



**1st Quarterly Report
2013**

CONTENTS

- ❑ Company Information
- ❑ Directors' Review
- ❑ 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

Kunwar Idris

Chairman

Keiichiro Utsumi

Managing Director & Chief Executive Officer

Tsutomu Mori

Kazuo Kakishima

Deputy Managing Directors

Takuji Umemura

Hiroshi Kokaji

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

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

Fax: 021-34391318

HINOPAK MOTORS LIMITED
DIRECTORS' REVIEW
FOR THE FIRST QUARTER ENDED JUNE 30, 2013

Greetings to the Shareholders!

The total sale of commercial vehicles (truck and bus) of all makes in the country in the quarter (Apr – June) was 707 units – 155 units less than in the same quarter of last year. Compared with the previous quarter (Jan-Mar) the decrease is 38 units.

SALES

In line with the decline in the national market, the sale of Hinopak's trucks and buses in the quarter fell to 315 units from 325 units in the same quarter of last year. The Company's market share stood at 45%.

SALES REVENUE

The sales revenue in the quarter decreased to Rs. 1.68 billion from Rs. 2.18 billion and the gross profit to Rs. 187 million from Rs. 212 million in the corresponding quarter of last year. In terms of percentage, however, it increased to 11.1% from 9.7%.

FINANCE COST

The finance cost declined to Rs. 10 million (including net exchange loss of Rs. 4 million) from Rs. 161 million (including net exchange loss of Rs. 125 million) in the corresponding quarter of last year.

Liquidity improved significantly. The Company closed the cash and cash equivalent at Rs. 532 million.

PROFIT & LOSS

The profit after tax stood at Rs. 60 million compared to a loss of Rs. 53 million in the last year's corresponding quarter leading to earning per share of Rs. 4.86. Last year it was a loss of Rs. 4.30 per share.

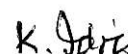
OUTLOOK FOR THE SECOND QUARTER

In the 2013-14 budget, no significant relief was given to the automobile industry. The increase of 1% in the sales tax would add to the price.

The Company continues to improve the quality of its products to the satisfaction of the customers and higher profit to the shareholders.



Deputy Managing Director



Chairman

Dated: July 22, 2013

CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2013

| | Note | Unaudited June 30, 2013 | Audited March 31, 2013 (Restated) | Audited March 31, 2012 (Restated) |
|---|------|-------------------------------|--|--|
| (Rupees '000) | | | | |
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, plant and equipment | 5 | 1,696,148 | 1,714,507 | 1,779,457 |
| Intangible assets | | 274 | 438 | 1,089 |
| Long-term Investments | | 4,434 | 4,434 | 2,391 |
| Long-term loans and advances | | 17,219 | 13,704 | 10,400 |
| Long-term deposits | | 6,345 | 6,025 | 6,015 |
| | | <u>1,724,420</u> | <u>1,739,108</u> | <u>1,799,352</u> |
| Current Assets | | | | |
| Stores, spares and loose tools | | 19,973 | 21,549 | 19,194 |
| Stock-in-trade | | 1,787,302 | 2,161,904 | 2,410,682 |
| Trade debts | | 471,200 | 276,904 | 1,823,092 |
| Loans and advances | | 38,447 | 12,244 | 37,739 |
| Trade deposits and prepayments | | 41,165 | 23,436 | 34,680 |
| Accrued mark-up | | 283 | - | - |
| Refunds due from the government | | 133,593 | 206,002 | 87,893 |
| Other receivables | | 8,676 | 9,619 | 31,839 |
| Taxation - payments less provisions | | 404,371 | 436,865 | 324,901 |
| Cash and bank balances | | 534,239 | 173,347 | 124,526 |
| | | <u>3,439,069</u> | <u>3,321,870</u> | <u>4,894,546</u> |
| Total Assets | | <u>5,163,489</u> | <u>5,060,978</u> | <u>6,693,898</u> |
| EQUITY AND LIABILITIES | | | | |
| Share Capital and Reserves | | | | |
| Issued, subscribed and paid-up share capital | | 124,006 | 124,006 | 124,006 |
| Reserves | | <u>1,440,417</u> | <u>1,393,598</u> | <u>1,378,691</u> |
| Total capital and reserves | | <u>1,564,423</u> | <u>1,517,604</u> | <u>1,502,697</u> |
| SURPLUS ON REVALUATION OF FIXED ASSETS | | 996,072 | 1,002,990 | 1,026,250 |
| LIABILITIES | | | | |
| Non-Current Liabilities | | | | |
| Deferred taxation | | 11,571 | 19,383 | 55,575 |
| Retirement benefits obligations | | <u>134,806</u> | <u>138,624</u> | <u>107,867</u> |
| | | <u>146,377</u> | <u>158,007</u> | <u>163,442</u> |
| Current Liabilities | | | | |
| Trade and other payables | 6 | 2,450,085 | 1,703,736 | 2,721,889 |
| Short-term borrowings | | 2,739 | 645,948 | 1,238,331 |
| Accrued mark-up | | 3,793 | 32,693 | 41,289 |
| | | <u>2,456,617</u> | <u>2,382,377</u> | <u>4,001,509</u> |
| CONTINGENCIES AND COMMITMENTS | | | | |
| Total Liabilities | | <u>2,602,994</u> | <u>2,540,384</u> | <u>4,164,951</u> |
| Total Equity and Liabilities | | <u>5,163,489</u> | <u>5,060,978</u> | <u>6,693,898</u> |

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


Deputy Managing Director


Chairman

The Managing Director & Chief Executive is currently out of Pakistan accordingly in his absence this condensed interim financial information has been signed by Deputy Managing Director and Chairman in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED JUNE 30, 2013 - UNAUDITED**

| | Note | June 30, 2013 | June 30, 2012 |
|---|------|--------------------|--------------------|
| | | (Rupees '000) | |
| Sales | | 1,683,535 | 2,183,474 |
| Cost of sales | | <u>(1,496,551)</u> | <u>(1,971,715)</u> |
| Gross profit | | 186,984 | 211,759 |
| Distribution expenses | | <u>(38,570)</u> | <u>(51,769)</u> |
| Administration expenses | | <u>(51,175)</u> | <u>(50,006)</u> |
| Other operating income | | 9,140 | 10,484 |
| Other operating expenses | | <u>(6,450)</u> | <u>-</u> |
| Profit from operations | | 99,929 | 120,468 |
| Finance cost | 8 | <u>(9,844)</u> | <u>(160,755)</u> |
| Profit / (Loss) before taxation | | 90,085 | (40,287) |
| Taxation | | <u>(29,872)</u> | <u>(13,034)</u> |
| Profit / (Loss) after taxation | | 60,213 | (53,321) |
| Other comprehensive income | | - | - |
| Total comprehensive income / (loss) | | <u>60,213</u> | <u>(53,321)</u> |
| Earnings / (Loss) per share - basic and diluted | | <u>Rs. 4.86</u> | <u>Rs. (4.30)</u> |

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


Deputy Managing Director


Chairman

The Managing Director & Chief Executive is currently out of Pakistan accordingly in his absence this condensed interim financial information has been signed by Deputy Managing Director and Chairman in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE QUARTER ENDED JUNE 30, 2013 - UNAUDITED**

| | Note | June 30, 2013 | June 30, 2012 |
|--|------|------------------|------------------|
| (Rupees '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated operations | 9 | 1,065,551 | 1,261,372 |
| Mark-up paid on short-term borrowings | | (33,050) | (45,973) |
| Return on short term deposit and savings accounts | | 1,987 | 73 |
| Taxes paid | | (5,190) | (84,595) |
| Retirement benefits obligations paid | | (11,859) | (12,753) |
| Increase / (decrease) in long-term loans and advances | | (3,515) | 817 |
| Increase in long-term deposits | | (320) | (1,458) |
| Net cash generated operating activities | | 1,013,604 | 1,117,483 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure incurred | | (15,450) | (19,247) |
| Proceeds from sale of property, plant and equipment | | 5,855 | 4,535 |
| Net cash used in investing activities | | (9,595) | (14,712) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | 92 | - |
| Net cash used in financing activities | | 92 | - |
| Net increase in cash and cash equivalents | | 1,004,101 | 1,102,771 |
| 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 | 10 | 531,500 | (11,034) |

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



Deputy Managing Director



Chairman

The Managing Director & Chief Executive is currently out of Pakistan accordingly in his absence this condensed interim financial information has been signed by Deputy Managing Director and Chairman in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED JUNE 30, 2013 - (UNAUDITED)**

| | Share Capital | Reserves - Revenue | Fair value reserve | Total |
|---|------------------|--------------------|--------------------------|------------------|
| | | General | Unappropriated profit | |
| | (Rupees '000) | | | |
| Balance at April 01, 2012 - as previously reported | 124,006 | 291,000 | 1,112,954 | 1,529,514 |
| Effect of retrospective application of change in accounting policy (net of tax) | - | - | (26,817) | (26,817) |
| Balance at April 01, 2012 - as restated | 124,006 | 291,000 | 1,086,137 | 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 | - | - | 6,362 | 6,362 |
| Total comprehensive loss after taxation for the quarter ended June 30, 2012 | - | - | (53,321) | (53,321) |
| Balance at June 30, 2012 | 124,006 | 291,000 | 1,019,957 | 1,436,517 |
| Balance at April 01, 2013 - as previously reported | 124,006 | 291,000 | 1,144,076 | 1,561,964 |
| Effect of retrospective application of change in accounting policy (net of tax) | - | - | (44,360) | (44,360) |
| Balance at April 01, 2013 - as restated | 124,006 | 291,000 | 1,099,716 | 1,517,604 |
| Dividend for the year ended March 31, 2013 @ 1.55 per share | - | - | (20,312) | (20,312) |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax | - | - | 6,918 | 6,918 |
| Total comprehensive profit after taxation for the nine months ended June 30, 2013 | - | - | 60,213 | 60,213 |
| Balance at June 30, 2013 | 124,006 | 291,000 | 1,146,535 | 1,564,423 |

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


Deputy Managing Director


Chairman

The Managing Director & Chief Executive is currently out of Pakistan accordingly in his absence this condensed interim financial information has been signed by Deputy Managing Director and Chairman in accordance with the provisions of section 241 of the Companies Ordinance, 1984.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED JUNE 30, 2013 - UNAUDITED**

1. COMPANY AND ITS OPERATIONS

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 quarter ended June 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 adopted are consistent with those of the previous financial year ended March 31, 2013 except as detailed below.

The Company operates;

- Approved funded gratuity and pension schemes for its permanent employees & unfunded gratuity scheme for its contractual employees.

Previously actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the obligations were charged or credited to profit and loss account separately for each scheme over the employees' expected average remaining working life.

However, effective April 01, 2013 the company has adopted IAS-19 (Revised) 'Employee Benefits' whereby actuarial gains / losses are now being recognized directly to equity through the Statement of Other Comprehensive income. The description and the impacts of the change in accounting policy have been detailed in note 12.

4. ACCOUNTING ESTIMATES AND FINANCIAL RISK MANAGEMENT

- 4.1** The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and areas where assumptions and estimates are significant are the same as those applied to the financial statements as at and for the year ended March 31, 2013.

- 4.2** 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.

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets
Capital work-in-progress

| Note | Unaudited June 30, 2013 | Audited March 31, 2013 |
|------|-------------------------------|------------------------------|
| | (Rupees '000) | |
| 5.1 | 1,689,226 | 1,708,258 |
| | 6,922 | 6,249 |
| | <u>1,696,148</u> | <u>1,714,507</u> |

5.1 Additions / disposals

| | Additions (at cost) | | Disposals (at net book value) | |
|-----------------------------|------------------------|---------------|----------------------------------|---------------|
| | Quarter ended | | | |
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| | (Rupees '000) | | | |
| Building on leasehold land | - | 622 | - | - |
| Plant and machinery | - | - | - | 73 |
| Furniture and fittings | - | - | - | - |
| Vehicles | 13,648 | 14,522 | 4,408 | 3,587 |
| Electrical installations | 362 | 806 | - | - |
| Office and other equipments | 767 | 1,579 | - | - |
| | 14,777 | 17,529 | 4,408 | 3,660 |

6. TRADE AND OTHER PAYABLES

These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs 597 million (March 31, 2013: Rs 169 million).

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

As at June 30, 2013 the Company has received provisional refunds of Rs. 519.05 million (March 31, 2013: Rs. 519.05 million) from the sales tax authorities against bank guarantees and other undertakings by the Company.

7.2 Commitments

Commitments for capital expenditures as at June 30, 2013 amounted to Rs. 5.47 million (March 31, 2013: Rs. 4.08 million).

8. FINANCE COST

Mark-up on short-term borrowings
Exchange loss - net
Bank charges and others

| Unaudited June 30, 2013 | Unaudited June 30, 2012 |
|-------------------------------|-------------------------------|
| (Rupees '000) | |
| 4,150 | 33,215 |
| 3,517 | 125,150 |
| 2,177 | 2,390 |
| <u>9,844</u> | <u>160,755</u> |

Unaudited
June 30,
2013
(Rupees '000)

Unaudited
June 30,
2012

9. CASH GENERATED FROM OPERATIONS

| | | |
|---|----------------|----------|
| Profit / (Loss) before taxation | 90,085 | (40,287) |
| Add / (less): Adjustments for non cash charges and other items | | |
| Depreciation and amortisation | 29,565 | 29,633 |
| Mark-up on short-term borrowings | 4,150 | 33,215 |
| Retirement benefits charge | 8,041 | 7,986 |
| Gain on sale of property, plant and equipment | (1,447) | (875) |
| Return on short term deposits and savings accounts | (2,270) | (73) |
| | 38,039 | 69,886 |
| Profit before working capital changes | 128,124 | 29,599 |

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (increase) in current assets

| | | |
|---------------------------------|----------------|----------|
| Stores, spares and loose tools | 1,756 | (1,431) |
| Stock-in-trade | 374,602 | (53,240) |
| Trade debts | (194,296) | 983,810 |
| Loans and advances | (26,203) | (15,249) |
| Trade deposits and prepayments | (17,729) | (4,272) |
| Refunds due from the government | 72,409 | (76,412) |
| Other receivables | 943 | (4,318) |
| | 211,482 | 828,888 |

Increase in current liabilities

| | | |
|--------------------------|------------------|------------------|
| Trade and other payables | 725,945 | 402,885 |
| | 937,427 | 1,231,773 |
| | 1,065,551 | 1,261,372 |

Unaudited
June 30,
2013
(Rupees '000)

Audited
March 31,
2013

10. CASH AND CASH EQUIVALENTS

| | | |
|--|----------------|------------------|
| Cash and bank balance | 534,239 | 173,347 |
| Short-term borrowings - Running finance under mark-up arrangements | (2,739) | (645,948) |
| | 531,500 | (472,601) |

11. TRANSACTIONS WITH RELATED PARTIES

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

| Relationship | Nature of transactions | Unaudited June 30, 2013 | Unaudited June 30, 2012 |
|--------------------------------|---|-------------------------------|-------------------------------|
| | | (Rupees '000) | |
| i. Holding Company | - Purchase of goods | 7,321 | 27,629 |
| | - Royalty charge | 19,120 | 17,009 |
| | - Technical assistance fee | - | 6,173 |
| ii. Associated Companies | - Purchase of goods and services | 649,703 | 1,337,865 |
| | - Sale of goods | 154,288 | 280,566 |
| | - Purchase of property, plant and equipment | 10,524 | 7,973 |
| | - Commission earned | 2,597 | - |
| iii. Employees' Provident Fund | - Contribution paid | 6,307 | 1,465 |
| iv. Employees' Gratuity Fund | - Contribution paid | 4,513 | 1,634 |
| v. Employees' Pension Fund | - Contribution paid | 7,430 | 2,694 |
| vi. Key Management Personnel | - Salaries and other employee benefits | 7,216 | 7,690 |

12. CHANGE IN ACCOUNTING POLICY

Consequent to the changes in IAS-19 'Employee Benefits' which is effective for account period beginning on or after January 01, 2013 the company has adopted IAS-19 (Revised) 'Employee Benefits'. The amendments in the revised standard require the Company to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur, immediately recognize all past service costs and interest cost and expected return on plan assets with net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The change in accounting policy has been accounted to retrospectively as required under international Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and the comparative financial statements have been re-stated.

The effects of the retrospective application of the change in accounting policies are as follow:

| | March 31, 2013 | | | March 31, 2012 | | |
|--------------------------------|---------------------------|-------------|--------------|---------------------------|-------------|--------------|
| | As previously Reported | Restatement | As re-stated | As previously Reported | Restatement | As re-stated |
| | (Rupees '000) | | | (Rupees '000) | | |
| Effect on Balance Sheet | | | | | | |
| Staff retirement Benefits | 71,412 | 67,212 | 138,624 | 67,235 | 40,632 | 107,867 |
| Deferred Taxation | 42,235 | (22,852) | 19,383 | 69,390 | (13,815) | 55,575 |
| Reserves | 1,437,958 | (44,360) | 1,393,598 | 1,405,508 | (26,817) | 1,378,691 |

13. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on July 22, 2013 by the Board of Directors of the Company.

Deputy Managing Director

Chairman

The Managing Director & Chief Executive is currently out of Pakistan accordingly in his absence this condensed interim financial information has been signed by Deputy Managing Director and Chairman in accordance with the provisions of section 241 of the Companies Ordinance, 1984.





HINOPAK MOTORS LIMITED

D-2, S.I.T.E., Manghopir Road, P.O. Box No. 10714, Karachi.

Website: www.hinopak.com

UAN: 111-25-25-25