

Indus Motor Company Limited
Quarterly & Six Monthly Accounts December 2007

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Directors' Review

For the first half year, July 2007 to December 2007

On behalf of the Board of Directors of Indus Motor Co. Ltd., we are pleased to present the un-audited accounts of the Company for the half year ended December 31, 2007. The financial statements accompanying this report received a limited scope review from the statutory auditors as required under the Code of Corporate Governance.

Pakistan Automobile Market

The domestic automobile industry which showed impressive growth rates for last several years recorded its first half year drop in volume since 2001 primarily due to the uncertainty emanating from the political environment in the country. Nation-wide sales of the locally assembled passenger cars, light commercial vehicles (LCV), new and used CBU units were 99,681 units, down 9% compared to 110,074 units sold during same period ended December 31, 2006. The unsatisfactory law and order situation, tightening of auto finance and imposition of 2.5% withholding tax effective September contributed towards the decline in the second quarter. Total industry production of CKD cars and LCV at 94,900 units was about same as in the corresponding period last year.

Company Operating Performance

The second quarter proved to be an extremely volatile period for the country and it was particularly more so in Karachi following the unfortunate events post October 18. Despite these challenges and difficulties, total production of all CKD models at 22,824 units achieved during the current half year is a new record for the Company compared to 22,489 units produced during the same period in 2006. The combined sales of Toyota and Daihatsu brand products for the six months ended December 2007 was 23,138 units, down 3% from the level of 23,905 units achieved in the same period of the prior year. In a declining market we were able to improve our overall market share of passenger cars and light commercial vehicles to 23% from 22%. The new generation of Toyota Hilux was also launched in November 2007 and saw a strong demand during this period.

Total sales revenue at Rs.18.7 billion and Profit after Tax of Rs.1.4 billion are up from the levels achieved for the same period last year and are also a new all time record. The strengthening of the Yen, severe disturbances in the city, our annual maintenance shutdown and events of post December 27 contributed to lower than expected profit margins for the second quarter.

The Board of Directors are pleased to declare an interim dividend @ 40% or Rs 4.00 per share for the half year ended December 2007 versus Rs 5.00 per share paid for the same period last year. The decline in dividend reflects the Boards concern over uncertainty in the business environment on account of political volatility and recognition of major capital outlays in future to meet the Companys growth potential.

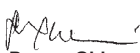
During the review period, many dealerships in the network concluded major upgrade of their facilities to be able to provide quality sales and service to the customers. Express Maintenance was launched at a dealership in Karachi that allows customers to have complete periodic maintenance of their vehicle within a turnaround time of 60 minutes. There is a plan to extend the facility to more dealerships in other cities.

Near Term Business Outlook

The second half of the fiscal year to June 2008 is again expected to remain challenging given the political uncertainty and rising tide of economic issues that will have to be confronted by the new government. Although this period and particularly last quarter of April/June is the strongest for the automobile industry owing to the agricultural income cycle and farmer liquidity that contributes by way of strong demand for our products in rural areas, we expect our near term earnings on this occasion to remain under pressure owing to the effect of exchange rate that has significantly weakened the rupee both against the dollar and the appreciating yen.

In order to overcome the above pressures, it is essential that the Government take proactive steps to boost the automobile sector which remains a major contributor to the exchequer. The confirmation of the Auto Industry Development Plan by the Government is a positive development and bodes well for the future growth, however, the most important element for growth is the consistency in the policies and we hope the new Government will ensure this continuity and take appropriate steps to generate momentum for growth. In this regard, we recommend that continued import of used cars be discouraged by restricting the life of used vehicle to 2 years from the present 3 years and the applicable rate of depreciation be reverted to 1% instead of 2% currently. We welcome the most recent initiative of the Government to provide temporary relief by suspending application of 2.5% withholding tax for 2 months and hope this would be withdrawn permanently and the depreciation allowance in hands of corporate tax payer be raised from 15% to 25%.

In conclusion, we thank our customers for their confidence in our products and wish to acknowledge the tremendous efforts of the entire Indus team, including our staff, vendors, dealers and all business partners for their untiring efforts in these difficult times and look forward to their continued support in the future.



Parvez Ghias

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

Auditor's Review Report to the Members

Introduction

We have reviewed the accompanying condensed interim balance sheet of Indus Motor Company Limited as a December 31, 2007 and related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2007.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi
February 22, 2008

A.F.FERGUSON & CO
Chartered Accountants

Condensed Interim Balance Sheet

As at December 31, 2007

	Note	December 31 2007 (Unaudited)	June 30 2007 (Audited)
(Rupees '000)			
ASSETS			
Non-current assets			
Fixed assets	4	2,651,118	2,093,852
Long-term loans		8,186	4,240
Long-term deposits		5,190	6,629
		<u>2,664,494</u>	<u>2,104,721</u>
Current assets			
Stores and spares		243,550	227,191
Stock-in-trade		4,947,398	2,859,951
Trade debts - considered good		890,515	665,647
Current maturity of finance under musharika arrangements		3,334	3,710
Loans and advances - considered good		468,993	426,165
Short-term prepayments and trade deposits		24,020	47,523
Accrued mark-up		17,704	132,634
Other receivables		577,736	605,725
Investments - at fair value through profit and loss		51,734	-
Taxation - net		6,631	48,520
Cash and bank balances		4,266,761	8,543,263
		<u>11,498,376</u>	<u>13,560,329</u>
TOTAL ASSETS		<u>14,162,870</u>	<u>15,665,050</u>
EQUITY			
Share capital and reserves			
Authorised			
100,000,000 (June 30, 2007: 100,000,000) ordinary shares of Rs 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital			
78,600,000 (June 30, 2007: 78,600,000) ordinary shares of Rs 10 each		786,000	786,000
Reserves		<u>8,010,823</u>	<u>7,257,975</u>
		8,796,823	8,043,975
LIABILITIES			
Non-current liabilities			
Deferred taxation		182,459	210,149
Current liabilities			
Trade and other payables		3,181,072	2,892,017
Advances from customers and dealers		2,000,564	4,514,480
Accrued mark-up		410	715
Current portion of liabilities against assets subject to finance lease		1,542	3,714
		<u>5,183,588</u>	<u>7,410,926</u>
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		<u>14,162,870</u>	<u>15,665,050</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.



Parvez Ghias
Chief Executive Officer



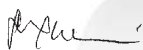
Yutaka Arae
Vice Chairman & Director

Condensed Interim Profit and Loss Account(Unaudited)

For the quarter and half year ended December 31, 2007

	Note	Half year ended December 31		Quarter ended December 31	
		2007	2006	2007	2006
(Rupees '000)					
Net sales	6.1	18,699,802	18,421,684	7,934,227	8,722,555
Cost of sales	6.2	16,503,806	16,470,132	7,129,062	7,788,861
Gross profit		2,195,996	1,951,552	805,165	933,694
Distribution costs		256,275	209,121	160,713	99,633
Administrative expenses		132,238	133,470	67,584	73,857
		388,513	342,591	228,297	173,490
		1,807,483	1,608,961	576,868	760,204
Other operating expenses		162,766	149,041	54,257	75,884
		1,644,717	1,459,920	522,611	684,320
Other operating income		460,136	512,105	161,716	292,849
		2,104,853	1,972,025	684,327	977,169
Finance cost		3,210	31,046	(2,732)	3,931
Profit before taxation		2,101,643	1,940,979	687,059	973,238
Taxation		740,560	662,887	246,564	324,626
Profit after taxation		1,361,083	1,278,092	440,495	648,612
Earnings per share - basic (Rupees)		17.32	16.26	5.60	8.25

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements



Parvez Ghias

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

Condensed Interim Cash Flow Statement (Unaudited)

For the half year ended December 31, 2007

	Half year ended	
	December 31 2007	December 31 2006
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,101,643	1,940,979
Adjustment for non-cash charges and other items		
Depreciation	204,462	181,804
Amortisation	1,354	2,249
Gain on sale of fixed assets	(2,150)	(3,191)
Net unrealised (gain) / loss on revaluation of creditors and forward foreign exchange contracts	(5,571)	3,784
Unrealised gain on revaluation of investments made in listed mutual funds	(1,734)	(109)
Return on bank deposits	(352,087)	(412,974)
Return on finance under musharika arrangements	(99)	(294)
Workers' profit participation fund	112,901	104,242
Workers' welfare fund	43,449	39,612
Mark-up on advances from customers and dealers	2,089	18,400
Mark-up on liabilities against assets subject to finance lease	115	279
	<u>2,729</u>	<u>(66,198)</u>
Operating surplus before working capital changes	2,104,372	1,874,781
Movement in working capital		
(Increase) / decrease in current assets		
Stores and spares	(16,359)	(17,667)
Stock-in-trade	(2,087,447)	385,920
Trade debts	(224,982)	77,960
Loans and advances	(42,828)	290,887
Short-term prepayments and trade deposits	23,503	(17,852)
Other receivables	27,989	585,202
	<u>(2,320,124)</u>	<u>1,304,450</u>
Increase / (decrease) in current liabilities		
Trade and other payables	163,466	(175,110)
Advances from customers and dealers	(2,513,916)	(3,475,274)
	<u>(2,350,450)</u>	<u>(3,650,384)</u>
Cash generated from operations	(2,566,202)	(471,153)
Interest paid	(2,510)	(40,488)
Workers' profit participation fund paid	(7,115)	(7,618)
Interest received	467,116	366,623
Income tax paid	(726,361)	(460,444)
Long-term loans - net	(3,946)	305
Long-term deposits	1,439	(6,300)
	<u>(271,377)</u>	<u>(147,922)</u>
Net cash used in operating activities	(2,837,579)	(619,075)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(766,024)	(264,055)
Proceeds from disposal of fixed assets	5,092	36,013
Investment made in listed mutual funds	(50,000)	(25,000)
Receipts from finance under musharika arrangements	376	1,760
Net cash used in investing activities	(810,556)	(251,282)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of obligation against assets subject to finance lease	(2,172)	(2,001)
Dividend paid	(626,195)	(547,496)
Net cash used in financing activities	(628,367)	(549,497)
Net decrease in cash and cash equivalents	(4,276,502)	(1,419,854)
Cash and cash equivalents at the beginning of the period	8,543,263	7,416,180
Cash and cash equivalents at the end of the period	4,266,761	5,996,326

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.


Parvez Ghias

Chief Executive Officer



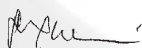
Yutaka Arae

Vice Chairman & Director

Condensed Interim Statement of Changes In Equity (Unaudited)
For the half year ended December 31, 2007

	Share Capital	Reserves					Total
		Capital	Revenue		Unrealised		
		Premium on issued, subscribed and paid-up ordinary shares	General reserve	Unappropriated profit	gain / (loss) von hedging instruments	Sub-Total	
(Rupees '000)							
Balance as at June 30, 2006	786,000	196,500	3,028,500	2,255,513	(8,634)	5,471,879	6,257,879
Final dividend for the year ended June 30, 2006 @ 70% declared subsequent to the year end	-	-	-	(550,200)	-	(550,200)	(550,200)
Transfer to general reserve for the year ended June 30, 2006 appropriated subsequent to the year end	-	-	1,705,300	(1,705,300)	-	-	-
Unrealised loss on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	8,634	8,634	8,634
Profit after taxation for the half year ended December 31, 2006	-	-	-	1,278,092	-	1,278,092	1,278,092
Unrealised loss on revaluation of forward foreign exchange contracts	-	-	-	-	(11,269)	(11,269)	(11,269)
Balance as at December 31, 2006	<u>786,000</u>	<u>196,500</u>	<u>4,733,800</u>	<u>1,278,105</u>	<u>(11,269)</u>	<u>6,197,136</u>	<u>6,983,136</u>
Balance as at June 30, 2007	786,000	196,500	4,733,800	2,352,714	(25,039)	7,257,975	8,043,975
Final dividend for the year ended June 30, 2007 @ 80% declared subsequent to the year end	-	-	-	(628,800)	-	(628,800)	(628,800)
Transfer to general reserve for the year ended June 30, 2007 appropriated subsequent to the year end	-	-	1,723,900	(1,723,900)	-	-	-
Unrealised loss on cash flow hedge removed from equity and reported in net profit for the period	-	-	-	-	25,039	25,039	25,039
Profit after taxation for the half year ended December 31, 2007	-	-	-	1,361,083	-	1,361,083	1,361,083
Unrealised loss on revaluation of forward foreign exchange contracts	-	-	-	-	(4,474)	(4,474)	(4,474)
Balance as at December 31, 2007	<u>786,000</u>	<u>196,500</u>	<u>6,457,700</u>	<u>1,361,097</u>	<u>(4,474)</u>	<u>8,010,823</u>	<u>8,796,823</u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.



Parvez Ghias
Chief Executive Officer



Yutaka Arae
Vice Chairman & Director

Notes to the Condensed Interim Financial Statements (Unaudited)

For the quarter and half year ended December 31, 2007

1 THE COMPANY AND ITS OPERATIONS

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

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

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

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

2 STATEMENT OF COMPLIANCE

These condensed interim 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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 and the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 and the directives issued by SECP prevail.

The disclosures made in these financial statements have, however, been limited based on the requirements of International Accounting Standard 34, "Interim Financial Reporting". They do not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the company for the year ended June 30, 2007.

These condensed interim financial statements are un-audited and have been reviewed by the external auditors as required by the Code of Corporate Governance.

3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the company for the year ended June 30, 2007. However, the company has adopted the following accounting policy in respect of investments:

3.1 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of purchase of investment and re-evaluates this classification on a regular basis. The existing investment portfolio of the company has been categorised as follows:

i) Held to maturity

These are investments with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold to maturity. Investments classified as held to maturity are initially recognised at fair value. Subsequently these investments are carried at amortised cost.

ii) At fair value through profit and loss account

Investments 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 account' category. These investments are initially recognised at fair value and the transaction costs associated with these investment are taken directly to the profit and loss account. Subsequent to initial recognition, these investments 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 investments are taken to the profit and loss account in the period in which they arise.

iii) Available for sale

Investments 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 investments (c) financial assets at fair value through profit and loss. These investments are initially recognised at fair value which includes transaction costs associated with the investments. Subsequent to initial recognition, these investments 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 investments are taken to shareholders' equity.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the quarter and half year ended December 31, 2007

The company assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Impairment loss on all investments is recognised in the profit and loss account. In arriving at the provision in respect of any diminution in long-term investments, consideration is given only if there is a permanent impairment in the value of the investment.

	Half year ended	
	December 31	
	2007	2006
	(Rupees '000)	
4 FIXED ASSETS		
4.1 Details of additions during the period are as follows:		
Tangible		
Owned		
Buildings on leasehold land:		
Factory	329	70,460
Others	230	-
Plant and machinery	4,859	217,965
Motor vehicles	23,582	21,426
Furniture and fixtures	1,692	2,135
Office equipment	4,121	1,394
Computers and related accessories	3,414	2,530
Tools and equipment	53,461	8,185
Jigs and fixtures	-	26,796
Capital work in progress	673,785	90,749
	<u>765,473</u>	<u>441,640</u>
Intangible assets		
Software	551	-

4.2 Details of disposals / retirements (at cost) during the period are as follows:

Plant and machinery	15,975	2,299
Motor vehicles	7,802	45,318
Office equipment	1,408	420
Computers and related accessories	42	-
Tools and equipment	960	-
Jigs and fixtures	70,457	-
Capital work in progress capitalized during the period	-	311,266
	<u>96,644</u>	<u>359,303</u>

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

5.1.1 The status of contingencies, as disclosed in note 23.1-23.2 to the annual financial statements for the year ended June 30, 2007 has remained unchanged except for the matter relating to alleged demand of income tax from Azad Jammu and Kashmir tax authorities of Rs 14.741 million for assessment year 1997-1998 to 2001-2002 (refer note 23.2 to the said financial statements). An appeal was pending before the Income Tax Appellate Tribunal (ITAT) against this matter, which was forwarded to Commissioner of Income Tax-Appeals (CITA) for reassessment. The CITA has given the decision in favour of the company. The tax authorities have filed an appeal against the CITA order before ITAT which is pending for hearing. No provision has been made by the company in the financial statements as the company is confident that the matters will be decided in favour of the company.

5.1.2 Contingencies in respect of outstanding bank guarantees at the end of the current period amounted to Rs 797.020 million (June 30, 2007: Rs 1,185.235 million).

5.2 Commitments

Commitments in respect of capital expenditure at December 31, 2007 amounted to Rs 2,152.074 million (June 30, 2007: Rs 858.614 million).

Notes to the Condensed Interim Financial Statements (Unaudited)
For the quarter and half year ended December 31, 2007

6 OPERATING RESULTS	Half year ended		Quarter ended	
	December 31		December 31	
	2007	2006	2007	2006
	(Rupees '000)			
6.1 Sales				
Manufacturing				
Gross sales	18,287,321	18,850,075	7,549,515	8,700,984
Sales tax	(2,364,214)	(2,457,661)	(975,962)	(1,134,194)
Federal excise duty	(157,747)	-	(65,072)	-
	<u>15,765,360</u>	<u>16,392,414</u>	<u>6,508,481</u>	<u>7,566,790</u>
Commission	(412,207)	(425,761)	(173,945)	(192,346)
Discounts	(4,964)	(15)	(161)	-
Net sales	<u>15,348,189</u>	<u>15,966,638</u>	<u>6,334,375</u>	<u>7,374,444</u>
Trading				
Gross sales	4,003,722	2,989,815	1,889,360	1,650,345
Sales tax	(476,199)	(377,740)	(205,781)	(206,472)
	<u>3,527,523</u>	<u>2,612,075</u>	<u>1,683,579</u>	<u>1,443,873</u>
Commission	(98,066)	(73,743)	(40,656)	(36,648)
Discounts	(77,844)	(83,286)	(43,071)	(59,114)
Net sales	<u>3,351,613</u>	<u>2,455,046</u>	<u>1,599,852</u>	<u>1,348,111</u>
	<u>18,699,802</u>	<u>18,421,684</u>	<u>7,934,227</u>	<u>8,722,555</u>
6.2 Cost of sales				
Raw materials and vendor parts consumed	13,625,215	13,234,461	5,918,424	6,128,140
Stores and spares consumed	274,812	323,496	118,995	149,479
Salaries, wages and other benefits	137,726	114,499	68,659	58,342
Repairs and maintenance	39,291	32,196	21,568	13,058
Depreciation	172,998	153,547	93,400	78,037
Travelling	7,789	8,111	4,922	5,441
Insurance	9,765	9,578	6,445	4,791
Vehicle running	2,219	2,496	1,167	1,521
Communication	3,230	2,136	1,580	900
Printing, stationary & office supplies	1,928	1,417	937	654
Fuel and power	55,963	66,161	20,004	29,138
Running royalty	140,979	132,148	47,110	48,704
Technical fee	1,681	6,593	1,401	851
Staff catering, transport & uniforms	44,619	44,545	20,477	23,682
Staff training	8,329	6,576	4,699	2,886
Others	5,386	11,633	2,495	5,073
	<u>906,715</u>	<u>915,132</u>	<u>413,859</u>	<u>422,557</u>
Add: opening work-in-process	64,533	95,520	112,515	92,623
Less: closing work-in-process	<u>52,882</u>	<u>282,972</u>	<u>52,882</u>	<u>282,972</u>
Cost of goods manufactured	<u>14,543,581</u>	<u>13,962,141</u>	<u>6,391,916</u>	<u>6,360,348</u>
Opening stock of finished goods	59,162	744,469	300,336	576,358
Closing stock of finished goods	<u>(916,069)</u>	<u>(266,065)</u>	<u>(916,069)</u>	<u>(266,065)</u>
Cost of sales - Manufacturing	<u>13,686,674</u>	<u>14,440,545</u>	<u>5,776,183</u>	<u>6,670,641</u>
Cost of sales - Trading	<u>2,817,132</u>	<u>2,029,587</u>	<u>1,352,879</u>	<u>1,118,220</u>
	<u>16,503,806</u>	<u>16,470,132</u>	<u>7,129,062</u>	<u>7,788,861</u>
6.3 Gross profit				
Manufacturing	1,661,515	1,526,093	558,192	703,803
Trading	534,481	425,459	246,973	229,891
	<u>2,195,996</u>	<u>1,951,552</u>	<u>805,165</u>	<u>933,694</u>

Notes to the Condensed Interim Financial Statements (Unaudited)
For the quarter and half year ended December 31, 2007

7 TRANSACTIONS 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 period are as follows:

	Half year ended		Quarter ended	
	December 31		December 31	
	2007	2006	2007	2006
	(Rupees '000)			
Sales	67,074	20,471	37,152	17,167
Purchases	9,965,861	8,634,186	4,368,887	4,330,053
Insurance premium	65,786	82,350	32,159	44,547
Agency commission	61,415	68,184	26,179	57,398
Running royalty	142,973	133,533	48,226	48,848
Technical fee	1,681	6,593	1,401	851
Share registrar's fee, charges and other services	8,693	7,080	4,463	3,979
Return on bank deposits	164,130	82,299	66,342	27,503
Proceeds from sale of fixed assets / insurance claim	1,387	934	418	-
Key management personnel compensation				
- Salaries and benefits	29,545	30,772	16,218	15,584
- Post employment benefits	519	502	240	251
			December 31, 2007	June 30, 2007
			(Rupees '000)	

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

Warranty claims, agency commission and other receivables	64,662	32,476
Trade and other payables	1,387,868	1,149,805

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

8 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 22, 2008 has proposed an interim cash dividend in respect of the year ending June 30, 2008 at Rs 4/= per share (2007: Rs 5/= per share). The condensed interim financial statements for the half year ended December 31, 2007 do not include the effect of this dividend which will be accounted for in the financial statements for the year ending June 30, 2008

9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison. There have been no significant rearrangements or reclassifications in these condensed interim financial statements.

10 DATE OF AUTHORIZATION OF ISSUE

These condensed interim financial statements were authorized for issue on February 22, 2008 by the Board of Directors of the company.

11 GENERAL

Figures have been rounded off to the nearest thousand rupees.


Parvez Ghias

Chief Executive Officer



Yutaka Arae

Vice Chairman & Director

Company Information

Board of Directors

Ali S. Habib	Chairman
Yutaka Arae	Vice Chairman
Parvez Ghias	Chief Executive Officer
Farhad Zulficar	Director
Ilyas Suri	Director
A. Okabe	Director
K. Furubayashi	Director
Mohammedali R. Habib	Director

Chief Financial Officer & Company Secretary

Shahid Mahmood Khan

Auditors

A. F. Ferguson & Co.
Chartered Accountants,
State Life Building 1-C,
I. I. Chundrigar Road,
Karachi.

Registrar

Noble Computer Services (Private) Limited
2nd Floor, Sohni Center, BS 5 & 6, Main Karimabad
Block- 4, Federal B. Area, Karachi - 75950, Pakistan.

Legal advisors

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

Factory / Registered Office

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