



3rd Quarterly Report 2013

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COMPANY INFORMATION

Board of Directors

Muhammad Aslam Sanjrani

Chairman

Keiichiro Utsumi

Managing Director & Chief Executive Officer

Tsutomu Mori

Kazuo Kakishima

Deputy Managing Directors

Hiroshi Kokaji

Haruo Komatsu

Toyoki Kuno

Ghafoor Mirza

Hiroo Kayanoki

Company Secretary

Fahim Aijaz Sabzwari

Bankers

Allied Bank Limited

Bank Alfalah Limited

Citibank, N.A.

Habib Metropolitan Bank Ltd.

Habib Bank Ltd.

National Bank of Pakistan

Bank Al-Habib Ltd.

Standard Chartered Bank (Pakistan) Ltd

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

United Bank Ltd.

MCB Bank Ltd.

Auditors

A.F. Ferguson & Co. Chartered Accountants

Legal Advisor

Sayeed & Sayeed

Registered Office

D-2, S.I.T.E., Manghopir Road

P.O. Box No. 10714, Karachi - 75700, Pakistan

Tel: 111-25-25-25 Fax: 021-32563028,

Website: www.hinopak.com

Email: info@hinopak.com

Share Registrar

Technology Trade (Pvt.) Limited

Dagia House 241-C, Block-2

P.E.C.H.S., Off Shahrach-e-Quaideen, Karachi

Tel: 021-34391316-7 & 9, 021-34387960-1

Fax: 021-34391318

**HINOPAK MOTORS LIMITED
DIRECTORS' REVIEW
FOR THE NINE MONTHS ENDED DECEMBER 31 , 2013**

Greetings to the Shareholders!

The total sale of commercial vehicles of all makes in the country in the Oct-Dec quarter of 2013 was 721 units – 37% higher than in the corresponding quarter of last year and also 138 units more than the previous quarter.

SALES

The sale of Hinopak's trucks and buses increased, in line with the market size, to 373 units from 300 units in the corresponding quarter of last year.

SALES REVENUE

The sales revenue for the quarter is Rs. 2.34 billion and for the nine months of Hinopak's financial year stands at Rs. 6.13 billion - 14% more than Rs. 5.39 billion of the corresponding period of last year. The gross profit in this quarter is Rs. 358 million.

FINANCE

The finance income stands at Rs. 91 million (Rs. 11 million for nine months). Liquidity improved significantly. The Company closed the cash and cash equivalent at Rs. 1.3 billion.

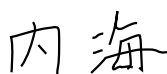
PROFIT & LOSS

The profit after tax in the quarter increased to Rs. 238 million from Rs. 17 million of last year's third quarter and the profit per share increased to Rs. 19.16 from Rs. 1.41.

OUTLOOK FOR THE FOURTH QUARTER

The economic outlook remains challenging on account of the tight fiscal position and vulnerability associated with adverse balance of payments. Further the implication of extra tax on auto parts and accessories will have an adverse impact on profitability.

Despite all the challenges the Company will continue to improve the quality of its products to the satisfaction of the customers and higher profit to the shareholders.



**Managing Director &
CEO**

Dated: January 23, 2014



Chairman

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013**

	Note	(Unaudited) December 31, 2013	(Audited) March 31, 2013 (Re-stated)
ASSETS			
(Rupees '000)			
Non-Current Assets			
Property, plant and equipment	5	1,680,801	1,714,507
Intangible assets		2,770	438
Investments		4,434	4,434
Long-term loans and advances		15,393	13,704
Long-term deposits		7,047	6,025
Deferred taxation		1,884	-
		<u>1,712,329</u>	<u>1,739,108</u>
Current Assets			
Stores, spares and loose tools		28,696	21,549
Stock-in-trade		2,573,210	2,161,904
Trade debts		338,926	276,904
Loans and advances		74,846	12,244
Trade deposits and prepayments		47,195	23,436
Refunds due from the government		351,111	206,002
Taxation - payments less provision		294,340	436,865
Interest accrued		4,850	-
Other receivables		29,499	9,619
Cash and bank balances		1,340,414	173,347
		<u>5,083,087</u>	<u>3,321,870</u>
Total Assets		<u>6,795,416</u>	<u>5,060,978</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital		124,006	124,006
Reserves		1,788,063	1,393,598
		<u>1,912,069</u>	<u>1,517,604</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		982,235	1,002,990
LIABILITIES			
Non-Current Liabilities			
Deferred taxation		-	19,383
Retirement benefits obligations		147,219	138,624
		<u>147,219</u>	<u>158,007</u>
Current Liabilities			
Trade and other payables	6	3,753,862	1,703,736
Short-term borrowings		-	645,948
Accrued mark-up		31	32,693
		<u>3,753,893</u>	<u>2,382,377</u>
Total Liabilities		<u>3,901,112</u>	<u>2,540,384</u>
CONTINGENCIES AND COMMITMENTS	7	<u>6,795,416</u>	<u>5,060,978</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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Managing Director &
CEO



Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED DECEMBER 31, 2013 - (UNAUDITED)**

	Note	Quarter ended		Nine months ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
← (Rupees '000) →					
Sales		2,337,633	1,492,292	6,131,511	5,394,502
Cost of sales		(1,979,486)	(1,333,009)	(5,231,744)	(4,809,667)
Gross profit		358,147	159,283	899,767	584,835
Distribution expenses		(65,844)	(68,490)	(184,485)	(184,225)
Administrative expenses		(66,482)	(52,021)	(175,987)	(155,146)
Other income		59,648	35,055	91,468	60,247
Other expenses	8	(26,504)	(2,382)	(45,330)	(5,101)
Profit from operations		258,965	71,445	585,433	300,610
Finance income / (cost)	9	91,467	(48,772)	11,439	(269,149)
Profit before taxation		350,432	22,673	596,872	31,461
Taxation		(112,840)	(5,247)	(198,411)	(11,156)
Profit after taxation		237,592	17,426	398,461	20,305
Other comprehensive loss					
Actuarial loss on retirement benefits obligations		-	-	(4,440)	-
Total comprehensive income		237,592	17,426	394,021	20,305
Earnings per share - basic and diluted		Rs. 19.16	Rs. 1.41	Rs. 32.13	Rs. 1.64

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


**Managing Director &
CEO**


Chairman

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED DECEMBER 31, 2013 - (UNAUDITED)**

	Note	2013	2012
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	10	1,977,364	(86,271)
Increase in long-term loans and advances		(1,689)	(3,860)
Increase in long-term deposits		(1,022)	(132)
Retirement benefits obligations paid		(22,266)	(25,229)
Mark-up paid		(27,969)	(83,643)
Return on savings and deposit accounts		36,979	1,224
Income taxes paid - net		(74,865)	(135,839)
Net cash generated / (used in) from operating activities		1,886,532	(333,750)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(65,371)	(54,458)
Purchase of intangible assets		(3,167)	(150)
Proceeds from sale of property, plant and equipment		15,245	11,432
Net cash used in investing activities		(53,293)	(43,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(20,224)	(19,103)
Net increase / (decrease) in cash and cash equivalents		1,813,015	(396,029)
Cash and cash equivalents at the beginning of the period		(472,601)	(1,113,805)
Cash and cash equivalents at the end of the period	11	1,340,414	(1,509,834)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


**Managing Director &
CEO**


Chairman

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2013 - (UNAUDITED)**

	Share Capital	Reserves - Revenue		Fair value reserve	Total
		General	Unappropriated Profit		
	(Rupees '000)				
Balance at April 1, 2013 - as previously reported	124,006	291,000	1,144,076	2,882	1,561,964
Effect of retrospective application of change in accounting policy (net of tax) - note 3	-	-	(44,360)	-	(44,360)
Balance at April 1, 2013 - as restated	124,006	291,000	1,099,716	2,882	1,517,604
Dividend for the year ended March 31, 2013 @ 1.638 per share	-	-	(20,312)	-	(20,312)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	20,755	-	20,755
Profit for the period	-	-	398,461	-	398,461
Other comprehensive loss	-	-	(4,440)	-	(4,440)
Total comprehensive income	-	-	394,021	-	394,021
Balance at December 31, 2013	124,006	291,000	1,494,180	2,882	1,912,069
Balance at April 1, 2012 - as previously reported	124,006	291,000	1,112,954	1,554	1,529,514
Effect of retrospective application of change in accounting policy (net of tax) - note 3	-	-	(26,817)	-	(26,817)
Balance at April 1, 2012 - as restated	124,006	291,000	1,086,137	1,554	1,502,697
Dividend for the year ended March 31, 2012 @ 1.55 per share	-	-	(19,221)	-	(19,221)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	20,199	-	20,199
Profit for the period	-	-	20,305	-	20,305
Other comprehensive loss	-	-	-	-	-
Total comprehensive income	-	-	20,305	-	20,305
Balance at December 31, 2012	124,006	291,000	1,107,420	1,554	1,523,980

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


**Managing Director &
CEO**


Chairman

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED DECEMBER 31, 2013 - (UNAUDITED)**

1. GENERAL INFORMATION

Hinopak Motors Limited is incorporated in Pakistan as a public limited company and quoted on Karachi and Lahore stock exchanges. The Company's principal activity is the assembly and progressive manufacture and sale of Hino buses and trucks. The Company also sells buses and trucks in international market. The registered office of the Company is at D-2, S.I.T.E., Manghopir Road, Karachi.

The Company is a subsidiary of Hino Motors Limited Japan and the ultimate parent of the Company is Toyota Motors Corporation Japan.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended March 31, 2013.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the nine months ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended March 31, 2013 except as described below.

IAS 19 (revised) - 'Employee Benefits' effective of 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.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the Company's policy for Staff Retirement Benefits in respect of 'remeasurements' stands amended as follows:

- 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 periods in which they occur.
- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The Company's condensed interim financial information is affected by the 'remeasurements' relating to prior years. The effects have been summarised below:

	March 31, 2013	March 31, 2012
	(Rupees '000)	
Impact on Balance Sheet		
Increase in Staff retirement benefits	67,212	40,632
Decrease in deferred tax liability	22,852	13,815
Decrease in unappropriated profit	44,360	26,817
Impact on Profit and Loss		
Increase in profit before taxation	3,194	818
Increase in taxation expense	1,086	278
Decrease in other comprehensive income - net of tax	19,651	27,357

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended March 31, 2013.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended March 31, 2013.

	December 31, 2013	March 31, 2013
	(Rupees '000)	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - note 5.1	1,669,784	1,708,258
Capital work-in-progress	11,017	6,249
	<u>1,680,801</u>	<u>1,714,507</u>

5.1 Details of additions to and disposals of operating fixed assets are as follows:

	Additions (at cost)		Disposals (at net book value)	
	Nine months ended			
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees '000)			
Vehicles	48,037	32,045	11,507	9,703
Others	12,566	35,331	225	73
	<u>60,603</u>	<u>67,376</u>	<u>11,732</u>	<u>9,776</u>

6. TRADE AND OTHER PAYABLES

These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs. 1.337 billion (March 31, 2013: Rs. 169 million) and advances from customers amounting to Rs. 1.324 billion (March 31, 2013: Rs. 856 million).

7. CONTINGENCY AND COMMITMENTS

7.1 Contingency

There has been no change in the status of contingencies as reported in the financial statements for the year ended March 31, 2013.

7.2 Commitments

Commitments for capital expenditures as at December 31, 2013 amounted to Rs. 17.05 million (March 31, 2013: Rs. 4.08 million).

	December 31, 2013	December 31, 2012
	(Rupees '000)	
8. OTHER EXPENSES		
Donations	667	2,719
Workers' Profits Participation Fund	31,436	1,735
Workers' Welfare Fund	13,227	647
	<u>45,330</u>	<u>5,101</u>
9. FINANCE INCOME / (COST)		
Mark-up on short-term borrowings	(4,693)	(76,940)
Exchange gain / (loss) - net	23,113	(184,311)
Bank charges	(6,981)	(7,898)
	<u>11,439</u>	<u>(269,149)</u>
10. CASH GENERATED FROM / (USED IN) OPERATIONS	December 31, 2013	December 31, 2012
	(Rupees '000)	
Profit before taxation	596,872	31,461
Add / (Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	88,180	93,669
Mark-up on short-term borrowings	(4,693)	76,940
Retirement benefits charge	24,134	23,167
Gain on sale of property, plant and equipment	(3,513)	(1,656)
Return on savings and deposit accounts	(41,829)	(1,224)
	<u>659,151</u>	<u>222,357</u>
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(7,147)	(2,254)
Stock-in-trade	(411,306)	(1,047,407)
Trade debts	(62,022)	1,490,526
Loans and advances	(62,602)	10,473
Trade deposits and prepayments	(23,759)	(2,772)
Refunds due from the government	(145,109)	(362,665)
Other receivables	(19,880)	2,988
	<u>(731,825)</u>	<u>88,889</u>
Increase / (Decrease) in trade and other payables	2,050,038	(397,517)
	<u>1,318,213</u>	<u>(308,628)</u>
	<u>1,977,364</u>	<u>(86,271)</u>

December 31, **March 31,**
2013 **2013**
(Rupees '000)

11. CASH AND CASH EQUIVALENTS

Cash and bank balances	1,340,414	173,347
Short-term borrowings - Running finance under mark-up arrangements	-	(645,948)
	1,340,414	(472,601)

12. TRANSACTIONS WITH RELATED PARTIES

Disclosure of transactions with the related parties during the period are as follows:

		December 31, 2013	December 31, 2012
Relationship	Nature of transactions	(Rupees '000)	
i. Holding Company	- Purchase of goods	87,219	62,072
	- Royalty charge	86,687	51,001
	- Dividend paid	12,052	11,404
	- Sale of goods	-	704
	- Technical assistance fee	-	10,391
	- Liability considered as no longer payable written back	-	9,592
ii. Associated Companies	- Purchase of goods and services	3,226,184	3,931,798
	- Sale of goods	594,014	524,123
	- Purchase of property, plant and equipment	32,136	14,593
	- Commission earned	29,974	28,068
	- Dividend paid	6,026	5,702
iii. Staff retirement funds	- Payments to retirements benefits plans	39,652	28,170
vi. Key Management Personnel	- Salaries and other employee benefits	22,966	20,004
	- Consultancy fee	3,612	3,951

13. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was approved and authorised for issue by the Board of Directors of the Company on January 23, 2014.


**Managing Director &
CEO**


Chairman





HINOPAK MOTORS LIMITED

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