

EFFICIENCY COUNTS



Half Yearly Report 2015



Contents

- Company Information
- Directors' Report
- Condensed Interim Balance Sheet
- Condensed Interim Profit & Loss Account
- Condensed Interim Cash Flow Statement
- Condensed Interim Statement of Changes in Equity
- Notes to and forming part of the Condensed Interim Financial Information

Company Information

BOARD OF DIRECTORS

Mr. Aslam Sanjrani
Chairman

Mr. Keiichiro Utsumi
Managing Director & Chief Executive Officer

Mr. Yoshihiro Kondo
Deputy Managing Director

Mr. Takehito Sasaki
Director Production

Mr. Ghafoor Mirza
Independent Director

Mr. Shigehiro Matsuoka
Mr. Toyoki Kuno
Mr. Akihito Yamanaka
Mr. Takeshi Yasuda

Fahim Aijaz Sabzwari
Company Secretary

BANKERS

Allied Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Citibank, N.A.
Habib Bank Limited
Habib Metropolitan Bank Ltd.
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
United Bank Limited

AUDITORS

A. F. Ferguson & Co., Chartered Accountants

LEGAL ADVISOR

Sayeed & Sayeed

REGISTERED OFFICE

D-2, S.I.T.E., Manghopir Road
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Karachi-75700, Pakistan
Tel: 111-25-25-25
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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
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AREA OFFICES

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Quetta

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Quetta
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Peshawar

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Directors' Report

For The Half Year Ended September 30, 2015

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 3036 units – 817 units more than in the same period of last year. Compared with the previous quarter (April - June) it is less by 236 units.

SALES

In line with the increase in the national market, the sale of Hinopak's trucks and buses in the period rose to 1254 units as compared to 785 units in the same period of last year.

SALES REVENUE

The sales revenue in the first half increased to Rs. 7.6 billion from Rs. 5.8 billion and the gross profit to Rs. 1.3 billion from Rs. 961 million in the corresponding period of last year. In terms of percentage, however, it increased to 17.1% from 16.5%.

FINANCE COST

The finance cost rose to Rs. 150 million (including net exchange loss of Rs. 143 million) from Rs. 3 million (including net exchange gain of Rs. 1 million) in the corresponding period of last year.

The Company closed the cash and cash equivalent at Rs. 3 billion

PROFIT & LOSS

The profit after tax is Rs. 538 million compared to Rs. 499 million of last year's first half and the earning per share has risen to Rs. 43.38. Last year it stood at Rs. 40.21 per share.

OUTLOOK FOR THE SECOND HALF

The Company remains vigilant towards sustained growth through cost control and improved efficiencies to increase productivity and improved returns to the shareholders.

I wish to thank our principals, dealers and vendors for their cooperation as well as our devoted employees who have supported the Company in providing quality products.

内海

Managing Director &
Chief Executive Officer
Date: 26 November, 2015


Chairman



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 30 September 2015 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 30 September 2015 and 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 September 2015.

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 30 September 2015 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 26, 2015

Engagement partner: Syed Fahim ul Hasan

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Condensed Interim Balance Sheet
As at September 30, 2015

	Note	Unaudited September 30, 2015	Audited March 31, 2015
(Rupees '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,041,944	1,995,543
Intangible assets		10,503	10,649
Long-term investments		423	423
Long-term loans and advances		14,373	14,215
Long-term deposits		6,816	6,821
Staff retirement benefit - prepayment		-	12,544
		<u>2,074,059</u>	<u>2,040,195</u>
Current assets			
Stores, spares and loose tools		25,732	26,940
Stock-in-trade		4,124,523	1,814,191
Trade debts	6	308,298	1,287,210
Loans and advances		36,739	17,465
Trade deposits and prepayments		80,501	48,128
Refunds due from the government		470,580	115,349
Other receivables		2,589	36,356
Taxation - payments less provision		300,419	160,167
Accrued mark-up		8,883	9,738
Cash and bank balances		3,092,498	2,665,997
		<u>8,450,762</u>	<u>6,181,541</u>
Total assets		<u>10,524,821</u>	<u>8,221,736</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		124,006	124,006
Reserves		2,380,039	2,645,919
		<u>2,504,045</u>	<u>2,769,925</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		1,215,107	1,216,150
LIABILITIES			
Non-current liabilities			
Deferred taxation		52,036	76,102
Staff retirement benefit - obligations		114,576	105,289
		<u>166,612</u>	<u>181,391</u>
Current liabilities			
Trade and other payables	7	6,639,057	4,054,270
Total liabilities		<u>6,805,669</u>	<u>4,235,661</u>
Contingency and commitments	8		
Total equity and liabilities		<u>10,524,821</u>	<u>8,221,736</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

内海
Managing Director &
Chief Executive Officer


Chairman

**Condensed Interim Profit And Loss Account
For The Half Year Ended September 30, 2015 - Unaudited**

	Note	Quarter ended September 30, 2015	September 30, 2014	Half year ended September 30, 2015	September 30, 2014
(Rupees '000)					
Sales		3,719,019	2,509,822	7,584,198	5,823,854
Cost of sales		(3,135,747)	(2,096,137)	(6,284,590)	(4,863,155)
Gross profit		583,272	413,685	1,299,608	960,699
Distribution costs		(93,995)	(64,085)	(183,547)	(148,905)
Administration expenses		(91,864)	(79,036)	(179,852)	(158,640)
Other income		61,642	56,083	126,223	119,938
Other expenses	9	(18,832)	(24,567)	(64,004)	(52,847)
Profit from operations		440,223	302,080	998,428	720,245
Finance (cost) / income	10	(205,127)	29,833	(150,278)	(3,030)
Profit before taxation		235,096	331,913	848,150	717,215
Taxation	11	(78,387)	(101,768)	(310,151)	(218,590)
Profit after taxation		156,709	230,145	537,999	498,625
Other comprehensive income / (loss)					
Items that will not be reclassified to Profit or Loss					
Loss on remeasurement of post employment benefits obligations - net of tax		-	-	-	-
Total comprehensive income		156,709	230,145	537,999	498,625
Basic and diluted earnings per share		12.64	18.56	43.38	40.21

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

内海

Managing Director &
Chief Executive Officer



Chairman

Condensed Interim Cash Flow Statement
For The Half Year Ended September 30, 2015 - Unaudited

	Note	September 30, 2015	September 30, 2014
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	12	1,711,638	(12,486)
Mark-up paid on short term borrowings		(83)	(21)
Return on savings accounts		107,772	45,479
Income taxes paid - net		(474,469)	(95,133)
Retirement benefits obligations paid		(3,965)	(15,028)
Decrease / (increase) in long-term deposits		5	(40)
Increase in long-term loans and advances		(158)	(1,695)
Net cash generated from / (used in) operating activities		<u>1,340,740</u>	<u>(78,924)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(125,468)	(105,733)
Purchase of intangible assets		(2,556)	(5,329)
Proceeds from sale of property, plant and equipment		15,174	26,648
Net cash used in investing activities		<u>(112,850)</u>	<u>(84,414)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid		(801,389)	(460,223)
Net increase / (decrease) in cash and cash equivalents		<u>426,501</u>	<u>(623,561)</u>
Cash and cash equivalents at the beginning of the period		2,665,997	1,419,489
Cash and cash equivalents at the end of the period		<u>3,092,498</u>	<u>795,928</u>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

内海
 Managing Director &
 Chief Executive Officer


 Chairman

**Condensed Interim Statement Of Changes In Equity
For The Half Year Ended September 30, 2015 - Unaudited**

	Share Capital	Reserves - Revenue		Fair Value Reserve	Total
		General	Unappropriated profit		
(Rupees '000)					
Balance at April 1, 2015	124,006	291,000	2,354,689	230	2,769,925
Dividend for the year ended March 31, 2015 @ Rs. 64.91 per share	-	-	(804,922)	-	(804,922)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	1,043	-	1,043
Profit for the period	-	-	537,999	-	537,999
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	537,999	-	537,999
Balance at September 30, 2015	124,006	291,000	2,088,809	230	2,504,045
Balance at April 1, 2014	124,006	291,000	1,718,636	1,451	2,135,093
Dividend for the year ended March 31, 2014 @ Rs. 37.74 per share	-	-	(467,997)	-	(467,997)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	15,334	-	15,334
Profit for the period	-	-	498,625	-	498,625
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	498,625	-	498,625
Balance at September 30, 2014	124,006	291,000	1,764,598	1,451	2,181,055

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

内海

Managing Director &
Chief Executive Officer



Chairman

Notes To And Forming Part Of The Condensed Interim Financial Information For The Half Year Ended September 30, 2015 - Unaudited

1. GENERAL INFORMATION

Hinopak Motors Limited is incorporated in Pakistan as a public limited Company and is listed on Karachi and Lahore stock exchanges.

The Company's principal activity is the assembly, progressive manufacturing and sale of Hino buses and trucks. 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, 2015.

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, 2015 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.

2.1 Changes in accounting standards and interpretations

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2015 and are considered to be relevant to the Company's operations.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2015, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in this condensed interim financial information.

**Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2015 - Unaudited**

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, 2015.

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, 2015.

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, 2015.

	Note	Unaudited September 30, 2015 (Rupees '000)	Audited March 31, 2015
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - note	5.1	2,023,727	1,973,574
Capital work-in-progress		18,217	21,969
		<u>2,041,944</u>	<u>1,995,543</u>

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

	Additions (at cost)		Disposals (at net book value)	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	Half year ended (Rupees '000)			
Plant & Machinery	38,036	-	* -	-
Vehicles	30,986	86,135	10,145	20,778
Building on leasehold land	29,448	-	-	-
Office and Other equipments	23,990	18,032	* -	119
Furniture & Fixtures	5,075	-	* -	-
Electrical Installation	1,685	-	-	-
	<u>129,220</u>	<u>104,167</u>	<u>10,145</u>	<u>20,897</u>

* Assets disposed off having nil net book value.

**Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2015 - Unaudited**

	Unaudited September 30, 2015	Audited March 31, 2015
	(Rupees '000)	
6. TRADE DEBTS		
Considered good - unsecured		
Related parties		
- Indus Motor Company Limited	18,893	53,059
- Toyota Tsushu Corporation	-	18,167
Others	<u>289,405</u>	<u>1,215,984</u>
	308,298	1,287,210
Considered doubtful		
Others	<u>36,800</u>	<u>30,679</u>
	345,098	1,317,889
Less: Provision for doubtful debts - note 6.1	<u>(36,800)</u>	<u>(30,679)</u>
	308,298	1,287,210
6.1 Balance at beginning of the period	30,679	124,329
Charge / (reversal) during the period	<u>6,121</u>	<u>(93,650)</u>
Balance at end of the period	<u>36,800</u>	<u>30,679</u>

7. TRADE AND OTHER PAYABLES

7.1 These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs. 3,412 million (March 31, 2015: Rs. 1,490 million) and advances from customers amounting to Rs. 1,615 million (March 31, 2015: Rs. 1,226 million).

7.2 The Royalty agreement expired on March 31, 2014 and is in the process of renewal. However, the Company has accrued the charge for Royalty for the period from April 1, 2014 to September 30, 2015 on the basis of proposed agreement to be submitted to the State Bank of Pakistan.

8. CONTINGENCY AND COMMITMENTS

8.1 Contingency

There has been no change in the status of contingency as reported in the financial statements for the year ended March 31, 2015.

8.2 Commitments

Commitments for capital expenditures as at September 30, 2015 amounted to Rs. 50.25 million (March 31, 2015: Rs. 93.15 million).

	September 30, 2015	September 30, 2014
	(Rupees '000)	
9. OTHER EXPENSES		
Donations	400	-
Workers' Profits Participation Fund	45,587	38,503
Workers' Welfare Fund	<u>18,017</u>	<u>14,344</u>
	64,004	52,847

**Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2015 - Unaudited**

	September 30, 2015	September 30, 2014
	(Rupees '000)	
10. FINANCE COST		
Mark-up on short-term borrowings	83	21
Exchange loss / (gain) - net	143,386	(1,210)
Bank charges and others	6,809	4,219
	<u>150,278</u>	<u>3,030</u>

11. TAXATION

11.1 This includes a one-time prior year charge of super tax amounting to Rs. 45.6 million imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 (as inserted by Finance Act 2015).

	September 30, 2015	September 30, 2014
	(Rupees '000)	

12. CASH GENERATED FROM / (USED IN) OPERATIONS

Profit before taxation	848,150	717,215
Add / (Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	71,624	65,915
Gain on disposal of operating fixed assets	(5,029)	(5,751)
Retirement benefits charge	25,796	18,892
Mark-up on short-term borrowing	83	21
Income on PLS savings and deposit accounts	(106,917)	(42,233)
Profit before working capital changes	<u>833,707</u>	<u>754,059</u>

Effect on cash flow due to working capital changes

(Increase) / decrease in current assets

Stores, spares and loose tools	1,208	11,875
Stock-in-trade	(2,310,332)	119,819
Trade debts	978,912	(33,275)
Loans and advances	(19,274)	1,549
Trade deposits and prepayments	(32,373)	(16,529)
Refunds due from the government	(355,231)	99,590
Other receivables	33,767	4,362
	<u>(1,703,323)</u>	<u>187,391</u>
Increase / (decrease) in trade and other payables	2,581,254	(953,936)
	877,931	(766,545)
	<u>1,711,638</u>	<u>(12,486)</u>

**Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2015 - Unaudited**

September 30, September 30,
2015 2014
(Rupees '000)

13. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions		
i. Holding company	- Dividend paid	477,586	277,678
	- Purchase of goods	254,270	50,626
	- Royalty charge	110,459	71,223
	- Purchase of fixed asset	1,181	-
ii. Associated companies	- Purchase of goods and services	5,619,101	2,609,049
	- Sale of goods	251,979	436,137
	- Dividend paid	238,793	138,839
	- Purchase of property, plant and equipment	14,320	33,300
	- Commission earned	1,612	54,883
iii. Staff retirement funds	- Payments to retirement benefits plans	19,542	25,100
iv. Key Management Personnel	- Salaries and other employee benefits	18,799	14,731
	- Consultancy / meeting fee	1,480	1,450

14. 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 26, 2015.

内海

Managing Director &
Chief Executive Officer



Chairman



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