



# Leading the Market

ANNUAL REPORT 2012





# Leading

**To remain entrenched in success, leadership is vital. Hinopak has retained its forte of consistent excellence in the industry by maintaining its position as a market leader. This report glimpses at Hinopak's winning attitude and analyzes and discusses the traits that have enabled Hinopak to lead the market, time and again.**

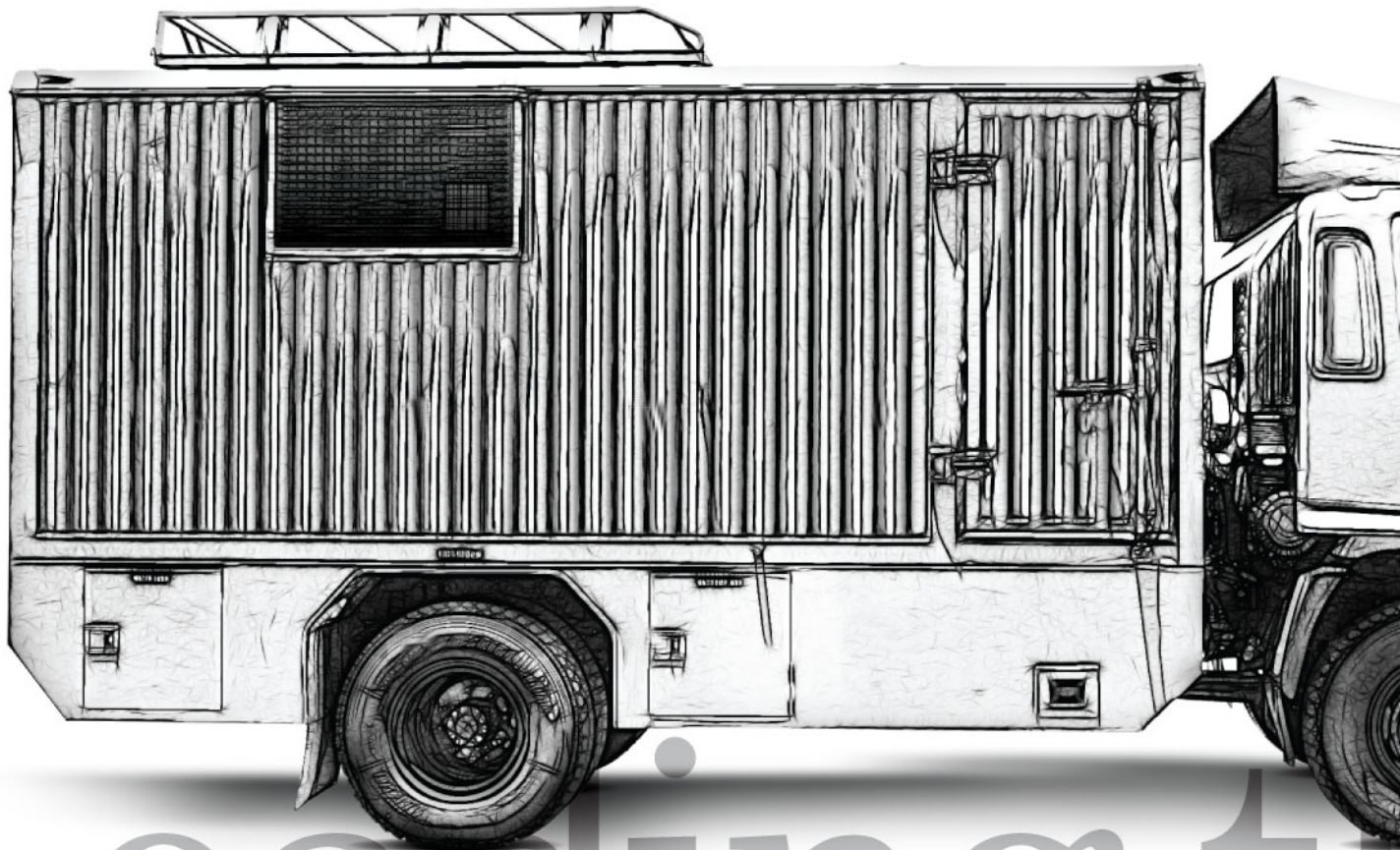
# g the Market

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## Vision

The vision of Hinopak Motors Limited is to provide the society with safe, economical, comfortable and environment friendly means of transportation by manufacturing and supplying commercial vehicles and services.



# Leading tr





The quality of our vehicles reflects upon our values of providing our customers with a complete driving experience and fulfilling their transportation needs with vehicles that meet stringent and the highest quality benchmarks to ensure safety, reliability and durability.

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## **Mission Statement / Corporate Strategy**

### **TO PURSUE OUR VISION, WE COMMIT OURSELVES:**

#### **To our individual, institutional and international customers:**

to deliver high quality, safe, durable, reliable, comfortable, environment friendly and economical products and services to their total satisfaction.

#### **To our employees:**

to foster corporate culture of mutual trust, respect for fundamental human rights at work, opportunities for professional growth and personal welfare so that they are proud of being a member of the "Hinopak Family".

#### **To the community and our nation:**

to contribute to economic and social development by providing means of transportation and by progressive localization of the vehicles.

#### **To the shareholders:**

to act in compliance with the norms expected of a subsidiary of the Toyota Group of Companies and make a meaningful financial return to the shareholders.



# Market

For any manufacturing organization, the efficiency and standard of its operational procedures directly influences and translates into the quality of its end products. The practices at Hinopak are geared to achieve and maximize efficiency so much so that each of our vehicles represents a singular commitment.



# Lead

**The consistency of performance has been imperative in establishing our identity as synonymous to manufacturing brilliance. The production of our vehicles is imprinted with the distinct Hinopak image so that each vehicle can stand out on its own rather than becoming one of the numerous indistinguishable assembly line products.**



# Leading the Market

## Basic Principles of Hinopak Code of Conduct

- We develop and provide outstanding products and services that fulfill the demands of customers with sufficient attention given to safety and the environment, and we aim to be an enterprise which has a significant presence in the commercial vehicle market.
- We undertake open and fair corporate activities in conformity with the spirit and letter of laws. We maintain sound and transparent relationships with governmental and administrative entities.
- We build and maintain good communications with society as well as our stakeholders, and we are committed to accurate and timely disclosure of information.
- We recognize that an environmental preservation activity is an integral part of our business, and we voluntarily and actively promote and engage in environmental preservation activities as an indispensable condition for Hinopak's corporate existence and activities.
- We recognize the inherent dignity and fundamental human rights of all members of the Hino family and therefore respect and support the practice of human rights.
- We actively promote and engage in philanthropic activities as a member of Hino Motors Ltd. and the Toyota Group, and as a good corporate citizen.
- We respect the right of workers at the workplace and their right of freedom of association and the right to organize and bargain collectively. We believe in transparency, mutual trust and respect for each others' rights and obligations and need for bilateral dialogue and cooperation between employees and management for achieving decent work with safe and healthy work environment, growth and excellence in business performance.
- We take a resolute stand against antisocial power and organizations, and we act in compliance with ethical standards and sound social values.
- We respect and abide the law of the land and applicable rules and the diversity of customs and culture and we contribute to development in the communities through our business activities.
- We support the principles of Global Compact and expect our employees to embrace them in the work culture of our enterprise for sustainable growth and development.
- We pledge to comply and enforce the basic principles of Hinopak's Code of Conduct and prevent its violation through the mechanism already in place from enforcing discipline, company wide. Any member of Hinopak family observing any violation or abuse of this code of conduct may bring the same to the notice of the Management Committee or the Audit Committee in writing directly or through the suggestion boxes for necessary consideration and action.



# Leading the Ma

Wide reach and diverse scope of operations have catalyzed Hinopak into the position of a market leader over the years. Hinopak has not only marked its footprint locally, but also carving it's way to export market to help the country in narrowing down the trade imbalance and increasing the foreign currency reserves.



## Company Information

### 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.

### 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](http://www.hinopak.com)  
Email: [info@hinopak.com](mailto: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: 34391316-7 & 9, 34387960-1  
Fax: 34391318

### AREA OFFICES

#### Lahore

19 KM, Multan Road, Lahore  
Tel: 042-37512003-4 & 6  
Fax: 042-37512005  
Email: [hino-lahore@hinopak.com](mailto:hino-lahore@hinopak.com)

#### Sadiqabad

Mohammad Hussain Market  
Bypass National Highway  
KLP Road, Sadiqabad  
Tel: 068-5034284-5  
Email: [hino-sadiqabad@hinopak.com](mailto:hino-sadiqabad@hinopak.com)

#### Islamabad

1-D, Unit 14  
Rehmat Plaza, 2<sup>nd</sup> Floor  
Blue Area, Islamabad  
Tel: 051-2276234  
Fax: 051-2272268  
Email: [hino-islamabad@hinopak.com](mailto:hino-islamabad@hinopak.com)

#### Multan

28-X, New Multan  
Near Multan NADRA Office  
Multan  
Tel: 061-4556176  
Fax: 061-4556177  
Email: [hino-multan@hinopak.com](mailto:hino-multan@hinopak.com)

#### Peshawar

Hino Peshawar  
Ring Road, Near Kohat Road Bridge  
Peshawar  
Tel: 091-2586004  
Fax: 091-2586005  
Email: [hino-peshawar@hinopak.com](mailto:hino-peshawar@hinopak.com)

#### Faisalabad

Hino Faisalabad  
Street No. 6, Rashidabad  
Main Jhang Road, Faisalabad  
Tel: 041-2551331  
Fax: 041-2551332  
Email: [hino-faisalabad@hinopak.com](mailto:hino-faisalabad@hinopak.com)

#### Quetta

Room No. 3  
Kasi Plaza No. 1, Zarghoon Road  
Quetta  
Tel: 081-2452598  
Fax: 081-2451217  
Email: [hino-quetta@hinopak.com](mailto:hino-quetta@hinopak.com)





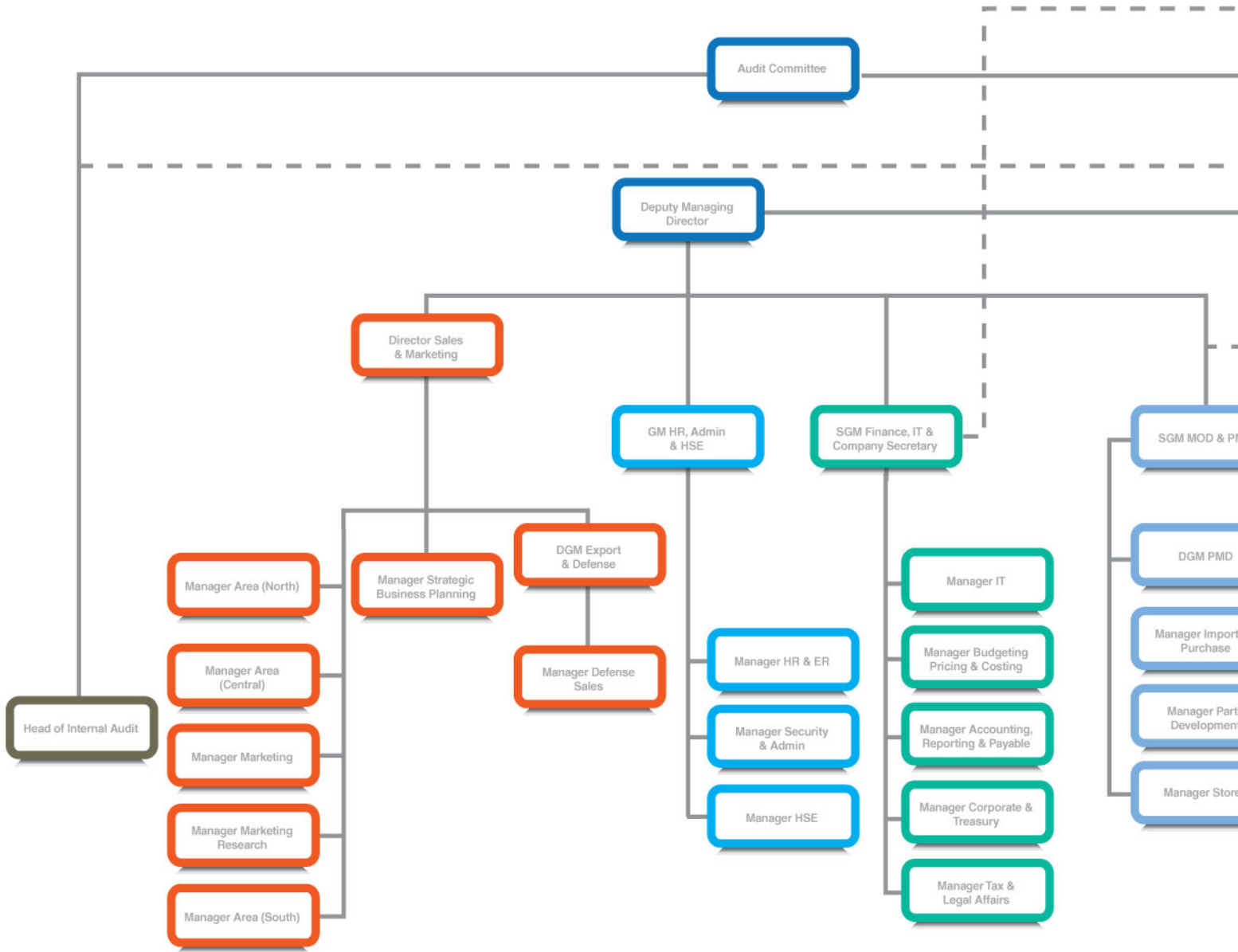
## Our Organogram

**Creating sustainable vehicles and proactively participating towards environmental betterment remains at the core of Hinopak's policy. Hinopak's operations revolve around its commitment to positively contribute towards the community and the nation.**

# Leading the Market



# Our Organogram



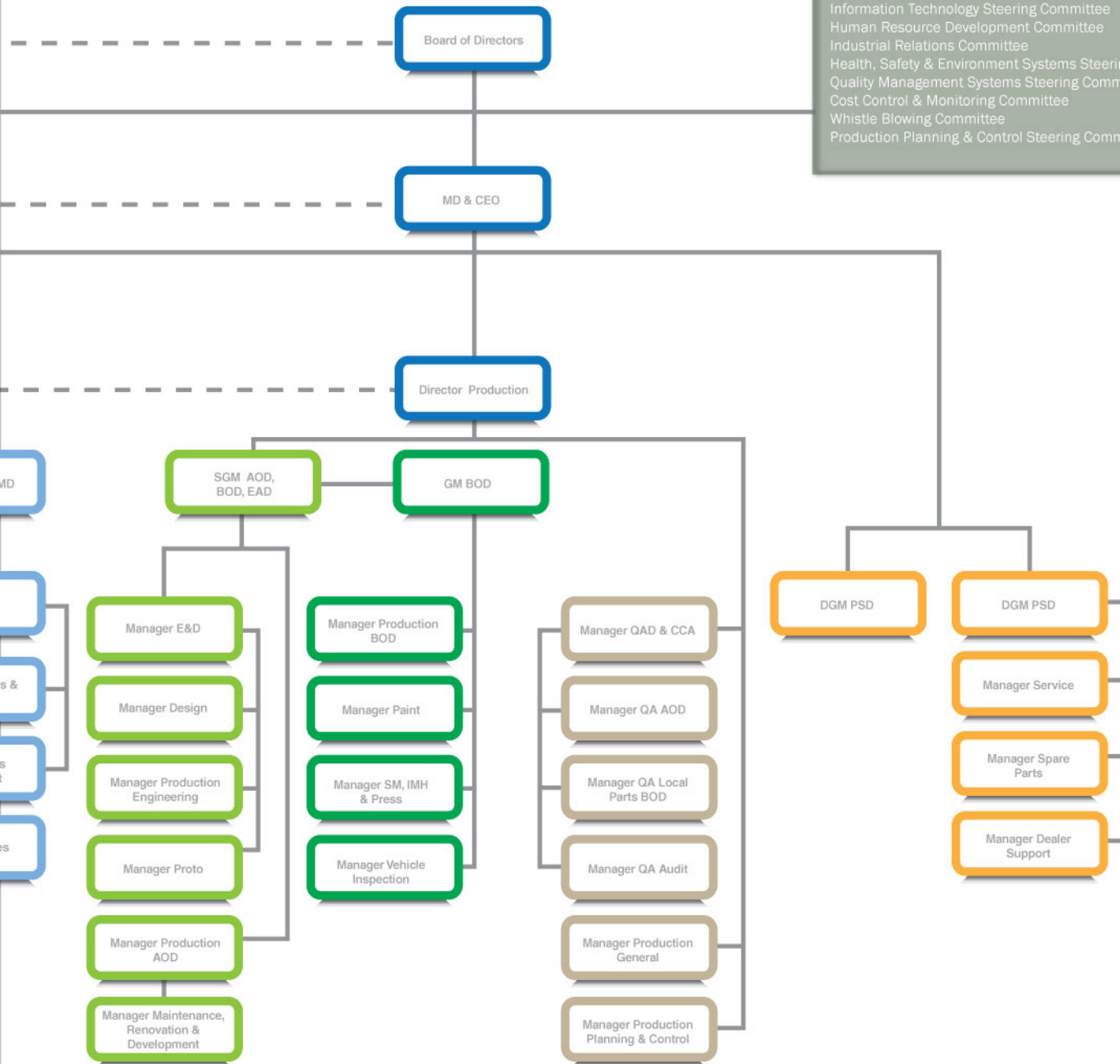


**Board Committee:**

Audit Committee

**Functional Committees:**

Management Committee  
Global Compact & CSR Committee  
Information Technology Steering Committee  
Human Resource Development Committee  
Industrial Relations Committee  
Health, Safety & Environment Systems Steering Committee  
Quality Management Systems Steering Committee  
Cost Control & Monitoring Committee  
Whistle Blowing Committee  
Production Planning & Control Steering Committee



- AOD Assembly Operation Division
- BOD Body Operation Division
- E&D Engineering & Development
- FRP Fiber Re-inforce Plastic
- CCA Central Calibration Authority
- IT Information Technology
- MOD Material Operation Division
- PMD Progressive Manufacturing Division
- QA Quality Assurance
- QAD Quality Assurance Division
- QC Quality Control
- HSE Health, Safety & Environment
- ER Employee Relations



## Board of Directors



**KUNWAR IDRIS**  
Chairman  
Non-Executive Director

Mr. Kunwar Idris is the Chairman of the Board of Directors of the Company. He is the Chairman of Orix Leasing and also Director in Al-Ghazi Tractors and Pakistan Security Printing Corporation.

He joined the Civil Service of Pakistan in 1957 and served for 37 years in a variety of posts. He was Political Agent in the North West, and District Magistrate of Karachi in the early years of service. Later he was Transport Secretary, Home Secretary and Chief Secretary of Sindh. He retired as Secretary of the Federal Ministry of Petroleum and Natural Resources.



**KEIICHIRO UTSUMI**  
Managing Director  
& CEO

Mr. Keiichiro Utsumi is the Managing Director and Chief Executive Officer of the Company. He has been associated with the Company since February 2012. Whereas he joined Hino Motors Ltd., Japan in 1979. He has served in various division of Hino Motors Ltd., Japan and has vast experience of overseas business.



**TSUTOMU MORI**  
Deputy Managing  
Director

Mr. Tsutomu Mori is the Deputy Managing Director of the Company. He started his career in 1985 with Tomen Corporation subsequently merged into Toyota Tsusho Corporation. He has served the Toyota Group in different countries and held numerous roles. He has a vast experience in overseas automotive sales and marketing.



**TAKUJI UMEMURA**  
Director Production

Mr. Takuji Umemura was appointed in February 2012 as Director Production, Technical & Quality Assurance Division of the Company. He Joined Hino Motors Ltd., Japan in 1992. He has a rich experience in production, production techniques and production investigation activities.



**HIROSHI KOKAJI**  
Non - Executive  
Director

Mr. Hiroshi Kokaji was appointed in 2010 as non-executive director of the Company and member of the Audit Committee. He joined Hino Motors Ltd., Japan in 1975 and presently, working as a Senior Executive Officer.



**HARUO KOMATSU**  
Non - Executive  
Director

Mr. Haruo Komatsu was elected in 2010 as non-executive director of the Company. He joined Hino Motors Ltd., Japan in 1976. Presently, he is also working as Senior General Manager of Middle East, Euro & Africa Division. He has a vast experience of overseas business in Parts and Services as well as Sales and Marketing.



**KOJI TSUBOUCHI**  
Non - Executive  
Director

Mr. Koji Tsubouchi was elected in 2010 as non-executive director of the Company. He is also the member of Audit Committee. He joined Toyota Tsusho Corporation in 1981. Presently, he is also working in Toyota Tsusho Corporation as General Manager Hino and Subaru Automotive Department.



**FAHIM AIJAZ  
SABZWARI**  
Company Secretary  
& CFO

Mr. Fahim Aijaz Sabzwari is a Company Secretary and Chief Financial Officer. He joined the Company in 2005. Previously he has worked with A. F. Ferguson & Co., Deloitte Kingdom of Saudi Arabia and Al Ghurair Group, Dubai. He is the director of Arabian Sea Country Club. He is also the fellow member of Institute of Chartered Accountants of Pakistan.



## Our Functional Heads



**TAKESHI NISHIO**  
Executive Director  
Sales and Marketing

Mr. Takeshi Nishio is the Executive Director Sales and Marketing. He joined the Company in 2011. He has been associated with Hino Motors Ltd., Japan since 1988. Initially, he joined in Product Control Division then he served in overseas affiliates Order Processing Division. Before joining Hinopak, he was the Incharge of Hino operations in China.



**MUHAMMAD OWAIS  
MUHIB KHAN**  
Senior General  
Manager  
Production AOD,  
BOD & E&D

Mr. Muhammad Owais Muhib Khan is the Senior General Manager in Production Function, responsible for Assembly Operation Division, Body Operation Division and Engineering & Development Division. He has been associated with the Company since 1986 and served the Company in different roles.



**NAUSHAD RIAZ**  
Senior General  
Manager  
MOD & PMD

Mr. Naushad Riaz is the Senior General Manager, heading Material Operations and Progressive Manufacturing Divisions. Mr. Naushad Riaz carrying over 30 years of experience in Auto Industry and is associated with Hinopak since 1986, having vast experience in Production, Manufacturing and Supply Chain Management. At present he is the director of Automotive Testing & Training Centre (Pvt.) Ltd.



**FAHIM AIJAZ  
SABZWARI**  
Senior General  
Manager Finance & IT

Mr. Fahim Aijaz Sabzwari is the Senior General Manager Finance & IT. He joined the Company in 2005. Previously he has worked with A. F. Ferguson & Co., Deloitte Kingdom of Saudi Arabia and Al Ghurair Group, Dubai. He is the director of Arabian Sea Country Club. He is also the fellow member of Institute of Chartered Accountants of Pakistan.



**MUHAMMAD AKRAM**  
General Manager  
HR, Administration  
& HSE

Mr. Muhammad Akram is the General Manager Human Resource, Administration & Health Safety Environment Department. He has been associated with the Company since 1992 and served the Company in techno-commercial and production areas prior to opting Human Resource function.



**NISHAT ZAFAR**  
General Manager BOD

Mr. Nishat Zafar is the General Manager in Production Function, responsible for Body Operation Division. He has been associated with the Company since 1986 and served the Company in different roles.



## Board Committee

### Audit Committee

Kunwar Idris - Chairman  
(Non - Executive Director)

Hiroshi Kokaji  
(Non - Executive Director)

Koji Tsubouchi  
(Non - Executive Director)

Gul Abbas - Secretary

### Terms of Reference

- a. Determination of appropriate measures to safeguard Company's assets;
- b. Review of quarterly, half-yearly and annual financial statements of the Company, prior to the approval by the Board of Directors;
- c. Review of management letter issued by external auditors and management's response thereto and monitor the action plan to improve the control environment;
- d. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- e. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- f. Instituting special projects, other investigations on any matter specified by the Board of Directors, and to refer any matter to the external auditors or to any other external body;
- g. Monitoring compliance with relevant statutes and best practices of corporate governance.

## Functional Committees

### Management Committee

Keiichiro Utsumi - Chairman

Tsutomu Mori  
Takuji Umemura  
Takeshi Nishio  
Muhammad Owais M. Khan  
Naushad Riaz  
Fahim Aijaz Sabzwari  
Nishat Zafar  
Ahmed Rauf  
Syed Zafar Ali  
Yasushi Nakamura  
Yukinori Uchida  
Mehmood A. Khan  
Syed Samad Siraj  
Muhammad Akram - Secretary

### Terms of Reference

- a. Managing the day to day operations of the Company;
- b. Developing the business and marketing strategy of the Company;
- c. Reviewing budgetary proposals and the necessary actions to implement the business plan;
- d. Monitoring profitability and deviations from business plan;
- e. Handling the major business issues and other urgent matters on behalf of the Board.

### Global Compact & CSR Committee

Keiichiro Utsumi - Chairman

Tsutomu Mori  
Takuji Umemura  
Muhammad Owais M. Khan  
Naushad Riaz  
Fahim Aijaz Sabzwari  
Muhammad Akram  
Takeshi Nishio  
Maria Azhar - Secretary

### Terms of Reference

- a. Review and approve the budget for CSR activities;
- b. Monitor the following CSR related activities directly or through sub committees;
  - Compliance and Good Governance (Internal Control System, Risk Management and SOA Compliance activities);
  - Environment Management;
  - Creating safe and decent work place;
  - Social activities and contribution to local communities (Activities in the field of education, health, safety, sports and creating awareness);
- c. Monitor Global Compact internalization and implementation plan;
- d. CSR and Global Compact reporting.

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**Information Technology Steering Committee**

Fahim Aijaz Sabzwari  
- Chairman

Naushad Riaz  
Muhammad Akram  
Shams Naveed Zia - Secretary

**Terms of Reference**

- a. Reviewing the long and short term plans;
  - b. Approving and monitoring major projects;
  - c. Reviewing and approving the major acquisitions;
  - d. Ensuring liaison between IT and the user departments;
  - e. Reviewing the adequacy and allocation of resources.
- 

**Human Resource Development Committee**

Keiichiro Utsumi - Chairman

Tsutomu Mori  
Fahim Aijaz Sabzwari  
Muhammad Akram - Secretary

**Terms of Reference**

- a. Developing and implementing policies for management of human capital;
  - b. Establishing performance management system, developing and reviewing performance goals and objectives;
  - c. Reviewing compensation system and practices.
- 

**Industrial Relations Committee**

Muhammad Akram - Chairman

Siddique Balouch  
Syed Hussain Ahmed  
Muhammad Khaliluddin  
- Secretary

**Terms of Reference**

- a. Promoting labour management relationship;
  - b. Reviewing grievance handling mechanism;
  - c. Reviewing employee involvement in continuous improvement activities.
-

## Functional Committees

### Health, Safety & Environment Systems Steering Committee

Takuji Umemura - Chairman

Muhammad Owais M. Khan  
- Vice Chairman  
Tsutomu Mori  
Naushad Riaz  
Muhammad Akram  
Nishat Zafar  
Mehmood A. Khan  
Syed Hussain Ahmed  
Secretariat Members  
Nabila Faisal - Secretary

### Terms of Reference

- a. Reviewing compliances with the Company policies related to HSE;
- b. Overseeing the effective maintenance of ISO 14001 and OHSAS 18001 Standards Company wide;
- c. Reviewing major Health, Safety and Environmental Projects and ensure their implementations;
- d. Monitoring the effectiveness of awareness and training programs to educate employees on HSE matters / issues;
- e. Providing leadership and guidance and periodic review of the progress and performance of HSE through audits and Management Review for continual improvement.

### Quality Management Systems Steering Committee (ISO 9000 : 2000)

Takuji Umemura - Chairman

Keiichiro Utsumi  
Tsutomu Mori  
Muhammad Owais M. Khan  
Naushad Riaz  
Fahim Aijaz Sabzwari  
Muhammad Akram  
Secretariat Members  
Syed Samad Siraj - Secretary

### Terms of Reference

- a. Establishing, implementing and maintaining Environmental Management System (EMS) and Quality Management System (QMS) against ISO 9001:2008 and ISO 14001:2004 Standards Company wide;
- b. Providing leadership and guidance and periodic review of the progress and performance of QMS, EMS through audits and management reviews for the continual improvement.

### Cost Control and Monitoring Committee

Tsutomu Mori - Chairman

Muhammad Owais M. Khan  
Naushad Riaz  
Fahim Aijaz Sabzwari  
Muhammad Akram  
Nishat Zafar  
Abdul Basit - Secretary

### Terms of Reference

- a. Monitoring cost being incurred in all functional areas;
- b. Recommending, proposing methods, ways to control and minimize cost to the top management for approval;
- c. Monitoring implementation of cost control processes / methods.

### **Whistle Blowing Committee**

Keiichiro Utsumi - Chairman

Tsutomu Mori  
Fahim Aijaz Sabzwari  
Muhammad Akram  
Gul Abbas - Secretary

### **Terms of Reference**

- a. Establishing, implementing and maintaining the Whistle Blowing Mechanism;
- b. Monitoring and ensuring the transparency of the Whistle Blowing Process;
- c. Reviewing and analyzing periodically the feedback and complains obtained through the mechanism;
- d. Designating and supervising the officer investigating with regards to any matter reported through the Whistle Blowing Mechanism;
- e. Initiating steps to ensure compliance with the Hinopak Code of Conduct, transparency in financial reporting and safeguard of Company's assets.

### **Production Planning & Control Steering Committee**

Takuji Umemura - Chairman

Muhammad Owais M. Khan -  
Vice Chairman  
Keiichiro Utsumi  
Tsutomu Mori  
Takeshi Nishio  
Fahim Aijaz Sabzwari  
Muhammad Akram  
Ahmed Rauf  
Mehmood A. Khan  
Hassan Salman - Secretary

### **Terms of Reference**

- a. Reviewing the status of production periodically;
- b. Scheduling the future production and projects;
- c. Analyzing the plant occupancy status;
- d. Reviewing the efficiency level of product for steady improvement.



## Chairman's Review

**It gives me pleasure to report to this 27th Annual General Meeting of the Hinopak Motors Ltd. that in the year ended March 31, 2012 the Company has made profit after two consecutive years of loss. Though the profit is modest by the standards of the Company, I expect you to join me in appreciating the efforts of the management and workforce for their efforts in an adverse local and international business environment.**



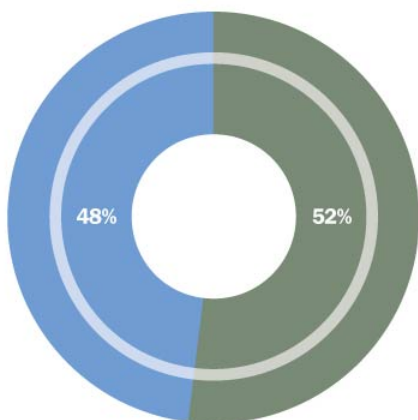


### Outlook for the next year

The GDP growth which slowed down in 2011 to 2.4 is expected to rise no higher than 4 percent because of shortage of energy and its high cost. The clamping of Sales Tax on commercial vehicle has reduced their sales and raised their prices reducing the margins of profit. The floods in the country and earthquake in Japan have been hampering the supply of materials, adding to the costs and reducing sales. An upward swing in sales and profits is still hard to forecast.

### National Sales

The sale of trucks has fallen nationally. However, the sale of buses increased marginally. The figures of the national automotive sector for the last six years - three years from April to March and before that three calendar years - show the sale of trucks has been the lowest in the year under review:



HPML Market Share 2011-12

HPML



HPML Sales Units



Sales - Units						
Segment	Apr 11-Mar 12	Apr 10-Mar 11	Apr 09-Mar 10	2008	2007	2006
Car	142,861	135,278	108,142	127,863	177,306	160,256
Truck	2,609	3,002	3,613	4,736	4,098	4,558
Bus	559	536	738	922	1,078	928
L.C.V.(Jeep, Van, Pick-up)	20,351	19,485	15,993	23,661	23,476	33,936
Farm Tractor	46,821	70,591	70,688	54,573	54,322	49,643
Motor Cycle	856,467	805,152	665,131	580,604	540,385	483,382
<b>Total</b>	<b>1,069,668</b>	<b>1,034,044</b>	<b>864,305</b>	<b>792,359</b>	<b>800,665</b>	<b>732,703</b>

(The above figures are only for the member companies of the Pakistan Automotive Manufacturers Association. The share of non-members during the year is said to be around 450 vehicles.)

## HINOPAK BUSINESS

### Sales

In such unfavorable conditions, the market share of Hinopak has declined from 57% to 52% but, as always, the Company managed to retain its position as market leader in commercial vehicles.

The sales revenue for the year was Rs. 8,767 million (Rs. 9,282 million in 2010-11).

### Export

During the year the Company exported 15 buses to the Middle Eastern countries.

### Gross Profit

The gross margin increased to Rs. 908 million from Rs. 737 million in the previous year.

The profit / (loss) for each product-line is shown below:

Product Line	Gross Profit / (Loss)		
	2011-12	2010-11	Increase / (Decrease)
	Rs. in million		
Chassis	670	740	(70)
Bus & Truck Bodies	66	(29)	95
Other Business (Export, Contract Assembly and Spare Parts)	172	26	146
<b>Total Gross Profit</b>	<b>908</b>	<b>737</b>	<b>171</b>

### Distribution and Administrative Expenses

The distribution and administrative expenses stood at Rs. 520 million.

### Finance cost

The Company incurred an exchange loss of Rs. 134 million compared to Rs. 178 million in the corresponding period last year. The financial cost on the money borrowed from the banks was Rs. 185 million.

### Profit before Tax

Despite the negative factors recounted above, the Company earned a profit of Rs. 173 million before tax as compare to Rs. 40 million in 2010-11.

### Capital Expenditure

The Company invested, Rs. 117 million in its plant and machinery to increase productivity, improve technology and to achieve higher safety and quality standards.

### Cash Flow

The Company used Rs. 779 million in operating activities and invested Rs. 102 million (net) in capital goods. The decrease in cash and cash equivalent was Rs. 881 million.

### Dividend

The Board of Directors in its meeting held on May 25, 2012 proposed a cash dividend of Rs. 1.55 per share (2011: Nil) amounting to Rs. 19.22 million (2011: Nil) subject to the approval of the members at the forthcoming annual general meeting of the Company.



### Production

The number of chassis produced was 2,222 compared to 2,103 in the preceding year. In addition 4,420 IMV (Hilux) frames were produced for Indus Motor Company. The plant productivity improved by 9%.

### Body Fabrication

Hinopak is the only commercial-vehicle manufacturer of the country which alongside its assembly plant has a modern body fabrication plant which produced 1,067 bodies of different and specialized varieties. This number was only 499 in the preceding year.

The body-fabrication plant is equipped to produce flatbed vehicles, dozer carriers, recovery vehicles, troop carriers, ambulances and mobile workshops. The productivity of the plant has been constantly improving as waste is reduced and advanced manufacturing processes are introduced by improving skills. The Company is using this facility to export buses with bodies for marketing abroad with the assistance of its principals - Hino Motors and Toyota Tsusho Corporation of Japan.

The plant productivity has improved by 9%.

### Business Process Improvement and Product Development

The state of the art technology and implementation of advanced enterprise resource planning system in the manufacture of components and processes have given Hinopak products a quality edge in the market.



### **Corporate Social Responsibility**

The Company, acknowledging its responsibility to the community, helped in the relief and rehabilitation works for the flood victims during 2011.

The Company complies fully with the SECP's Code of Corporate Governance and Toyota Group guidelines.

### **Contribution to National Exchequer**

The Company continues to pursue localization of parts to reduce costs and save foreign exchange. The localization through vendors has saved the country almost Rs. 1.34 billion in foreign exchange. It has paid around Rs. 849 million in taxes, duties and cesses to the government.

### **Human Resource Development**

Hinopak's focus on investment in Human Resource continues to yield dividend in the shape of transparent and competitive procedures and policies in hiring new talent and training of employees spread over 21,000 hours in the year.

Focal points for the training were leadership, health & safety, computer-aided engineering and shop-floor training of workers. The year's activities also included training of employees in Japan.

The Management – worker relations remained cordial.

### **Future Outlook**

The business environment is growing ever so competitive as the demand declines, material costs keep rising and the rupee keeps falling in value against the Yen and Dollar.

The frequent power outages, shortage of gas, disturbed law and order and general lack of discipline in the society make business difficult and add to its cost.

Apprehensions are also being expressed on the impact of liberalized trade with India on Pakistan's smaller and less-developed automotive industry.



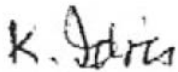


### **Vote of Thanks**

On behalf of the Board, I would like to appreciate for the efforts of the management and workers in maintaining the Company's quality standards and market leadership by increasing productivity and economising in expenditure.

I have also to thank the Company's vendors for maintaining steady supplies and the dealers for their exertions in promoting sales in a shrinking but competitive market while prices keep rising but the bank loans are hard to come by for the transporters of goods and passengers.

The Company owes its success in a large measure to the technical and administrative support it receives from its principals – Hino Motors and Toyota Tsusho Corporation of Japan. I have also to thank the government and other public and private organizations for their cooperation and their marked preference for Hino vehicles.



**KUNWAR IDRIS**

Chairman

May 25, 2012



## Our Values and Practices

# HINO

Openness to customers,  
markets & criticism

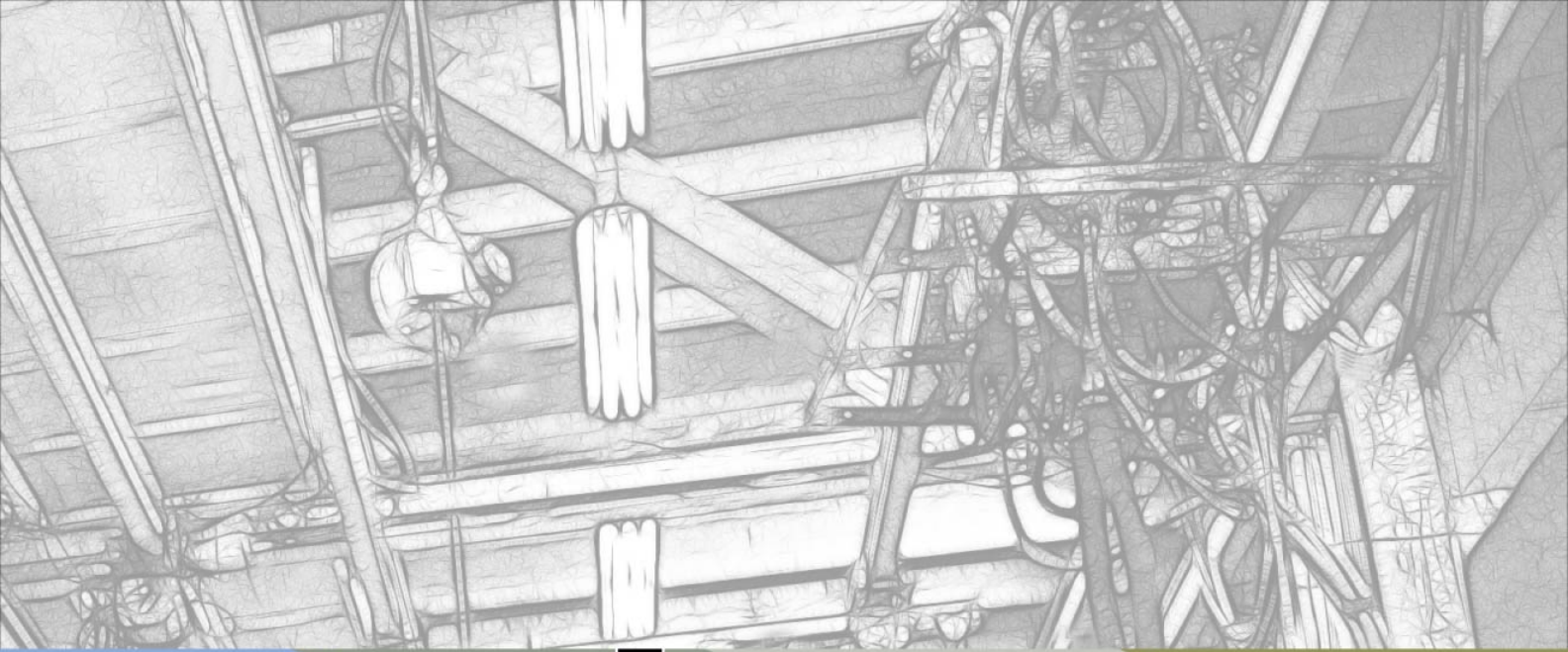
Non bureaucratic pragmatic  
in systems & processes

Integrity - we do what we say at  
personal & corporate level

Honesty at all cost  
and in all spheres  
of business







# PAK

Kaizen - continuous improvement

Altruism - fostering relationship  
with society & environment

Purpose oriented - always keeping  
the end in mind



## Directors' Report



**The Directors take pleasure in presenting this report, together with the Audited Financial Statements of the Company for the year ended March 31, 2012.**

The Board of Directors of the Company as at March 31, 2012 consists of:

Mr. Kunwar Idris  
Mr. Keiichiro Utsumi  
Mr. Tsutomu Mori  
Mr. Takuji Umemura  
Mr. Hiroshi Kokaji  
Mr. Haruo Komatsu  
Mr. Koji Tsubouchi



### Appropriation of Profit

Following are the details of appropriations:

	2011 - 12	2010 - 11
	Rupees in '000	
Profit before taxation	173,436	40,485
Taxation	(147,726)	(70,625)
Profit / (Loss) after taxation	25,710	(30,140)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation and disposal of fixed assets	22,764	5,647
Unappropriated profit brought forward	1,064,480	1,088,973
Profit available for appropriation	1,112,954	1,064,480
Final cash dividend paid during the year	-	-
Unappropriated profit carried forward	1,112,954	1,064,480

The Board of Directors in its meeting held on May 25, 2012 proposed a cash dividend of Rs. 1.55 per share (2011: Nil) amounting to Rs. 19.22 million (2011: Nil) subject to the approval of the members at the forthcoming annual general meeting of the Company.

### Basic and Diluted Earnings / (Loss) Per Share

The basic and diluted earnings per share for the year is Rs. 2.07 (March 31, 2011: loss per share Rs. 2.43).

### Auditors

The present auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The directors endorse recommendation of the Audit Committee for the re-appointment of Messrs A. F. Ferguson & Co. as the auditors for the financial year ending March 31, 2013.

### Pattern of Shareholding

The pattern of shareholding as at March 31, 2012 and additional information thereabout required under Code of Corporate Governance are disclosed on page 96 and page 97 respectively.

### Holding Company

Since October 19, 1998, Hino Motors Ltd. Japan, is the Holding Company of Hinopak Motors Limited, by virtue of its 59.3% shareholding in the Company.

### Subsequent Events

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of the Report.



### Compliance With The Best Practices of Corporate Governance As Per Clause XVI of Code of Corporate Governance

The Board is pleased to state that the management of the Company is compliant with the best practices of corporate governance. The Board acknowledges its responsibility in respect of the corporate and financial reporting framework and thus states that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The highlights of operating and financial data for the last six years are given on page 34.
- The value of investments of Company's Provident, Gratuity and Pension Funds as on March 31, 2012 were as follows:

	Rupees in '000
Hinopak Motors Limited Employees' Provident Fund	112,617
Hinopak Motors Limited Employees' Gratuity Fund	57,473
Hinopak Motors Limited Employees' Pension Fund	83,754



- During the year four meetings of the Board were held in which the attendance by each Director is as follows:

Name of Directors	Number of meetings attended
Mr. Kunwar Idris	4
Mr. Hideya Iijima	4
Mr. Tsutomu Mori	4
Mr. Hirofumi Wachi	4
Mr. Hiroshi Kokaji	-
Mr. Haruo Komatsu	3
Mr. Koji Tsubouchi	4

The directors including CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the year ended March 31, 2012.

#### Chairman's Review

The accompanied Chairman's Review covers the performance, significant deviations from last year in operating results, significant plans and decisions and future outlook. The Board endorses the contents of the review.

By order of the Board

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**KEIICHIRO UTSUMI**  
Managing Director & CEO

K. Idris

**KUNWAR IDRIS**  
Chairman

May 25, 2012



## Financial Highlights

	2006	2007	2008-09	2009-10	2010-11	2011-12
<b>Profit &amp; Loss Account (Rs. in Million)</b>						
Sales	6,392.28	7,826.78	12,151.02	11,127.55	9,281.82	8,767.00
Gross Profit	834.58	1,387.64	1,279.14	389.48	737.29	908.08
Operating Profit	560.18	967.78	794.35	15.29	342.36	491.98
Profit / (Loss) before Tax	511.76	904.61	115.83	(130.42)	40.49	173.44
Taxation	187.88	314.56	45.91	17.65	70.63	147.73
Profit / (Loss) after Tax	323.88	590.05	69.92	(148.07)	(30.14)	25.71
Transfer from surplus on revaluation of fixed assets	5.86	5.86	7.19	5.69	5.65	22.76
Dividend	74.40	130.21	297.61	21.70	-	-
Unappropriated Profit carried forward	1,007.85	1,473.55	1,253.05	1,088.97	1,064.48	1,112.94
<b>Balance Sheet (Rs. in Million)</b>						
<b>Net Assets</b>						
Fixed Assets	865.24	890.31	954.03	921.28	1,790.29	1,780.55
Other Long Term Assets	15.05	13.12	23.59	28.48	9.79	18.81
Current Assets	3,259.54	4,008.10	4,029.42	4,793.61	2,752.86	4,894.55
Less : Current Liabilities	2,342.08	2,672.70	3,017.06	3,885.81	1,903.96	4,001.51
Total Net Assets	1,797.75	2,238.83	1,989.99	1,857.56	2,648.98	2,692.39
<b>Financed By:</b>						
Issued, Subscribed & Paid-up Capital	124.01	124.01	124.01	124.01	124.01	124.01
Reserves / Accumulated Profit	1,298.84	1,764.55	1,544.05	1,379.97	1,355.48	1,405.51
Long Term / Deferred tax Liabilities	84.36	65.59	44.44	81.79	120.48	136.63
Surplus on Revaluation of Fixed Assets	290.54	284.68	277.49	271.80	1,049.01	1,026.25
Total Funds Invested	1,797.75	2,238.83	1,989.99	1,857.56	2,648.98	2,692.39
<b>Cash Flow (Rs. in Million)</b>						
Cash flows from / (used in) operating activities	257.36	541.70	(950.34)	936.20	307.04	(778.57)
Cash flows used in investing activities	(109.99)	(106.84)	(189.41)	(60.10)	(108.98)	(102.34)
Cash flows used in financing activities	(77.54)	(134.94)	(301.34)	(21.69)	(0.01)	(0.01)
<b>Turnover (Rs. in Million)</b>						
Hino Chassis (including export)	5,577.64	5,943.60	9,205.34	9,232.37	8,244.52	6,776.10
Bus & Other Bodies (including export)	580.24	1,023.70	1,435.77	810.96	586.44	842.06
Spare Parts	89.05	120.88	252.95	177.76	211.27	174.96
Others	145.35	738.60	1,256.96	906.46	239.59	973.88
<b>Total</b>	<b>6,392.28</b>	<b>7,826.78</b>	<b>12,151.02</b>	<b>11,127.55</b>	<b>9,281.82</b>	<b>8,767.00</b>
<b>Production (Units)</b>						
Hino Chassis	2614	2953	3571	2577	1981	1819
Bus & Other Bodies	938	1747	2258	1173	499	1067
Hilux Frame	970	809	2409	2130	2738	4420
Hilux Deck	946	-	-	-	-	-



	2006	2007	2008-09	2009-10	2010-11	2011-12
<b>Sales (Units)</b>						
Hino Chassis (including export)	2551	2908	3705	2589	2047	1662
Bus & Other Bodies (including export)	789	1697	2373	1143	559	1024
Hilux Frame	970	775	2400	2020	2752	4507
Hilux Deck	962	-	-	-	-	-
<b>No. of Employees</b>	287	313	344	394	290	289
<b>Investor Information</b>						
<b>Financial Ratios</b>						
Gross profit ratio	13.06%	17.73%	10.53%	3.50%	7.94%	10.36%
Net profit margin / (loss)	5.07%	7.54%	0.58%	(1.33%)	(0.32%)	0.29%
Return on assets (after tax)	7.80%	12.00%	1.40%	(2.58%)	(0.66%)	0.38%
Return on equity (after tax)	22.76%	31.24%	4.19%	(9.85%)	(2.04%)	1.68%
Debt equity ratio*	0.05	0.03	0.02	0.05	0.05	0.05
Current ratio	1.39	1.50	1.34	1.23	1.45	1.22
Quick ratio	0.36	0.54	0.53	0.47	0.55	0.62
Interest cover ratio	148.59	41.87	7.78	(1.71)	1.35	2.01
Dividend payout ratio	40.20%	50.44%	31.04%	-	-	-
Dividend yield ratio	7%	4%	1%	-	-	-
Dividend cover ratio	249%	198%	322%	-	-	-
<b>Other Ratios</b>						
Price earning ratio	5.90	12.57	50.13	(14.75)	(45.34)	35.33
Earnings before interest, taxes, depreciation and amortization (EBITDA)	638.77	1,050.73	918.61	115.22	441.32	605.20
EBITDA Margin to sales	9.99%	13.42%	7.56%	1.04%	4.75%	6.90%
Total assets turnover ratio	1.54	1.59	2.43	1.94	2.04	1.31
Fixed assets turnover ratio	7.39	8.79	12.74	12.08	5.18	4.92
Return on capital employed	18.02%	26.36%	3.51%	(7.97%)	(1.14%)	0.95%
Inventory turnover ratio	2.66	2.62	4.42	4.02	3.69	3.84
Number of days inventory	137	139	103	91	99	95
Debtors turnover ratio	15.47	11.86	12.45	10.90	13.37	7.60
Number of days debtors	24	31	37	33	27	48
Creditors turnover ratio	3.42	2.94	5.37	4.29	3.43	3.64
Number of days creditors	107	124	85	85	106	100
Operating cycle (days)	54	46	55	39	20	43
<b>Per Share Amounts (in Rupees)</b>						
Cash dividend	10.50	24.00	1.75	-	-	-
Breakup value with surplus on revaluation of fixed assets	138.17	175.25	156.89	143.20	203.90	206.10
Breakup value without surplus on revaluation of fixed assets	114.74	152.30	134.51	121.28	119.31	123.34
Earnings / (Loss) per share	26.12	47.58	5.64	(11.94)	(2.43)	2.07
Share Price (High)	241.75	624.00	640.00	284.96	177.54	115.43
Share Price (Low)	120.10	152.90	282.65	148.00	102.00	63.43
Share Price (Closing)	154.00	598.00	282.65	176.10	110.20	73.25
One US\$ = Rupee as at period end	60.98	61.55	80.40	84.2	85.25	90.70
One JPY = Rupee as at period end	0.5122	0.5497	0.8169	0.9015	1.0306	1.1063

\* Debt Equity Ratio take into consideration the surplus on revaluation of land and building.

## Vertical Analysis

Operating Results	2011-12		2010-11		2009-10	
	(Rs. in million)	%	(Rs. in million)	%	(Rs. in million)	%
Sales	8,767.00	100.00	9,281.82	100.00	11,127.55	100.00
Cost of sales	7,858.92	89.64	8,544.53	92.06	10,738.07	96.50
Gross profit	908.08	10.36	737.29	7.94	389.48	3.50
Distribution expenses	328.21	3.74	279.32	3.01	288.91	2.60
Administration expenses	192.01	2.19	168.30	1.81	161.20	1.45
Other operating expenses	9.86	0.11	3.82	0.04	1.02	0.01
Other operating income	113.98	1.30	56.51	0.61	76.94	0.69
Profit from operations	491.98	5.62	342.36	3.69	15.29	0.14
Finance cost	318.54	3.63	301.87	3.25	145.71	1.31
Profit / (Loss) before taxation	173.44	1.99	40.49	0.44	(130.42)	(1.17)
Taxation	147.73	1.69	70.63	0.76	17.65	0.16
Profit / (Loss) after taxation	25.71	0.30	(30.14)	(0.32)	(148.07)	(1.33)
<b>Balance Sheet</b>						
Property, plant and equipment	1,779.46	26.58	1,788.26	39.28	918.59	15.99
Other non-current assets	1.09	0.02	2.04	0.04	2.69	0.05
Long-term investments	2.39	0.04	-	-	-	-
Long-term deposits	6.02	0.09	5.88	0.13	3.99	0.07
Long-term loans and advances	10.40	0.16	3.91	0.09	11.75	0.21
Deferred taxation	-	-	-	-	12.74	0.22
Current assets (excluding investments)	4,894.55	73.11	2,752.86	60.46	4,793.61	83.46
<b>Total assets</b>	<b>6,693.90</b>	<b>100.00</b>	<b>4,552.95</b>	<b>100.00</b>	<b>5,743.37</b>	<b>100.00</b>
Shareholders' equity	1,529.51	22.85	1,479.49	32.50	1,503.98	26.20
Long-term security deposits	-	-	-	-	32.00	0.56
Deferred taxation	69.39	1.04	47.37	1.04	-	-
Other non-current liabilities	67.24	1.00	73.11	1.60	49.79	0.86
Surplus on revaluation of fixed assets	1,026.25	15.33	1,049.01	23.04	271.80	4.73
Short term debt (including current maturity of long term debt)	1,238.33	18.50	296.31	6.51	501.93	8.74
Other current liabilities (trade, interest and tax)	2,763.18	41.28	1,607.66	35.31	3,383.88	58.91
<b>Total equity and liabilities</b>	<b>6,693.90</b>	<b>100.00</b>	<b>4,552.95</b>	<b>100.00</b>	<b>5,743.37</b>	<b>100.00</b>
<b>Cash Flows</b>						
Cash flows from / (used in) operating activities	(778.57)	88.38	307.04	155.03	936.20	109.57
Cash flows from / (used in) investing activities	(102.34)	11.62	(108.98)	(55.03)	(60.10)	(7.03)
Cash flows from / (used in) financing activities	(0.01)	-	(0.01)	-	(21.69)	(2.54)
Net increase / (decrease) in cash and cash equivalents	(880.91)	100.00	198.05	100.00	854.41	100.00

## Horizontal Analysis

### Operating Results

	2011-12 (Rs. in million)	Variance vs Last Year Increase / (Decrease) %	2010-11 (Rs. in million)	Variance vs Last Year Increase / (Decrease) %	2009-10 (Rs. in million)	Variance vs Last Year Increase / (Decrease) %
Sales	8,767.00	(5.55)	9,281.82	(16.59)	11,127.55	(8.42)
Cost of sales	7,858.92	(8.02)	8,544.53	(20.43)	10,738.07	(1.23)
Gross profit	908.08	23.16	737.29	89.30	389.48	(69.55)
Distribution expenses	328.21	17.50	279.32	(3.32)	288.91	(32.45)
Administration expenses	192.01	14.09	168.30	4.40	161.20	(22.04)
Other operating expenses	9.86	158.06	3.82	274.51	1.02	(94.87)
Other operating income	113.98	101.70	56.51	(26.55)	76.94	(54.64)
Profit from operations	491.98	43.70	342.36	2,139.11	15.29	(98.08)
Finance cost	318.54	5.52	301.87	107.17	145.71	(78.53)
Profit / (Loss) before taxation	173.44	328.40	40.49	131.04	(130.42)	(212.60)
Taxation	147.73	109.17	70.63	300.17	17.65	(61.55)
Profit / (Loss) after taxation	25.71	185.30	(30.14)	79.64	(148.07)	(311.76)

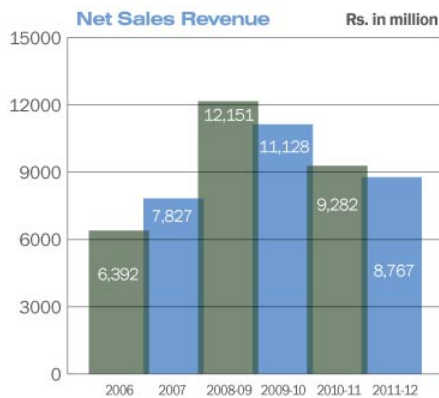
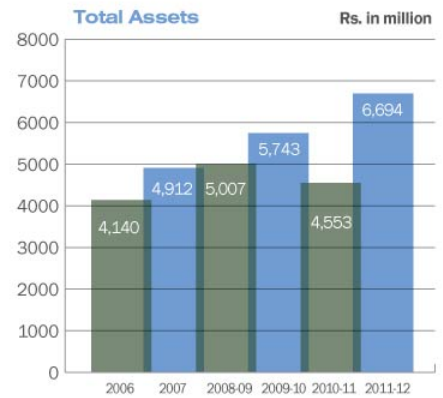
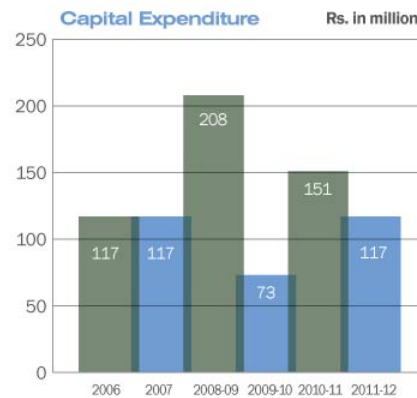
### Balance Sheet

Property, plant and equipment	1,779.46	(0.49)	1,788.26	94.67	918.59	(3.16)
Other non-current assets	1.09	(46.57)	2.04	(24.16)	2.69	(74.46)
Long-term investments	2.39	100.00	-	-	-	-
Long-term deposits	6.02	2.28	5.88	47.37	3.99	(27.21)
Long-term loans and advances	10.40	166.12	3.91	(66.72)	11.75	(10.23)
Deferred taxation	-	-	-	(100.00)	12.74	100.00
Current assets (excluding investments)	4,894.55	77.80	2,752.86	(42.57)	4,793.61	18.97
<b>Total assets</b>	<b>6,693.90</b>	<b>47.02</b>	<b>4,552.95</b>	<b>(20.73)</b>	<b>5,743.37</b>	<b>14.71</b>
Shareholders' equity	1,529.51	3.38	1,479.49	(1.63)	1,503.98	(9.84)
Long-term security deposits	-	-	-	(100.00)	32.00	-
Deferred taxation	69.39	46.48	47.37	100.00	-	(100.00)
Other non-current liabilities	67.24	(8.03)	73.11	46.84	49.79	5,141.05
Surplus on revaluation of fixed assets	1,026.25	(2.17)	1,049.01	285.96	271.80	(2.05)
Short term debt (including current maturity of long term debt)	1,238.33	317.92	296.31	(40.97)	501.93	(64.16)
Other current liabilities (trade, interest and tax)	2,763.18	71.88	1,607.66	(52.49)	3,383.88	109.33
<b>Total equity and liabilities</b>	<b>6,693.90</b>	<b>47.02</b>	<b>4,552.95</b>	<b>(20.73)</b>	<b>5,743.37</b>	<b>14.71</b>

### Cash Flows

Cash flows from / (used in) operating activities	(778.57)	(353.58)	307.04	(67.20)	936.20	198.51
Cash flows from / (used in) investing activities	(102.34)	6.09	(108.98)	(81.33)	(60.10)	68.27
Cash flows from / (used in) financing activities	(0.01)	25.00	(0.01)	99.95	(21.69)	92.80
Net increase / (decrease) in cash and cash equivalents	(880.91)	(544.80)	198.05	(76.82)	854.41	159.29

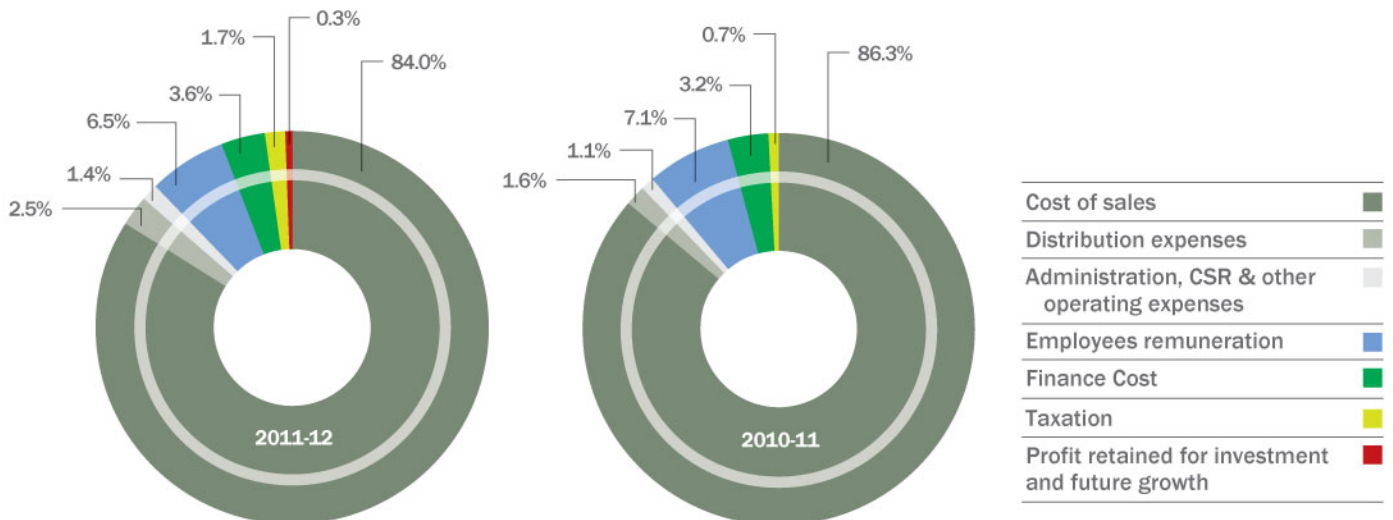
## Financial Highlights Contd...





## Statement of Value Addition and its Distribution

	2011-12		2010-11	
	Rs. in million	%	Rs. in million	%
<b>Value Addition</b>				
Revenue	8,767	98.7	9,282	99.1
Other Income	114	1.3	57	0.6
Utilisation of unappropriated earnings due to loss incurred	-	-	30	0.3
<b>Total</b>	<b>8,881</b>	<b>100.0</b>	<b>9,369</b>	<b>100.0</b>
<b>Value Distribution</b>				
Cost of sales	7,461	84.0	8,082	86.3
Distribution expenses	223	2.5	154	1.6
Administration, CSR & other operating expenses	123	1.4	95	1.1
Employees remuneration	582	6.5	666	7.1
Finance Cost	318	3.6	302	3.2
Taxation	148	1.7	70	0.7
Profit retained for investment and future growth	26	0.3	-	-
<b>Total</b>	<b>8,881</b>	<b>100.0</b>	<b>9,369</b>	<b>100.0</b>





**Shareholders**



**Communities**



**Employees**

# Corporate Social



**Customers**



**Other Business Partners**



# Responsibility

**Seeking harmony among People, Society, Global Environment and Sustainable Development of Society through responsible behaviour.**



## CSR Charter



**The CSR Charter articulates our goals when it comes to serving each of our diverse stakeholder groups.**



### **To customers**

We meet our customers' expectations by providing useful products and services.



### **To employees**

We respect each individual employee and strive to create a workplace that fosters personal growth.



**To other business partners**

We build relationships of trust by engaging in open communication with mutual prosperity as our goal.



**To shareholders**

We work hard to anticipate changes in the business environment in order to improve the Hinopak's corporate value.



**To communities**

- We strive to provide products that are safe and environmental friendly, pursuing a responsible balance with the environment in all of our corporate activities.
- We strive to contribute to local communities in all the regions where we do business.
- We are devoted to good corporate citizenship, complying with laws and regulations and maintaining high ethical standards.

## CSR Highlights 2011-12

The Knocking Door Project

Leadership Expedition

Health Awareness Programs / Medical Tests of Employees

Academic Achievement Recognition Awards to Workers' Children

Hinopak Inter - Firms KCCA Cricket League

Beach Cleaning and Mangrove Plantation Activity at Sandspit Beach

Car Assembled by SITE Model School Technical Wing Students, Body Fabrication by Hinopak

Induction of Apprentices under the Company's Apprenticeship Program

Scholarships to NED University Students

Flood Relief Activities in Pakistan and Donation to the Japan Earthquake and Tsunami affectees





## Customers

# We meet our customers' expectations by providing useful products and services

### The Knocking Door Project

As part of our 'Knocking Door Project-2011', our product support team made regular visits to the customer's premises for creating a stronger link with them by solving after sales issues they might be facing with respect to products. Some notable visits were to Pakistan Beverages Ltd., Coca-Cola Beverages Pakistan Ltd., Ammiza Transport (Pvt.) Ltd., Ghulam Nabi Water Tanker, Marine Logistics (Pvt.) Ltd., and Perfect Transport Network.



### Customers' Education through Mobile Field Training Unit

Customers' satisfaction is the company's top priority. Keeping our customers at the forefront and understanding their various requirements are the main features. Hinopak has always actively promoted customer education through various programmes. During the year 18 courses were conducted for 225 participants by utilizing mobile field training unit.

One noteworthy program under this initiative was the one week Eco-Driving training conducted for 42 officers Pakistan Army EME.



### Customer Satisfaction Survey

The company always welcomes customers' feedback for improvement in our system and products. The objective of the survey is to improve customer services and bring benefits to all Hino users for better and longer vehicle operation. Questions were asked from the customers in respect of dealer support, after sales support, vehicle running performance and attitude of sales representative with the customers. Those who participated in the survey were given a beautiful gift hamper.



## Employees

**We respect each individual employee and strive to create a workplace that fosters personal growth**

### Leadership Expedition

The training accomplishment of the year in which 20 managers braved it out in the steep and rugged mountains of Nathia Gali participating in physical activities like trekking, wilderness survival exercises, mountain climbing and camping. While communing with nature, it made them more aware of the environmental care and protection, different activities enabled them to bond with colleagues which is otherwise difficult to achieve in a classroom or office environment. As the name of the training suggests it certainly proved to be a leadership expedition.



### Health Awareness Programs / Medical Tests of Employees

In collaboration with a city's local eye hospital an awareness program on Eye Diseases was conducted in February 2012. Besides the awareness program various medical tests and check-ups were organized for the employees such as Audiometric testing for workers exposed to high noise areas, Pulmonary testing for chemical handlers and welders, medical tests for food handlers and drivers, and BMI tests for all employees. Some of these tests were conducted through in-house resources while others were done through hospitals and laboratories.



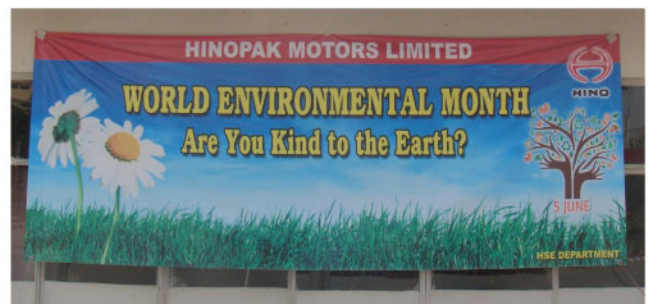
### Energy Conservation Awareness Session in collaboration with KESC

Aiming to provide awareness to our staff, an awareness session in collaboration with the Karachi Electric Supply Company was organized in October 2011. Different ideas and tips were shared on how to conserve electricity around the company facilities.



### Display of Banners during the Environment Month

For creating awareness among the employees on the subject of environmental issues various banners were displayed in the month of June within the company premises to educate the employees.



### Health, Safety and Environment Trainings

Fulfilling our commitment to make Hinopak a safe and conducive workplace, SAFE HINO (Zero Incident) a training program was organized where employees were given training on safe working practices, hazard identification and job-specific safety awareness. A total of 120 employees have been trained under this program till now and more programs are still in process. In addition to this, extensive occupational safety and health related activities are being undertaken by the company to build a 'safety-culture' at Hinopak.





### Employee Training / Development Activities

Training and development of employees always remains a focal strategy of the company. Main developmental highlights for the year include safety trainings, shop floor training of workers, training of vehicle quality control staff, leadership training, foreign training, financial support for continuing professional education, Japanese language proficiency and training on computer aided engineering softwares.

For the next year, the company aims at focusing on technical training of the management and non-management staff and functional specific training programs.



### Academic Achievement Recognition Cash Awards given to Workers' Children

Extending our commitment to recognize our employee's children on their academic performance, 87 children of our non-management staff were recognized for their academic performance through cash awards, books and appreciation letters.

**Building a dynamic workplace in which each and every employee can exercise independence, self development and utilize their talents to the fullest**

### Out-going MD's Farewell and In-coming MD's Welcome Ceremony

Traditions are meant to be kept alive. In order to do that a company-wide grand ceremony was held in the Head Office premises for welcoming the new in-coming Managing Director, Mr. Keiichiro Utsumi and Director Production Mr. Takuji Umemura and bidding farewell to out-going Managing Director, Mr. Hideya Iijima and Director Production Mr. Hirafumi Wachi. The event provided a good platform for all employees to come together and share this moment in a happy way.



### Tea with Top Management

The top management met with the newly hired employees over tea. The activity was conducted to introduce the newly hired employees with the management and instil in them a sense of association with the company.





**We take pride in contributing to the promotion of healthy sports among our employees**

## Sports

### Hinopak Tape Ball and Hard Ball Cricket Tournaments

The Inter-department tape ball and hard ball cricket tournaments were organized in January and March 2012. The tournaments were fiercely competitive and was participated by inter-departmental teams. The tape ball tournament was won by Hino Dolphins (the Hino Line Team) and the hard ball tournament was won by Finance Eagles team. The cricket tournaments have become a fad around the company mainly because of the game's compelling nature, the pace at which it can be played and not to forget the healthy competition and team cohesiveness it promotes throughout the company.



## Other Sports Activities

Other than cricket tournaments, more company-wide sports activities have recently commenced. These sports activities include Tug of War, Arm Wrestling, Carom Board, Badminton and Table Tennis. The sports fever is on and employees are actively participating in these sports activities.

### Hinopak Inter-Firms KCCA Cricket League

The 18th Hinopak inter-firms KCCA cricket league started in February 2012. The tournament was inaugurated by Mr. Keiichiro Utsumi, Managing Director / Chief Executive Officer, Hinopak Motors Limited. 26 teams took part in the cricket league, the teams were divided into five groups. Matches were played at the Aga Khan Gymkhana ground.

### Award Distribution Ceremony for Silver Jubilee Sports Gala Winners

In a modest ceremony, the sports competition winners of the Silver Jubilee sports tournaments (arm wrestling, badminton, cricket, tug-of-war) were awarded trophies / shields.





## Other Business Partners



**We build relationships of trust by engaging in open communication with mutual prosperity as our goal**

### STAKEHOLDERS

#### Enhancement of Mobile Workshops and Pro-Care Units through Area Offices and Dealerships

One major activity undertaken by our Product Support Department this year was the development of mobile workshop at area offices as well as at the dealerships. In connection with this initiative, recently two mobile workshops has been developed for Hino Lahore and Hino Karachi. Plans are underway to develop more mobile workshops for other dealers. Following this initiative, the total number of mobile workshops has moved up to nine units and the number of Hino Pro-Care units now stands at four units.



**Our commitment as business partner in making this world a better place to live in continues to inspire us to reach bigger goals and bigger dreams**

### Vendors' Trainings

In order to strengthen the local manufacturing industry and the level of the vendors to a height where they can compete not only locally but also globally in terms of technology, quality, supply ability and cost, various skill development programs of the vendors were organized by the company during the year in which vendors were imparted trainings through our local and Japanese trainers.



## Shareholders



**We work hard to anticipate changes in the business environment in order to improve the Hinopak's corporate value**

Compliance at Hinopak is not just about observing the laws and regulations. It also means respecting social norms and corporate ethics, complying with the expectation of all the stakeholders' and engaging in fair corporate activities.

### Board of Directors

The Board of Directors comprises of executive and non-executive directors. The Board convened four times in 2011-12. The Board reviewed and approved company's future strategy and operating results of the company.

### Audit Committee

An Independent audit committee has been established by the Board for monitoring of compliance activities in the company. All three members of the Audit Committee are non-executive directors. An Internal Audit department supports the committee. The committee held four meetings in 2011-12. Two meetings were also attended by the external auditors of the company.

### Internal Control System and Financial Reporting

The company maintains a system of internal control and procedures designed to ensure reliable and transparent financial reporting and disclosures. Hinopak is a group company of Toyota Motors Corporation (TMC) and was selected for TMC's project to strengthen internal controls and compliance with the requirement of US Sarbanes-Oxley Act. The company is working on the project under the guidelines from TMC.

### Code of Conduct

Using the Hinopak Code of Conduct as a guideline for day-to-day work ensures that we comply with applicable laws and regulations. Further, it encourages all our employees to act fairly and openly and to strive to meet stakeholders' expectations.

### Whistle Blowing Mechanism

We recognize whistle blowing as one of the important way to ensure good governance. The company operates a working environment that supports and ultimately protects employee who, in good faith, report instances of suspected misconduct. Hinopak has a viable whistle blowing protection mechanism that is designed to balance the interest of the company and the subject of the complaint of misconduct, without jeopardizing the protection owed to those employees who "blow the whistle".



**As a contribution to enrichment of society, Hinopak Motors Limited is carrying out fair and transparent business practices while improving its internal control environment**

**OHSAS 18001 and QMS 9001 Surveillance Audits**

Surveillance audits under Occupational Health and Safety Assessment Series (ISO 18001:2007) and Quality Management System (ISO 9001:2008) were conducted by the auditors M/s. Bureau Veritas in June 2011, February and March 2012 respectively. The auditors remarked on the company's full compliance with both the standards.



**Hinopak won Employer's Federation of Pakistan Awards**

The company was awarded the FIRST prize on 'Best Performing Company in Management & Decent Work' in the category of 'Medium Public Limited Company' by the Employer's Federation of Pakistan.

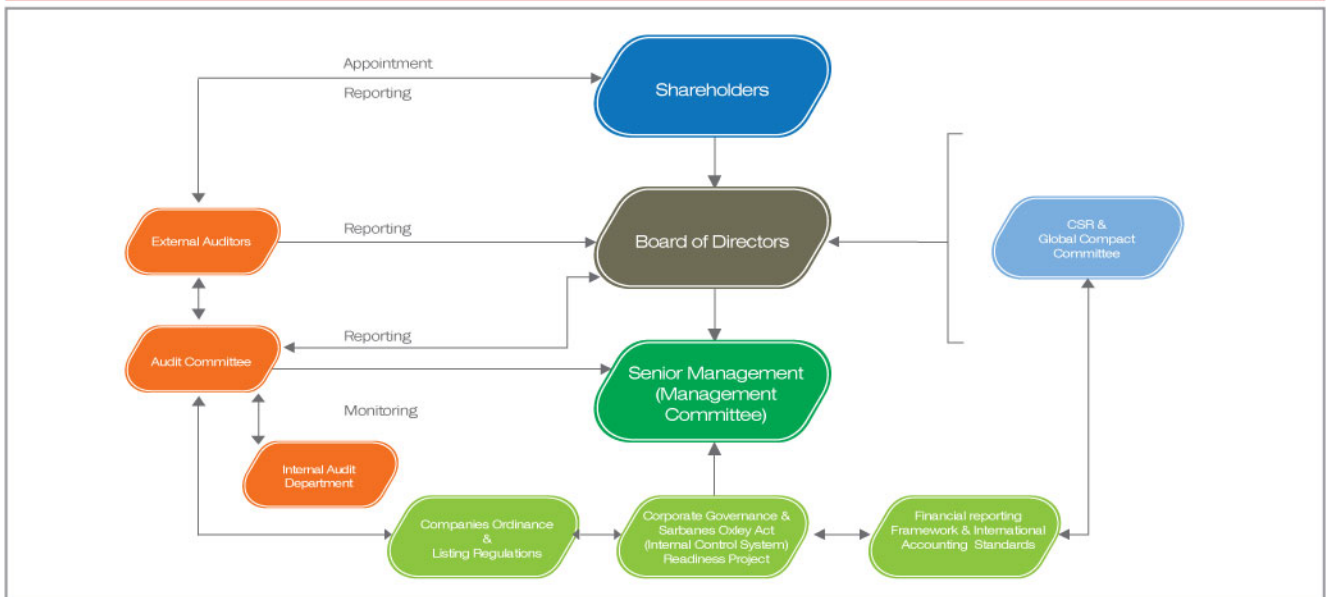
In addition to this; the company was also awarded with the Responsible Business Achievement Award 2010-11 on "Living the Global Compact" under the multinational companies category.



**4th United Nations Global Compact Communication on Progress (UNGC-COP)**

The 2011 United Nations Global Compact Communication on Progress was shared on the UNGC website detailing Hinopak's initiatives on the 10 principles on Human Rights, Labour, Environment and Anti-corruption for the year 2010-11.

**HINOPAK'S GOVERNANCE STRUCTURE**





## Communities



**We strive to provide products that are safe and environmental friendly, pursuing a responsible balance with the environment in all of our corporate activities**

### Beach Cleaning and Mangrove Plantation Activity at Sandspit Beach

The Beach Cleaning Activity and Mangrove Plantation were done in the month of July 2011 at Sandspit Beach. It was attended by 100 participants who included 40 employees and 60 children.



### Flood Relief Activities in Pakistan and Donation to the Japan Earthquake and Tsunami Victims

During the year the country faced devastating floods which caused heavy losses to the society. Hinopak carried out flood relief activities in various areas of Pakistan, multi purpose cooking stoves were distributed among 250 flood affected families. In addition to that donation of Rs. 1 million was made by Hinopak to the Japan earthquake and tsunami victims through the Japanese consulate. The company's relief activities though modest given a sense of hope to the affected people.

### Tree Plantation and Clean up Activity

Marking the environmental month in June 2011, a company-wide tree plantation activity was held where the top management along with the employees planted trees in the vicinity of company premises.

Moreover, a clean-up activity was also held surrounding the company premises. The activity was attended by 100 employees; where 45 plastic waste bags containing 400 kilograms of garbage was collected. The activity was actively participated by the top management, employees and workers.



### SITE Model School Tree Plantation, Environment Awareness and Essay Competition Activities

Three activities were held during the year involving SITE Model School students and children regarding the environmental month activities. A group of 120 students and teachers was engaged in a tree plantation activity where 50 trees were planted in and around the school premises, after which, the students were briefed on environmental awareness (pollution reduction, 3R's: Reduce, Reuse, Recycle). The briefing session was followed by an essay competition in which 35 students participated, the theme of the essay competition was "Water Conservation: Our Water, Our Future". In the end prizes were awarded to the winners and participants.





**Our consciousness towards the local and global community drives us to undertake far-reaching social initiatives**

### **Hinopak won 3rd prize in the 61st Flower Show Competition**

The company was awarded 3rd position in the 61st Flower Show Competition held in the month of February 2012. The competition was organized by the Horticultural Society of Pakistan.



### **Free tune up camps in Karachi and up country**

During the year free tune up camps were setup in Karachi and up country in which 164 vehicles were tuned up free of cost. Useful tips for vehicles maintenance were also provided to the customers.



### **Car Assembled by SITE Model School Technical Wing Students; Body courtesy of Hinopak**

The progress of the technical wing students of the SITE Model School was witnessed through the two-seater car assembled by the technical students. To complete the project, the car's body was fabricated and mounted by Hinopak.



### **Heavy Duty Motor Vehicle Technician Course**

During the year, HD-MVT course (registered with the Sindh Board of Technical Education) training was imparted to four batches for a period of six months through our product support training centre. The course is offered to general public and during the year 102 participants completed the MVT course.

### **Induction of 40 apprentices under the Company's 3-years apprenticeship program**

The company inducted 40 apprentices under the 3-years apprenticeship program. The apprentices (mostly matric pass youth) have been inducted in various trades and being given practical and theoretical training to equip them with technical skills.

**To make the world a better place to live by helping people and goods to move safely and economically, while focusing on sustainable development**



### Summer / Winter Internship Program

During the year 123 students from various institutes / universities were inducted on internship during summer and winter internship program. The interns were assigned functional projects and assignments which not only helped in orienting them with the work environment but also specific projects assisted them in enhancing their practical knowledge.



### Scholarships given to NED University Students

Continuing with the Company's commitment to award 10-technical merit-based scholarships to NED University students, Hinopak met its commitment and awarded these scholarships to the final year students for the fourth consecutive year; all ten Hinopak Scholars graduated in January 2012.

### Breast Cancer Awareness Program

In collaboration with the Shaukat Khanum Memorial Cancer Hospital & Research Center, a breast cancer awareness program was held for the female staff of Hinopak, female teachers and students of SITE Model School. The program was attended by 110 participants.



### Hinopak Delivers Mobile Knowledge Resource Center Van to SEEDS Asia Pakistan

Hinopak joined hands with the SEEDS Asia Pakistan (an organization which is actively involved in disaster risk reduction awareness activities in rural areas of Pakistan) by delivering a Mobile Knowledge Resource Center Van at concessional rate. The van was launched by SEEDS Asia at a launching ceremony organized at a local hotel.



### Students Industrial Visits to Hinopak

A total of 918 students / visitors from various technical and non-technical schools visited Hinopak under the company's "Industry-University Linkage" initiative and were briefed on the company's operations and were given a tour of the manufacturing facilities.



### Renovation work at SITE Model School

Paint and other rework activities were undertaken at SITE Model School. In addition to the rework done for existing classes, new classes were also refurbished to facilitate in-take of more students. The student strength at the school now stands at 769 as compared to 555 in 2007-08, increasing the total student strength by 39%, following refurbishment of the school / establishment of Technical Wing in 2008 and 2009 respectively. With the renovation of new classes, the strength (especially in the primary section) is expected to increase further.

### Academic Projects/Studies undertaken at Hinopak

During the year, the company supported 10 technical / management projects done by approximately 35 students belonging to various academic institutions and universities.

**We understand and acknowledge the climate change as a global issue and the need to reduce the CO<sub>2</sub> emissions which has become an integral part to socio-economic activities**

## REDUCING ENVIRONMENTAL LOAD OF TRUCKS & BUSES

### The Environmental Performance of our plants

Our commitment to enhancing quality of life and protecting our earth is reflected in our environmental goals which are set to address our key parameters prevention of global warming (reducing CO<sub>2</sub>), reducing reliance on natural resources (recycling), controlling material with environmental impact and green procurement.

The following tables elaborate that the level of effluents in the Air & Water released from our Assembly Operation and Body Operation Divisions are well within the allowed limits of the environmental regulations.

The graphs on the right demonstrate the results of our constant efforts to reduce our environmental loads by reducing the CO<sub>2</sub> emission, material discarded and water consumption.

### Water Release (Assembly Operation Division)

Reporting Period: April 2011 – March 2012

Items	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
				Max	Min	Avg
Water discharged [m3/month]	-	-	1/m	2907	2124	2567.4
Water discharged [m3/day]	-	-	1/m	122	89	104.6
pH	6~9	6.8~7.4	1/m	7.2	7.08	7.14
BOD [mg/l]	80	70	1/m	45	30	38.4
COD [mg/l]	400	300	1/m	134	98	119.1
SS [mg/l]	200	100	1/m	35	18	26.5
Oil [mg/l]	10	5	1/m	3.1	2.2	2.4
TDS[mg/l]	3500	3000	1/m	735	620	688.2

### Air Release (Assembly Operation Division)

NO<sub>x</sub> [mg/Nm<sup>3</sup>]

Facilities	Official Fuel Type	Voluntary Regulations	Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
ED Oven	Natural Gas	600mg/Nm <sup>3</sup>	100	1/m	4	1	1.7
Top Coat Oven	Natural Gas	600mg/Nm <sup>3</sup>	100	1/m	3	1	1.8
Boiler	Natural Gas	600mg/Nm <sup>3</sup>	100	1/m	50	1	39.3

SO<sub>x</sub> [mg/Nm<sup>3</sup>]

Facilities	Official Fuel Type	Voluntary Regulations	Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
ED Oven	Natural Gas	1700mg/Nm <sup>3</sup>	100	1/m	1	1	0.2
Top Coat Oven	Natural Gas	1700mg/Nm <sup>3</sup>	100	1/m	11	1	1.4
Boiler	Natural Gas	1700mg/Nm <sup>3</sup>	100	1/m	11	11	1.2



### Water Release (Body Operation Division)

Items	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
				Max	Min	Avg
Water discharged [m3/month]	-	-	1/m	2063	1315	1795
Water discharged [m3/day]	-	-	1/m	76.0	58.0	67.6
pH	6~9	6.8~7.4	1/m	7.43	7.1	7.19
BOD [mg/l]	80	70	1/m	38	25	31.5
COD [mg/l]	400	300	1/m	115	66	94.9
SS [mg/l]	200	100	1/m	23	6	15.5
Oil [mg/l]	10	5	1/m	2.8	1.9	2.1
TDS[mg/l]	3500	3000	1/m	599	340	518

### Air Release (Body Operation Division)

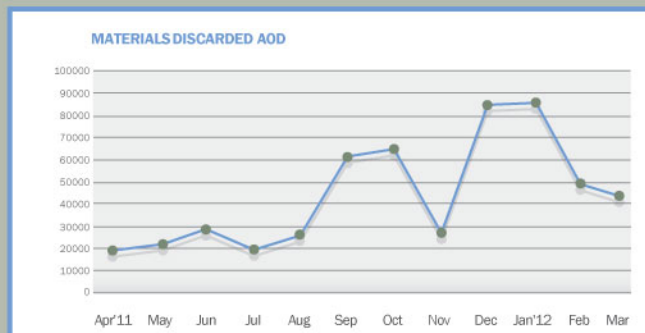
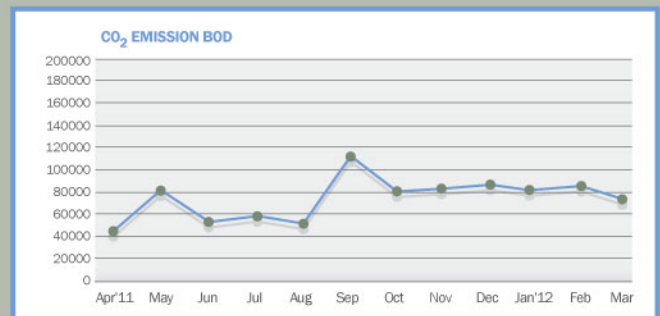
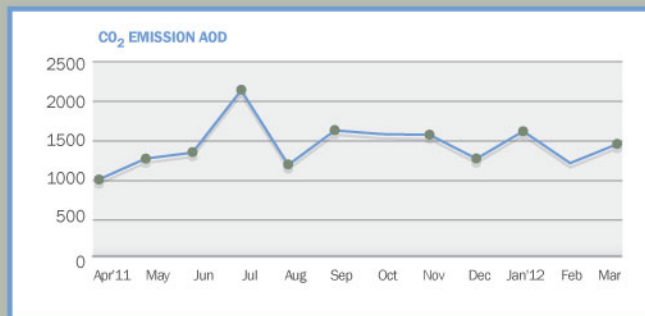
NOx [mg/Nm<sup>3</sup>]

Facilities	Official Fuel Type	Voluntary Regulations	Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
Parts primer baking oven	Natural Gas	600mg/Nm3	100	1/m	56	29	40.3
Paint baking oven	Natural Gas	600mg/Nm3	100	1/m	4	1	2.4

### Air Release (Body Operation Division)

SOx [mg/Nm<sup>3</sup>]

Facilities	Official Fuel Type	Voluntary Regulations	Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
Parts primer baking oven	Natural Gas	1700mg/Nm3	100	1/m	9	1	1.7
Paint baking oven	Natural Gas	1700mg/Nm3	100	1/m	1	1	0.1



# Statement of Compliance with the Code of Corporate Governance

For the year ended March 31, 2012

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**This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.**

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The Company has applied the principles contained in the Code in the following manner:

The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes four non-executive directors.

The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

Casual vacancies on the Board of Directors occurred during the year ended March 31, 2012 which were duly filled.

The Company has prepared a 'Basic Principles of Code of Conduct', which has been signed by all the directors and employees of the Company.

The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

During the year no Orientation course was held for directors, however, the Company circulated the booklet on the role and responsibilities of Directors published by the Institute of Chartered Accountants of Pakistan amongst the directors.

The Board has approved appointment of Head of Internal Audit and remuneration and terms and conditions of employment of CFO, the Company Secretary, and Head of Internal Audit, as determined by the CEO.

The directors' report for this year ended March 31, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

The Company has complied with all the corporate and financial reporting requirements of the Code.

The Board has formed an audit committee. It comprises of three members, all of them are non-executive directors including the Chairman of the committee.

The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

There exists an effective internal audit function within the company.

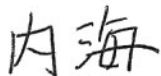
The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

The related party transactions were placed before the Audit Committee and approved by the Board of Directors.

We confirm that all other material principles contained in the Code have been complied with.

By order of the Board



**KEICHIRO UTSUMI**  
Managing Director & CEO



**KUNWAR IDRIS**  
Chairman

Dated: May 25, 2012





## **Review Report to the members on Statement of Compliance with best practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended March 31, 2012 prepared by the Board of Directors of Hinopak Motors Limited to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 notified by Karachi and Lahore Stock Exchanges require the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended March 31, 2012.

Chartered Accountants

Karachi

Dated: May 25, 2012

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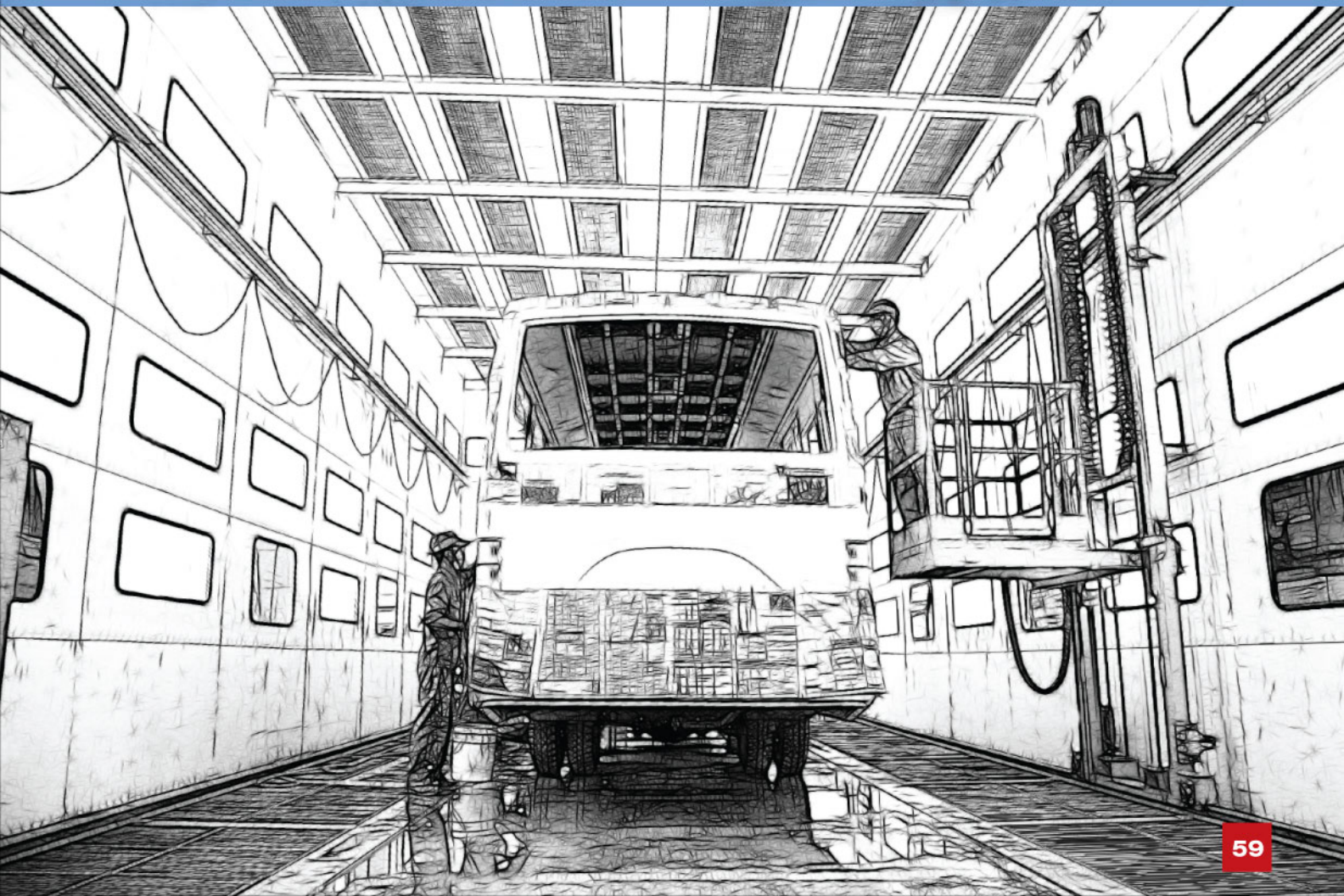
**A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network**  
**State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan**  
**Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938; <www.pwc.com/pk>**

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**Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320**





## Financial Statements







## Auditors' Report to the members

We have audited the annexed balance sheet of Hinopak Motors Limited as at March 31, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at March 31, 2012 and of the profit and total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Chartered Accountants

Karachi

Dated: May 25, 2012

Name of Engagement Partner: Farrukh Rehman

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**Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore-54660; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872**  
**Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O.Box 3021, Islamabad-44000; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924**  
**Kabul: House No. 1916, Street No. 1, Behind Cinema Bariqot, Nahar-e-Darsan, Karte-4, Kabul, Afghanistan; Tel: +93 (779) 315320, +93 (799) 315320**



# Balance Sheet

As at March 31, 2012

	Note	March 31, 2012	March 31, 2011
Rupees '000			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,779,457	1,788,255
Intangible assets	4	1,089	2,038
Long-term investments	5	2,391	-
Long-term loans and advances	6	10,400	3,908
Long-term deposits		6,015	5,881
		<u>1,799,352</u>	<u>1,800,082</u>
<b>Current assets</b>			
Stores, spares and loose tools	7	19,194	19,794
Stock-in-trade	8	2,410,682	1,677,525
Trade debts	9	1,823,092	482,570
Loans and advances	10	37,739	83,382
Trade deposits and prepayments	11	34,680	27,253
Refunds due from the government	12	87,893	225,479
Other receivables	13	31,839	28,876
Taxation - payments less provision	14	324,901	144,567
Cash and bank balances	15	124,526	63,416
		<u>4,894,546</u>	<u>2,752,862</u>
<b>Total assets</b>		<u><b>6,693,898</b></u>	<u><b>4,552,944</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	16	124,006	124,006
Reserves	17	1,405,508	1,355,480
		<u>1,529,514</u>	<u>1,479,486</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	18	1,026,250	1,049,014
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred taxation	19	69,390	47,372
Retirement benefits obligations	20	67,235	73,105
		<u>136,625</u>	<u>120,477</u>
<b>Current liabilities</b>			
Trade and other payables	21	2,721,889	1,597,894
Short-term borrowings	22	1,238,331	296,310
Accrued mark-up	23	41,289	9,763
		<u>4,001,509</u>	<u>1,903,967</u>
<b>Total liabilities</b>		<u><b>4,138,134</b></u>	<u><b>2,024,444</b></u>
<b>Contingency and commitments</b>	24		
<b>Total equity and liabilities</b>		<u><b>6,693,898</b></u>	<u><b>4,552,944</b></u>

The annexed notes 1 to 40 form an integral part of these financial statements.

内海

Managing Director &  
Chief Executive Officer

K. Jais

Chairman

# Profit and Loss Account

For the year ended March 31, 2012

	Note	March 31, 2012	March 31, 2011
Rupees '000			
Sales	25	8,766,997	9,281,822
Cost of sales	26	(7,858,919)	(8,544,530)
Gross profit		908,078	737,292
Distribution expenses	26	(328,212)	(279,319)
Administration expenses	26	(192,013)	(168,303)
Other operating income	27	113,982	56,510
Other operating expenses	28	(9,858)	(3,821)
Profit from operations		491,977	342,359
Finance cost	29	(318,541)	(301,874)
Profit before taxation		173,436	40,485
Taxation	30	(147,726)	(70,625)
Profit / (loss) after taxation		25,710	(30,140)
<b>Other comprehensive income</b>			
Change in value of available-for-sale financial assets - net of deferred tax	5	1,554	-
Total comprehensive income / (loss)		27,264	(30,140)
Earnings / (loss) per share	31	Rs. 2.07	Rs. (2.43)

The annexed notes 1 to 40 form an integral part of these financial statements.

内海

Managing Director &  
Chief Executive Officer

K. Jais

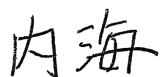
Chairman

# Cash Flow Statement

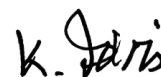
For the year ended March 31, 2012

	Note	March 31, 2012	March 31, 2011
Rupees '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	32	(287,523)	359,955
Mark-up paid on short-term borrowings		(140,198)	(114,405)
Return on savings accounts		1,211	2,055
Net (tax paid) / refund received		(306,879)	111,584
Retirement benefits obligations paid		(38,552)	(58,105)
Increase in long-term deposits		(134)	(1,892)
(Increase) / Decrease in long-term loans and advances		(6,492)	7,843
Net cash (used in) / generated from operating activities		(778,567)	307,035
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred		(116,517)	(150,561)
Proceeds from sale of property, plant and equipment		14,179	41,581
Net cash used in investing activities		(102,338)	(108,980)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(6)	(8)
Net (decrease) / increase in cash and cash equivalents		(880,911)	198,047
Cash and cash equivalents at the beginning of the year		(232,894)	(430,941)
Cash and cash equivalents at the end of the year	33	(1,113,805)	(232,894)

The annexed notes 1 to 40 form an integral part of these financial statements.



Managing Director &  
Chief Executive Officer



Chairman



# Statement of Changes in Equity

For the year ended March 31, 2012

	Share Capital	Reserves-Revenue			Total
		General	Unappro- priated profit	Fair value reserve	
Rupees '000					
<b>Balance at April 1, 2010</b>	124,006	291,000	1,088,973	-	1,503,979
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	5,647	-	5,647
Total comprehensive loss for the year	-	-	(30,140)	-	(30,140)
<b>Balance at March 31, 2011</b>	124,006	291,000	1,064,480	-	1,479,486
Realisation of surplus on revaluation of fixed asset on disposal - net of deferred tax	-	-	2,255	-	2,255
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	20,509	-	20,509
Profit after taxation for the year	-	-	25,710	-	25,710
Gain on available for sale investments - net of deferred tax	-	-	-	1,554	1,554
<b>Balance at March 31, 2012</b>	<b>124,006</b>	<b>291,000</b>	<b>1,112,954</b>	<b>1,554</b>	<b>1,529,514</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

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Managing Director &  
Chief Executive Officer

K. Jais

Chairman

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 1. THE 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 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.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 have been followed.

#### 2.1.1 Changes in accounting standards and interpretations

##### (a) Standards, interpretations and amendments to published approved accounting standards effective in 2011

- IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for accounting period beginning on or after 1 January 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Company's financial statements. However, this has no material impact on these financial statements.
- IFRS 7 (Amendment), 'Financial Instruments: Disclosure', is effective for the accounting periods beginning on or after 1 January 2011. This amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. However, this has no material impact on these financial statements.

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 April 2011 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

##### (b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

- IAS 19 (Amendment), 'Employee benefits', is effective for the accounting periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

## 2.3 Property, plant and equipment

**2.3.1** These are stated at cost less accumulated depreciation / amortisation and impairment losses, if any, except land and buildings which are stated at revalued amount less accumulated depreciation and impairment loss, if any; and capital work-in-progress which is stated at cost.

**2.3.2** Depreciation is charged to profit and loss account applying the straight line method, whereby the depreciable amount of an asset, if any, is written off over its estimated useful life. The revalued amount of leasehold land and building is amortised / depreciated equally over the remaining life from the date of revaluation. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

**2.3.3** The useful lives of assets as estimated by the management are as follows:

- Leasehold land	lease term i.e. 76 to 79 years
- Buildings on leasehold land	40 years
- Plant and machinery	2 to 10 years
- Furniture and fixtures	2 to 10 years
- Vehicles	4 to 5 years
- Electric installations	5 years
- Office and other equipments	3 to 7 years

**2.3.4** Gain or loss on disposal or retirement of property, plant and equipment is included in profit and loss account.

## 2.4 Intangible assets - computer softwares

Computer software licenses acquired by the Company are stated at cost less accumulated amortisation. Cost represents the cost incurred to acquire the software licenses and bring them to use. The cost of computer software is amortised over the estimated useful life i.e. 2 to 3 years.

Costs associated with maintaining computer softwares are charged to profit and loss account.

## 2.5 Impairment

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

## 2.6 Investments

The investments of the Company are classified into the following categories:

i) Held to maturity

These are investments with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity. These are initially recognised at fair value plus transaction cost, and subsequently at amortised cost using the effective interest method.



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

ii) At fair value through profit and loss account

These are investments designated at fair value through profit and loss account at inception. Investments in this category are classified as current assets if they are expected to be realised within twelve months of the balance sheet date.

Investments at fair value through profit and loss account are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. These are subsequently carried at fair value. Gains or losses arising from changes in the fair value are taken to profit and loss account in the period in which they arise.

iii) Available for sale

These represent non derivative investments that are either designated in this category or not classified in any other category. They are included as non-current assets unless the investment matures or management intends to dispose off the investments within twelve months of the balance sheet date.

Available for sale investments are initially recognised at fair value plus transaction costs, and are subsequently carried at fair value. Changes in the fair value are recognised in other comprehensive income.

The Company assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Impairment loss on all investments is recognised in the profit and loss account. Whereas, reversal of impairment loss is recognised in other comprehensive income.

## 2.7 Taxation

i. Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime.

ii. Deferred

The Company accounts for deferred taxation using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the profit and loss account except for deferred tax arising on surplus on revaluation of fixed assets and on change in fair value of investments categorised as available for sale which is charged to the surplus on revaluation and fair value reserve respectively.

## 2.8 Stores, spares and loose tools

These are valued at cost determined on moving average basis less provision for slow moving and obsolete stores and spares. Items in transit are valued at invoice value plus other charges incurred thereon.

## 2.9 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined by first-in first-out method except for materials for fabrication of bus bodies, consumable stores, locally manufactured parts, spares for sale and stock in transit.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

Cost of material for fabrication of bus bodies, consumable stores, locally manufactured parts and spares for sale is determined on moving average method. Cost of stock in transit comprises of invoice value plus other charges incurred thereon.

Cost of work in process and finished goods include direct material, labour and appropriate portion of manufacturing expenses.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less cost of completion and estimated costs necessarily to be incurred to make the sale.

## 2.10 Trade and other debts

Trade and other debts are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

## 2.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash, cheques in hand, balances with banks on current, savings and deposit accounts and short term borrowings under mark-up arrangements.

## 2.12 Staff retirement benefits

### Defined benefit plans

The Company operates approved funded gratuity and pension schemes for all its permanent employees. The Company also operates gratuity for contractual employees which is unfunded. The schemes define the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the schemes. The amounts of retirement benefits are usually dependent on one or more factors such as age, years of service and salary.

The liabilities recognised in respect of gratuity and pension schemes are the present values of the Company's obligations under each scheme at the balance sheet date less the fair values of respective plan assets, together with adjustment for unrecognised actuarial gains or losses.

Contribution to pension fund is made by both, the Company based on actuarial recommendation, and by employees at 2% and 3% of the basic monthly salary in case of management and non-management staff respectively.

Latest actuarial valuations of the schemes were carried out as at March 31, 2012 using the projected unit credit method. The present values of the obligations are determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligations.

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

### Defined contribution plan

The Company also operates an approved contributory provident fund for all its permanent employees to which equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic salary.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 2.13 Compensated absences

The Company accounts for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

## 2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

## 2.15 Borrowings and their costs

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

## 2.16 Warranty obligations

The Company recognises the estimated liability, on an accrual basis, to repair or replace products under warranty at the balance sheet date, and recognises the estimated product warranty costs in the profit and loss account when the sale is recognised.

## 2.17 Financial instruments

Financial instruments include loans and advances, deposits, trade and other debts, cash and bank balances, borrowings, trade and other payables and accrued mark-up. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

## 2.18 Trade and other payables

Trade and other payables are initially measured at cost which is the fair value of the consideration to be paid for goods and services, whether or not billed to the Company.

## 2.19 Revenue recognition

- The Company recognises sales upon delivery of goods to customers and in the case of exports when the goods are shipped.
- Commission on handling Complete Built Up (CBU) vehicles and spare parts is recognised on accrual basis.
- Return on bank deposits and short term investments is recognised on accrual basis.

## 2.20 Research and development cost

Research and development cost except to the extent that an intangible asset is recognised, is charged in the year in which it is incurred. Development costs previously charged to income are not recognised as an asset in the subsequent period.



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 2.21 Foreign currency translation

Foreign currency transactions are recorded in Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

## 2.22 Dividend distribution

Dividend distribution to shareholders is recognised as liability in the financial statements in the period in which the dividend is approved.

## 2.23 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matters involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements are as follows:

### (a) Provision for doubtful debts, other receivables and stocks

The Company has used judgements, based on the history of the transactions, for making provisions for doubtful debts and other receivables, whereas provision for stocks is based on the current market conditions. Management believes that changes in outcome of estimates will not have material effect on the financial statements.

### (b) Staff retirement benefits

The Company has post retirement benefit obligations, which are determined through actuarial valuations as carried out by independent actuary using various assumptions as disclosed in note 20.8 of these financial statements.

### (c) Deferred tax asset

Deferred tax asset for carry forward losses at the balance sheet date has been accounted for based on the projected financial statements of the Company. However on a prudent basis deferred tax asset relating to turnover tax as mentioned in note 30.1 has not been accounted for as the turnover tax can be carried forward upto five years only.

There have been no critical judgements made by the Company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

	Note	2012	2011
		Rupees '000	
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	3.1	1,755,202	1,692,262
Capital work-in-progress	3.4	24,255	95,993
		<u>1,779,457</u>	<u>1,788,255</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 3.1 Operating assets

	Leasehold Land (Revalued - note 3.2)	Buildings on leasehold land (Revalued - note 3.2)	Plant and machinery	Furniture and fittings	Vehicles	Electrical Installations	Office and other equipments	Total
Rupees '000								
<b>Year ended</b>								
<b>March 31, 2012</b>								
Opening net book value	890,500	478,441	216,441	4,757	78,135	7,069	16,919	1,692,262
Additions	-	108,016	28,949	81	29,327	11,824	9,870	188,067
Disposals - at NBV	-	(4,244)	(401)	-	(8,394)	-	* -	(13,039)
Depreciation / amortisation charge for the year	(13,536)	(19,474)	(50,302)	(936)	(14,548)	(4,474)	(8,818)	(112,088)
Closing net book value	<u>876,964</u>	<u>562,739</u>	<u>194,687</u>	<u>3,902</u>	<u>84,520</u>	<u>14,419</u>	<u>17,971</u>	<u>1,755,202</u>
<b>At March 31, 2012</b>								
Cost or revaluation	890,500	582,154	546,921	12,735	150,934	77,310	97,116	2,357,670
Accumulated depreciation / amortisation	(13,536)	(19,415)	(352,234)	(8,833)	(66,414)	(62,891)	(79,145)	(602,468)
Net book value	<u>876,964</u>	<u>562,739</u>	<u>194,687</u>	<u>3,902</u>	<u>84,520</u>	<u>14,419</u>	<u>17,971</u>	<u>1,755,202</u>
<b>Year ended</b>								
<b>March 31, 2011</b>								
Opening net book value	237,063	295,027	247,690	5,170	77,567	11,070	19,814	893,401
Revaluation	657,911	197,939	-	-	-	-	-	855,850
Additions	-	2,416	16,009	532	51,062	1,494	6,119	77,632
Disposals - at NBV	-	(7,577)	(25)	(27)	(30,765)	(28)	(11)	(38,433)
Depreciation / amortisation charge for the year	(4,474)	(9,364)	(47,233)	(918)	(19,729)	(5,467)	(9,003)	(96,188)
Closing net book value	<u>890,500</u>	<u>478,441</u>	<u>216,441</u>	<u>4,757</u>	<u>78,135</u>	<u>7,069</u>	<u>16,919</u>	<u>1,692,262</u>
<b>At March 31, 2011</b>								
Cost or revaluation	890,500	478,441	521,703	12,654	140,537	65,486	99,858	2,209,179
Accumulated depreciation / amortisation	-	-	(305,262)	(7,897)	(62,402)	(58,417)	(82,939)	(516,917)
Net book value	<u>890,500</u>	<u>478,441</u>	<u>216,441</u>	<u>4,757</u>	<u>78,135</u>	<u>7,069</u>	<u>16,919</u>	<u>1,692,262</u>

\* Assets disposed off having nil net book value

**3.2** The Company's land measuring 10.61 and 6 acres located at Plot Nos. D-2 and D-136, S.I.T.E, Karachi respectively and buildings thereon were revalued resulting in surplus of Rs. 855.85 million. The revaluation was carried out by an independent valuer - M/s Iqbal A. Nanjee & Co. (Pvt) Limited on March 31, 2011 on the basis of present market values for similar sized plots in the near vicinity for land and replacement values of similar type of buildings based on present cost of construction.

Had there been no revaluation, the net book values of land and buildings on leasehold land as at March 31, 2012 would have been Rs. 228.11 million (2011: Rs. 232.59 million) and Rs. 376.44 million (2011: Rs. 280.50 million) respectively.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 3.3 Details of operating assets sold

The details of operating assets sold, having net book value in excess of Rs. 50,000 each are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Rupees '000						
Motor Vehicle	1,414	301	1,113	1,171	Company Policy	Mr. Fareedullah Khan - Ex Executive
"	1,319	921	398	731	"	Mr. Fasihul Karim
"	827	139	688	711	"	- Ex Non Executive Director
"	893	450	443	676	"	Mr. Arif Murtaza - Ex Employee
"	969	800	169	546	"	Mr. Muhammad Ahmed
"	620	511	109	335	"	- Ex Employee
"	620	518	102	335	"	Mr. Fahim Aijaz Sabzwari - Executive
"	620	510	110	334	"	Mr. Rizwan A. Soomro - Employee
"	879	691	188	288	"	Mr. Jamal Qamar - Employee
"	469	392	77	184	"	Mr. Khanzada Sahban A. Khan
"	434	362	72	140	"	- Employee
"	91	5	86	92	"	Mr. Zafar Iqbal - Executive
"	882	20	862	786	"	Mr. Samad Siraj - Executive
"	682	46	636	682	Insurance Claim	Mr. Shaikh Abdul Qadir - Executive
"	90	6	84	93	"	Mr. Atif Musheer - Ex Employee
"	90	6	84	92	"	EFU General Insurance Limited
"	90	12	78	92	"	Central Division Karachi
"	90	6	84	91	"	"
"	90	8	82	89	"	"
"	85	19	66	75	"	"
"	83	22	61	73	"	"
"	70	14	56	66	"	"
"	66	5	61	65	"	"
"	65	6	59	65	"	"
"	66	6	60	65	"	"
"	66	6	60	65	"	"
"	63	9	54	60	"	"
"	63	9	54	59	"	"
"	63	12	51	58	"	"
"	1,626	218	1,408	1,823	Quotation	TCS Logistics (Pvt) Ltd. 101-104, Civil Aciation Club Road Near Hajj Terminal, Karachi
"	367	299	68	331	Auction	Mr. Banaras Khan KESC – 2412, Gulshan Gazi Saeedabad , Baldia Town, Block-A, Karachi
"	80	21	59	64	"	Mr. Iqbal Bizenjo House#338, Near Mohd. Village Old Golimar, Mangopir Road, Karachi
"	63	12	51	52	"	Mr. Muhammad Adil – E-6, Hasan Center Block-16, Gulshan-e-Iqbal, Karachi
Plant and Machinery	255	183	72	61	"	Mr. Ajmal Khan – H-No. 920, Adamji Colony Landhi, Malir, Karachi
"	164	98	66	57	"	Mr. Naeem H-No. B-393, Ashraf Nagar, Chandni Chowk, Nazimabad, Karachi
"	213	144	69	23	"	Mr. Abdul Qadir, Noor Apartment, Flat:11, Gulam Hassan Qasim Road, Garden, Karachi



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

- 3.4** This includes costs incurred in respect of plant and machinery for assembly facility at Assembly Operations Plant amounting to Rs. 21.61 million (2011: Rs. 8.33 million). Prior year balance includes Rs. 73.88 million in respect of expansion project of Body Operations Plant capitalised during the current year.

	2012	2011
	Rupees '000	
<b>4. INTANGIBLE ASSETS - Computer Softwares</b>		
<b>Opening balance</b>		
Cost	20,942	18,814
Accumulated amortisation	(18,904)	(16,126)
Net book value	<u>2,038</u>	<u>2,688</u>
<b>Year ended March 31, 2012</b>		
Opening net book value	2,038	2,688
Additions	188	2,128
Amortisation	(1,137)	(2,778)
Closing net book value	<u>1,089</u>	<u>2,038</u>
<b>Closing balance</b>		
Cost	21,130	20,942
Accumulated amortisation	(20,041)	(18,904)
Net book value	<u>1,089</u>	<u>2,038</u>
<b>5. LONG-TERM INVESTMENTS</b>		
<b>Available for sale</b>		
Arabian Sea Country Club Limited - note 5.1	5,000	5,000
Provision for impairment	(2,705)	(5,000)
	<u>2,295</u>	<u>-</u>
Automotive Testing & Training Centre (Private) Limited - note 5.2	500	500
Provision for impairment	(404)	(500)
	<u>96</u>	<u>-</u>
	<u>2,391</u>	<u>-</u>
<b>5.1</b> This represents cost of 500,000 (2011: 500,000) fully paid-up unquoted ordinary shares of Rs. 10 each. Company holds 6.45% of the shares of the investee Company. The fair value of the investment is indeterminable.		
<b>5.2</b> This represents cost of 50,000 (2011: 50,000) fully paid-up unquoted ordinary shares of Rs. 10 each. Company holds 2.77% of the shares of the investee Company. The fair value of these shares is indeterminable.		
<b>5.3</b> The provision for impairment reversed during the year is based on the break-up value computed through latest audited financial statements of investee companies.		

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>6. LONG-TERM LOANS AND ADVANCES – considered good</b>		
Loans and advances to:		
- executives	8,654	3,675
- other employees	6,764	4,818
	<u>15,418</u>	<u>8,493</u>
Less: Recoverable within one year - note 10	(5,018)	(4,585)
	<u>10,400</u>	<u>3,908</u>

**6.1** The loans and advances are provided to employees under their terms of employment on interest free basis.

Loans under the schemes have been provided to facilitate purchase of motor vehicles and purchase / construction of house and are repayable over a period of five to twelve years. The motor vehicle loans are secured by joint registration of the vehicle in the name of the Company and employee. The loan for purchase / construction of house is secured against employees' retirement fund balances.

Advances to employees are in respect of house rent assistance and these are repayable upto a period of five years. These are secured against employees' retirement fund balances.

	2012	2011
	Rupees '000	
<b>6.2 Reconciliation of carrying amount of loans and advances to executives:</b>		
Opening balances	3,675	8,182
Add: Disbursements	8,699	4,833
	<u>12,374</u>	<u>13,015</u>
Less: Repayments	(3,720)	(9,340)
Closing balances	<u>8,654</u>	<u>3,675</u>

## **7. STORES, SPARES AND LOOSE TOOLS**

Stores	6,953	6,237
Spares	9,825	11,001
Loose tools	8,531	8,176
	<u>25,309</u>	<u>25,414</u>
Less: Provision for obsolescence	(6,115)	(5,620)
	<u>19,194</u>	<u>19,794</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>8. STOCK-IN-TRADE</b>		
Raw Materials and components - note 8.1 [including in transit Rs. 407 million (2011: Rs. 273 million)]	<b>1,409,434</b> <b>(43,945)</b> <b>1,365,489</b>	859,066 (54,280) 804,786
Less: Provision for obsolescence		
Work-in-process	<b>164,669</b>	280,809
Finished goods - note 8.1 [including in transit Rs. 9 million (2011: Nil)]	<b>776,852</b> <b>(21,930)</b> <b>754,922</b>	436,537 (15,067) 421,470
Less: Provision for obsolescence		
Trading stock - Spare parts [including in transit Rs. 3 million (2011: Rs. 15 million)]	<b>166,608</b> <b>(41,006)</b> <b>125,602</b>	223,106 (52,646) 170,460
Less: Provision for obsolescence	<b>2,410,682</b>	<u>1,677,525</u>

**8.1** Raw materials and finished goods include stocks held with suppliers and Company's authorised dealers amounting to Rs. 22.61 million (2011: Rs. 15.20 million) and Rs. 27.22 million (2011: Rs. 26.58 million) respectively.

**8.2** The above balances include items costing Rs. 436.97 million (2011: Rs. 387.04 million) valued at net realisable value of Rs. 336.82 million (2011: Rs. 300.65 million).

	2012	2011
	Rupees '000	
<b>9. TRADE DEBTS</b>		
<b>Considered good - unsecured</b>		
Related parties:		
Indus Motor Company Limited	<b>12,665</b>	36,134
Orix Leasing Pakistan Limited	<b>7,700</b>	15,150
Others - note 9.1	<b>1,802,727</b> <b>1,823,092</b>	431,286 482,570
<b>Considered doubtful</b>		
Others	<b>58,977</b> <b>1,882,069</b> <b>(58,977)</b> <b>1,823,092</b>	62,108 544,678 (62,108) 482,570
Less: Provision for doubtful debts - note 9.2		

As of March 31, 2012, trade debts of Rs. 772 million (2011: Rs. 140 million) were past due and the age analysis of these trade debts is as follows:



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
Up to 3 months	615,036	25,729
3 to 6 months	67,720	9,508
6 to 12 months	46,339	9,910
More than one year	42,940	95,078
	<u>772,035</u>	<u>140,225</u>

9.1 This includes amount receivable from government institutions amounting to Rs. 1.71 billion (2011: Rs. 0.27 billion).

	2012	2011
	Rupees '000	
9.2 Balance at the beginning of the year	(62,108)	(73,672)
(Charge) / Reversal during the year - note 26	(15,242)	6,697
Write offs against provision	18,373	4,867
Balance at the end of the year	<u>(58,977)</u>	<u>(62,108)</u>

## 10. LOANS AND ADVANCES

### Considered good

Current maturity of long term loans and advances to:

- executives	3,156	2,423
- other employees	1,862	2,162
	<u>5,018</u>	<u>4,585</u>

Advances to:

- other employees	863	9,533
- suppliers	31,858	69,264
	<u>32,721</u>	<u>78,797</u>
	<u>37,739</u>	<u>83,382</u>

## 11. TRADE DEPOSITS AND PREPAYMENTS

Trade deposits	39,314	38,624
Provision for doubtful deposits - note 11.1	(10,605)	(14,496)
	<u>28,709</u>	<u>24,128</u>
Prepayments	5,971	3,125
	<u>34,680</u>	<u>27,253</u>

11.1 Balance at the beginning of the year	(14,496)	(15,239)
Reversed during the year - note 26	3,058	743
Write offs against provision	833	-
Balance at the end of the year	<u>(10,605)</u>	<u>(14,496)</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>12. REFUNDS DUE FROM THE GOVERNMENT</b>		
Sales tax refundable - net of recoveries under bank guarantees - note 12.1, 12.2 & 24.1	<b>189,676</b>	227,911
Custom duty and excise duty refundable	<b>7,962</b>	2,807
	<b>197,638</b>	230,718
Less: Provision for doubtful refundables - note 12.3	<b>(25,239)</b>	(5,239)
	<b>172,399</b>	225,479
Sales tax payable	<b>(84,506)</b>	-
	<b>87,893</b>	225,479

**12.1** This includes sales tax refundable of Rs. 31.10 million and Rs. 116.42 million outstanding for two to three years and more than three years respectively.

**12.2** This includes sales tax refundable of Rs. 187.15 million net of by provisional refunds of Rs. 519.05 million received against bank guarantees and undertakings the recovery of which is dependent upon the fulfilment of the requirements of standing order no. 1 of 2010 issued by the Federal Board of Revenue and verification of related sales tax records. The Company is in the process of complying with the regulatory requirements.

	2012	2011
	Rupees '000	
<b>12.3</b> Balance at the beginning of the year	<b>(5,239)</b>	(5,239)
Charge during the year	<b>(20,000)</b>	-
Balance at the end of the year	<b>(25,239)</b>	(5,239)

## 13. OTHER RECEIVABLES

Receivable from related parties - considered good  
 Toyota Tsusho Corporation, Japan  
 Hino Motors Limited, Japan  
 Employees' Provident Fund  
 Gratuity Fund - Permanent Staff - note 20.1

<b>28,183</b>	-
<b>2,633</b>	-
<b>187</b>	10,973
<b>-</b>	25

Others - considered good  
 Insurance claim receivable  
 Others

<b>156</b>	17,536
<b>680</b>	342
<b>31,839</b>	28,876

## 14. TAXATION - PAYMENTS LESS PROVISION

During the year, Additional Commissioner Inland Revenue [ACIR] amended the assessment orders for tax years 2008, 2009 and 2010 and disallowed certain expenses claimed by the Company in the income tax returns raising tax demands of Rs 173.37 million. These tax demands were subsequently amended and rectified to Rs. 73.85 million by the department through rectification orders for respective years on account of tax credits for taxes already paid by the Company. Decision against appeal filed by the Company with the Commissioner Inland Revenue (Appeals) against the tax orders was either given in favour of the Company or set aside. However, Appellant Commissioner has filed appeal against the decision of the Commissioner Inland Revenue (Appeals) before the Appellate Tribunal Inland Revenue (ATIR) and the outcome is pending. The management is confident that the ultimate decision of ATIR will be in favour of the Company.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>15. CASH AND BANK BALANCES</b>		
Balances with banks:		
- on current accounts	28,013	2,445
- on savings accounts	24,738	60,771
Cheques in hand	71,641	-
Cash in hand	134	200
	<u>124,526</u>	<u>63,416</u>

**15.1** At March 31, 2012, the rates of mark-up on savings accounts range from 5% to 6% per annum (2011: 5% to 9.5% per annum).

	2012	2011
	Rupees '000	
<b>16. SHARE CAPITAL</b>		
<b>16.1 Authorised share capital</b>		
20,000,000 ordinary shares of Rs. 10 each	<u>200,000</u>	<u>200,000</u>
<b>16.2 Issued, subscribed and paid-up capital</b>		
Ordinary shares of Rs. 10 each		
6,200,280 shares issued for consideration paid in cash	62,003	62,003
4,133,520 shares issued for consideration other than cash - fixed assets	41,335	41,335
2,066,760 shares issued as bonus shares	20,668	20,668
<u>12,400,560</u>	<u>124,006</u>	<u>124,006</u>

**16.3** At March 31, 2012 and March 31, 2011 Hino Motors Ltd, Japan - holding company and Toyota Tsusho Corporation, Japan - associated company respectively held 7,357,665 and 3,678,833 ordinary shares of Rs. 10 each.

	2012	2011
	Rupees '000	
<b>17. RESERVES</b>		
Revenue		
- General reserves	291,000	291,000
- Unappropriated profit	1,112,954	1,064,480
- Fair value reserve - note 17.1	1,554	-
	<u>1,405,508</u>	<u>1,355,480</u>
<b>17.1</b> This represents gain on available for sale investments as follows:		
Gain on available for sale investments	2,391	-
Deferred tax thereon	(837)	-
	<u>1,554</u>	<u>-</u>



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>18. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Opening balance	1,049,014	271,796
Realisation on disposal of fixed asset during the year - net of deferred tax	(2,255)	(3,707)
Transferred to unappropriated profit on account of incremental depreciation for the year - net of deferred tax	(20,509)	(5,647)
Surplus arising on revaluation during the year - net of deferred tax	-	786,572
Closing balance	<u>1,026,250</u>	<u>1,049,014</u>
<b>19. DEFERRED TAXATION</b>		
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	90,946	76,417
- surplus arising on revaluation of fixed assets	86,150	91,239
- gain on revaluation of available for sale investments	837	-
- unrealised exchange gain	13,165	1,829
	<u>191,098</u>	<u>169,485</u>
Debit balances arising in respect of:		
- provision for stores and stocks obsolescence	(38,253)	(43,340)
- provision for doubtful trade debts, deposits and other receivables	(32,133)	(27,828)
- provision for warranty	(43,081)	(29,054)
- recoupable carried forward tax losses - note 2.23 (c)	(8,241)	(21,891)
	<u>(121,708)</u>	<u>(122,113)</u>
	<u>69,390</u>	<u>47,372</u>
<b>20. STAFF RETIREMENT BENEFITS</b>		
Gratuity Fund - Permanent Staff	1,545	-
Pension Fund - Permanent Staff	299	16,200
Unfunded Gratuity - Contractual Staff	65,391	56,905
	<u>67,235</u>	<u>73,105</u>

2012			2011	
Funded		Unfunded	Funded	
Gratuity Fund	Pension Fund	Gratuity (Note 20.12)	Gratuity Fund	Pension Fund
Rupees '000				

## 20.1 Movement in asset / (liability)

Opening balance	25	(16,200)	(56,905)	(3,655)	(6,860)
Charge for the year	(7,993)	(10,508)	(14,206)	(21,396)	(30,765)
Payments during the year	6,423	26,409	5,720	25,076	21,425
Closing balance	<u>(1,545)</u>	<u>(299)</u>	<u>(65,391)</u>	<u>25</u>	<u>(16,200)</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012		2011	
	Funded	Unfunded	Funded	
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund
	Rupees '000			
<b>20.2 Balance sheet reconciliation as at March 31, 2012</b>				
Fair value of plan assets	63,026	86,222	-	51,185
Present value of obligations	(75,555)	(118,976)	(64,673)	(87,633)
Deficit	(12,529)	(32,754)	(64,673)	(11,165)
Unrecognised actuarial loss / (gain)	10,984	30,823	(1,175)	11,190
Transitional liability not yet recognised	-	-	457	-
Past service cost - non vested	-	1,632	-	-
	(1,545)	(299)	(65,391)	25
				(16,200)
<b>20.3 Charge for the year</b>				
Current service cost	6,260	5,993	6,055	5,562
Interest cost	8,542	12,269	7,694	11,696
Expected return on plan assets	(7,429)	(8,278)	-	(9,567)
Actuarial loss recognised during the year	620	198	-	903
Curtailement gain	-	-	-	(47,892)
Settlement loss	-	-	-	52,099
Recognised transitional liability	-	-	457	-
Actuarial loss recognised	-	-	-	8,595
Past service cost - vested	-	326	-	-
	7,993	10,508	14,206	21,396
				30,765
<b>20.4 Movement in the present value of obligation</b>				
Opening balance	62,350	87,633	57,819	98,321
Current service cost	6,260	5,993	6,055	5,562
Interest cost	8,542	12,269	7,694	11,696
Curtailement gain	-	-	-	(47,892)
Settlement loss	-	-	-	52,099
Actuarial loss / (gain)	1,069	18,765	(1,175)	1,226
Benefits paid	(2,666)	(5,684)	(5,720)	(58,662)
Closing balance	75,555	118,976	64,673	62,350
				87,633
<b>20.5 Movement in fair value of plan assets</b>				
Opening balance	51,185	59,132	-	76,711
Expected return on plan assets	7,429	8,278	-	9,567
Actuarial (loss) / gain	655	(1,913)	-	(1,507)
Employer contributions	6,423	26,409	-	25,076
Benefits paid	(2,666)	(5,684)	-	(58,662)
Closing balance	63,026	86,222	-	51,185
				59,132
<b>20.6 Actual return on plan assets</b>	<b>8,084</b>	<b>6,365</b>	<b>-</b>	<b>8,060</b>
				<b>14,211</b>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012			2011	
	Funded		Unfunded	Funded	
	Gratuity Fund	Pension Fund	Gratuity (Note 20.12)	Gratuity Fund	Pension Fund
<b>20.7 Plan assets comprise of:</b>					
Equity (%)	5	2	-	8	4
Debt (%)	75	56	-	80	83
Others (%)	20	42	-	12	13
	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>	<u>100</u>
<b>20.8 Key actuarial assumptions used:</b>					
Expected rate of return on investments (%)	12.0	12.0	-	14.0	14.0
Expected rate of increase in salaries (%)	11.5	11.5	12.5	13.0	13.0
Discount factor used (%)	12.5	12.5	12.5	14.0	14.0
Retirement age (years)	60	60	60	60	60
<b>20.9 Comparison for five years:</b>					
	<b>March 31, 2012</b>	March 31, 2011	March 31, 2010	March 31, 2009	December 31, 2007
	<b>Rupees '000</b>				
<b>Gratuity fund</b>					
Fair value of plan assets	63,026	51,185	76,711	73,784	69,337
Present value of defined benefit obligation (Deficit) / surplus	<u>(75,555)</u>	<u>(62,350)</u>	<u>(98,321)</u>	<u>(83,592)</u>	<u>(68,920)</u>
	<u>(12,529)</u>	<u>(11,165)</u>	<u>(21,610)</u>	<u>(9,808)</u>	<u>417</u>
Experience adjustment					
Actuarial loss on obligation	1,069	1,226	1,227	9,350	4,476
Actuarial (gain) / loss on plan assets	(655)	1,507	2,542	5,828	(261)
<b>Pension fund</b>					
Fair value of plan assets	86,222	59,132	82,761	65,290	70,040
Present value of defined benefit obligation (Deficit) / surplus	<u>(118,976)</u>	<u>(87,633)</u>	<u>(105,088)</u>	<u>(94,797)</u>	<u>(78,546)</u>
	<u>(32,754)</u>	<u>(28,501)</u>	<u>(22,327)</u>	<u>(29,507)</u>	<u>(8,506)</u>
Experience adjustment					
Actuarial loss / (gain) on obligation	18,765	7,377	(7,752)	2,216	3,810
Actuarial loss / (gain) on plan assets	1,913	(3,213)	(3,370)	(18,911)	(319)
<b>20.10</b>	The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of the related obligation.				
<b>20.11</b>	Based on actuary's advice, the amount of expected contribution to gratuity and pension funds in 2012-13 will be Rs. 7.57 million and Rs. 13.16 million respectively.				
<b>20.12</b>	The balance represents gratuity payable to contractual staff for which year ended March 31, 2012 is the first year for actuarial valuation.				

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>21. TRADE AND OTHER PAYABLES</b>		
Creditors	<b>134,597</b>	58,194
Bills payable to		
- Toyota Tsusho Corporation, Japan		
- associated company	<b>1,405,931</b>	532,275
- Hino Motors Limited, Japan	<b>5,778</b>	-
Accrued liabilities	<b>245,886</b>	265,501
Provision for warranty services - note 21.1	<b>127,258</b>	85,579
Advances from customers	<b>448,563</b>	357,382
Provision for compensated absences - note 21.2	<b>37,013</b>	24,977
Custom duties payable - note 21.3	<b>157,969</b>	157,969
Payable to Hino Motors, Ltd. Japan - holding company		
- royalty	<b>44,721</b>	12,558
- other	<b>9,592</b>	-
Security deposits from dealers	<b>32,000</b>	32,000
Provision for infrastructure cess	<b>23,249</b>	23,249
Employees related obligation - note 21.4	<b>22,357</b>	19,895
Tax deducted at source and payable to statutory authorities	<b>6,860</b>	12,736
Payable under Voluntary Severance Scheme - note 26.2	<b>-</b>	3,722
Workers' profits participation fund - note 21.5	<b>8,835</b>	2,173
Workers' welfare fund	<b>-</b>	810
Excise duty payable	<b>4,472</b>	1,272
Unclaimed dividend	<b>1,965</b>	1,971
Contractors retention money	<b>1,257</b>	1,261
Others	<b>3,586</b>	4,370
	<b><u>2,721,889</u></b>	<b><u>1,597,894</u></b>
<b>21.1 Provision for warranty services</b>		
Balance at the beginning of the year	<b>85,579</b>	99,714
Recognised during the year - note 26	<b>100,907</b>	55,808
Expenses against provision	<b>(59,228)</b>	(69,943)
Balance at the end of the year	<b><u>127,258</u></b>	<b><u>85,579</u></b>
<b>21.2 Provision for compensated absences</b>		
Balance at the beginning of the year	<b>24,977</b>	29,550
Recognised during the year	<b>21,994</b>	5,818
Reversals / payments made	<b>(9,958)</b>	(10,391)
Balance at the end of the year	<b><u>37,013</u></b>	<b><u>24,977</u></b>



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

- 21.3** These represent demands raised by Collector of customs in respect of custom duty payable on CKD kits imported in 1993 and between 1998 to 2006. The same have been appealed against at appropriate levels and reply from authorities is awaited.
- 21.4** These include contributions made by employees towards the sale price of vehicles provided to them by the Company in accordance with the Company's vehicle policy.

	2012	2011
	Rupees '000	
<b>21.5 Workers' Profits Participation Fund</b>		
Opening liability	2,173	-
Allocation for the year	<u>8,835</u>	<u>2,173</u>
	11,008	2,173
Interest on funds utilised in the Company's business	<u>60</u>	-
	11,068	2,173
Amount paid to the Fund	<u>(2,233)</u>	-
Closing liability	<u><u>8,835</u></u>	<u><u>2,173</u></u>
<b>22. SHORT-TERM BORROWINGS</b>		
Short-term loans - note 22.1	950,000	100,000
Running finance - note 22.2	<u>288,331</u>	<u>196,310</u>
	<u><u>1,238,331</u></u>	<u><u>296,310</u></u>

The facilities for short term borrowings under mark-up arrangements with various banks amounted to Rs. 3.73 billion (2011: Rs. 2.55 billion) of which the amount remaining unutilised at the year end was Rs. 2.49 billion (2011: Rs. 2.26 billion).

The facilities for opening the letters of credit and guarantees as at March 31, 2012 amounted to Rs. 6.77 billion (2011: Rs. 7.55 billion) of which the amount remaining unutilised at the year end was Rs. 4.07 billion (2011: Rs. 5.40 billion).

The above facilities are secured by way of hypothecation charge on stock-in-trade.

- 22.1** The short term loans have been obtained from various banks and carry mark-up at rates ranging from 12.33% per annum to 12.46% per annum (2011: 13.50% per annum). The loans are repayable by April 25, 2012.
- 22.2** The rates of mark-up applicable on running finance are based on KIBOR and range from 12.67% per annum to 15.53% per annum (2011: 13.28% per annum to 15.46% per annum).

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>23. ACCRUED MARK-UP</b>		
Short-term loans	25,641	370
Running finance	15,648	9,393
	<u>41,289</u>	<u>9,763</u>
<b>24. CONTINGENCY AND COMMITMENTS</b>		
<b>24.1</b>	As at March 31, 2012 the Company has received provisional refunds of Rs. 519.05 million (2011: Rs. 519.05 million) from the sales tax authorities against bank guarantees.	
<b>24.2</b>	Commitments for capital expenditures as at March 31, 2012 amounted to Rs. 2.07 million (2011: Rs. 71.50 million).	
	2012	2011
	Rupees '000	
<b>25. SALES</b>		
<b>Manufactured goods</b>		
Gross sales - note 25.1		
Local	9,943,144	9,047,015
Export	131,930	219,995
	<u>10,075,074</u>	<u>9,267,010</u>
Less: Commission	77,912	108,338
Sales tax and excise duty	1,349,088	80,434
Sale returns	56,035	7,692
	<u>8,592,039</u>	<u>9,070,546</u>
<b>Trading goods</b>		
Gross sales	235,724	287,311
Less: Discounts	31,425	39,049
Sales tax	28,352	35,374
Sale returns	989	1,612
	<u>174,958</u>	<u>211,276</u>
	<u>8,766,997</u>	<u>9,281,822</u>
<b>25.1</b>	Sales of chassis and bodies amounted to Rs. 7.51 billion and Rs. 0.87 billion (2011: Rs. 8.31 billion and Rs. 0.59 billion) respectively.	
<b>25.2</b>	Sales to Government institutions of Rs. 3.23 billion (2011: Rs. 1.60 billion) account for over 36 percent (2011: 17 percent) of the net sales.	

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 26. OPERATING COST

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees '000							
Raw materials consumed	7,230,150	7,693,606	-	-	-	-	7,230,150	7,693,606
Stores and spares consumed	1,258	8,165	-	-	400	255	1,658	8,420
Staff costs - note 26.1 & 26.2	398,003	463,044	104,820	125,352	79,042	77,130	581,865	665,526
Staff training	3,719	2,363	515	551	809	404	5,043	3,318
Depreciation and amortisation	93,107	77,522	8,573	10,607	11,545	10,837	113,225	98,966
Fixed assets charged off	3,569	1,165	488	356	285	814	4,342	2,335
Rent, rates and taxes	10,033	5,251	2,710	1,263	2,396	-	15,139	6,514
Insurance	4,436	793	722	361	4,010	3,339	9,168	4,493
Vehicle running and maintenance expenses	12,682	12,189	13,660	13,051	10,722	6,915	37,064	32,155
Fuel and power	43,935	35,682	2,018	1,942	9,170	7,235	55,123	44,859
Travelling and entertainment	8,172	4,917	7,411	12,183	5,596	5,049	21,179	22,149
Repairs and maintenance	19,752	13,951	1,418	1,572	9,099	6,576	30,269	22,099
Printing, stationery and office supplies	2,359	2,293	2,885	3,465	2,176	2,041	7,420	7,799
Communication	1,276	1,282	2,982	2,903	3,567	1,571	7,825	5,756
Technical assistance	10,760	-	-	-	-	-	10,760	-
Royalty	78,085	56,814	-	-	-	-	78,085	56,814
Research and development	84	912	-	-	-	-	84	912
Legal and professional charges	-	-	-	-	11,733	8,668	11,733	8,668
Auditors' remuneration - note 26.3	-	-	-	-	2,498	2,236	2,498	2,236
Security and maintenance	-	-	-	-	35,312	33,169	35,312	33,169
Outward freight and handling	-	-	6,927	2,334	-	-	6,927	2,334
Advertising and sales promotion	-	-	16,523	26,428	-	-	16,523	26,428
Product maintenance charges	-	-	20,948	25,100	-	-	20,948	25,100
Warranty services - note 21.1	-	-	100,907	55,808	-	-	100,907	55,808
Provision / (Reversal) for doubtful trade debts - note 9.2	-	-	15,242	(6,697)	-	-	15,242	(6,697)
Other receivable written off	-	-	-	-	997	-	997	-
Reversal of provision for doubtful deposits - note 11.1	-	-	(3,058)	(743)	-	-	(3,058)	(743)
Provision for doubtful sales tax refundable - note 12.3	-	-	20,000	-	-	-	20,000	-
Other expenses	3,854	3,499	2,521	3,483	2,656	2,064	9,031	9,046
	<b>7,925,234</b>	<b>8,383,448</b>	<b>328,212</b>	<b>279,319</b>	<b>192,013</b>	<b>168,303</b>	<b>8,445,459</b>	<b>8,831,070</b>
Opening stock of work in process	280,809	19,992						
	<b>8,206,043</b>	<b>8,403,440</b>						
Closing stock of work in process	(164,669)	(280,809)						
Cost of goods manufactured	8,041,374	8,122,631						
Opening stock of finished goods	421,470	649,735						
Closing stock of finished goods	(754,922)	(421,470)						
	<b>7,707,922</b>	<b>8,350,896</b>						
Trading goods								
Opening stock	170,460	135,466						
Purchases	106,139	228,628						
	<b>276,599</b>	<b>364,094</b>						
Closing stock	(125,602)	(170,460)						
	<b>150,997</b>	<b>193,634</b>						
	<b>7,858,919</b>	<b>8,544,530</b>						

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

## 26.1 Staff costs

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees '000							
Salaries, wages, allowances and staff welfare	371,224	392,759	97,129	113,772	73,201	69,076	541,554	575,607
Charge for defined benefit plans	22,257	64,949	5,858	9,599	4,592	6,875	32,707	81,423
Charge for defined contribution plan	4,522	5,336	1,833	1,981	1,249	1,179	7,604	8,496
	<u>398,003</u>	<u>463,044</u>	<u>104,820</u>	<u>125,352</u>	<u>79,042</u>	<u>77,130</u>	<u>581,865</u>	<u>665,526</u>

## 26.2 Voluntary severance scheme

Last year certain employees of the Company have availed the Company's Voluntary Severance Scheme (VSS). VSS was a programme initiated by the Company to achieve rationalisation and corporate restructuring. The cost incurred amounted to Rs. 63.63 million, 21.64 million and Rs. 4.30 million allocated to cost of sales, distribution expenses and administration expenses respectively.

## 26.3 Auditors' Remuneration

	2012	2011
	Rupees '000	
Audit fee	1,250	1,100
Fee for limited review of half yearly financial statements and other certifications	925	830
Out of pocket expenses	323	306
	<u>2,498</u>	<u>2,236</u>

## 27. OTHER OPERATING INCOME

### Income from financial assets

Return on savings accounts	1,211	2,055
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### Income from non-financial assets

Gain on disposal of operating fixed assets	1,140	3,148
Realisation of surplus on disposal of fixed assets	-	3,707

### Others

Scrap sales - stores, spares and loose tools	31,839	27,188
Commission from an associated company	71,714	13,918
Discounting of assets / liabilities to amortised cost - net	2,852	4,548
Liabilities no longer required written back	766	448
Others	4,460	1,498
	<u>113,982</u>	<u>56,510</u>



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>28. OTHER OPERATING EXPENSES</b>		
Donations and charities - note 28.1	1,023	838
Workers' Profits Participation Fund - note 21.5	8,835	2,173
Workers' Welfare Fund	-	810
	<u>9,858</u>	<u>3,821</u>
<b>28.1</b> None of the directors or their spouses had any interest in the donees.		
<b>29. FINANCE COST</b>		
Mark-up on short-term borrowings	171,724	116,447
Exchange loss - net	133,774	177,845
Bank charges	12,983	7,582
Interest on Workers' Profits Participation Fund	60	-
	<u>318,541</u>	<u>301,874</u>
<b>30. TAXATION</b>		
Current - for the year - note 30.1	99,314	98,050
- for prior years	27,231	(18,257)
Deferred	21,181	(9,168)
	<u>147,726</u>	<u>70,625</u>

**30.1** Current year charge mainly represents minimum tax at the rate of 1% (2011: 1%) of the turnover, in accordance with section 113 of the Income Tax Ordinance, 2001.

	2012	2011
	Rupees '000	
<b>30.2 Relationship between tax expense and accounting profit</b>		
Profit before taxation	173,436	40,485
Tax calculated at the rate of 35% (2011: 35%)	60,703	14,170
Effect of final tax regime	(13,337)	2,631
Tax effect of recoupable carried forward losses	-	(24,440)
Effect of applicability of minimum tax	73,129	96,521
Charge / (Reversal) of prior years' tax provision	27,231	(18,257)
Tax charge for the year	<u>147,726</u>	<u>70,625</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012	2011
	Rupees '000	
<b>31. EARNINGS / (LOSS) PER SHARE</b>		
Profit / (loss) after taxation attributable to ordinary shareholders	<u>25,710</u>	<u>(30,140)</u>
Number of ordinary shares (in '000s) issued and subscribed at the end of the year	<u>12,401</u>	<u>12,401</u>
Earnings / (loss) per share	<u>Rs. 2.07</u>	<u>Rs. (2.43)</u>

**31.1** A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at March 31, 2012 and March 31, 2011 which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

	2012	2011
	Rupees '000	
<b>32. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	173,436	40,485
<b>Add / (less): Adjustments for non cash charges and other items</b>		
Depreciation and amortisation	113,225	98,966
Gain on disposal of operating fixed assets	(1,140)	(3,148)
Retirement benefits charge	32,707	81,423
Mark-up on short-term borrowings	171,724	116,447
Return on savings accounts	(1,211)	(2,055)
Realisation of surplus on disposal of fixed assets	-	(3,707)
	<u>315,305</u>	<u>287,926</u>
Profit before working capital changes	488,741	328,411
<b>EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>		
<b>Decrease / (Increase) in current assets</b>		
Stores, spares and loose tools	600	6,546
Stock-in-trade	(733,157)	1,271,605
Trade debts	(1,340,522)	423,702
Loans and advances	45,643	(16,709)
Trade deposits and prepayments	(7,427)	9,210
Refunds due from the government	137,586	180,809
Other receivables	(2,988)	(25,637)
	<u>(1,900,265)</u>	<u>1,849,526</u>
<b>Increase / (Decrease) in current liabilities</b>		
Trade and other payables	1,124,001	(1,817,982)
	<u>(776,264)</u>	<u>31,544</u>
	<u>(287,523)</u>	<u>359,955</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

2012                      2011  
Rupees '000

## 33. CASH AND CASH EQUIVALENTS

Cash and bank balances - note 15  
Short-term borrowings - note 22

<b>124,526</b>	63,416
<b>(1,238,331)</b>	(296,310)
<b>(1,113,805)</b>	(232,894)

## 34. REMUNERATION OF MANAGING DIRECTOR / CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The amounts charged in these financial statements for remuneration of the Managing Director, Directors and Executives of the Company are as follows:

	MANAGING DIRECTOR / CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2012	2011	2012	2011	2012	2011
	Rupees '000					
Managerial remuneration and allowances	<b>5,154</b>	4,831	<b>8,781</b>	10,279	<b>61,020</b>	44,945
Bonus	<b>1,470</b>	1,711	<b>2,493</b>	3,591	<b>14,287</b>	12,351
Retirement benefits	-	-	-	9,177	<b>8,416</b>	15,353
Rent and utilities	<b>2,432</b>	2,316	<b>4,113</b>	4,909	<b>20,393</b>	15,622
Leave passage	<b>369</b>	351	<b>624</b>	740	<b>2,989</b>	2,353
Club expenses	-	-	-	20	<b>385</b>	276
Medical expenses	<b>146</b>	146	<b>291</b>	365	<b>3,215</b>	2,878
	<b>9,571</b>	9,355	<b>16,302</b>	29,081	<b>110,705</b>	93,778
Number of persons	<b>1</b>	1	<b>2</b>	3	<b>33</b>	33

**34.1** Consultancy fee of Rs. 4.58 million (2011: Rs. 3.95 million) paid to the Chairman and he is also provided with free use of Company maintained car.

**34.2** The Managing Director, Executive Directors and certain executives of the Company are provided with free use of Company maintained cars in accordance with their terms of employment.

**34.3** Executive means an employee whose annual basic salary exceeds five hundred thousand as defined in the Companies Ordinance, 1984.

2012                      2011  
units

## 35. PLANT CAPACITY AND PRODUCTION

Plant capacity (single shift without overtime)

- Chassis
- Bodies

<b>6,000</b>	6,000
<b>1,800</b>	1,800

Actual production

- Chassis
- Bodies

<b>2,222</b>	2,103
<b>1,067</b>	499

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

35.1 Low chassis and bodies production during the year was consequent to low market demand.

## 36. RELATED PARTY DISCLOSURES

Disclosure of transactions between the Company and related parties:

Relationship	Nature of transaction	2012	2011
		Rupees '000	
i. Holding company	- Purchase of goods	129,562	123,634
	- Sale of goods	46,841	197,624
	- Royalty charge	78,085	56,814
	- Technical assistance fee	10,760	-
ii. Associated companies	- Purchase of goods	5,374,813	4,512,957
	- Purchase of services	189	350
	- Sale of goods	633,451	616,729
	- Purchase of property, plant and equipment	24,941	21,090
	- Commission earned	71,714	13,918
iii. Staff retirement funds	- Payments to retirement benefit plans	37,254	76,340

36.1 Outstanding balances with related parties as at year end have been included in trade debts, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

36.2 Details of compensation to key management personnel comprising of Managing Director and Directors is disclosed in note 34 above.

## 37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial assets and liabilities

Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total
Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
Rupees '000						

### ON BALANCE SHEET FINANCIAL INSTRUMENTS

#### Financial assets

#### Available for sale

Long term investments	-	-	-	2,391	2,391	2,391
<b>Loans and receivables</b>						
Loans and advances	-	-	5,018	10,400	15,418	15,418
Deposits	-	-	28,709	6,015	34,724	34,724
Trade debts	-	-	1,823,092	-	1,823,092	1,823,092
Other receivables	-	-	31,839	-	31,839	31,839
Cash and bank balances	24,738	-	24,738	99,654	99,654	124,392
<b>2012</b>	<b>24,738</b>	<b>-</b>	<b>24,738</b>	<b>1,988,312</b>	<b>18,806</b>	<b>2,007,118</b>
2011	60,771	-	60,771	542,604	9,789	552,393



# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	Interest / Mark-up bearing			Non Interest / Mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees '000						
<b>Financial liabilities</b>							
<b>At amortised cost</b>							
Trade and other payables	-	-	-	1,907,670	-	1,907,670	1,907,670
Short-term borrowings	1,238,331	-	1,238,331	-	-	-	1,238,331
Accrued mark-up	-	-	-	41,289	-	41,289	41,289
<b>2012</b>	<b>1,238,331</b>	<b>-</b>	<b>1,238,331</b>	<b>1,948,959</b>	<b>-</b>	<b>1,948,959</b>	<b>3,187,290</b>
2011	296,310	-	296,310	1,052,066	-	1,052,066	1,348,376
<b>On balance sheet gap</b>							
<b>2012</b>	<b>(1,213,593)</b>	<b>-</b>	<b>(1,213,593)</b>	<b>39,353</b>	<b>18,806</b>	<b>58,159</b>	<b>(1,155,434)</b>
2011	(235,539)	-	(235,539)	(509,462)	9,789	(499,673)	(735,212)
<b>OFF BALANCE SHEET FINANCIAL INSTRUMENTS</b>							
Commitments for capital expenditure							2,065
Letters of credit							1,602,587
Letters of guarantee							1,095,793
<b>2012</b>							<b>2,700,445</b>
2011							7,621,500

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

## (i) Interest / Mark-up rate risk

The Company's interest rate / mark-up risk arises from borrowings as the Company has no significant interest-bearing assets. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

Interest / mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. As at March 31, 2012 the Company's interest bearing financial liabilities of Rs.1,238.33 million represent the short-term borrowings at floating rate to manage the working capital requirements of the Company. These borrowings are repriced at a maximum period of three months. Hence the management believes that the Company is not materially exposed to interest rate changes. The effective mark-up rates for financial assets and liabilities are mentioned in respective notes to the financial statements.

For the above mentioned interest bearing financial liabilities, had the interest rates varied by 150 basis points with all the other variables held constant, profit before tax for the year would have been approximately lower / higher by Rs. 18.57 million (2011: lower / higher by Rs. 5.93 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 150 basis points movement in the interest rates has been used as historically (five years) floating interest rates have moved by an average of 150 basis points per annum.

## (ii) Credit risk

Credit risk represents the accounting loss that would be recognised if counterparts failed to perform as contracted. The financial assets exposed to credit risk amount to Rs. 2,031.86 million (2011: Rs. 613.16 million). The Company believes that it is not materially exposed to credit risk as major part of these financial assets comprises of receivable from government agencies.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

The bank balances represent low credit risk as they are placed with banks and other financial institutions having good credit ratings assigned by credit rating agencies.

The Company attempts to control credit risk by monitoring credit exposure, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk.

## (iii) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet its commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecast of the Company's liquidity reserve which comprises undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.

## (iv) Foreign exchange risk

Foreign exchange risk arises mainly when receivables and payables exist due to transactions based on currencies other than Pak Rupee. As at March 31, 2012 payable exposed to foreign exchange risk is of Rs. 1,466.02 million (2011: Rs. 544.83 million).

As at March 31, 2012, if the Pak Rupee had weakened / strengthened by 17% against Japanese Yen with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 249.22 million (2011: Rs. 87.17 million), mainly as a result of foreign exchange losses / gains on translation of Japanese Yen denominated financial assets and liabilities.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentage for movement in foreign exchange rates has been used due to the fact that historically (5 years) rate has moved on average basis by the mentioned percentage per annum.

## (v) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratio as at March 31 is as follows:

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2012

	2012 Rupees '000	2011
Total Borrowings	1,279,620	306,073
Cash and Bank	(124,526)	(63,416)
Net debt	1,155,094	242,657
Total equity	1,529,514	1,479,486
Total capital	2,684,608	1,722,143
Gearing ratio	43%	14%

The capital structure of the Company is equity based with no financing through long term borrowings. Company avails short-term borrowings for working capital purposes only.

## 39. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on May 25, 2012 proposed a cash dividend of Rs. 1.55 per share (2011: Nil) amounting to Rs. 19.22 million (2011: Nil) subject to the approval of the members at the forthcoming annual general meeting of the Company.

## 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue in the Board of Directors meeting held on May 25, 2012.

Managing Director &  
Chief Executive Officer

Chairman



# 3S

## Dealership



**HINO KARACHI:**  
D-55/A, S.I.T.E., Main Estate Avenue Road, Karachi.

**HINO FRONTIER:**  
F-44, S.I.T.E., Main Estate Avenue Road, Karachi.

**HINO LAHORE:**  
19 km, Multan Road, Lahore.

**HINO PESHAWAR:**  
Near Kohat Road Brige, Ring Road, Peshawar.

**AFRIDI MOTORS:**  
Shop # 14, Shershah Chowk, S.I.T.E., Karachi.

**SHAWAL MOTORS:**  
Shop # 6, 2nd Shopping Centre, Shershah Chowk, S.I.T.E., Karachi.

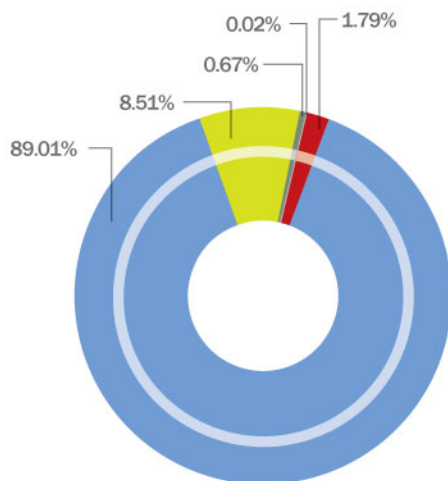


# Pattern of Shareholding

As at March 31, 2012

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
360	1	100	13,503
585	101	500	95,875
47	501	1000	34,869
34	1001	5000	65,478
2	5001	10000	15,557
4	10001	15000	49,117
1	15001	35000	17,069
1	35001	45000	42,160
1	45001	50000	48,468
2	50001	110000	213,352
1	110001	260000	259,462
1	260001	510000	509,152
1	510001	3680000	3,678,833
1	3680001	7360000	7,357,665
<b>1041</b>			<b>12,400,560</b>

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage of Holding
Foreign investors	3	11,037,498	89.01%
Financial institutions	9	1,055,430	8.51%
Insurance companies	4	83,570	0.67%
Joint stock companies	7	2,083	0.02%
Individuals	1018	221,979	1.79%
<b>Grand total</b>	<b>1041</b>	<b>12,400,560</b>	<b>100.00%</b>



## Pattern of Shareholding

Foreign investors	89.01%
Financial institutions	8.51%
Insurance companies	0.67%
Joint stock companies	0.02%
Individuals	1.79%

# Pattern of Shareholding

As at March 31, 2012

Shareholders' Category	Number of Shareholders	Number of Shares held
<b>Associated Companies</b>		
Hino Motors Limited, Japan (Hinopak Motors Limited is Toyota group Company and subsidiary of Hino Motors Ltd. Japan. Toyota Motors Corporation is the ultimate parent of the group)	1	7,357,665
Toyota Tsusho Corporation, Japan	1	3,678,833
<b>NIT</b>		
National Bank of Pakistan-Trustee Department	2	509,352
National Investment Trust Limited	1	13,111
<b>Executives</b>		
Mr. Nishat Zafar	1	120
Mr. Muzaffar Anjum	1	120
Mr. Muhammad Owais Muhib Khan	1	120
Mr. Naushad Riaz	1	120
<b>Banks, Development Finance Institutions, Non - Banking Finance Institutions, Insurance Companies, Modarabas And Mutual Funds</b>		
Faysal Bank Limited	1	104,404
First Tri-star Modaraba	1	20
National Bank of Pakistan	1	307,930
Jubilee General Insurance Company Limited	1	42,160
Jubilee Life Insurance Company Limited	1	17,069
Premier Insurance Limited	1	11,141
State Life Insurance Corporation of Pakistan	1	13,200
The Bank of Khyber	1	11,665
The Bank of Punjab	1	108,948
<b>Shareholders Holding 10% or More Voting Interest</b>		
Hino Motors Limited, Japan	1	7,357,665
Toyota Tsusho Corporation, Japan	1	3,678,833

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of the Shareholders of Hinopak Motors Limited will be held at the Registered Office of the Company situated at D-2, S.I.T.E., Manghopir Road, Karachi on Thursday, June 28, 2012 at 10:00 a.m. for transacting the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial statements of the Company for the year ended March 31, 2012, together with the Reports of the Directors and Auditors.
2. To approve cash dividend at 15.5% (or Rs. 1.55 per share) on the ordinary shares of the Company as recommended by the Directors.
3. To appoint Auditors for the ensuing year and fix their remuneration.
4. Any other business with the permission of the Chair.

By order of the Board

**FAHIM AIJAZ SABZWARI**  
Company Secretary

Karachi:  
June 05, 2012

## Notes

- i. A member entitled to attend and vote at this General Meeting is entitled to appoint a Proxy to attend, speak and vote in his place at the Meeting. Instrument appointing a proxy must be deposited at the Registered Office of the Company at least forty eight hours before the time of the Meeting.
- ii. The Share Transfer Books of the Company will remain closed from June 22, 2012 to June 28, 2012 (both days inclusive) for the purpose of Annual General Meeting and to determine entitlement of cash dividend. No transfer will be accepted for registration during this period.
- iii. The Shareholders are requested to intimate any changes in their addresses to: The Share Registrar, Technology Trade (Pvt.) Limited, Dagia House 241-C, Block-2, P.E.C.H.S., off. Shahrah-e-Quaideen, Karachi, Pakistan.
- iv. To facilitate identification for right to attend the Annual General Meeting, Shareholder whose holdings are on the Central Depository System (CDS) or his Proxy should authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting; along with the Participant's Identity Number and Shareholder's account number allocated by the Central Depository Company.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

# Proxy Form

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a Shareholder of HINOPAK MOTORS LIMITED and holding \_\_\_\_\_ Ordinary Shares as per Register Folio No. \_\_\_\_\_ or "CDC" Participant's I.D. No. \_\_\_\_\_ A/c No. \_\_\_\_\_ hereby appoint Mr / Ms \_\_\_\_\_ of \_\_\_\_\_ or failing him/her Mr / Ms \_\_\_\_\_ of \_\_\_\_\_ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 27<sup>th</sup> Annual General Meeting of the Company to be held on Thursday, June 28, 2012 and at any adjournment thereof.

**Affix Revenue Stamp(s) of Rupees five**  
**Executant's Signature on Revenue Stamp(s)**  
(Signature should agree with the Specimen Signature registered with the Company).

**Executant's Computerised National Identity Card Number (CNIC) or Passport Number**

<p>_____ <b>First Witness Signature</b></p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>	<p>_____ <b>Second Witness Signature</b></p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>
--	---

\_\_\_\_\_  
**Proxy's Signature**

\_\_\_\_\_  
Proxy's CNIC Number or Passport Number

\_\_\_\_\_  
**Proxy's Signature**

\_\_\_\_\_  
Proxy's CNIC Number or Passport Number


## NOTES:

1. A shareholder entitled to attend and vote at the Annual General Meeting of the Company may appoint any person as his/her proxy to attend and vote instead of him/her. The proxy shall have the right to attend, speak and vote in place of the shareholder appointing him/her at the meeting.

**A proxy need not be a member of the Company.**

2. The instrument appointing a proxy should be signed by the Shareholder or by his/her Attorney, duly authorised in writing and person appointed proxy. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.
3. The Proxy Form duly completed, must be deposited at the Company's Registered Office at D-2, S.I.T.E., Manghopir Road, P.O. Box No.10714, Karachi-75700 not less than 48 hours before the time of holding the meeting.
4. Shareholders whose holdings are in the Central Depository System (CDS) and their proxies both, should attach with this form, attested copies of their Computerised National Identity Card or (attested copies of first four pages of their passport). To facilitate identification at the AGM, the proxy should bring his/her original Computerised National Identity Card or passport. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.





The Company Secretary  
**Hinopak Motors Limited**  
D-2, S.I.T.E., Manghopir Road,  
P. O. Box No. 10714,  
Karachi - 75700



Body Operation Division



**HINOPAK MOTORS LIMITED**

D-2, S.I.T.E., Manghopir Road,  
P.O. Box No. 10714, Karachi.  
UAN: 111-25-25-25  
Website: [www.hinopak.com](http://www.hinopak.com)