



HINO

RAISING THE BAR ON TOTAL SUPPORT

Half Yearly Report 2014



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Company Information

Board of Directors

Mr. Aslam Sanjrani
Chairman

Mr. Keiichiro Utsumi
Managing Director & Chief Executive Officer

Mr. Yoshihiro Kondo
Deputy Managing Director

Mr. Takuji Umemura
Director Production

Mr. Ghafoor Mirza
Independent Director

Mr. Hiroshi Kokaji
Mr. Toyoki Kuno
Mr. Haruo Komatsu
Mr. Toshiaki 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

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P.O.Box No. 10714
Karachi-75700, Pakistan
Tel: 111-25-25-25
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
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Fax: 34391318

AREA OFFICES

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Al Zain Center, Zarghoon Road
Quetta
Tel: 081-2452598
Fax: 081-2451217
Email: hino-quetta@hinopak.com

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Directors' Report

For The Half Year Ended September 30, 2014

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 2219 units – 524 units more than in the same period of last year. Compared with the previous quarter (April - June) it is less by 99 units.

SALES

In line with the increase in the national market, the sale of Hinopak's trucks and buses in the period rose to 785 units as compared to 655 units in the same period of last year.

SALES REVENUE

The sales revenue in the first half increased to Rs. 5.8 billion from Rs. 3.8 billion and the gross profit to Rs. 961 million from Rs. 542 million in the corresponding period of last year. In terms of percentage, however, it increased to 16.5% from 14.3%.

FINANCE COST

The finance cost declined to Rs. 3 million (including net exchange gain of Rs. 1 million) from Rs. 80 million (including net exchange loss of Rs. 70 million) in the corresponding period of last year.

The Company closed the cash and cash equivalent at Rs. 796 million

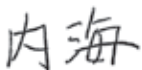
PROFIT & LOSS

The profit after tax is Rs. 499 million compared to Rs. 161 million of last year's first half and the earning per share has risen to Rs. 40.21. Last year it stood at Rs. 12.97 per share.

OUTLOOK FOR THE SECOND HALF

The Company is committed towards continued innovation and is all set to introduce more advanced and environment friendly products to its current product portfolio.

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.



Managing Director &
Chief Executive Officer



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 2014 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 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 September 2014.

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 2014 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, 2014

Name of the engagement partner: Farrukh Rehman

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Condensed Interim Balance Sheet

As at September 30, 2014

	Note	Unaudited September 30, 2014	Audited March 31, 2014
ASSETS			
(Rupees '000)			
Non-current assets			
Property, plant and equipment	5	1,985,009	1,964,836
Intangible assets		8,982	4,905
Long-term investments		2,266	2,266
Long-term loans and advances		15,998	14,303
Long-term deposits		6,798	6,758
		<u>2,019,053</u>	<u>1,993,068</u>
Current assets			
Stores, spares and loose tools		33,337	45,212
Stock-in-trade		2,536,563	2,656,382
Trade debts	6	764,342	731,067
Loans and advances		40,495	42,044
Trade deposits and prepayments		40,760	24,231
Refunds due from the government		234,034	333,624
Other receivables		23,891	28,253
Taxation - payments less provision		124,184	258,249
Accrued mark-up		1,559	4,805
Cash and bank balances		795,928	1,419,489
		<u>4,595,093</u>	<u>5,543,356</u>
Total assets		<u>6,614,146</u>	<u>7,536,424</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		124,006	124,006
Reserves		2,057,049	2,011,087
		<u>2,181,055</u>	<u>2,135,093</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		1,234,242	1,249,576
LIABILITIES			
Non-current liabilities			
Deferred taxation		48,975	59,583
Retirement benefits obligations		100,094	96,230
		<u>149,069</u>	<u>155,813</u>
Current liabilities			
Trade and other payables	7	3,049,780	3,995,942
Total liabilities		<u>3,198,849</u>	<u>4,151,755</u>
Contingency and commitments	8		
Total equity and liabilities		<u>6,614,146</u>	<u>7,536,424</u>

The annexed notes 1 to 13 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, 2014 - (Unaudited)

	Note	Quarter ended		Half year ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
(Rupees '000)					
Sales		2,509,822	2,110,343	5,823,854	3,793,878
Cost of sales		(2,096,137)	(1,755,707)	(4,863,155)	(3,252,258)
Gross profit		413,685	354,636	960,699	541,620
Distribution costs		(64,085)	(80,071)	(148,905)	(118,641)
Administration expenses		(79,036)	(58,330)	(158,640)	(109,505)
Other income		56,083	22,680	119,938	31,820
Other expenses	9	(24,567)	(12,376)	(52,847)	(18,826)
Profit from operations		302,080	226,539	720,245	326,468
Finance (cost) / income	10	29,833	(70,184)	(3,030)	(80,028)
Profit before taxation		331,913	156,355	717,215	246,440
Taxation		(101,768)	(55,699)	(218,590)	(85,571)
Profit after taxation		230,145	100,656	498,625	160,869
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		-	(4,440)	-	(4,440)
Total comprehensive income		230,145	96,216	498,625	156,429
Basic and diluted earnings per share		18.56	8.12	40.21	12.97

The annexed notes 1 to 13 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, 2014 - (Unaudited)

	Note	September 30, 2014	September 30, 2013
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	11	(12,486)	1,712,631
Mark-up paid on short term borrowings		(21)	(37,312)
Return on savings accounts		45,479	17,308
Income taxes paid - net		(95,133)	(52,362)
Retirement benefits obligations paid		(15,028)	(18,716)
Increase in long-term deposits		(40)	(520)
Increase in long-term loans and advances		(1,695)	(2,123)
Net cash (used in) / generated from operating activities		<u>(78,924)</u>	<u>1,618,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(105,733)	(32,233)
Purchase of intangible assets		(5,329)	(3,167)
Proceeds from sale of property, plant and equipment		26,648	7,451
Net cash used in investing activities		<u>(84,414)</u>	<u>(27,949)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend paid		(460,223)	(20,199)
Net (decrease) / increase in cash and cash equivalents		<u>(623,561)</u>	<u>1,570,758</u>
Cash and cash equivalents at the beginning of the period		1,419,489	(472,601)
Cash and cash equivalents at the end of the period		<u><u>795,928</u></u>	<u><u>1,098,157</u></u>

The annexed notes 1 to 13 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, 2014 - (Unaudited)

	Share Capital	Reserves - Revenue		Fair Value Reserve	Total
		General	Unappropriated profit		
(Rupees '000)					
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	<u>124,006</u>	<u>291,000</u>	<u>1,764,598</u>	<u>1,451</u>	<u>2,181,055</u>
Balance at April 1, 2013	124,006	291,000	1,099,716	2,882	1,517,604
Dividend for the year ended March 31, 2013 @ Rs. 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	<u>124,006</u>	<u>291,000</u>	<u>1,249,670</u>	<u>2,882</u>	<u>1,667,558</u>

The annexed notes 1 to 13 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, 2014 - Unaudited

1. GENERAL INFORMATION

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 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, 2014.

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, 2014 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

IFRIC 21, 'Levies' a new interpretation is applicable for the Company for the first time for the financial year beginning on April 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

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.

Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2014 - 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, 2014.

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, 2014.

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, 2014.

September 30, 2014	March 31, 2014
(Rupees '000)	

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - note 5.1	1,977,971	1,959,364
Capital work-in-progress	7,038	5,472
	<u>1,985,009</u>	<u>1,964,836</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, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Half Year ended				
(Rupees '000)				
Vehicles	86,135	22,767	20,778	4,837
Others	18,032	8,751	119	155
	<u>104,167</u>	<u>31,518</u>	<u>20,897</u>	<u>4,992</u>

Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2014 - Unaudited

	September 30, 2014	March 31, 2014
	(Rupees '000)	
6. TRADE DEBTS		
Considered good - unsecured		
Related parties		
- Indus Motor Company Limited	35,250	41,349
- Toyota Tsushu Corporation	20,186	20,451
Others	<u>708,906</u>	<u>669,267</u>
	<u>764,342</u>	<u>731,067</u>
Considered doubtful		
Others	<u>111,712</u>	<u>124,329</u>
	<u>876,054</u>	<u>855,396</u>
Less: Provision for doubtful debts - note 6.1	<u>(111,712)</u>	<u>(124,329)</u>
	<u>764,342</u>	<u>731,067</u>
6.1 Balance at the beginning of the period	124,329	137,076
(Reversal) / charge during the period	(12,617)	1,106
Written off against provision	-	(13,853)
Balance at the end of the period	<u>111,712</u>	<u>124,329</u>
7. TRADE AND OTHER PAYABLES		
These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs. 1,167 million (March 31, 2014: Rs. 1,250 million) and advances from customers amounting to Rs. 815 million (March 31, 2014: Rs. 1,490 million).		
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, 2014.		
8.2 Commitments		
Commitments for capital expenditures as at September 30, 2014 amounted to Rs. 42.27 million (March 31, 2014: Rs. 63.1 million).		
	September 30, 2014	September 30, 2013
	(Rupees '000)	
9. OTHER EXPENSES		
Donations	-	667
Workers' Profits Participation Fund	38,503	13,230
Workers' Welfare Fund	<u>14,344</u>	<u>4,929</u>
	<u>52,847</u>	<u>18,826</u>
10. FINANCE COST		
Mark-up on short-term borrowings	21	4,636
Exchange (gain) / loss - net	(1,210)	69,601
Bank charges and others	<u>4,219</u>	<u>5,791</u>
	<u>3,030</u>	<u>80,028</u>

Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2014 - Unaudited

September 30, 2014	September 30, 2013
(Rupees '000)	

11. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit before taxation	717,215	246,440
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Add / (Less): Adjustments for non cash charges and other items

Depreciation and amortisation	65,915	58,980
Gain on disposal of operating fixed assets	(5,751)	(2,459)
Retirement benefits charge	18,892	17,227
Mark-up on short-term borrowings	21	4,636
Income on PLS savings and deposit accounts	(42,233)	(19,094)
Profit before working capital changes	754,059	305,730

Effect on cash flow due to working capital changes

Decrease / (Increase) in current assets

Stores, spares and loose tools	11,875	1,637
Stock-in-trade	119,819	525,477
Trade debts	(33,275)	(20,221)
Loans and advances	1,549	(43,749)
Trade deposits and prepayments	(16,529)	(17,387)
Refunds due from the government	99,590	97,703
Other receivables	4,362	5,312
	187,391	548,772

(Decrease) / Increase in trade and other payables

	(953,936)	858,129
	(766,545)	1,406,901
	(12,486)	1,712,631

Notes To And Forming Part Of The Condensed Interim Financial Information
For The Half Year Ended September 30, 2014 - Unaudited

12. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transactions	September 30, 2014	September 30, 2013
		(Rupees '000)	
i. Holding company	- Purchase of goods	50,626	27,005
	- Royalty charge	71,223	49,576
	- Dividend paid	277,678	12,052
ii. Associated companies	- Purchase of goods and services	2,609,049	1,635,545
	- Sale of goods	436,137	418,100
	- Purchase of property, plant and equipment	33,300	17,433
	- Commission earned	54,883	2,597
	- Dividend paid	138,839	6,026
	iii. Staff retirement funds	- Payments to retirement benefits plans	25,100
iv. Key Management Personnel	- Salaries and other employee benefits	14,731	14,793
	- Consultancy / meetings fee	1,450	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 26, 2014.

内海

Managing Director &
Chief Executive Officer



Chairman







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