



1st Quarterly Report
2011

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COMPANY INFORMATION

Board of Directors

Kunwar Idris

Chairman

Hideya Iijima

Managing Director & CEO

Tsutomu Mori

Deputy Managing Director

Hirofumi Wachi

Hiroshi Kokaji

Haruo Komatsu

Koji Tsubouchi

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

Standard Chartered Bank (Pakistan) Limited

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

United Bank Ltd.

Barclays Bank PLC, Pakistan

Bank Al-Habib Limited

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: 021- 32563510-9, Website: www.hinopak.com

Email: info@hinopak.com

Share Registrar

Technology Trade (Pvt.) Limited

Dagja House 241-C, Block-2

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

Tel: 021-34391316-7 & 19, 021-34387960-1

Fax: 021-34391318

**HINOPAK MOTORS LIMITED
DIRECTORS' REVIEW
FOR THE FIRST QUARTER ENDED JUNE 30, 2011**

Greetings to the Shareholders!

The total sale of commercial vehicles of all makes in the country in the quarter (Apr - June) was 941 units – 16% less than in the same quarter of last year. Compared with the previous quarter (Jan - Mar) it shows an increase of 151 units.

SALES

The sale of Hinopak's own trucks and buses in the quarter decreased to 333 units from 598 units in the same quarter of last year and 60 units less than the preceding (Jan - Mar) quarter.

SALES REVENUE

The sales revenue in the quarter decreased to Rs. 1.32 billion from Rs. 2.58 billion and the gross profit to Rs. 70 million (5.3%) from Rs. 131 million (5.1%) in the corresponding quarter of last year.

FINANCE COST

The finance cost fell to Rs. 43 million (including net exchange loss of Rs. 28 million) from Rs. 104 million (including net exchange loss of Rs. 72 million) in the corresponding quarter of last year.

The cash flow deteriorated. The company closed the first quarter with bank borrowings of Rs. 407 million against Rs. 233 million at March 31, 2011.

PROFIT & LOSS

The loss after tax stood at Rs. 84 million as compared to loss of Rs. 89 million of last year's corresponding quarter leading to a loss per share of Rs. 6.77 against loss of Rs. 7.21.

OUTLOOK FOR THE SECOND QUARTER

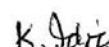
The sales in the next quarter (Jul - Sep) are unlikely to improve much as the market conditions show little sign of improvement. The removal of zero rating of Sales Tax is going to add substantially to the prices of vehicles which would, inevitably, depress their sales.

The management and workforce are doing all they can to keep the loss to the minimum by cutting cost and increasing productivity. In contending with the adverse condition, the company expects support from the government, cooperation of the dealers and understanding of its shareholders.



**Managing Director &
CEO**

Dated: July 26, 2011



Chairman

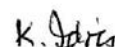
**CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2011**

	Unaudited June 30, 2011	Audited March 31, 2011
	(Rupees '000)	
ASSETS		
Non-current Assets		
Property, plant and equipment	4 1,825,383	1,788,255
Intangible assets	1,606	2,038
Long-term investments	-	-
Long-term loans and advances	5,620	3,908
Long-term deposits	5,896	5,881
	<u>1,838,505</u>	<u>1,800,082</u>
Current Assets		
Stores, spares and loose tools	22,783	19,794
Stock-in-trade	2,667,124	1,677,525
Trade debts	523,127	482,570
Loans and advances	49,312	83,382
Trade deposits and prepayments	33,152	27,253
Refunds due from the government - sales tax	363,611	225,479
Other receivables	21,969	28,876
Taxation - payments less provisions	190,986	144,567
Cash and bank balances	5 167,885	63,416
	<u>4,039,949</u>	<u>2,752,862</u>
TOTAL ASSETS	<u>5,878,454</u>	<u>4,552,944</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorised share capital		
20,000,000 ordinary shares of Rs 10 each	<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up share capital	124,006	124,006
General reserve	291,000	291,000
Unappropriated profit	986,655	1,064,480
Total capital and reserves	<u>1,401,661</u>	<u>1,479,486</u>
SURPLUS ON REVALUATION OF FIXED ASSETS	1,042,893	1,049,014
LIABILITIES		
Non-current liabilities		
Deferred taxation	47,372	47,372
Retirement benefits obligations	74,962	73,105
	<u>122,334</u>	<u>120,477</u>
Current Liabilities		
Trade and other payables	6 2,722,964	1,597,894
Short-term borrowings	575,076	296,310
Accrued mark-up	13,526	9,763
	<u>3,311,566</u>	<u>1,903,967</u>
CONTINGENCIES AND COMMITMENTS		
	7	
TOTAL LIABILITIES	<u>3,433,900</u>	<u>2,024,444</u>
TOTAL EQUITY AND LIABILITIES	<u>5,878,454</u>	<u>4,552,944</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Managing Director &
CEO



Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE FIRST QUARTER ENDED JUNE 30, 2011 - UNAUDITED**

	Note	Quarter ended	
		June 30, 2011 (Rupees '000)	June 30, 2010
Sales - net		1,325,608	2,580,984
Cost of sales		<u>(1,255,272)</u>	<u>(2,450,185)</u>
Gross profit		70,336	130,799
Distribution expenses		<u>(57,890)</u>	(76,899)
Administration expenses		<u>(44,050)</u>	(41,604)
Other operating income		7,018	27,859
Other operating expenses		<u>(1,023)</u>	-
(Loss)/Profit from operations		<u>(25,609)</u>	40,155
Finance cost	8	<u>(43,469)</u>	<u>(103,751)</u>
Loss before taxation		<u>(69,078)</u>	(63,596)
Taxation		<u>(14,868)</u>	<u>(25,810)</u>
Loss after taxation		<u>(83,946)</u>	(89,406)
Other comprehensive income		-	-
Total comprehensive loss		<u>(83,946)</u>	<u>(89,406)</u>
Loss per share - basic and diluted		<u>Rs. (6.77)</u>	<u>Rs. (7.21)</u>

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Managing Director &
CEO


Chairman

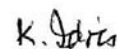
**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED JUNE 30, 2011 - UNAUDITED**

	Note	June 30, 2011	June 30, 2010
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	9	(29,102)	(215,935)
Mark-up paid on short-term borrowings		(11,388)	(7,588)
Return on investments and savings accounts		464	464
Taxes paid		(61,287)	(29,546)
Retirement benefits obligations paid		(8,968)	(4,787)
(Increase) / decrease in long-term loans and advances		(1,712)	315
Increase in long-term deposits		(15)	-
Net cash used in operating activities		(112,008)	(257,077)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(64,411)	(48,451)
Proceeds form sale of property, plant and equipment		2,122	4,805
Net cash used in investing activities		(62,289)	(43,646)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	(5)
Net decrease in cash and cash equivalents		(174,297)	(300,728)
Cash and cash equivalents at the beginning of the period		(232,894)	(430,941)
Cash and cash equivalents at the end of the period		(407,191)	(731,669)

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**Managing Director &
CEO**



Chairman

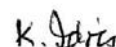
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED JUNE 30, 2011 - UNAUDITED**

	Share Capital	Reserves - Revenue		Total
		General	Unappropriated Profit	
← (Rupees '000) →				
Balance at April 1, 2010	124,006	291,000	1,088,973	1,503,979
Total comprehensive loss after taxation for the quarter ended June 30, 2010	-	-	(89,406)	(89,406)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	1,423	1,423
Balance at June 30, 2010	<u>124,006</u>	<u>291,000</u>	<u>1,000,990</u>	<u>1,415,996</u>
Balance at April 1, 2011	124,006	291,000	1,064,480	1,479,486
Total comprehensive loss after taxation for the quarter ended June 30, 2011	-	-	(83,946)	(83,946)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	6,121	6,121
Balance at June 30, 2011	<u>124,006</u>	<u>291,000</u>	<u>986,655</u>	<u>1,401,661</u>

The annexed notes 1 to 11 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 FIRST QUARTER ENDED JUNE 30, 2011 - UNAUDITED**

1. COMPANY AND ITS OPERATIONS

Hinopak Motors Limited is incorporated in Pakistan as a public limited company and listed on Karachi and Lahore Stock Exchanges.

The company's principal activity is the assembly, progressive manufacturing and sale of Hino buses and trucks in Pakistan. The company also sells buses and trucks in international market.

The financial statements are presented in Pak Rupee, which is the company's functional and presentation currency.

2. BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard No 34, "Interim Financial Reporting" and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Lahore Stock Exchanges.

The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended March 31, 2011.

3. ACCOUNTING POLICIES

The present accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the company for the year ended March 31, 2011.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	Unaudited June 30, 2011 (Rupees '000)	Audited March 31, 2011
Operating assets	4.1	1,690,458	1,692,262
Capital work-in-progress		134,925	95,993
		<u>1,825,383</u>	<u>1,788,255</u>

4.1 Additions / disposals

	Additions (at cost)		Disposals (at net book value)	
	← Quarter ended →			
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	← (Rupees '000) →			
Building on leasehold land	214	436	-	-
Plant and machinery	2,925	1,810	-	-
Furniture and fittings	81	-	-	-
Vehicles	18,572	28,087	869	-
Electrical installations	174	903	-	-
Office and other equipments	3,512	3,610	-	-
	<u>25,478</u>	<u>34,846</u>	<u>869</u>	<u>-</u>

	Unaudited June 30, 2011 (Rupees '000)	Audited March 31, 2011
5. CASH AND BANK BALANCES		
Balance with banks:		
on current accounts	2,007	2,445
on PLS saving accounts	165,726	60,771
Cash in hand	152	200
	<u>167,885</u>	<u>63,416</u>

6. TRADE AND OTHER PAYABLES

These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs. 1.32 billion (March 31, 2011: Rs. 0.53 Billion).

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

As at June 30, 2011 the company has received provisional refunds of Rs. 519.05 million (March 31, 2011: Rs. 519.05 million) from the sales tax authorities against bank guarantees.

7.2 Commitments

Commitments for capital expenditures as at June 30, 2011 amounted to Rs. 59.14 million (March 31, 2011: Rs. 71.50 million).

	Unaudited June 30, 2011	Unaudited June 30, 2010
	(Rupees '000)	
8. FINANCE COST		
Mark-up on short-term borrowings	13,643	29,088
Exchange loss - net	28,318	72,440
Bank charges and others	1,508	2,223
	<u>43,469</u>	<u>103,751</u>

	Unaudited June 30, 2011	Unaudited June 30, 2010
	(Rupees '000)	
9. CASH USED IN OPERATIONS		
Loss before taxation	(69,078)	(63,596)
Add / (Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	26,846	25,580
Mark-up on short-term borrowings	15,151	29,089
Retirement benefits charge	10,825	7,663
Gain on sale of property, plant and equipment	(1,253)	(4,805)
Return on investments and savings accounts	(464)	(464)
	<u>51,105</u>	<u>57,063</u>
Loss before working capital changes	(17,973)	(6,533)

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (increase) in current assets		
Stores, spares and loose tools	(2,989)	1,524
Stock-in-trade	(989,599)	(279,621)
Trade debts	(40,557)	9,492
Loans and advances	34,070	(29,755)
Trade deposits and prepayments	(5,899)	(11,627)
Refunds due from the government - sales tax	(138,132)	202,165
Other receivables	6,907	(20,673)
	<u>(1,136,199)</u>	<u>(128,495)</u>
(Decrease) / increase in current liabilities		
Trade and other payables	1,125,070	(80,907)
	<u>(11,129)</u>	<u>(209,402)</u>
	<u>(29,102)</u>	<u>(215,935)</u>

10. TRANSACTIONS WITH RELATED PARTIES

Disclosure of transactions between the company and the related parties during the period are as follows:

Relationship	Nature of transaction	Unaudited	Unaudited
		June 30, 2011	June 30, 2010
		(Rupees '000)	
i. Holding Company	- Purchase of goods	62,079	58,311
	- Royalty charge	12,057	11,045
	- Technical assistance fee	779	-
	- Sale of goods	-	1,555
ii. Associated Companies	- Purchase of goods and services	1,485,621	1,875,999
	- Sale of goods	85,134	155,375
	- Purchase of property, plant and equipment	12,869	18,957
	- Commission earned	-	13,918
iii. Employees' Provident Fund	- Contribution paid	3,799	4,957
iv. Employees' Gratuity Fund	- Contribution paid	1,591	2,744
v. Employees' Pension Fund	- Contribution paid	2,186	2,590
vi. Key management personnel	- Salaries and other employee benefits	6,492	9,348
	- Post employment benefits	-	176

11. DATE OF AUTHORISATION FOR ISSUE

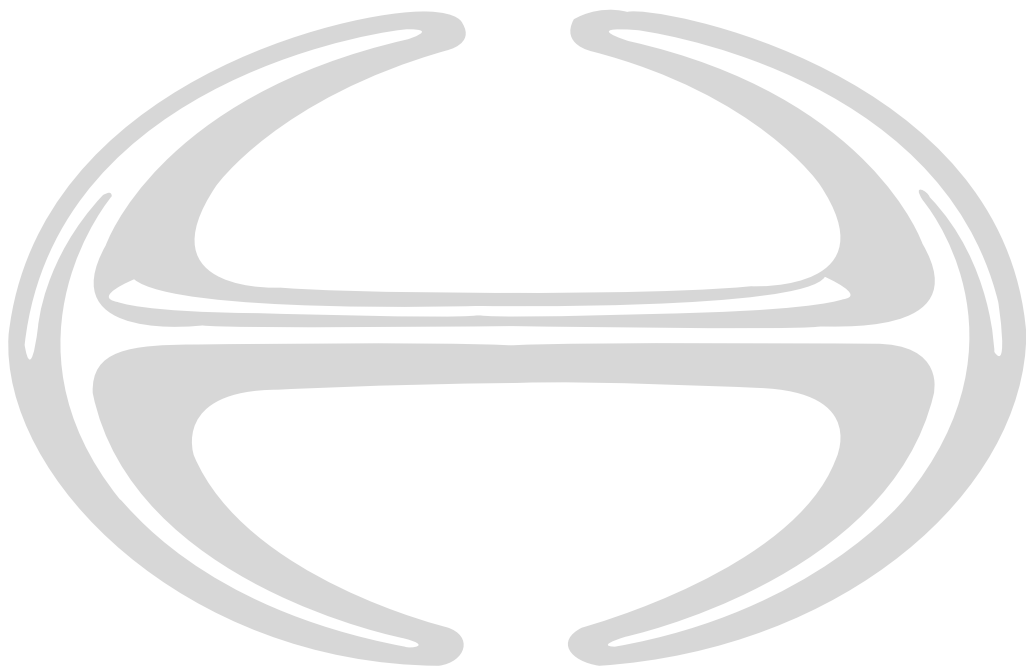
This condensed interim financial information was authorised for issue on July 26, 2011 by the Board of Directors of the company.



Managing Director &
CEO



Chairman





HINOPAK MOTORS LIMITED

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Website: www.hinopak.com