



Half Yearly Report 2013

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COMPANY INFORMATION

Board of Directors

Kunwar Idris
Chairman

Keiichiro Utsumi
Managing Director & Chief Executive Officer

Tsutomu Mori
Kazuo Kakishima
Deputy Managing Directors

Hiroshi Kokaji
Takuji Umemura
Toyoki Kuno

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 Shahrah-e-Quaideen, Karachi
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HINOPAK MOTORS LIMITED
DIRECTORS' REVIEW
FOR THE HALF YEAR ENDED SEPTEMBER 30, 2013

Greetings to the Shareholders!

In the first half (April – September) of Company's financial year, the total sale of commercial vehicles (truck and bus) of all makes in the country was 1290 units – 51 units less than in the same period of last year. Compared with the previous quarter (April - June) it is less by 124 units. Thus, it has been a period of depression for commercial vehicles.

SALES

Despite a fall in the commercial-vehicle market, the sale of Hinopak trucks and buses increased to 652 units from 626 units in the corresponding half of last year. The Company's market share has increased to 51% from 47%.

SALES REVENUE

The sales revenue for the half year was Rs. 3.8 billion. The gross profit increased to Rs. 542 million (14%) from Rs. 426 million (11%) in the first half of last year.

FINANCE COST

The finance cost declined to Rs. 80 million (including net exchange loss of Rs. 70 million) from Rs. 220 million (including net exchange loss of Rs. 171 million) in the corresponding period of last year. The liquidity improved and the Company closed with cash and cash equivalent at Rs. 1.1 billion.

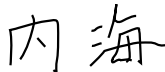
PROFIT & LOSS

The profit after tax is Rs. 156 million compared to Rs. 2.9 million of last year's first half and the earning per share has risen to Rs. 12.97 from Rs. 0.23.

OUTLOOK FOR THE SECOND HALF

The sales generally tend to improve in the first quarter of a calendar year and so, hopefully, would this time round.

The management and workforce both are working hard to achieve better results in the second half.



**Managing Director &
CEO**



Chairman

Dated: November 22, 2013



A. F. FERGUSON & CO.

**AUDITORS' REPORT TO THE MEMBERS
ON REVIEW OF INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim balance sheet of Hinopak Motors Limited as at September 30, 2013 and the 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 for interim financial reporting. 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 September 30, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended September 30, 2013.

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 September 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Karachi

Date: November 22, 2013

Name of Engagement Partner: Farrukh Rehman

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**CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2013**

	(Unaudited) September 30, 2013	(Audited) March 31, 2013 (Re-stated)
	Note	
ASSETS		
(Rupees '000)		
Non-Current Assets		
Property, plant and equipment	5 1,683,277	1,714,507
Intangible assets	3,097	438
Investments	4,434	4,434
Long-term loans and advances	15,827	13,704
Long-term deposits	6,545	6,025
Deferred taxation	6,304	-
	<u>1,719,484</u>	<u>1,739,108</u>
Current Assets		
Stores, spares and loose tools	19,912	21,549
Stock-in-trade	1,636,427	2,161,904
Trade debts	297,125	276,904
Loans and advances	55,993	12,244
Trade deposits and prepayments	40,823	23,436
Refunds due from the government	108,299	206,002
Taxation - payments less provisions	380,256	436,865
Interest accrued	1,786	-
Other receivables	4,307	9,619
Cash and bank balances	1,098,157	173,347
	<u>3,643,085</u>	<u>3,321,870</u>
Total Assets	<u>5,362,569</u>	<u>5,060,978</u>
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Share capital	124,006	124,006
Reserves	1,543,552	1,393,598
	<u>1,667,558</u>	<u>1,517,604</u>
SURPLUS ON REVALUATION OF FIXED ASSETS	989,153	1,002,990
LIABILITIES		
Non-Current Liabilities		
Deferred taxation	-	19,383
Retirement benefits obligations	143,862	138,624
	<u>143,862</u>	<u>158,007</u>
Current Liabilities		
Trade and other payables	6 2,561,979	1,703,736
Short-term borrowings	-	645,948
Accrued mark-up	17	32,693
	<u>2,561,996</u>	<u>2,382,377</u>
Total Liabilities	<u>2,705,858</u>	<u>2,540,384</u>
CONTINGENCIES AND COMMITMENTS	7	
	<u>5,362,569</u>	<u>5,060,978</u>

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


**Managing Director &
CEO**


Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED SEPTEMBER 30, 2013 - (UNAUDITED)**

	Note	Quarter ended		Half year ended	
		September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
← (Rupees '000) →					
Sales		2,110,343	1,718,736	3,793,878	3,902,210
Cost of sales		(1,755,707)	(1,504,943)	(3,252,258)	(3,476,658)
Gross profit		354,636	213,793	541,620	425,552
Distribution expenses		(80,071)	(63,966)	(118,641)	(115,735)
Administrative expenses		(58,330)	(53,119)	(109,505)	(103,125)
Other income		22,680	14,708	31,820	25,192
Other expenses	8	(12,376)	(2,719)	(18,826)	(2,719)
Profit from operations		226,539	108,697	326,468	229,165
Finance cost	9	(70,184)	(59,622)	(80,028)	(220,377)
Profit before taxation		156,355	49,075	246,440	8,788
Taxation		(55,699)	7,125	(85,571)	(5,909)
Profit after taxation		100,656	56,200	160,869	2,879
Other comprehensive loss					
Actuarial loss on retirement benefits obligations		(4,440)	-	(4,440)	-
Total comprehensive income		96,216	56,200	156,429	2,879
Earnings per share - basic and diluted		8.12	4.53	12.97	0.23

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


**Managing Director &
CEO**

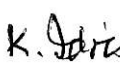

Chairman

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED SEPTEMBER 30, 2013 - (UNAUDITED)**

	Note	2013	2012
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	10	1,712,631	541,700
Increase in long-term loans and advances		(2,123)	(5,011)
Increase in long-term deposits		(520)	(293)
Retirement benefits obligations paid		(18,716)	(18,141)
Mark-up paid		(37,312)	(74,377)
Return on savings accounts and deposit accounts		17,308	717
Income taxes paid - net		<u>(52,362)</u>	<u>(75,158)</u>
Net cash from generated from operating activities		<u>1,618,906</u>	369,437
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		<u>(32,233)</u>	<u>(35,684)</u>
Purchase of intangibles assets		<u>(3,167)</u>	<u>(150)</u>
Proceeds from sale of property, plant and equipment		<u>7,451</u>	<u>11,259</u>
Net cash used in investing activities		<u>(27,949)</u>	<u>(24,575)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		<u>(20,199)</u>	<u>(19,063)</u>
Net increase in cash and cash equivalents		<u>1,570,758</u>	<u>325,799</u>
Cash and cash equivalents at the beginning of the period		<u>(472,601)</u>	<u>(1,113,805)</u>
Cash and cash equivalents at the end of the period	11	<u>1,098,157</u>	<u>(788,006)</u>

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 HALF YEAR ENDED SEPTEMBER 30, 2013 - (UNAUDITED)**

	Share Capital	Reserves - Revenue			Total
		General	Unappropriated Profit	Fair value reserve	
	(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	-	-	13,837	-	13,837
Profit for the period	-	-	160,869	-	160,869
Other comprehensive loss	-	-	(4,440)	-	(4,440)
Total comprehensive income	-	-	156,429	-	156,429
Balance at September 30, 2013	124,006	291,000	1,249,670	2,882	1,667,558
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	-	-	13,280	-	13,280
Profit for the period	-	-	2,879	-	2,879
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	2,879	-	2,879
Balance at September 30, 2012	124,006	291,000	1,083,075	1,554	1,499,635

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 HALF YEAR ENDED SEPTEMBER 30, 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.

This condensed interim financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended September 30, 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 replace 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 assets 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 used judgements that effect 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.

	September 30, 2013	March 31, 2013
	(Rupees '000)	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 5.1	1,676,342	1,708,258
Capital work-in-progress	6,935	6,249
	<u>1,683,277</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)	
	Half year ended			
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	(Rupees '000)			
Vehicles	22,767	25,069	4,837	9,530
Others	8,751	9,240	155	73
	<u>31,518</u>	<u>34,309</u>	<u>4,992</u>	<u>9,603</u>

6. TRADE AND OTHR PAYABLES

These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs. 889 million (March 31, 2013: Rs. 169 million) and advances from customers amounting to Rs. 886 million (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 September 30, 2013 amounted to Rs. 8.07 million (March 31, 2013: Rs. 4.08 million).

	September 30, 2013	September 30, 2012
	(Rupees '000)	
8. OTHER EXPENSES		
Donations	667	2,719
Workers' Profits Participation Fund	13,230	-
Workers' Welfare Fund	4,929	-
	<u>18,826</u>	<u>2,719</u>
9. FINANCE COST		
Mark-up on short-term borrowings	4,636	45,450
Exchange loss - net	69,601	170,693
Bank charges	5,791	4,234
	<u>80,028</u>	<u>220,377</u>
10. CASH GENERATED FROM OPERATIONS		
Profit before taxation	246,440	8,788
Add / (Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	58,980	61,000
Mark-up on short-term borrowings	4,636	45,450
Retirement benefits charge	17,227	15,706
Gain on sale of property, plant and equipment	(2,459)	(1,656)
Return on savings and deposit accounts	(19,094)	(717)
	<u>305,730</u>	<u>128,571</u>

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

(Increase) / Decrease in current assets

Stores, spares and loose tools	1,637	(1,092)
Stock-in-trade	525,477	(376,487)
Trade debts	(20,221)	1,448,637
Loans and advances	(43,749)	(219)
Trade deposits and prepayments	(17,387)	2,499
Refunds due from the government	97,703	(280,113)
Other receivables	5,312	31,079
	<u>548,772</u>	<u>824,304</u>
Increase / (Decrease) in trade and other payables	858,129	(411,175)
	<u>1,406,901</u>	<u>413,129</u>
	<u>1,712,631</u>	<u>541,700</u>

September 30, **March 31,**
2013 **2013**
(Rupees '000)

11. CASH AND CASH EQUIVALENTS

Cash and bank balance	1,098,157	173,347
Short-term borrowings - Running finance under mark-up arrangements	-	(645,948)
	1,098,157	(472,601)

12. TRANSACTIONS WITH RELATED PARTIES

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

		September 30, 2013	September 30, 2012
Relationship	Nature of transactions	(Rupees '000)	
i. Holding Company	- Purchase of goods	27,005	43,386
	- Royalty charge	49,576	33,481
	- Dividend paid	12,052	11,404
ii. Associated Companies	- Purchase of goods and services	1,635,545	2,554,493
	- Sale of goods	418,100	386,088
	- Purchase of property, plant and equipment	17,433	13,055
	- Commission earned	2,597	-
	- Dividend paid	6,026	5,702
iii. Staff retirement funds	- Payments to retirements benefits plans	24,765	19,130
vi. Key Management Personnel	- Salaries and other employee benefits	14,793	13,987
	- Consultancy fee	2,633	2,633

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 November 22, 2013.


**Managing Director &
CEO**


Chairman



HINOPAK MOTORS LIMITED

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