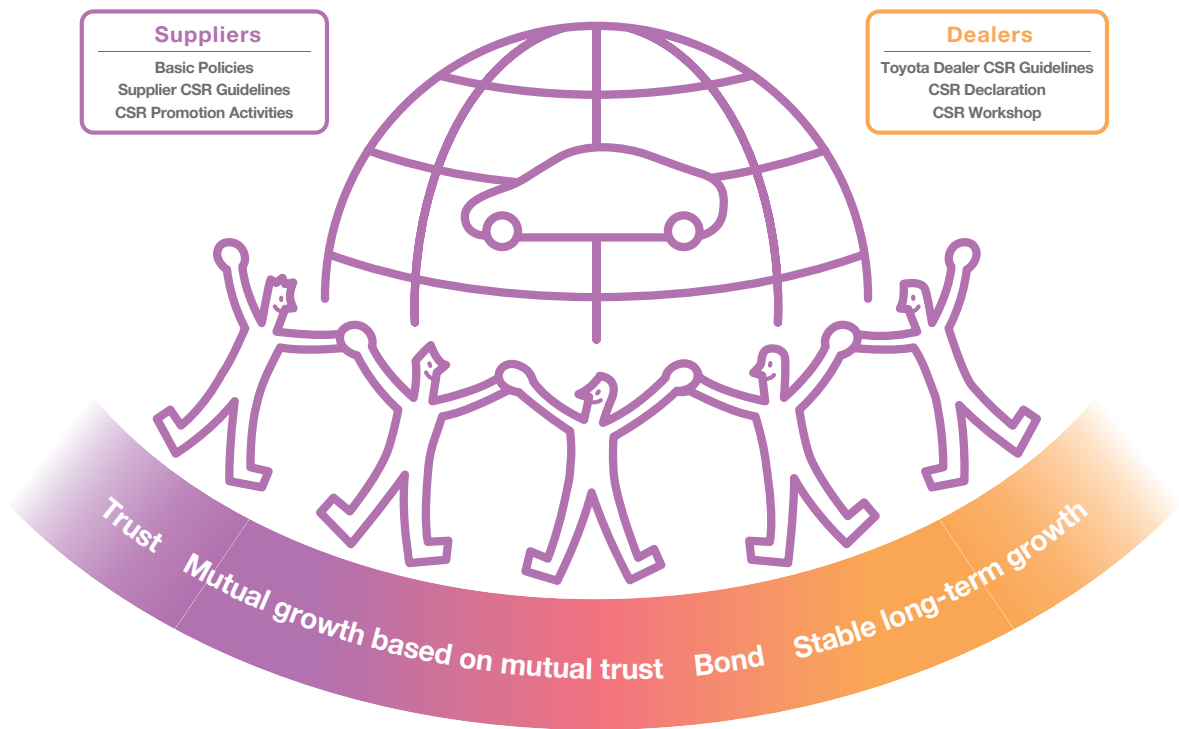
RELATIONS WITH BUSINESS PARTNERS

“Contribute for economic development of local communities with open stance to new suppliers and dealers and through sustainable growth based on mutually beneficial business relationships with dealers/distributors and suppliers”



Toyota has taken an integrated approach to "making better cars" and providing "better services" with many business partners including suppliers and dealers. Business activities are ever more globalized, but we continue to share the Toyota principles and vision and "work with business partners in research

and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships." We build mutual trust with business partners in each region and contribute to the happiness of people working there as well as regional economic growth.



Suppliers Convention 2013

Basic Concept of Business Partners

In order to contribute to society through automobile manufacturing and put into practice the principle of "Customer First," it is necessary to implement various activities in a spirit of cooperation and share principles with our business partners. In addition to steadily pursuing open and fair business activities and conventional ones including CSR activities, Toyota is committed to working to achieve better quality in terms of safety and confidence to secure higher customer satisfaction, in further united cooperation with its business partners including suppliers and dealers.

- 1. Fair competition based on an open-door policy
- 2. Mutual benefit based on mutual trust
- 3. Contribution to local economic vitality through localization: good corporate citizenship

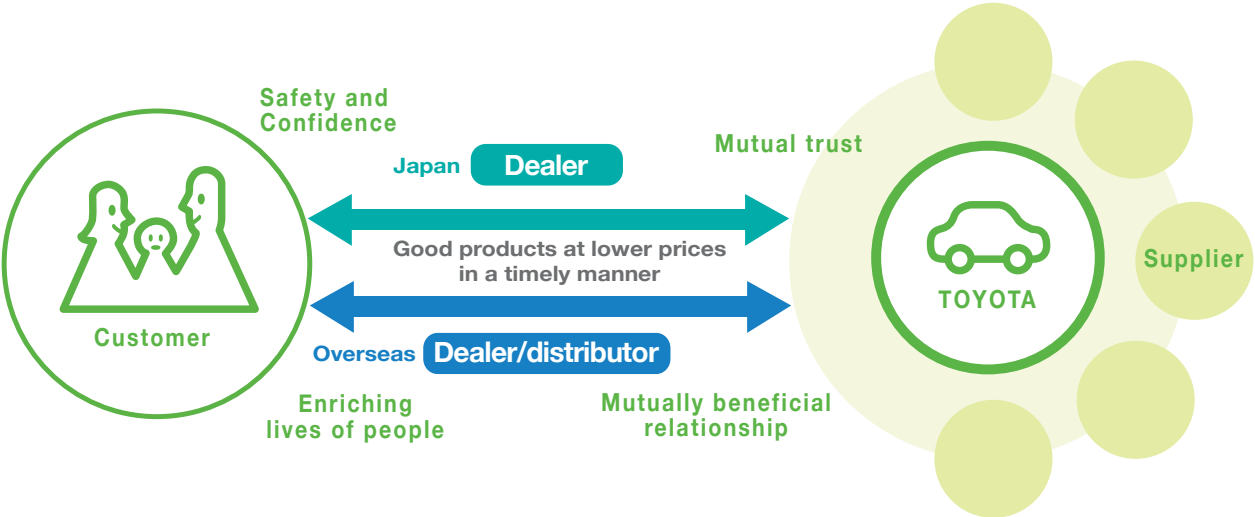
Collaboration with Suppliers

Since its establishment, Toyota has sought to work closely with its suppliers in its manufacturing activities. In good times and bad, Toyota and its suppliers have faced the same issues together and Toyota has built strong and close relationships with them based on the need for mutual support and a harmonious society. The strong foundation based on solid relationships with suppliers helped quickly restore normality to production systems after the Great East Japan Earthquake. With the recent globalization of business activities we will cherish these ties-including those with our new partners-and together we will promote our Customer First policy.

IMC recognizes that its future growth and sustainability is reliant on having capable and dependable local parts manufacturers. Sourcing components from the domestic market reduces the company's exposure to exchange rate fluctuations and strengthens Pakistan's economy. Consequently, over Rs 14 billion worth of parts were source from Tier 1 local vendors in 2013-14 and this amount is set to increase as we pursue

Toyota's Basic Purchasing Policies

The role that ought to be played by a purchasing function is to ensure stable, long-term purchasing of the best products in the world at the lowest prices and in the most speedy and timely manner. In order to achieve this, Toyota believes that the most important task in purchasing is the creation of relationships in which suppliers in various countries and regions and Toyota do business on an equal footing based on mutual respect, thus building firm bonds of trust and promoting mutual growth and development. Toyota's global purchasing activities based on close cooperation revolve around the following three policies making up the Basic Purchasing Policies.





greater localization. In addition, IMC also support some 500 tier 2 and tier 3 suppliers indirectly.

IMC continues to work closely with the government of Pakistan and the local industry to implement supplier improvement initiatives. These are aimed to achieve industry alignment with outside world so that Pakistan's automotive industry become globally competitive.

Dealer Conference 2013

During the year, IMC hosted the 22nd Annual Dealers Conference aimed at recognizing nationwide dealership performance for 2012-13. The theme of the conference was "Drive The Change" and was targeted at emphasizing the need for the dealership team to harness the

potential of the sales force to reach out to customers more proactively and delighting them with superior experience. Representatives from TMC, TMAP, DMC and HOH also graced the occasion. The Nationwide Service Award was shared by Toyota GT Motors and Toyota Layallpur Motors, whereas the Customer Relations award was won by Toyota Defence Motors. The overall Nationwide Best Sales Award winner was Toyota Central Motors.



Toyota Central Motors Wins the Nationwide Best Performance Award



BEYOND COMFORT

Corolla's Suspensions are designed to offer drive comfort and durability in view of local road conditions. Corolla vehicles are known to offer best in class ground clearance.



STATEMENT OF COMPLIANCE WITH THE  
CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation 35 of the Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. At the year ended June 30, 2014, the Board consists of the following Non-Executive and Executive Directors:
- Non Executive Directors

Mr. Ali S. Habib  
Mr. Kyoichi Tanada  
Mr. Tetsuro Hirai  
Mr. Farhad Zulficar  
Mr. Mohamedali R. Habib  
Mr. Raza Ansari

Chairman  
Director  
Director  
Director  
Director  
Director

Executive Directors

Mr. Keiichi Murakami  
Mr. Parvez Ghias  
Mr. Yoshiyuki Matsuo

Vice Chairman  
Chief Executive  
Senior Director Manufacturing
2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. During the year, two casual vacancies occurred on the Board on July 4, 2013 and January 1, 2014, that were duly filled by the new Directors, namely Mr. Tetsuro Hirai and Mr. Yoshiyuki Matsuo respectively, on the same day.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps are taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has adopted a Vision / Mission statement, overall corporate strategy and significant policies of the Company prepared by the management. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive (CEO) and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, the Board has arranged orientation courses for the Directors. During the year one (01) more Director has obtained the certificate of Directors Training Course from the Pakistan Institute of Corporate Governance (PICG).
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit earlier, including their remuneration and terms and conditions of employment. However, no new appointment was made during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board of Directors has put in place and implemented a mechanism for undertaking annual evaluation of the performance of the Board.
16. The Board has formed an Audit Committee. It comprises of five members, who are non-executive directors including the Chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formulated and advised to the committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom three are non-executive directors including the Chairman of the committee.
19. The Board has set-up an effective internal audit function within the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, executives and stock exchanges.
23. Material / prices sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi  
August 27, 2014.

  
**Parvez Ghias**  
Chief Executive

  
**Keiichi Murakami**  
Vice Chairman & Director



*A. F. FERGUSON & CO.*

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

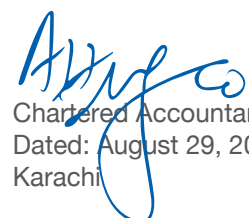
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Indus Motor Company Limited** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

Regulation 35 (x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

  
Chartered Accountants  
Dated: August 29, 2014  
Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Lahore: 25-C, Aziz Avenue, Central Bank, Gulberg V, P.O. Box 59, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715870  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Faisal-ul-Haq Road, P.O. Box 3102, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277944  
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yagub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320



*A. F. FERGUSON & CO.*

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **Indus Motor Company Limited** as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.1.2 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

  
Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: August 29, 2014  
Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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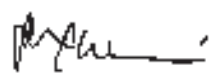


## BALANCE SHEET

As at June 30, 2014

	Note	2014 (Rupees in '000)	2013 (Restated) (Rupees in '000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	3	6,033,264	2,742,140
Long-term loans and advances	4	29,392	131,337
Long-term deposits	5	9,667	9,667
Deferred taxation	16	-	34,346
		<b>6,072,323</b>	<b>2,917,490</b>
<b>Current assets</b>			
Stores and spares	6	141,659	153,669
Stock-in-trade	7	4,469,460	7,883,309
Trade debts	8	1,737,358	1,382,761
Loans and advances	9	1,006,010	1,557,897
Short-term prepayments	10	14,942	10,799
Accrued return		87,354	12,155
Other receivables	11	175,689	163,109
Investments	12	4,332,387	6,698,121
Taxation - payment less provision	20	1,216,369	131,363
Cash and bank balances	13	6,857,084	4,195,302
		<b>20,038,312</b>	<b>22,188,485</b>
<b>TOTAL ASSETS</b>		<b>26,110,635</b>	<b>25,105,975</b>
<b>EQUITY</b>			
<b>Share capital</b>			
Authorised capital 100,000,000 (2013: 100,000,000) Ordinary shares of Rs 10 each		<b>1,000,000</b>	<b>1,000,000</b>
Issued, subscribed and paid-up capital	14	<b>786,000</b>	<b>786,000</b>
Reserves	15	<b>19,129,652</b>	<b>16,907,291</b>
		<b>19,915,652</b>	<b>17,693,291</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred taxation	16	<b>218,949</b>	<b>-</b>
<b>Current liabilities</b>			
Trade, other payables and provisions	17	<b>4,252,853</b>	<b>6,013,852</b>
Advances from customers and dealers	18	<b>1,723,181</b>	<b>1,398,698</b>
Accrued mark-up		<b>-</b>	<b>134</b>
Short-term running finances	19	<b>-</b>	<b>-</b>
		<b>5,976,034</b>	<b>7,412,684</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	21		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,110,635</b>	<b>25,105,975</b>

The annexed notes 1 to 44 form an integral part of these financial statements.



**Parvez Ghias**  
Chief Executive



**Keiichi Murakami**  
Vice Chairman & Director

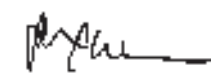
## PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2014

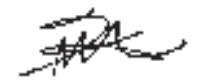
	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>Net sales</b>	22	<b>57,063,622</b>	<b>63,829,075</b>
Cost of sales	23	<b>51,270,040</b>	<b>57,972,038</b>
<b>Gross profit</b>		<b>5,793,582</b>	<b>5,857,037</b>
Distribution expenses	24	<b>793,509</b>	<b>814,228</b>
Administrative expenses	25	<b>634,628</b>	<b>643,978</b>
		<b>1,428,137</b>	<b>1,458,206</b>
		<b>4,365,445</b>	<b>4,398,831</b>
Other operating expenses	27	<b>424,010</b>	<b>436,192</b>
		<b>3,941,435</b>	<b>3,962,639</b>
Other income	28	<b>1,113,316</b>	<b>1,037,840</b>
		<b>5,054,751</b>	<b>5,000,479</b>
Finance cost	29	<b>38,254</b>	<b>30,704</b>
<b>Profit before taxation</b>		<b>5,016,497</b>	<b>4,969,775</b>
Taxation	30	<b>1,143,045</b>	<b>1,612,230</b>
<b>Profit after taxation</b>		<b>3,873,452</b>	<b>3,357,545</b>
<b>Earnings per share</b>			
	31	<b>49.28</b>	<b>42.72</b>

(Rupees)

The annexed notes 1 to 44 form an integral part of these financial statements.



**Parvez Ghias**  
Chief Executive



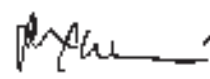
**Keiichi Murakami**  
Vice Chairman & Director

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013 (Restated) (Rupees in '000)
<b>Profit for the year</b>		<b>3,873,452</b>	3,357,545
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit and loss account			
(Loss) / gain on remeasurements of defined benefit plan - net of tax	2.1.2	<b>(491)</b>	868
<b>Total comprehensive income for the year</b>		<b>3,872,961</b>	3,358,413

The annexed notes 1 to 44 form an integral part of these financial statements.



**Parvez Ghias**  
Chief Executive



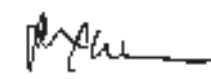
**Keiichi Murakami**  
Vice Chairman & Director

## CASH FLOW STATEMENT

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	32	<b>7,593,767</b>	2,253,021
Interest paid		<b>(162)</b>	(324)
Workers' Profit Participation Fund paid		<b>(270,000)</b>	(264,000)
Workers' Welfare Fund paid		<b>(103,941)</b>	(132,181)
Interest received		<b>243,356</b>	419,730
Income tax paid		<b>(1,974,514)</b>	(2,000,421)
Movement in long-term loans and advances		<b>101,945</b>	(125,322)
Movement in long-term deposits and prepayments		<b>-</b>	(1,845)
<b>Net cash generated from operating activities</b>		<b>5,590,451</b>	148,658
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		<b>(4,210,915)</b>	(547,055)
Proceeds from disposal of fixed assets		<b>52,429</b>	35,408
Investment in listed mutual fund units		<b>(4,569,000)</b>	(15,191,959)
Proceeds from redemption of listed mutual fund units		<b>8,929,456</b>	11,441,973
Purchase of Market Treasury Bills		<b>(10,509,912)</b>	(7,729,660)
Proceeds from redemption of Market Treasury Bills		<b>9,039,811</b>	7,912,508
<b>Net cash used in investing activities</b>		<b>(1,268,131)</b>	(4,078,785)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		<b>(1,660,538)</b>	(2,645,871)
<b>Net cash used in financing activities</b>		<b>(1,660,538)</b>	(2,645,871)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,661,782</b>	(6,575,998)
Cash and cash equivalents at the beginning of the year		<b>4,195,302</b>	10,771,300
<b>Cash and cash equivalents at the end of the year</b>	33	<b>6,857,084</b>	4,195,302

The annexed notes 1 to 44 form an integral part of these financial statements.



**Parvez Ghias**  
Chief Executive



**Keiichi Murakami**  
Vice Chairman & Director



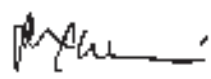
## STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

	Share capital		Reserves				
	Issued, subscribed and paid-up	Capital Premium on issue of ordinary shares	Revenue		Unrealized gain/(loss) on hedging instruments	Sub-total	Total
			General reserve	Unappro- priated profit			

Proposed final dividend and transfer between reserves made subsequent to the year ended June 30, 2014 are disclosed in note 42 to these financial statements.

The annexed notes 1 to 44 form an integral part of these financial statements.



**Parvez Ghias**  
Chief Executive



**Keiichi Murakami**  
Vice Chairman & Director

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 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 and Daihatsu vehicles in Pakistan and has a license for assembling, progressive manufacturing and marketing of these vehicles in Pakistan.

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

### 2 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 New and amended standards and interpretations to published approved accounting standards that are effective in the current year

IAS 19 (revised) 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires remeasurements to be recognised in the Balance Sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. The Company has applied the standard retrospectively in accordance with the transitional provision of the standard and comparative figures have been restated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

The effects have been summarised below:

	June 30 2014	June 30 2013	June 30 2012
	(Rupees in '000)		
<b>Impact on Balance Sheet</b>			
Increase / (decrease) in other assets	151	884	(438)
(Decrease) / Increase in deferred tax asset	(59)	(301)	153
	92	583	(285)
<b>Impact on Statement of Comprehensive Income</b>			
Remeasurements of defined benefit plan	(733)	1,322	-
Tax on remeasurement of defined benefit plan	242	(454)	-
	(491)	868	-
<b>Impact on Statement of Changes in Equity</b>			
Increase / (decrease) in unappropriated profit	-	-	(285)
- Cumulative effect - prior years	(491)	868	-
- Impact for the year	(491)	868	(285)

The Company had not recognised any amounts in respect of remeasurements in the profit and loss accounts for the years ended June 30, 2012 and June 30, 2013. Therefore, there is no impact of this change on the profit after taxation and earnings per share for those years. Retrospective application of IAS 19 has immaterial effect on the information in the balance sheet at the beginning of the preceding period i.e. at July 1, 2012. Accordingly, the balance sheet for the year ended June 30, 2012 has not been disclosed.

The Company's policy for Staff Retirement Benefits (note 2.15) has been amended to comply with the requirement of IAS 19 (revised). The revised standard also requires additional disclosures to present the characteristics of benefit plans and risks associated with them and a description of how the defined benefit plan may affect the amount, timing and uncertainty of the Company's future cash flows. These disclosures have been set out in note 26 to these financial statements.

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any material effect on the Company's operations and are therefore not detailed in these financial statements.

2.1.3 New and amended standards and interpretations to published approved accounting standards that are not yet effective in the current year

There are certain new and amended standards and interpretations to published approved accounting standards that are mandatory for the Company's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any material effect on the Company's operations and are therefore not detailed in these financial statements.

2.1.4 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 exercised by management in the application of accounting policies are disclosed in note 2.21 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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 and accumulated impairment losses, if any, except capital work-in-progress which is stated at cost less accumulated impairment losses, if any.

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 the profit and loss account.

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.

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 the profit and loss account.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 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.

Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.

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 comprise of trade debts, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

##### 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

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 and (c) financial assets 'at fair value through profit or loss'.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 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. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the assets. 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 while the 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' and '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) Financial assets classified as 'Loans and receivables' and '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) Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty or default in payments, the probability that they will enter bankruptcy, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

b) Assets classified as 'available for sale'

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any evidence for impairment exist, the cumulative loss is removed from equity and recognised in the profit and loss account. For investments, other than equity instruments, the increase in fair value in a subsequent period thereby resulting in reversal of impairment is reversed through the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through 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 a intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

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 derivate 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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 the profit or loss account.

2.10 Taxation

Current

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.

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 or substantively 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, and recognises the estimated product warranty costs in the profit and loss account when the sale is recognised.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 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 sets 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.

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. Contributions are made to cover the pension obligations in respect of the members governed by the Old Rules on the basis of actuarial recommendations.

As more fully stated in note 2.1.2 the amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the period in which they occur.

The Projected Unit Credit Method, using the following significant assumptions, is used for the valuation of the pension liability at June 30, 2014 in respect of members governed by the Old Rules:

- Expected rate of increase in salaries at 12.50% (2013: 10.00%) per annum.
- Expected rate of return on plan assets at 13.50% (2013: 11.50%) per annum.
- Expected rate of increase in long term pension at 8.5% (2013: 6%) per annum.
- Expected discount rate at 13.50% (2013: 13.50%) 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 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.

Dividend income is recognised when the right to receive dividend is established.

Income on Market Treasury Bills is accrued using the effective interest rate method.

### 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.

### 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)

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

#### ii) Provision for slow moving stores and spares (notes 2.4 and 6)

The Company exercises judgment and makes provision for slow moving stores and spares based on their future usability. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

#### iii) Provision for slow moving stock-in-trade (notes 2.5 and 7)

The Company exercises judgment and makes provision for slow moving stock-in-trade based on their future usability and recoverable value. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

For the year ended June 30, 2014

- The Company makes provisions for doubtful debts when the collection of full amount is no longer probable. Management believes that changes in outcome of estimates will not have a material effect on the financial statements.

- The Company takes into account its intention for classification of investment as mentioned in note 2.6.1.1 at the time of purchase. The valuation of investments is done based on the criteria mentioned in notes 2.6.1.2, 2.6.1.3 and 2.6.1.4.

- The Company takes into account the current income tax law and the decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on the items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

- The Company exercises professional judgment, based on the history of warranty claims entertained, number of cars eligible for warranty and its internal risk assessment while making assessment of obligation in respect of warranty.

- The Company has post retirement benefit obligations, which are determined through actuarial valuations as carried out by an independent actuary using various assumptions as disclosed in note 26 to these financial statements.

The Company uses ‘management approach’ for segment reporting, under which segment information is required to be presented on the same basis as that used for internal reporting purposes. Operating segments have been determined and presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company has determined operating segments on the basis of business activities i.e. manufacturing and trading activities. 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.

	Note	2014 (Rupees in '000)	2013
<b>3 FIXED ASSETS</b>			
Property, plant and equipment	3.1	6,032,201	2,742,136
Intangible assets	3.2	1,063	4
		<b>6,033,264</b>	<b>2,742,140</b>
<b>3.1 Property, plant and equipment</b>			
Operating assets	3.2	5,746,600	2,563,381
Capital work-in-progress	3.5	285,601	178,755
		<b>6,032,201</b>	<b>2,742,136</b>

For the year ended June 30, 2014

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

2014												
	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, moulds and related equipments	Total tangible assets	Computer software
(Rupees in '000)												
At July 1, 2013												
Cost	38,662	997,437	124,475	6,273,622	282,619	191,837	80,136	207,622	602,535	1,363,848	10,162,793	37,552
Accumulated depreciation / amortisation	14,949	683,196	52,480	4,614,115	147,078	148,886	66,171	182,127	516,328	1,194,082	7,599,412	37,548
Net book value	23,713	334,241	71,995	1,659,507	135,541	42,951	13,965	25,495	86,207	169,766	2,563,381	4
Year ended June 30, 2014												
Opening net book value	23,713	334,241	71,995	1,659,507	135,541	42,951	13,965	25,495	86,207	169,766	2,563,381	4
Additions	-	102,460	1,548	2,096,285	55,004	8,856	14,033	5,824	53,714	1,764,867	4,102,591	1,478
Disposals / write offs												
Cost	-	-	-	458	72,466	-	1,729	15,350	8,694	-	98,697	-
Depreciation	-	-	-	458	48,883	-	1,345	15,000	8,675	-	74,361	-
Depreciation / amortisation charge for the year	921	76,529	5,607	566,355	46,788	19,917	6,112	18,547	32,786	121,474	895,036	419
Closing net book value	22,792	360,172	67,936	3,189,437	120,174	31,890	21,502	12,422	107,116	1,813,159	5,746,600	1,063
At June 30, 2014												
Cost	38,662	1,099,897	126,023	8,369,449	265,157	200,693	92,440	198,096	647,555	3,128,715	14,166,687	39,030
Accumulated depreciation / amortisation	15,870	739,725	58,087	5,180,012	144,983	168,803	70,938	185,674	540,439	1,315,556	8,420,087	37,967
Net book value	22,792	360,172	67,936	3,189,437	120,174	31,890	21,502	12,422	107,116	1,813,159	5,746,600	1,063
Depreciation / amortisation rate % per annum	2.38%	10%	5%	10%-20%	20%	20%	20%	33.33%	20%	20%-25%		33.33%



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2013										Intangible assets	
	Tangible assets										Total tangible assets	Computer software
	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, moulds and related equipments		
At July 1, 2012												
Cost	38,662	983,477	101,420	6,056,792	274,205	191,524	79,779	203,769	569,624	1,454,234	9,953,486	37,552
Accumulated depreciation / amortisation	13,814	584,784	47,948	3,859,270	124,221	129,338	61,856	166,949	502,456	1,142,394	6,633,030	36,241
Net book value	24,848	398,693	53,472	2,197,522	149,984	62,186	17,923	36,820	67,168	311,840	3,320,456	1,311
Year ended June 30, 2013												
Opening net book value	24,848	398,693	53,472	2,197,522	149,984	62,186	17,923	36,820	67,168	311,840	3,320,456	1,311
Additions	-	13,960	23,055	291,920	51,790	9,787	3,286	11,793	52,784	61,064	519,439	-
Disposals / write offs	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	75,090	43,376	9,474	2,929	7,940	19,873	151,450	310,132	-
Depreciation	-	-	-	74,512	26,051	9,423	2,772	7,479	19,836	151,450	291,523	-
Depreciation / amortisation charge for the year	1,135	78,412	4,532	829,357	48,908	28,971	7,087	22,657	33,708	203,138	1,257,905	1,307
Closing net book value	23,713	334,241	71,995	1,659,507	135,541	42,951	13,965	25,495	86,207	169,766	2,563,381	4
At June 30, 2013												
Cost	38,662	997,437	124,475	6,273,622	282,619	191,837	80,136	207,622	602,535	1,363,848	10,162,793	37,552
Accumulated depreciation / amortisation	14,949	663,196	52,480	4,614,115	147,078	148,886	66,171	182,127	516,328	1,194,082	7,599,412	37,548
Net book value	23,713	334,241	71,995	1,659,507	135,541	42,951	13,965	25,495	86,207	169,766	2,563,381	4
Depreciation / amortisation rate % per annum	2.38%	10%	5%	10%-20%	20%	20%	20%	33.33%	20%	20%-25%	33.33%	33.33%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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

	Note	2014	2013
		(Rupees in '000)	
Cost of sales - own manufactured	23	834,739	1,191,554
Distribution expenses	24	33,494	38,857
Administrative expenses	25	26,803	27,494
		895,036	1,257,905

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) -----							
Office Equipment							
	128	77	51	77	26	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	128	77	51	77	26	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	128	77	51	77	26	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	113	59	55	47	(7)	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	113	59	55	47	(7)	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	113	59	55	47	(7)	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
EDP Equipment							
	130	61	69	72	3	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
Vehicles							
	990	165	825	901	76	Bid	Toyota Southern Motors, Karachi
	1,384	1,176	208	1,105	897	Tender	Mr.Irfan Razzak, Karachi
	2,900	1,305	1,595	2,626	1,031	Tender	Mr. M. Asif, Karachi
	8,200	2,870	5,330	4,112	(1,218)	Bid	Toyota Southern Motors, Karachi
	4,400	1,247	3,153	4,382	1,228	Bid	Toyota Southern Motors, Karachi
	1,860	1,488	372	956	584	Tender	Mr.Shahid Iqbal, Karachi
	1,431	1,049	382	1,320	938	Tender	Mr.Adam Khan Afridi, Karachi
	1,500	750	750	697	(53)	Tender	Mr.M.Jamil Ahmad, Karachi
	1,810	905	905	915	10	Tender	Mr.Shahid Iqbal, Karachi
	1,999	1,266	733	1,250	517	Tender	Mr.Shahid Iqbal, Karachi
	1,426	832	594	1,022	428	Empoyee Scheme	Mr.Muhammad Omar Razzaq (Employee)
	1,554	699	855	855	-	Empoyee Scheme	Mr.Khalid Aslam (Ex-Employee)
	1,899	1,013	886	886	-	Empoyee Scheme	Mr.Tamkin Ahmed (Ex-Employee)
	654	569	85	239	154	Empoyee Scheme	Mr.Imran Bashir (Employee)
	990	132	858	990	132	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	1,414	919	495	1,414	919	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	874	291	583	874	291	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	1,504	727	777	1,504	727	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	874	335	539	874	335	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	894	298	596	894	298	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	894	298	596	894	298	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	1,879	814	1,065	1,879	814	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	1,730	1,096	634	1,730	1,096	Insurance Claim	Habib Insurance Company Limited, Karachi-Related Party
	990	264	726	849	123	Negotiation	Nobel Computers Services (Private) Limited, Karachi

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014 (Rupees in '000)	2013
<b>3.5 Capital work-in-progress</b>		
Civil works	22,000	61,000
Plant and machinery	188,495	49,000
Furniture and fixtures	-	7,700
Computer and related accessories	-	1,737
Tools and equipment	25,000	14,460
Jigs, moulds and related equipments	50,106	44,858
	<b>285,601</b>	<b>178,755</b>

3.6 During the year, capital work-in-progress amounting to Rs 4,003.575 million (2013: Rs 429.809 million) was transferred to owned assets.

	Note	2014 (Rupees in '000)	2013
<b>4 LONG-TERM LOANS AND ADVANCES</b>			
<b>Considered good</b>			
Loans due from - secured			
- Executives	4.2 & 4.3	18,729	18,531
- Employees		5,885	5,170
	4.1	24,614	23,701
Advances to suppliers - unsecured	4.4	55,071	473,635
		<b>79,685</b>	<b>497,336</b>
<b>Less: Recoverable within one year shown under current assets</b>			
Loans due from - secured			
- Executives	9	12,791	12,733
- Employees	9	5,629	4,869
Advances to suppliers - unsecured	9	31,873	348,397
		<b>50,293</b>	<b>365,999</b>
		<b>29,392</b>	<b>131,337</b>

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 (2013: 12 to 72) months. House building and personal loans to management employees carry interest at the rate of 3.00% to 3.50% (2013: 3.00% to 3.50%) per annum. Non-management employees are entitled to personal loans which carry no interest.

	2014 (Rupees in '000)	2013
<b>4.2 Reconciliation of carrying amount of loans to executives is as follows:</b>		
Opening balance	18,531	13,088
Disbursements during the year	24,909	23,969
Repayments during the year	(24,711)	(18,526)
Closing balance	<b>18,729</b>	<b>18,531</b>

4.3 The maximum aggregate amount due from executives at the end of any month, during the year was Rs 20.835 million (2013: Rs 20.995 million).

4.4 These represent advances to suppliers which are deducted from payments in respect of supplies over a period of 1 to 2 years (2013: 2 to 3 years). These carry interest at the rate of 3 months KIBOR plus 1% (2013: 3 months KIBOR plus 1%) per annum.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>5 LONG-TERM DEPOSITS</b>			
Utilities		7,169	7,169
Others	5.1	2,498	2,498
		<b>9,667</b>	<b>9,667</b>

5.1 These include a deposit made against rent to a related party - Habib Metro Pakistan (Private) Limited amounting to Rs 2.005 million (2013: Rs 2.005 million).

	Note	2014 (Rupees in '000)	2013
<b>6 STORES AND SPARES</b>			
Stores		156,568	185,603
Spares		250,249	236,974
		<b>406,817</b>	<b>422,577</b>
Less: Provision for slow moving stores and spares		(265,158)	(268,908)
		<b>141,659</b>	<b>153,669</b>

<b>7 STOCK-IN-TRADE</b>			
<b>In hand</b>			
<b>Manufacturing stock</b>			
Raw material and components		1,672,705	2,618,469
Less: Provision for slow moving stock		(10,097)	(58,647)
		<b>1,662,608</b>	<b>2,559,822</b>
Work-in-process		214,910	378,502
Finished goods (vehicles – own manufactured)	7.1	434,134	1,660,295
Less: Provision for slow moving stock		-	(897)
		<b>2,311,652</b>	<b>4,597,722</b>
<b>Trading stock</b>			
Vehicles	7.1	271,825	153,848
Less: Provision for slow moving stock		(5,030)	(5,473)
		<b>266,795</b>	<b>148,375</b>
Spare parts		436,208	452,020
Special service tools and publications		10,182	7,280
Less: Provision for slow moving stock		(95,666)	(137,801)
		<b>350,724</b>	<b>321,499</b>
<b>In transit</b>		<b>1,540,289</b>	<b>2,815,713</b>
		<b>4,469,460</b>	<b>7,883,309</b>

7.1 These include vehicles amounting to Rs 618.789 million (2013: Rs 812.391 million) held with the Company's authorised dealers at year end.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>8 TRADE DEBTS - unsecured</b>			
<b>Considered good</b>			
Government agencies		1,247,773	445,369
Others		489,585	937,392
		1,737,358	1,382,761
<b>Considered doubtful</b>		643	330
		1,738,001	1,383,091
Less: Provision for doubtful debts	8.1	(643)	(330)
		1,737,358	1,382,761
<b>8.1 Provision for doubtful debts</b>			
Balance at July 1		330	2,104
Add: Provision made during the year		313	330
		643	2,434
Less: Bad debts written off during the year		-	(2,104)
Balance at June 30		643	330

**8.2** As at June 30, 2014, Rs 747.492 million (2013: Rs 117.286 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	2014 (Rupees in '000)	2013
Up to 1 month		1,761	33,256
1 to 6 months		518,836	56,068
More than 6 months		226,895	27,962
		747,492	117,286

### 9 LOANS AND ADVANCES

<b>Current portion of long-term loans and advances - considered good</b>			
Loans due from - secured			
- Executives	4	12,791	12,733
- Employees	4	5,629	4,869
Advances to suppliers - unsecured	4	31,873	348,397
		50,293	365,999
<b>Advances - considered good</b>			
Suppliers and contractors		51,024	175,842
Employees		1,779	4,743
Collector of Customs	9.1	860,709	1,010,999
Margin with banks		42,205	314
		955,717	1,191,898
		1,006,010	1,557,897

**9.1** This represents amounts paid to the Collector of Customs in respect of the import of stock-in-trade. The entire amount was cleared subsequent to the year end.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>10 SHORT-TERM PREPAYMENTS</b>			
Rent		1,748	1,327
Insurance		6,098	2,730
Others		7,096	6,742
	10.1	14,942	10,799

**10.1** This includes an amount of Rs 3.053 million (2013: Nil) paid to related parties.

	Note	2014 (Rupees in '000)	2013 Restated
<b>11 OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Warranty claims and other receivables due from a related party			
- Toyota Tsusho Corporation and its affiliates	11.1	8,734	8,631
Agency commission - Toyota Tsusho Asia Pacific PTE. Ltd.	11.1	121,063	23,559
Warranty claims due from local vendors		1,864	3,127
Earnest money		7,805	8,835
Insurance claims receivable from related party - Habib Insurance Company Limited		9,886	181
Sales tax - net		-	109,175
Workers' Profit Participation Fund	11.2	622	37
Receivable against sale of fixed assets		577	354
Receivable from Pension Fund - Defined Benefit Scheme	26.2	-	884
Receivable from Customs		20,861	-
Others		4,277	8,326
		175,689	163,109

**11.1** The maximum aggregate amount due from related parties at the end of any month, during the year was Rs 144.269 million (2013: Rs 362.653 million).

	Note	2014 (Rupees in '000)	2013
<b>11.2 Workers' Profit Participation Fund</b>			
Opening receivable		37	3,051
Add: Allocation for the year	27	(269,415)	(267,014)
		(269,378)	(263,963)
Less: Amount paid during the year		270,000	264,000
Closing receivable		622	37

### 12 INVESTMENTS

<b>Financial assets 'at fair value through profit or loss' - held for trading</b>			
- Mutual Fund Units	12.1 & 12.2	-	4,018,912
<b>Held to Maturity</b>			
- Government securities - Market Treasury Bills	12.3	4,332,387	2,679,209
		4,332,387	6,698,121

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	Market value as at June 30 2014	2013
(Rupees in '000)			
<b>12.1 Mutual Fund Units</b>			
NAFA Government Securities Liquid Fund		-	706,476
HBL Money Market Fund		-	649,305
Askari Sovereign Cash Fund		-	198,670
MCB Cash Management Optimizer Fund		-	919,642
Meezan Cash Fund		-	99,276
UBL Liquidity Plus Fund		-	746,888
ABL Cash Fund		-	500,053
Lakson Money Market Fund		-	198,602
		-	4,018,912
<b>12.2 Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - 'held for trading'</b>		<b>2014</b>	<b>2013</b>
		(Rupees in '000)	
Market value of securities		-	4,018,912
Less: carrying value of securities		-	4,004,223
	28	-	14,689
<b>12.3</b> These securities have a tenor of 3 months and have varying maturities ranging from July 10, 2014 to September 18, 2014. The yield on these securities ranges from 9.9383% - 9.9564% (2013: 9.2301% - 9.4114%).			
	Note	<b>2014</b>	<b>2013</b>
		(Rupees in '000)	
<b>13 CASH AND BANK BALANCES</b>			
Cash in hand		<b>2,818</b>	358
With banks in:			
Current accounts		<b>17,577</b>	19,357
Deposit accounts	13.1	<b>6,836,689</b>	4,175,587
	13.2	<b>6,854,266</b>	4,194,944
		<b>6,857,084</b>	4,195,302
<b>13.1</b> As at June 30, 2014, the company holds fixed deposit receipts of Rs. 4,788.727 million having maturity dates ranging between 7 to 79 days carrying profit rates ranging between 8.85% to 10.50% per annum.			
<b>13.2</b> Balances with banks include an amount of Rs 3,553 million (2013: Rs 1,862 million), [including Rs. 1,600 million fixed deposit receipts (2013: Nil) as referred to in note 13.1] held with related parties namely Habib Metropolitan Bank Limited amounting to Rs 3,284 million (2013: Rs 1,533 million) and Standard Chartered Bank (Pakistan) Limited amounting to Rs 269 million (2013: Rs 329 million).			
<b>14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
		<b>2014</b>	<b>2013</b>
		(Number of shares in '000)	
		<b>78,600</b>	78,600
Ordinary shares of Rs. 10 each fully paid in cash		<b>786,000</b>	786,000

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014	2013 (Restated)
(Rupees in '000)			
<b>15 RESERVES</b>			
<b>Capital reserve</b>			
Premium on issue of ordinary shares		<b>196,500</b>	196,500
<b>Revenue reserves</b>			
<b>General reserve</b>			
Balance brought forward		<b>13,351,050</b>	12,351,050
Transferred from unappropriated profit		<b>1,500,000</b>	1,000,000
		<b>14,851,050</b>	13,351,050
<b>Unappropriated profit</b>		<b>4,082,102</b>	3,359,741
		<b>19,129,652</b>	16,907,291
<b>16 DEFERRED TAXATION</b>			
<b>Deferred tax liability arising on taxable temporary differences:</b>			
Due to accelerated tax depreciation		<b>392,158</b>	96,951
Others		<b>1,080</b>	301
<b>Deferred tax asset arising on deductible temporary differences:</b>			
In respect of certain provisions		<b>(174,047)</b>	(129,739)
Others		<b>(242)</b>	(1,859)
		<b>218,949</b>	(34,346)
<b>17 TRADE, OTHER PAYABLES AND PROVISIONS</b>		<b>2014</b>	<b>2013</b>
		(Rupees in '000)	
Trade creditors			
- Associated undertakings / related parties		<b>74,958</b>	144,034
- Others		<b>221,541</b>	795,825
Bills payable to associated undertakings / related parties		<b>845,260</b>	1,623,210
Accrued liabilities	17.1	<b>1,680,576</b>	1,527,339
Unclaimed dividends		<b>59,003</b>	68,941
Royalty payable to associated undertakings / related parties:			
- Toyota Motor Corporation		<b>147,310</b>	256,617
- Daihatsu Motor Company		<b>691</b>	1,074
Security deposits from dealers	17.2	<b>147,300</b>	91,300
Customs duty payable		-	194,484
Retention money		<b>31,852</b>	12,517
Workers' Welfare Fund		<b>108,526</b>	110,089
Technical fee		<b>2,470</b>	4,986
Warranty obligations	17.3	<b>628,147</b>	573,999
Payable to dealers		<b>97,185</b>	262,723
Sales tax - net		<b>72,601</b>	-
Tax deducted at source		<b>6,047</b>	18,416
Net unrealised loss on revaluation of foreign exchange contracts - fair value hedge		<b>2,942</b>	9,667
Payable to Pension Fund - Defined Benefit Scheme	26.2	<b>732</b>	-
Other government levies payable		<b>125,712</b>	318,631
		<b>4,252,853</b>	6,013,852
<b>17.1</b> This includes an amount of Rs 178.51 million (2013: Rs 65.501 million) payable to associated undertakings / related parties.			
<b>17.2</b> These represent interest free deposits repayable to dealers upon the termination of dealership agreements.			



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	2014	2013
	(Rupees in '000)	
<b>17.3 Warranty obligations</b>		
Opening balance	573,999	512,872
Add: Charge for the year	105,797	101,762
	679,796	614,634
Less: Utilisation during the year	(51,649)	(40,635)
	628,147	573,999
<b>18 ADVANCES FROM CUSTOMERS AND DEALERS</b>	1,723,181	1,398,698

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

### 19 SHORT-TERM RUNNING FINANCES

At June 30, 2014, the Company has unutilised short-term running finance facilities under mark-up arrangements aggregating Rs 4,700 million (2013: Rs 4,650 million) available from various commercial banks carrying mark-up rates based on 1 month KIBOR as benchmark rate plus 25 basis points (2013: 1 month KIBOR plus 25 basis points). The above facilities include an amount of Rs 1,500 million (2013: 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, 2014 amounting to Rs 17,700 million (2013: Rs 16,700 million) from various commercial banks, including Rs 7,500 million (2013: Rs 7,000 million) available from related parties. The unutilised balance at June 30, 2014 was Rs 9,080 million (2013: Rs 9,645 million).

Short-term running finance and bank guarantees are secured by pari passu hypothecation charge to the extent of Rs 8,043 million (2013: Rs 8,043 million) on movable assets and receivables.

### 20 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, 2013.

### 21 CONTINGENCIES AND COMMITMENTS

#### Contingencies

- 21.1** The Company, during the years 2005-2006 and 2006-2007, 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 year ended June 30, 2010, 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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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.

- 21.2** As at June 30, 2014, the claims not acknowledged as debt by the company amounts to Rs 984.523 million (2013: Rs 731.037 million).

	Note	2014	2013
		(Rupees in '000)	
Cases filed by the dealers		300,000	300,000
Cases filed by government authorities		494,647	264,104
Others	21.2.1	189,876	167,203
	21.2.2	984,523	731,307

- 21.2.1** Others mainly represents cases filed by the customers against the company in various courts and are pending adjudication.

- 21.2.2** The management of the Company contends that the Company has a strong position in these cases and these cases will be decided in favour of the Company.

	2014	2013
	(Rupees in '000)	
<b>21.3 Outstanding bank guarantees</b>	3,672,013	2,348,157

Outstanding bank guarantees include an amount of Rs 1,795.011 million (2013: Rs 1,414.986 million) in respect of bank guarantees from related parties.

#### Commitments

- 21.4** Commitments in respect of capital expenditure at June 30, 2014 amounted to Rs 179.702 million (2013: Rs 755.136 million).

- 21.5** Commitments in respect of letters of credit, other than for capital expenditure, amounted to Rs 4,923.620 million (2013: Rs 3,749.555 million) out of which commitments valuing Japanese Yen 861.010 million (2013: Japanese Yen 244.044 million) and USD 14.5 million (2013: Nil) are covered through foreign exchange contracts. The above letters of credit include an amount of Rs 2,176.503 million (2013: Rs 1,850.782 million) availed from related parties.

- 21.6** Commitments in respect of land rent and maintenance charges against leasehold land from Port Qasim Authority as at June 30, 2014 amounted to Rs 206.073 million (2013: Rs 210.485 million).

Year	2014	2013
	(Rupees in '000)	
2014-2015	-	4,412
2015-2016	4,632	4,632
2016-2017	4,864	4,864
2017-2018	5,107	5,107
2018-2019	5,362	5,362
2019 Onwards	186,108	186,108
	206,073	210,485

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

22	OPERATING RESULTS	Note	Manufacturing		Trading		Total	
			2014	2013	2014	2013	2014	2013
			----- (Rupees in '000) -----					
	Gross sales	22.1	63,654,457	70,207,379	4,875,243	5,742,274	68,529,700	75,949,653
	Sales tax		(9,203,992)	(9,663,954)	(591,934)	(768,047)	(9,795,926)	(10,432,001)
	Federal excise duty		(181,128)	(446)	-	-	(181,128)	(446)
			54,269,337	60,542,979	4,283,309	4,974,227	58,552,646	65,517,206
	Commission		(1,326,223)	(1,547,957)	(32,789)	(50,004)	(1,359,012)	(1,597,961)
	Discounts		(2,686)	(7,580)	(127,326)	(82,590)	(130,012)	(90,170)
	Net sales		52,940,428	58,987,442	4,123,194	4,841,633	57,063,622	63,829,075
	Cost of sales	23	48,232,604	54,127,322	3,037,436	3,844,716	51,270,040	57,972,038
	Gross profit		4,707,824	4,860,120	1,085,758	996,917	5,793,582	5,857,037
	Distribution expenses	24	694,537	718,340	98,972	95,888	793,509	814,228
	Administrative expenses	25	588,772	595,130	45,856	48,848	634,628	643,978
			1,283,309	1,313,470	144,828	144,736	1,428,137	1,458,206
			3,424,515	3,546,650	940,930	852,181	4,365,445	4,398,831
	Other operating expenses	27	420,237	431,209	3,773	4,983	424,010	436,192
			3,004,278	3,115,441	937,157	847,198	3,941,435	3,962,639
	Other operating income	28	895,942	873,160	217,374	164,680	1,113,316	1,037,840
			3,900,220	3,988,601	1,154,531	1,011,878	5,054,751	5,000,479
	Finance costs	29	36,382	29,152	1,872	1,552	38,254	30,704
	Profit before taxation		3,863,838	3,959,449	1,152,659	1,010,326	5,016,497	4,969,775

**22.1** This includes an amount of Rs 157.837 million (2013: Nil) and Rs 4.569 million (2013: Rs 34.402 million) in respect of export sales of own manufactured vehicles and spare parts respectively.

**22.2** Finance costs (excluding markup on advances from customers), other operating expenses (excluding Workers' Profit Participation Fund and Workers' Welfare Fund), administrative expenses and distribution expenses (excluding warranty claims and pre-delivery inspection charges, development expenditure, transportation and running royalty), are allocated between manufacturing and trading activities on the basis of net sales. Markup on advances from customers, warranty claims and pre-delivery inspection charges, development expenditure, Workers' Profit Participation Fund and Workers' Welfare Fund are allocated to manufacturing activity. Running royalty and transportation charges are allocated to trading activity.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014	2013
		(Rupees in '000)	
23 COST OF SALES			
Raw materials and vendor parts consumed			
Opening stock		2,618,469	2,186,553
Purchases		42,310,001	49,764,785
Closing stock	7	(1,672,705)	(2,618,469)
	23.1	43,255,765	49,332,869
Stores and spares consumed		774,816	863,612
Salaries, wages and other benefits	23.2	621,505	570,607
Rent, rates and taxes		9,205	3,856
Repairs and maintenance		160,937	178,268
Depreciation	3.3	834,739	1,191,554
Legal and professional		1,700	755
Travelling		28,602	25,109
Transportation		3,321	1,572
Insurance		22,996	30,327
Vehicle running		15,612	15,311
Communication		6,002	4,521
Printing, stationery and office supplies		2,175	2,343
Subscription		1,771	353
Fuel and power		259,828	209,986
Running royalty		694,892	823,189
Technical fee		5,218	7,820
Staff canteen, transport and uniforms		185,528	168,989
Reversal of provision for stock in trade - Manufacturing Stock		(49,447)	(13,951)
(Reversal) / charge of provision for stores and spares		(3,750)	36,315
Others		11,436	15,940
		3,587,086	4,136,476
		46,842,851	53,469,345
Add: Opening work-in-process		378,502	461,870
Less: Closing work-in-process	7	(214,910)	(378,502)
		47,006,443	53,552,713
Opening finished goods stock - own manufactured		1,660,295	2,234,904
Closing finished goods stock - own manufactured	7	(434,134)	(1,660,295)
Cost of sales - own manufactured		48,232,604	54,127,322
Opening finished goods stock - trading		469,874	514,689
Finished goods purchased		3,185,081	3,799,901
Closing finished goods stock - trading	7	(617,519)	(469,874)
Cost of sales - trading	23.3 & 23.4	3,037,436	3,844,716
		51,270,040	57,972,038

**23.1** This includes an amount of Rs 0.752 million (2013: Rs 4.262 million) in respect of write off against stock-in-trade.

**23.2** Included herein is a sum of Rs 19.049 million (2013: Rs 16.131 million) in respect of charge against employee provident fund and Rs 10.138 million (2013: Rs 10.151 million) in respect of charge against employee pension fund.

**23.3** This includes an amount of Rs 2.138 million (2013: Rs 0.151 million) in respect of write off against stock-in-trade.

**23.4** This includes reversal of provision for slow moving stock amounting to Rs 42.578 million (2013: charge for slow moving stock amounting to Rs 2.316 million).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>24 DISTRIBUTION EXPENSES</b>			
Salaries, allowances and other benefits	24.1	140,487	141,426
Rent, rates and taxes		3,264	2,780
Repairs and maintenance		5,501	7,089
Depreciation	3.3	33,494	38,857
Advertising and sales promotion		315,247	349,336
Travelling		25,702	25,966
Vehicle running		15,704	13,309
Communication		4,896	6,649
Printing, stationery and office supplies		3,525	5,187
Staff training		8,752	6,921
Staff transport and canteen		12,444	11,751
Subscription		384	416
Warranty claims		105,797	101,762
Pre-delivery inspection and service charges		29,232	23,148
Development expenditure		17,001	28,042
Utilities		202	140
Transportation		40,333	37,887
Running royalty		14,110	11,595
Charge for doubtful debts and bad debts		313	807
Others		17,121	1,160
		<b>793,509</b>	<b>814,228</b>

**24.1** Included herein is a sum of Rs 5.041 million (2013: Rs 4.697 million) in respect of charge against employee provident fund and Rs 1.131 million (2013: Rs 2.695 million) in respect of charge against employee pension fund.

	Note	2014 (Rupees in '000)	2013
<b>25 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	25.1	235,981	223,883
Rent, rates and taxes		2,044	1,109
Insurance		26,625	28,134
Repairs and maintenance		36,831	49,592
Depreciation	3.3	26,803	27,494
Amortisation	3.2	419	1,307
Travelling		43,569	44,200
Legal and professional		97,387	122,015
Vehicle running		18,220	16,099
Communication		13,881	11,814
Printing, stationery and office supplies		2,172	2,899
Staff training		61,076	67,432
Staff transport and canteen		27,468	13,353
Security		28,500	21,841
Subscription		3,966	3,031
Utilities		895	809
Share registrar and related expenses		7,112	6,807
Transportation		20	156
Others		1,659	2,003
		<b>634,628</b>	<b>643,978</b>

**25.1** Included herein is a sum of Rs 6.552 million (2013: Rs 5.455 million) in respect of charge against employee provident fund and Rs 2.213 million (2013: Rs 2.045 million) in respect of charge against employee pension fund.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 26 DEFINED BENEFIT PLAN - Approved pension fund

As mentioned in note 2.15, the Company operates an approved pension fund for its permanent employees. Based on the latest actuarial valuation of the company's pension fund, based on Projected Unit Credit Actuarial Cost Method, was carried out as at June 30, 2014. The pension fund exposes the Company to the following risks:

#### Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service/age distribution and the benefit.

#### Investment risks

The risk of the investment underperforming and being not sufficient to meet the liabilities.

#### Final salary risks

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

#### Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

	Note	2014 (% per annum)	2013
<b>26.1 Principal actuarial assumptions</b>			
Discount factor used		13.50	13.50
Expected rate of salary increase		12.50	10.00
Expected rate of return on plan assets		13.50	11.50
Expected rate of increase in long term pension		8.50	6.00

### 26.2 The amount recognised in the statement of financial position are determined as follows:

		2014 (Rupees in '000)	2013 (Restated) (Rupees in '000)
Present value of defined benefit obligations	26.4	17,395	14,622
Fair value of plan assets	26.3	(16,663)	(15,506)
		<b>732</b>	<b>(884)</b>

### 26.3 Plan assets consist of the following:

	2014		2013	
	Quoted	Non-Quoted	Quoted	Non-Quoted
	(Rupees in '000)			
Balances with banks	-	910	-	240
Equity instruments	2,732	-	1,619	-
Debt instruments:				
- Government	12,826	-	13,647	-
- Corporates	195	-	-	-
	<b>15,753</b>	<b>910</b>	<b>15,266</b>	<b>240</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 26.4 The movement in the defined benefit obligation over the year is as follows:

	2014		
	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
At July 1 (Restated)	14,622	(15,506)	(884)
Current service cost	810	-	810
Interest expense / (income)	1,667	(1,755)	(88)
	17,099	(17,261)	(162)
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense	-	(68)	(68)
- Loss from change in demographic assumptions	450	-	450
- Gain from change in financial assumptions	(1,099)	-	(1,099)
- Experience Loss	1,450	-	1,450
	801	(68)	733
	17,900	(17,329)	571
Refund of excess contribution	-	161	161
Benefit payments	(506)	506	-
At June 30	17,394	(16,662)	732

	2013		
	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
At July 1 (Restated)	13,379	(12,941)	438
Current service cost	746	-	746
Interest expense / (income)	1,820	(1,518)	302
	15,945	(14,459)	1,486
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense	-	(510)	(510)
- Loss from change in demographic assumptions	-	-	-
- Gain from change in financial assumptions	-	-	-
- Experience Loss	(812)	-	(812)
	(812)	(510)	(1,322)
	15,133	(14,969)	164
Contribution	-	(1,048)	(1,048)
Benefit payments	(511)	511	-
At June 30	14,622	(15,506)	(884)

### 26.5 Charge for defined benefit plan

	2014	2013
	(Rupees in '000)	
Current service cost	810	746
Net interest (income) / expense	(88)	302
	722	1,048

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 26.6 The sensitivities of the defined benefit obligation to changes in the weighted principal assumptions are as under:

	Impact on defined benefit obligation - Increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees in '000)		
Discount rate	1%	14,765	20,574
Long term salary increases	1%	11,298	8,903
Pension increase rate	1%	19,192	15,722

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Balance Sheet.

### 26.7 The weighted average duration of the defined benefit obligation is 16.44 years.

### 26.8 Expected maturity analysis of undiscounted defined benefit obligation for the pension fund at June 30, 2014 is as follows:

	Less than a year	Between 1-2 years	Between 2-4 years	Over 4 years	Total
	(Rupees in '000)				
Pension	586	640	1,470	82,134	84,830

### 26.9 Historical information

	2014	2013	2012	2011	2010
	(Rupees in '000)				
Fair value of plan assets	16,663	15,506	12,942	11,601	9,917
Present value of defined benefit obligation	(17,395)	(14,622)	(13,380)	(11,243)	(9,650)
Surplus / (deficit)	(732)	884	(438)	358	267
Experience gain / (loss) on plan assets	0.4%	3.9%	-3.4%	1.5%	0.0%
Experience (gain) / loss on obligation	5.5%	-6.0%	3.4%	0.7%	0.3%

### 26.10 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.

### 26.11 The expected charge for the defined benefit plan for the year ending June 30, 2015 is Rs 0.999 million.

### 26.12 The charge for the year in respect of Pension Fund amounts to Rs 13.482 million (2013 Rs 14.891 million), which includes Rs. 12.760 million (2013: Rs 13.843 million) in respect of members covered under New Rules and Rs. 0.722 million (2013: Rs 1.048 million) in respect of members covered under Old Rules.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>27 OTHER OPERATING EXPENSES</b>			
Workers' Welfare Fund		102,378	103,482
Workers' Profit Participation Fund	11.2	269,415	267,014
Auditors' remuneration	27.1	2,562	2,577
Donations	27.2	49,655	63,119
		<b>424,010</b>	<b>436,192</b>
<b>27.1 Auditors' remuneration</b>			
Audit fee		1,338	1,250
Interim review and other certifications		732	863
Out-of-pocket expenses		492	464
		<b>2,562</b>	<b>2,577</b>

### 27.2 Donations

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

Name of Director(s)	Interest in Donee	Name and Address of Donee	Amount donated	
			2014	2013
			(Rupees in '000)	
1. Mr. Ali S. Habib	Trustee	Mohamedali Habib Welfare Trust, 2nd Floor, Siddiq Sons Tower, Jinnah Co-operative Housing Society, Shahrah-e-Faisal, Karachi.	2,250	1,215
2. Mr. Mohamedali R. Habib and Mr. Ali S. Habib	Trustee	Habib Education Trust, 4th Floor, UBL Building, I. I. Chundrigar Road, Karachi.	4,000	6,000
3. Mr. Mohamedali R. Habib and Mr. Ali S. Habib	Director	Habib University Foundation, 147, Block 7 & 8, Banglore Cooperative Housing Society, Tipu Sultan Road, Karachi.	20,000	20,000

	Note	2014 (Rupees in '000)	2013
<b>28 OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Return on bank deposits		318,555	386,530
Income on Market Treasury Bills		183,077	173,621
Gain on redemption of investments in listed mutual fund units		341,544	252,120
Unrealised gain on revaluation of listed mutual fund units	12.2	-	14,689
Mark-up on advances to suppliers		6,286	818
<b>Income from other than financial assets</b>			
Agency commission, net of expenses of Rs 11.850 million (2013: Rs 3.880 million)		149,508	95,077
Exchange loss on agency commission and exports		(1,425)	(1,973)
Unrealised gain on revaluation of creditors		-	301
Gain on sale of fixed assets		28,093	16,799
Liabilities no longer payable written back		37,933	50,454
Others		49,745	49,404
		<b>1,113,316</b>	<b>1,037,840</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	Note	2014 (Rupees in '000)	2013
<b>29 FINANCE COSTS</b>			
Mark-up on advances from customers		28	270
Bank charges		25,769	20,768
Exchange loss - net realised		12,323	9,666
Unrealised loss on revaluation of creditors		134	-
		<b>38,254</b>	<b>30,704</b>
<b>30 TAXATION</b>			
Current - for the year		952,169	1,865,952
- for prior years		(62,661)	(56,523)
		<b>889,508</b>	<b>1,809,429</b>
Deferred - for the year		253,537	(253,722)
- for prior years		-	56,523
		<b>253,537</b>	<b>(197,199)</b>
	30.1	<b>1,143,045</b>	<b>1,612,230</b>
<b>30.1 Relationship between income tax expense and accounting profit</b>			
Profit before taxation		5,016,497	4,969,775
Tax at the applicable tax rate of 34% (2013: 35%)		1,705,609	1,739,421
Tax effect of permanent differences		17,185	32,613
Tax effect of income taxable at lower rates, tax credit on plant & machinery and exempt income		(429,269)	(116,125)
Tax effect of income assessed under final tax regime		(79,213)	(69,409)
Tax effect of change in tax rate for future periods		(6,704)	(1,019)
Tax effect of change in prior years tax		(62,661)	-
Others		(1,902)	(2,929)
		<b>1,143,045</b>	<b>1,582,552</b>

### 31 EARNINGS PER SHARE

#### 31.1 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.

	2014 (Rupees in '000)	2013
Profit after taxation	3,873,452	3,357,545
Weighted average number of ordinary shares outstanding during the year	78,600	78,600
	(Rupees)	
Basic earnings per share	49.28	42.72

#### 31.2 Diluted

No figure for diluted earnings per share has been presented as the Company has not as 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, 2014

	Note	2014 (Rupees in '000)	2013
<b>32 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		5,016,497	4,969,775
<b>Adjustment for non-cash charges and other items:</b>			
Depreciation		895,036	1,257,905
Amortisation		419	1,307
Charge for doubtful debts and bad debts		313	807
Gain on sale of fixed assets		(28,093)	(16,799)
Gain on redemption of investment in listed mutual fund units		(341,544)	(252,120)
Unrealized gain on revaluation of listed mutual fund units		-	(14,689)
Net unrealized (gain) / loss on revaluation of creditors and foreign exchange contracts		(6,591)	42,220
Return on bank deposits		(318,555)	(386,530)
Income on Market Treasury Bills		(183,077)	(173,621)
Workers' Profit Participation Fund		269,415	267,014
Workers' Welfare Fund		102,378	103,482
Mark-up on advances from customers		28	270
Working capital changes	32.1	2,187,541	(3,546,000)
		<b>7,593,767</b>	<b>2,253,021</b>
<b>32.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
Stores and spares		12,010	24,519
Stock-in-trade		3,413,849	(353,738)
Trade debts		(354,910)	76,885
Loans and advances		551,887	(612,399)
Short-term prepayments		(4,143)	10,166
Other receivables		(12,728)	239,314
		<b>3,605,965</b>	<b>(615,253)</b>
<b>Increase / (decrease) in current liabilities</b>			
Trade, other payables and provisions		(1,742,907)	(505,804)
Advances from customers and dealers		324,483	(2,424,943)
		<b>(1,418,424)</b>	<b>(2,930,747)</b>
		<b>2,187,541</b>	<b>(3,546,000)</b>

### 33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprises of the following balance sheet amounts:

	Note	2014 (Rupees in '000)	2013
Cash and bank balances	13	6,857,084	4,195,302
Short-term running finances	19	-	-
		<b>6,857,084</b>	<b>4,195,302</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

### 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	21,333	11,490	282,533	18,125	11,552	219,254
Retirement benefits	-	-	21,800	-	-	15,642
Medical expenses	45	-	-	130	-	-
	<b>21,378</b>	<b>11,490</b>	<b>304,333</b>	<b>18,255</b>	<b>11,552</b>	<b>234,896</b>
Number of persons	<b>1</b>	<b>2</b>	<b>128</b>	<b>1</b>	<b>2</b>	<b>117</b>

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

### 35 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:

	2014 (Rupees in '000)	2013
<b>With associated undertakings / related parties</b>		
Sales	127,793	259,155
Purchases	30,245,483	33,102,580
Insurance premium	89,568	106,953
Agency commission	161,358	98,957
Running royalty	709,002	834,784
Rent expense	13,134	12,513
Technical fee	-	2,459
Return on bank deposits	300,686	273,936
Proceeds from disposal of fixed assets / insurance claim	12,376	3,359
Bank charges	21,264	18,501
LC charges	7,619	5,292
<b>With key management personnel</b>		
- Salaries and benefits	96,647	93,804
- Post employment benefits	4,247	3,877
- Sale of fixed assets	513	2,201

35.1 Accrued return of Rs 87.354 million (2013: Rs 12.155 million) as disclosed in the balance sheet include an amount of Rs 71.243 million (2013: Rs 10.924 million) receivable from related parties.

35.2 Contribution to and accruals in respect of staff retirement benefits are made in accordance with actuarial valuations / terms of contribution plan and disclosed in respective notes to the financial statements.

35.3 The status of outstanding balances with associated undertakings / related parties as at June 30, 2014 and donations made during the year ended June 30, 2014 are included in the respective notes to the financial statements.

	2014	2013
	Number of units	
Capacity based on double shift basis	54,800	54,800
Production	33,012	37,405

The Company has been operating on a double shift basis from March 2003 based on market demand. The capacity has been calculated based on average normal working days in a year. Under utilisation is due to low market demand of certain products.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

		2014 Un-audited	2013 Audited		
		(Rupees in '000)			
37	DISCLOSURE RELATING TO PROVIDENT FUND				
(i)	Size of the Fund	503,268	440,636		
(ii)	Cost of investments made	422,542	378,805		
(iii)	Percentage of investment made	83.96%	85.97%		
(iv)	Fair value of investments	467,739	419,560		
Breakup of investments		2014	2013		
		Rupees in '000	Percentage	Rupees in '000	Percentage
	Bank deposits	-	0.00%	5,000	1.13%
	Government Securities*	228,000	45.30%	311,756	70.76%
	Listed Securities	141,082	28.03%	102,804	23.34%
	Pakistan Investment Bonds	98,657	19.61%	-	-
		467,739	92.94%	419,560	95.23%

\*This represent investment classified as held to maturity at amortised cost

The figure for 2014 are based on the un-audited financial statements of the provident Fund. Investments out of Provident Fund have been made in accordance with the provision of Section 227 of the Ordinance and the rules formulated for this purpose.

		2014	2013
38 NUMBER OF EMPLOYEES		(Number of staff)	
Number of employees as at June 30		2,091	2,225
Average number of employees during the year		2,157	2,250

### 39 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2014				
	Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	Derivative used for hedging	Total
	(Rupees in '000)				
<b>Assets</b>					
Loans and advances	68,598	-	-	-	68,598
Deposits	9,667	-	-	-	9,667
Trade debts	1,737,358	-	-	-	1,737,358
Accrued return	87,354	-	-	-	87,354
Other receivables	175,067	-	-	-	175,067
Investments	-	4,332,387	-	-	4,332,387
Cash and bank balances	6,857,084	-	-	-	6,857,084
	8,935,128	4,332,387	-	-	13,267,515

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

	As at June 30, 2014			
	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Derivative used for hedging	Total
	(Rupees in '000)			
<b>Liabilities</b>				
Trade, other payables and provisions	-	3,934,083	2,942	3,937,025
Accrued mark-up	-	-	-	-
	-	3,934,083	2,942	3,937,025

	As at June 30, 2013				
	Loans and receivables	Held to maturity	Financial assets at 'fair value through profit or loss'	Derivative used for hedging	Total
	(Rupees in '000)				
<b>Assets</b>					
Loans and advances	28,758	-	-	-	28,758
Deposits	9,667	-	-	-	9,667
Trade debts	1,382,761	-	-	-	1,382,761
Accrued return	12,155	-	-	-	12,155
Other receivables	53,897	-	-	-	53,897
Investments	-	2,679,209	4,018,912	-	6,698,121
Cash and bank balances	4,195,302	-	-	-	4,195,302
	5,682,540	2,679,209	4,018,912	-	12,380,661

	As at June 30, 2013			
	Liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Derivative used for hedging	Total
	(Rupees in '000)			
<b>Liabilities</b>				
Trade, other payables and provisions	-	5,352,899	9,667	5,362,566
Accrued mark-up	-	134	-	134
	-	5,353,033	9,667	5,362,700

### 40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to certain financial risks. Such financial risk emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

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. Company's risk management policies and objectives are as follows:

#### 40.1 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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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 13,267.515 million (2013: Rs 12,380.661 million), the financial assets which are subject to credit risk amounted to Rs 8,932.310 million (2013: Rs 5,682.182 million), including GoP balances.

Out of the total receivable from customers amounting to Rs 1,737.358 million (2013: Rs 1,382.761 million), an amount of Rs 1,247.773 million (2013: Rs 445.369 million) relates to direct customers.

Out of the total bank balance of Rs 6,854.266 million (2013: Rs 4,194.944 million) placed with banks, amounts aggregating to Rs 3,472.780 million (2013: Rs 1,863.957 million) have been placed with banks having credit rating of AA+ and above, whereas the 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 management believes that the credit risk is minimal and in the opinion of the management, the Company is not exposed to major concentration of credit risk.

40.2 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 40.3.2 to these financial statements.

40.3 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 three types of risks: currency risk, interest rate risk and other price risk.

40.3.1 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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, 2014 is USD 6.648 million (2013: USD 12.533 million) and JPY 366.913 million (2013: JPY 613.523 million).

40.3.2 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:

2014								
	Effective interest/ mark-up rate	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	June 30, 2014
	%	----- (Rupees in '000) -----						
On balance sheet financial instruments								
Assets								
Loans and Advances	3.00 - 3.50	14,144	6,194	20,338	48,260	-	48,260	68,598
Deposits	-	-	-	-	-	9,667	9,667	9,667
Trade debts	-	-	-	-	1,737,358	-	1,737,358	1,737,358
Accrued return	-	-	-	-	87,354	-	87,354	87,354
Other receivables	-	-	-	-	175,067	-	175,067	175,067
Investments	9.94 - 9.96	4,332,387	-	4,332,387	-	-	-	4,332,387
Cash and bank balances	-	6,836,689	-	6,836,689	20,395	-	20,395	6,857,084
		11,183,220	6,194	11,189,414	2,068,434	9,667	2,078,101	13,267,515
Liabilities								
Trade, other payables and provisions	-	-	-	-	3,937,025	-	3,937,025	3,937,025
Accrued mark-up	-	-	-	-	-	-	-	-
		-	-	-	3,937,025	-	3,937,025	3,937,025
On balance sheet gap*		11,183,220	6,194	11,189,414	(1,868,591)	9,667	(1,858,924)	9,330,490
Off-balance sheet financial instruments								
Commitment in respect of capital expenditure		-	-	-	179,702	-	179,702	179,702
Commitment in respect of letters of credit		-	-	-	4,923,620	-	4,923,620	4,923,620
Outstanding bank guarantees		-	-	-	617,169	3,054,844	3,672,013	3,672,013
		-	-	-	5,720,491	3,054,844	8,775,335	8,775,335



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

2013								
	Effective interest/mark-up rate	Interest / mark-up bearing			Non-interest / mark-up bearing			Total June 30, 2013
		Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
On balance sheet financial instruments	%	----- (Rupees in '000) -----						
Assets								
Loans and Advances	3.00 - 3.50	14,036	6,099	20,135	8,623	-	8,623	28,758
Deposits	-	-	-	-	-	9,667	9,667	9,667
Trade debts	-	-	-	-	1,382,761	-	1,382,761	1,382,761
Accrued return	-	-	-	-	12,155	-	12,155	12,155
Other receivables	-	-	-	-	53,897	-	53,897	53,897
Investments	9.23 - 9.41	2,679,209	-	2,679,209	4,018,912	-	4,018,912	6,698,121
Cash and bank balances	-	4,175,587	-	4,175,587	19,715	-	19,715	4,195,302
		6,868,832	6,099	6,874,931	5,496,063	9,667	5,505,730	12,380,661
Liabilities								
Trade, other payables and provisions	-	-	-	-	5,362,566	-	5,362,566	5,362,566
Accrued mark-up	-	-	-	-	134	-	134	134
		-	-	-	5,362,700	-	5,362,700	5,362,700
On balance sheet gap*		6,868,832	6,099	6,874,931	133,363	9,667	143,030	7,017,961
Off-balance sheet financial instruments								
Commitment in respect of capital expenditure		-	-	-	755,136	-	755,136	755,136
Commitment in respect of letters of credit		-	-	-	3,749,555	-	3,749,555	3,749,555
Outstanding bank guarantees		-	-	-	374,381	1,973,776	2,348,157	2,348,157
		-	-	-	4,879,072	1,973,776	6,852,848	6,852,848

\* The on balance sheet gap represents the net amounts of on-balance sheet items.

## a) Sensitivity analysis for variable rate instruments

Presently, the Company does not hold any variable rate financial instrument.

## b) Sensitivity analysis of fixed rate instruments

Fixed rate instruments comprise of Market Treasury Bills, TDRs, balances with banks, loans to employees. The income from these financial assets are substantially independent of changes in market interest rates except for changes, if any, as a result of fluctuation in respective fair value. The Company's income from these investments / financial assets does not have any fair value impact since these are classified as either held to maturity or loans and receivables.

### 40.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

### 40.3.4 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 traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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).

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.

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

	As at June 30, 2014			As at June 30, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
<b>ASSETS</b>						
Financial assets 'at fair value through profit or loss'						
- Derivative financial instruments	-	-	(2,942)	-	-	(9,667)
- Investments in mutual fund units	-	-	-	-	4,018,912	-

## 41 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.

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

The Board of Directors in its meeting held on August 27, 2014 has proposed a cash dividend in respect of the year ended June 30, 2014 of Rs 23.5 (2013: cash dividend of Rs 15) per share. This is in addition to the interim cash dividend of Rs 6 (2013: Rs 10) per share resulting in a total dividend for the year of Rs 29.5 (2013: Rs 25) per share. The Directors have also announced appropriation of Rs 2,000.000 million (2013: Rs 1,500.000 million) to general reserve. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2014 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending June 30, 2015.

## 43 GENERAL

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

43.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant re-arrangements or reclassifications to be disclosed in these financial statements.

## 44 DATE OF AUTHORISATION

These financial statements were authorised for issue on August 27, 2014 by the Board of Directors of the Company.



Parvez Ghias  
Chief Executive



Keiichi Murakami  
Vice Chairman & Director

PATTERN OF SHAREHOLDING

As at June 30, 2014

Number of Shareholders	From	Shareholding	To	Number of Shares Held
483	1		100	26,991
2,179	101		500	1,024,113
256	501		1,000	235,919
254	1,001		5,000	624,205
44	5,001		10,000	320,087
11	10,001		15,000	131,328
9	15,001		20,000	165,464
4	20,001		25,000	91,705
6	25,001		30,000	170,720
2	30,001		35,000	64,353
8	35,001		40,000	303,890
3	40,001		45,000	125,832
6	45,001		50,000	290,076
2	50,001		55,000	108,000
2	55,001		60,000	111,915
2	60,001		65,000	125,430
2	65,001		70,000	138,400
2	70,001		75,000	147,000
1	75,001		80,000	79,532
1	85,001		90,000	88,464
2	105,001		110,000	211,715
1	110,001		115,000	114,841
1	125,001		130,000	130,000
1	130,001		135,000	135,000
1	140,001		145,000	141,800
1	220,001		225,000	223,537
1	235,001		240,000	237,200
4	255,001		260,000	1,032,667
1	270,001		275,000	272,384
1	275,001		280,000	278,414
1	285,001		290,000	289,300
1	445,001		450,000	445,812
1	540,001		545,000	543,354
1	550,001		555,000	552,685
1	595,001		600,000	600,000
1	640,001		645,000	642,906
1	840,001		845,000	841,617
1	1,625,001		1,630,000	1,630,000
1	2,845,001		2,850,000	2,847,714
1	2,935,001		2,940,000	2,937,900
1	3,255,001		3,260,000	3,260,000
1	4,155,001		4,160,000	4,157,533
1	6,995,001		7,000,000	7,000,000
1	9,820,001		9,825,000	9,825,000
1	16,225,001		16,230,000	16,225,197
1	19,645,001		19,650,000	19,650,000
3,307				78,600,000

Combined Pattern of CDC and Physical Shareholding

No.	Categories of Shareholders	No. of Shares held	Category wise No. of Folios / CDC Accounts	Category wise Shares held	Percentage
1	INDIVIDUALS		3,180	3,027,477	3.85%
2	INVESTMENT COMPANIES		1	500	0.00%
3	JOINT STOCK COMPANIES		25	386,256	0.49%
4	DIRECTORS ,CHIEF EXECUTIVE AND THEIR SPOUSE AND MINOR CHILDREN MR. ALI S. HABIB MR. MOHAMEDALI R. HABIB MR. FARHAD ZULFICAR MR. PARVEZ GHIAS MR. RAZA ANSARI MRS. MUNIZEH ALI HABIB	135,000 130,000 2,000 4,561 450 601	6	272,612	0.35%
5	EXECUTIVES		9	22,274	0.03%
6	PUBLIC SECTOR COMPANIES AND CORPORATIONS INVESTMENT CORPORATION OF PAKISTAN	3,700	1	3,700	0.00%
7	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES HABIB INSURANCE COMPANY LIMITED THAL LIMITED MOHAMEDALI HABIB WELFARE TRUST	41,600 4,890,000 5,000	4	4,936,600	6.28%
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & PENSION FUNDS BANKS, DFIs & NBFIs INSURANCE COMPANIES MODARABAS PENSION FUNDS	141,015 1,079,199 612,000 96,632	16	1,928,846	2.45%
9	MUTUAL FUNDS CDC - TRUSTEE AKD INDEX TRACKER FUND CDC - TRUSTEE APF-EQUITY SUB FUND CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND CDC - TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND CDC - TRUSTEE JS LARGE CAP. FUND CDC - TRUSTEE UBL ASSET ALLOCATION FUND CDC - TRUSTEE MEEZAN BALANCED FUND MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND CDC - TRUSTEE JS ISLAMIC FUND CDC - TRUSTEE AL MEEZAN MUTUAL FUND CDC - TRUSTEE UBL STOCK ADVANTAGE FUND CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND CDC - TRUSTEE MEEZAN ISLAMIC FUND CDC - TRUSTEE NATIONAL INVESTMENT TRUST (UNIT)	4,677 5,000 10,700 13,000 15,000 20,655 24,800 32,100 50,000 53,400 54,600 61,130 64,300 68,900 88,464 237,200 289,300 445,812 642,906	19	2,181,944	2.78%
10	FOREIGN INVESTORS Holding 5% or more voting interest OVERSEAS PAKISTAN INVESTORS AG TOYOTA MOTOR CORPORATION TOYOTA TSUSHO CORPORATION OTHERS - holding below 5%	27,382,730 19,650,000 9,825,000 8,929,591	33	65,787,321	83.70%
11	CHARITABLE TRUSTS		3	28,879	0.04%
12	OTHERS		10	23,591	0.03%
	TOTAL		3,307	78,600,000	100.00%



## TEN YEAR (PERFORMANCE INDICATORS)

## Financial Summary

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Income Statement</b>											
Net revenue	Rs in '000	57,063,622	63,829,075	76,962,642	61,702,677	60,093,139	37,864,604	41,423,843	39,061,226	35,236,535	27,601,034
Gross profit	Rs in '000	5,793,582	5,857,037	6,561,854	4,089,135	4,856,514	2,324,186	3,848,487	4,440,594	4,147,629	2,706,178
Profit before taxation	Rs in '000	5,016,497	4,969,775	6,312,267	4,011,455	5,242,539	2,046,013	3,541,711	4,229,481	4,072,777	2,302,957
Profit after taxation	Rs in '000	3,873,452	3,357,545	4,302,715	2,743,384	3,443,403	1,385,102	2,290,845	2,745,701	2,648,464	1,484,646
Dividends	Rs in '000	2,318,700	1,965,000	2,515,200	1,179,000	1,179,000	786,000	825,300	1,021,800	943,200	786,000
<b>Balance Sheet</b>											
Share capital	Rs in '000	786,000	786,000	786,000	786,000	786,000	786,000	786,000	786,000	786,000	786,000
Reserves	Rs in '000	19,129,652	16,907,291	16,227,858	13,333,648	11,801,615	9,510,973	8,650,340	7,257,975	5,471,879	3,689,805
Fixed Assets	Rs in '000	6,033,264	2,742,140	3,472,906	4,225,710	3,324,333	3,934,473	4,033,762	2,093,852	1,716,590	998,887
Net current assets	Rs in '000	14,062,278	14,775,801	13,693,056	10,326,779	9,566,387	6,830,469	5,885,153	6,125,156	4,651,103	3,513,878
Long term liabilities	Rs in '000	-	-	-	-	-	-	-	-	3,871	11,957
<b>Investor Information</b>											
Gross profit ratio	% age	10.15	9.18	8.53	6.63	8.08	6.14	9.29	11.37	11.77	9.80
Net profit ratio	% age	6.79	5.26	5.59	4.45	5.73	3.66	5.53	7.03	7.52	5.38
Earning per share	Rs	49.28	42.72	54.74	34.90	43.81	17.62	29.15	34.93	33.70	18.89
Inventory turnover	Days	8	8	11	11	12	11	14	10	9	9
Debt collection period	Days	10	8	7	9	10	14	9	6	6	5
Average fixed assets turnover	Times	13.01	18.32	19.99	16.34	16.56	9.50	13.52	20.50	25.95	29.69
Breakup value per share	Rs	253.38	225.11	216.46	179.64	160.15	131.00	120.06	102.34	79.62	56.94
Market price per share											
- as on June 30	Rs	537.92	311.00	245.08	220.00	262.38	107.72	200.05	305.50	191.00	90.00
- High value during the period	Rs	549.00	364.60	305.00	309.73	278.00	198.05	419.00	321.00	231.00	151.80
- Low value during the period	Rs	300.00	237.00	187.00	205.51	107.10	50.40	171.96	183.35	88.50	82.00
Price earning ratio	Times	10.92	7.28	4.48	6.30	5.99	6.11	6.86	8.75	5.67	4.76
Dividend per share	Rs	29.50	25.00	32.00	15.00	15.00	10.00	10.50	13.00	12.00	10.00
Dividend yield	% age	5.48	8.04	13.06	6.82	5.72	9.28	5.25	4.26	6.28	11.11
Dividend payout	% age	59.86	58.52	58.46	42.98	34.24	56.75	36.03	37.21	35.61	52.94
Dividend cover	Times	1.67	1.71	1.71	2.33	2.92	1.76	2.78	2.69	2.81	1.89
Return on equity	% age	19.45	18.98	25.29	19.43	27.36	13.45	24.28	34.13	42.32	33.17
Debt to equity	Ratio	0 : 1	0 : 1	0 : 1	0 : 1	0 : 1	0 : 1	0 : 1	0 : 1	0 : 1	0 : 1
Current ratio	Ratio	3.35 : 1	2.99 : 1	2.32 : 1	1.84 : 1	1.67 : 1	1.69 : 1	2.56 : 1	1.83 : 1	1.49 : 1	1.41 : 1
<b>Other Information</b>											
Units sold	Nos.	34,470	38,517	55,060	50,943	52,063	35,276	50,802	50,557	42,406	35,874
Units Produced	Nos.	33,012	37,405	54,917	50,759	50,557	34,298	48,222	47,821	41,552	34,928
Manpower	Nos.	2,091	2,225	2,292	2,187	1,948	1,893	2,030	1,841	1,632	1,429
Contribution to National Exchequer	Rs in '000	19,261,559	21,267,303	24,725,706	22,043,581	20,332,421	14,143,597	14,478,096	13,790,932	12,473,970	10,098,058

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fifth Annual General Meeting of INDUS MOTOR COMPANY LIMITED will be held on Tuesday, October 21, 2014 at 9:00 a.m. at the Pearl Continental Hotel, Karachi to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014, together with the Report of the Directors and Auditors thereon.
2. To approve and declare cash dividend (2013-2014) on the ordinary shares of the Company. The directors have recommended a Final Cash dividend at 235% i.e. Rs 23.50 per share. This is in addition to the Interim Dividend of 60% i.e. Rs. 6 per share already paid in March 2014. The total dividend for 2013-2014 will thus amount to 295% i.e. Rs. 29.50 per share.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2015. The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
4. To elect Ten (10) directors of the Company as fixed by the Board of Directors in its meeting held on 18 April 2014, for a term of three years commencing from October 31, 2014, in accordance with the provisions of Section 178(1) of the Companies Ordinance, 1984. The retiring Directors are: Mr. Ali S. Habib, Mr. Keiichi Murakami, Mr. Parvez Ghias, Mr. Yoshiyuki Matsuo, Mr. Kyoichi Tanada, Mr. Tetsuro Hirai, Mr. Mohamedali R. Habib, Mr. Farhad Zulficar and Mr. Raza Ansari.

### SPECIAL BUSINESS

5. To consider and if thought fit, to amend Article 97 of the Articles of Association of the Company by passing the following resolution as a special resolution:

**“RESOLVED** as and by way of Special Resolution **THAT**, Article 97 of the Articles of Association of the Company be and is hereby substituted for the following new article:

#### **Remuneration of Directors**

*The remuneration of a Non-Executive Director for attending meetings of the Directors or any Committee of Directors shall from time to time be determined by the Board. The Board may also determine and pay to any Director, who for the time being is resident out of the place at which any meeting of Directors may be held, and who shall come to that place for the purpose of attending the meeting, such sum as may be considered fair and reasonable for his expenses in connection with attending the meeting, in addition to any remuneration as above specified.”*

A statement as required by Section 160(1)(b) of the Companies Ordinance, 1984 in respect of the special business to be considered at the meeting is annexed to this Notice of Meeting being sent to the members/ shareholders.

By order of the Board



**Anam Fatima Khan**  
Company Secretary

Karachi.  
August 27, 2014

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:

1. Any person who seeks to contest the election of Directors shall file with the Company at its registered office not later than fourteen days before the above said meeting his / her intention to offer himself / herself for the election of the Directors in terms of Section 178(3) of the Companies Ordinance, 1984 together with
  - (a) Consent to act as Director in Form 28 duly completed as required under Section 184(1) of Companies Ordinance, 1984;
  - (b) Declaration in respect of being compliant with the requirements of the Code of Corporate Governance 2012 and the eligibility criteria as set out in the Companies Ordinance, 1984 to act as Director of a listed Company; and
  - (c) Detailed profile along with office address for placement onto the Company's website within seven (07) days prior to the date of election in terms of SRO 25(1)/2012 dated 16 January 2012 and SRO 634 (I) / 2014 dated 10 July, 2014.
2. The Share Transfer Books of the Company will be closed from October 7, 2014 to October 21, 2014 (both days inclusive) for the purpose of the Annual General Meeting and payment of the final dividend.
3. Transfer requests received by the Company's Share Registrar, "M/s. Noble Computer Services (Private) Limited, Share Department, First Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-75350, Tel: (021) 34325482-84, Fax: (021) 34325442, Email: ncs1@hoh.net" at the close of business on October 6, 2014 will be treated in time for the purpose of determining above entitlement to the transferees for payment of final dividend and to attend the Annual General Meeting.
4. All members are entitled to attend and vote at the meeting. A member may appoint a proxy to attend and vote on behalf of him / her. Proxy forms must be deposited at the Share Registrar of the Company, by close of business at 5pm on Saturday, 18 October, 2014.
5. Shareholders are requested to promptly notify change in their registered postal address, if any, to the Company's Share Registrar.
6. Shareholders are also requested to provide the following information to enable the Company to comply with the directives of the Securities & Exchange Commission of Pakistan.

### **Payment of Cash Dividend Electronically (Optional)**

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.

NOTICE OF ANNUAL GENERAL MEETING

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

A. For attending the meeting:

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

B. For appointing Proxies:

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

Submission of copies of CNIC and NTN Certificate

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), Dividend Warrants shall mandatorily bear the Computerized National Identity Card (CNIC) numbers of shareholders. Shareholders who hold shares in physical form are therefore requested to fulfill the statutory requirement and submit a copy of their CNIC (if not already provided) to the Company's Share Registrar, M/s. Noble Computer Services (Pvt.) Limited without any delay.

In case of non-availability of a valid copy of the CNIC in the records of the Company, the Company will be constrained to withhold the Dividend Warrant in terms of Section 251(2)(a) of the Companies Ordinance, 1984, which will be released by the Share Registrar only upon compliance with the aforesaid SECP directives.

Additionally, pursuant to the provisions of the Finance Act 2014 effective July 1, 2014, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance 2001 have been revised as follows

- |  |     |
|--|-----|
| (a) Rate of tax deduction for filer of income tax returns      | 10% |
| (b) Rate of tax deduction for non-filers of income tax returns | 15% |

NOTICE OF ANNUAL GENERAL MEETING

All Members/ Shareholders of the Company who hold shares in physical form are therefore requested to send a valid copy of their CNIC and NTN Certificate to the Company's Shares Registrar, M/s. Noble Computer Services (Pvt.) Limited to allow the Company to ascertain the status of the shareholder/member.

Members / Shareholders of the Company who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) are requested to send valid copies of their CNIC and NTN Certificate to their CDC Participants / CDC Investor Account Services.

Where the required documents, are not submitted, the Company will be constrained to treat the non-complying Shareholder/ Member as a non-filer thereby attracting a higher rate of withholding tax.

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts in relation to the Special Business to be transacted at the Annual General Meeting of the Company to be held on October 21, 2014 at 9 a.m. at the Pearl Continental Hotel, Karachi:

AGENDA ITEM NO. 5 - Amendment to Articles of Association

The Board has proposed that the remuneration to be paid to non-executive directors on the Board of Directors, should be determined by the Board, so as to ensure that the remuneration is commensurate with the dedication and effort with which the non-executive directors perform their role on the Board. The Board has thus recommended that amendments be made to Article 97 of the Articles of Association, to reflect such proposal and for which purpose it is proposed that the resolution set out in Agenda Item 5 of the Notice of the Annual General Meeting be passed as and by way of a Special Resolution.



South Region

TOYOTA CENTRAL MOTORS  
3, Kathiawar Society, Main Shahrah-e-Faisal, Karachi  
Tel: (021) 34532246-50 / 34536246-49  
Email: Toyota@cyber.net.pk

TOYOTA SOCIETY MOTORS  
150-F, Block-2, PECHS, Khalid Bin Waleed Road, Karachi  
Tel: (021) 111-786-113 / 34383213-4  
Email: toyotasociety@cyber.net .pk

TOYATA EASTERN MOTORS  
118, Rashid Minhas Road, Gulshan-e-Iqbal, Karachi  
Tel: (021) 34614077 / 34614177  
Email: toyotaeastern@yahoo.com

TOYOTA UNIVERSITY MOTORS  
7-9, Chandni Chowk, Main University Road, Karachi  
Tel: (021) 34940417 / 34941747  
Email: toyota\_university@hotmail.com

TOYOTA SOUTHERN MOTORS  
Plot No. 13, Sector 23, Korangi Industrial Area, Karachi  
Tel: (021) 111-876-111 / 35062478 / 35053181-6  
Email: cre@toyotasouthern.com

TOYOTA DEFENCE MOTORS  
118, Defence Housing Authority, Main Korangi Road Karachi  
Tel: (021) 111-836-836 / 35888314 / 35386022-7  
Email: cre@toyotadefence.com

TOYOTA WESTERN MOTORS  
C-38, Estate Avenue, SITES , Karachi  
Tel: (021) 111-800-786 / 32572420 / 32564531-5  
Email: info@toyotadefence.com

TOYOTA SHAHRAH-E-FAISAL MOTORS  
Makro StarGate Center, Near Airport, Karachi  
Tel: (021) 34600518-20  
Email: tsfrmkarachi@gmail.com

TOYOTA HYDERABAD MOTORS  
Plot No. A-4,1, Auto Bahn Road, SITE, Hyderabad  
Tel: (022) 3885121-5  
Email: toyota.hyd@cyber.net.pk

TOYOTA ZARGHOON MOTORS  
New Zarghoon Road, Quetta  
Tel: (081) 2450444  
Email: zarghoonmotors@yahoo.com

TOYOTA HIGHWAY MOTORS  
Plot No. 8, Highway, Karachi-75340  
Tel: (021) 36880702-04 / 111-009-000  
Email: shad@toyota-highway.com  
info@toyota-highway.com

Central Region

TOYOTA RAVI MOTORS  
Chowk Niaz Beg, Multan Road, Lahore  
Tel:(042) 111-700-900 / 35426961-64  
Email: customerrelationrm@gmail.com

TOYOTA SHAHEEN MOTORS  
36, Main Jail Road, Lahore  
Tel:(042) 111-300-700 / 37566296-98  
Email: cr@toyotashah.com

TOYOTA TOWNSHIP MOTORS  
PECO Road, Kot Lakpat, Lahore  
Tel:(042) 111-393-939 /35885014  
Email: info@toyotatownshipmotors.com

TOYOTA SAHARA MOTORS  
28/5, Jail Road, Lahore  
Tel:(042) 111-383-838 / 37576218 /37581253  
Email: sahara@brain.net.pk

TOYOTA FAISALABAD MOTORS  
West Canal Road, Mansoorabad, Faisalabad  
Tel: (041) 111-000-052  
Email: tfsdm@hotmail.com

TOYOTA LYALLPUR MOTORS  
Sargodha Road, Faisalabad  
Tel: (041) 8811030  
Email: Shaukat.hayat@toyotalyallpur.com

TOYOTA SARGODHA MOTORS  
5Km, Lahore Road, Sargodha  
Tel: (048)3217404-5 / 3221802  
Email: Toyota\_sgd@yahoo.com

TOYOTA MULTAN MOTORS  
Bosan Road, Multan  
El: (061) 111-111-343 / 6522482-83  
Email: toyotamm@brain.net.pk

TOYOTA CITY MOTORS  
Abdali Road Multan  
Tel: (061) 4541925, 4580793, 4542488  
Email: toyotacm@brain.net.pk

TOYOTA GARDEN MOTORS  
10-L, Gulberg III, Main Ferozepur Road Lahore  
Twt: (042) 111-595-959 / 35868256  
Email: cr@toyotagraden.com

TOYOTA CANTT MOTORS  
E-196-A, Main Walton Road, Lahore  
Tel: (042) 36681909  
Email: canttsales@toyotacanttthr.com

TOYOTA AIRPORT MOTORS  
New Airport, Ghazi Road, Lahore Cantt  
Tel: (042) 11-008-009 / 35700107  
Email: cr@toyotaairport.com

TOYOTA WALTON MOTORS  
Main Walton Road, Defence, Lahore Cantt  
Tel: (042) 111-008-009 / 6662981-82  
Email: info@toyotawalton.com

TOYOTA ROYAL MOTORS  
Khanpur Road, Near Gulshan-e-Ravi Rahim yar  
  
Tel: (068) 5885090-92  
Email: cr@toyotaroyal.com

TOYOTA SAILKOT CITY MOTORS  
Hilbro Industrial Park, 12 Km, Daska Road,  
Sailkot  
Tel : (052) 6527415-6  
Email: info@tscm.com.pk

TOYOTA GUJRANWALA MOTORS  
Opp. Jalil Town, Qila Chand Bypass, G.T. Road Gujranwala.  
Tel: (055) 4285501-3  
Email: info@toyotagujranwala.com

TOYOTA BAHAWALPUR MOTORS  
KLP Road, Bahawalpur Bypass, Near Karachi Morr Bahawalpur  
Tel: 092-62-2889941-43  
Email: customer.relations@toyotabwp.com

TOYOTA DGK MOTORS  
Paigah, Jampur Road, Dera Ghazi Khan, Punjab  
Phone: 3039273706  
Email: customer.relation@toyotadgk.com, fariha.gul@toyotadgk.com

TOYOTA SAHIWAL MOTORS  
Sahiwal By Pass Chowk, Opposite Daewoo Terminal, Multan Road, Sahiwal  
Tel: 040-4502345-6 / 042-111-700-900  
Email: info@toyotasahiwal.com

North Region

TOYOTA CAPITAL MOTORS  
Plot No. 405-406, 9 Avenue, Sector-1-9 Islamabad  
Tel: (051) 111-142-142 / 4432027  
Email:cr@toyotacapital.com.pk

TOYOTA ISLAMABAD MOTORS  
7, Khayaban-e-Suharwardy, G-6/1-1 Aabpara Islamabad  
Tel: (051) 111-000-037 / 2877111 / 2270461-6  
Email: info@toyota-islamabad.com

TOYOTA G.T. MOTORS  
G-15/2 Main G.T. Road Islamabad  
Tel: (051) 2227860-64  
Email: toyotagt@comsats.net.pk

TOYOTA FRONTIER MOTORS  
Main University Road, Peshawar  
Tel: (091) 111-235-236 / 5701002-5 / 5841626  
Email: info@tfm.com.pk

TOYOTA RAWAL MOTORS  
Swan Camp, G.T. Road, Rawalpindi  
Tel: (051) 4491400-5  
Email: rawal@toyotarawal.com

TOYOTA AZAD MOTORS  
Main Mohammad Road, Mirpur Azad Kashmir  
Tel: (058610) 32803-5  
Email: service@toyota-azad.com

TOYOTA D.I. KHAN MOTORS  
North Circular Road, Dera Ismail Khan  
Tel: (0966) 716792-3  
Email: toyotadik@brain.net.pk

TOYOTA MARDAN MOTORS  
Nowshera Road, Mardan  
Tel: (0937) 73001-3  
Email: toyotamardan@yahoo.com

TOYOTA ABBOTT MOTORS  
KM 11, Neelay Pair, Mansehra Road Abbottabad, KPK  
Phone: 00992-380882  
Email: shafaq.baig@toyota-abbott.com, sundus.waheed@toyota-abbott.com

FORM OF PROXY

Twenty Fifth Annual General Meeting

I/We\_\_\_\_\_

of \_\_\_\_\_

being member(s) of INDUS MOTOR COMPANY LIMITED, holding \_\_\_\_\_

Ordinary shares, hereby appoint \_\_\_\_\_ of \_\_\_\_\_

or failing him / her \_\_\_\_\_ of \_\_\_\_\_ who is/are also

member(s) of INDUS MOTOR COMPANY LTD. as my / our proxy in my/our absence to attend and vote for me/us

and on my/our behalf at the Twenty Fifth Annual General Meeting of the Company to be held on October 21, 2014

and/or any adjournment thereof.

As witness my / our hand/seal this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signed by said \_\_\_\_\_ in the presence of

**Witness 1**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC / Passport No. \_\_\_\_\_

Address \_\_\_\_\_

**Witness 2**

Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC / Passport No. \_\_\_\_\_

Address \_\_\_\_\_

Member's  
Folio/CDC Account No.

Signature on  
revenue stamp  
of appropriate value

The signature should  
agree with specimen  
registered with the Co.

NOTES:

1.

This proxy form duly completed and signed, must be received at the office of the Company's Share Registrar of the Company, by close of business at 5pm on Saturday, 18 October, 2014.
2.

No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3.

If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

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

- i)

The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii)

Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii)

The proxy shall produce his original CNIC or original passport at the time of meeting.
- iv)

In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

**AFFIX  
CORRECT  
POSTAGE**

Registrar, Indus Motor Company Limited  
Noble Computer Services (Private) Limited  
First Floor, House of Habib Building  
(Siddiqsons Tower), 3-Jinnah C. H. Society,  
Main Shahrah-e-Faisal, Karachi-75350,  
Pakistan.