

HINOPAK MOTORS LIMITED
ANNUAL REPORT 1997

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COMPANY INFORMATION

Board of Directors Keith S. Stack
(Chairman)
C.D.W. Leitch
Shah Jalil Alam
Nazir Ahmed Shaikh
Kunwar Idris
Masamichi Yoshimizu
Kanji Kawamura
Hajime Atsumi
Hasan Irshad
(Managing Director & Chief Executive)

Company Secretary Mohammad Z. A. Syed

Bankers ABN - AMRO Bank
Allied Bank of Pakistan Limited
American Express Bank Limited
Bank of America NT & SA
Credit Agricole Indosuez
Habib Bank Limited
Hongkong & Shanghai Banking Corporation Limited
National Bank of Pakistan Limited
Societe Generale - The French & International Bank
Standard Chartered Bank
The Bank of Tokyo - Mitsubishi, Limited

Auditors A. E Ferguson & Co.

Legal Advisors Kabraji & Talibuddin

Registered Office D-2, S.I.T.E., Manghopir Road,
P.O. Box No. 10714, Karachi-75700, Pakistan.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the shareholders of Hinopak Motors Limited will be held at the Crystal Ballroom, Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Wednesday, 26th November, 1997 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- (1) To receive and consider the Audited Accounts of the Company for the financial year ended 30th June, 1997, together with the Report of Directors and Auditors.
- (2) To appoint Auditors for the year 1997-98 and to fix their remuneration. The retiring Auditors Messrs. A. F. Ferguson & Co., Chartered Accountants being eligible, offer themselves for re-appointment.
- (3) To approve, as recommended by the Board of Directors, the final cash dividend at the rate of 25% i.e. Rs. 2.50 per share for the year ended 30th June, 1997.

SPECIAL BUSINESS

- (4) To consider, and if thought fit, to pass the following resolution as a Special Resolution:

RESOLVED THAT as required by Article 45 of the Articles of Association of the Company, the borrowing powers of the Directors are hereby increased from Rs. 500 million to Rs. 900 million. FURTHER RESOLVED THAT Article 45 be amended by deleting the words "exceed the issued share capital for the time being of the Company" in line 9 and 10 and replacing it with the following "exceed Rs. 900 million".

A statement under Section 160 of the Companies Ordinance, 1984 setting forth all material facts concerning the Resolution contained in item (4) of the Notice which will be considered for adoption at the Meeting is annexed to this Notice of Meeting being sent to Members.

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 12th November, 1997 up to 26th November, 1997 (both days inclusive). Transfers received in order by the Company Secretary, Hinopak Motors Limited, D-2, S.I.T.E., Manghopir Road, P.O. Box 10714, Karachi-75700, Pakistan upto the close of business on Tuesday 11th November, 1997 will be in time to be passed for entitlement of Dividend to the transferees. The Share Transfer Books will re-open on Thursday, 27th November, 1997.

iii) The Shareholders are requested to intimate any changes in their addresses to The Company Secretary, Hinopak Motors Limited, D-2, S.I.T.E., Manghopir Road, P.O. Box 10714, Karachi-75700, Pakistan.

Statement Under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the Twelfth Annual General Meeting of the Shareholders of Hinopak Motors Limited to be held on 26th November, 1997 at which certain special business is to be transacted.

The special business [Item (4) of the Notice of Meeting] is the proposed increase in the borrowing power of Directors on behalf of the Company. The purpose of this statement is to set forth the material facts concerning this special business.

The Articles of Association of Hinopak Motors Limited are proposed to be amended by the above mentioned special resolution at the Twelfth Annual General Meeting of the Shareholders of Hinopak Motors Limited. The increase in borrowing power of the Directors is being recommended due to the continued devaluation of the Pakistan Rupee and increase in the cost of CKD kits from Japan.

No Director is personally interested directly or indirectly in this business except to the extent of his shareholdings in the Company.

CHAIRMAN'S REVIEW

It is my privilege to welcome you to the Twelfth Annual General Meeting of the Company and present you the report on the performance of your Company for the financial year ended 30th June, 1997.

OPERATING RESULTS

The trading environment was severely impacted in November 1996 by the sudden removal of the then Government. Business confidence did not even begin to improve until the elected Government took office in March 1997. During the interim period, with all eyes focused on the political arena, the lack of economic activity significantly damaged the already fragile economy of Pakistan. Despite the efforts of the new Government by announcement of numerous incentive packages, business activity has not returned to the levels prevailing prior to November 1996. Changes in Government spending due to IMF conditions also had an adverse impact on business between the private sector and the Government and its related organizations. All these developments combined to create extremely difficult business conditions for the automobile industry in Pakistan.

At the same time, the continued depreciation of the Pakistani Rupee against the U.S. Dollar and the Japanese Yen; and increase in interest rates to curtail monetary expansion and the fiscal deficit to meet IMF conditions, resulted in an increase in inflationary pressure on costs.

These factors together caused a decline of no less than 60% in chassis sales in the second half of the year. This resulted not only in a massive decline in revenue, and hence gross profit, but also left very

substantial unrecovered production overhead as production was commensurately cut back.

Thus, Operating Profit was completely eroded in the second half, emerging for the year at Rs. 155 million.

Sales revenue for the year under review declined by 9.2% to Rs. 2,360 million. This decrease was entirely attributable to the lower sales and change in sales mix in the second half of the year. The net reduction in revenues of Rs. 238 million, compared with the previous year, was due to an overall 20% reduction in chassis sales to 1,365 units, and a 12% reduction in sales of bus and truck bodies to 290 units. However, spare parts sales had an exceptional year, and sales revenue increased by 53% to an impressive level of Rs. 136 million.

Financial Charges increased to Rs. 62.5 million in 1996-97 from Rs. 13.2 million in 1995-96. The steep increase in Financial Charges was due to increased borrowings used to finance increased working capital requirements as follows:

- * To finance increase in stocks by Rs. 423 million.
- * To finance payments of foreign bills of Rs. 189 million.
- * To finance reduction in customers' credit balances by Rs. 222 million.

As a consequence of the poor second half results, pre-tax profit for the year was cut to Rs. 103 million, 54% lower than the previous year. An increase of 24% in the effective tax rate was mainly due to full utilization of accumulated losses in 1995-96. Therefore, profit after tax declined to Rs. 56.9 million a 68% decrease compared with the previous year.

SALES AND MARKET CONDITIONS

The Company's medium and heavy duty trucks have held the top position in Pakistan since 1988, representing ten years of leadership. Amid intensifying competition, a great many professional driver-owners and companies continue to choose Hino trucks, a testament to our product excellence and reliability.

As you are aware, your Company launched a technically superior, new Super Flyer Series of trucks and AKMA series of buses in April 1996. The new product range received a favourable response in the market; still, due to low economic activity in the second half of the year, movement of transportable goods from the ports to up-country steadily declined, providing little incentive for transporters to invest in new vehicles.

The market has been further eroded by the import of reconditioned vehicles as well as illegal imports of trucks from Iran combined with semi-knocked down vehicles imported under the guise of scrap metal. Moreover, some of our competitors resorted to sharp price reductions and also offered their vehicles on credit, adversely affecting the already depressed market.

Your Company's efforts in harnessing the export markets bore fruit when Hinopak procured a sample order for two AK176SA Roadliner non air-conditioned buses for Mauritania. Hinopak is consistently striving to make further inroads into the export market, and is actively pursuing the possibilities of further exports to the Middle East and Africa.

PRODUCT SUPPORT

The Company continued its efforts towards establishing a countrywide network of classical 3S

dealerships. In Karachi, such a dealership was inaugurated at Maqbool Motors. The Company plans to set up 3S dealerships in all the major commercial centres of Pakistan; this will supplement Hinopak's existing product support network.

The Mobile workshops continue to play a vital role in supporting our products in the remotest regions of the Country.

DESIGN & DEVELOPMENT

Your Company continued its efforts to gain higher market share of the body fabrication market by following the policy to broaden the product range. The achievements included the design and development of a semi trailer with a loading capacity of 40 feet or two 20 feet marine

containers; a Cargo Truck, with a payload capacity of 3.0 tons and a body weight of 1.3 tons only, within the overall G.V.W. of 8.5 tons; and a Metroliner, medium size AC bus, built on the FB chassis, with a seating capacity for 22-24 persons.

PRODUCTION

The year started with the regular production of new model truck and bus chassis. Being a new model, major adjustments in the production operation were carried out for smooth running of production and to achieve better productivity without affecting quality.

The Assembly Operation Plant produced 1,370 units in 1996-97 compared to 1,715 units in 1995-96, whilst Body Operation Plant produced 300 units in 1996-97 as against 337 units during 1995-96. The production was lower compared with last year due to lower market demand.

The Company continued to invest in new technologies and capabilities and also upgrading of existing capacity.

TECHNICAL DEPARTMENT

The Technical Department actively pursued its function of bringing the product range in line with market demand. After the launch of the "Super F series" trucks, surveys were conducted to ensure that all customers' needs were fulfilled keeping in mind the local conditions.

LOCALIZATION AND DELETION PROGRAMME

Once again the Company successfully met the Government's localization targets for various Hino models for the year ended 30th June,1997.

This year the localization targets reached as high as 55%, despite low production activity, which did not enable your Company to give large orders to vendors as an incentive for development.

The depressed market conditions have adversely affected our vendors, particularly the smaller ones. The Company is making every effort to help the vendors wherever possible as they have put in a lot of effort and investment to make our deletion programme successful.

ISO-9000 CERTIFICATION

The Company has established its Quality Management System as per ISO 9000 requirements, and following the Certification Audit conducted during the first half of 1997, the Company has been awarded the ISO 9001 certificate, valid upto the year 2000. As a result, Hinopak has become the first automobile company

in Pakistan and also the first among Hino affiliates worldwide to have been awarded the ISO-9001 Certification.

COMPUTERIZATION

The Company has implemented its integrated Manufacturing and Financial Software System, which enables management to monitor production, material availability and job costing. This new

version of software, known as CP System, was installed on the latest IBM AS 400 model 150 mini-computer. Both the CP system and the new IBM AS400 support the year 2000 dates.

In order to monitor purchase of production-related items and their availability, all Purchase Orders are now generated through the CP System. This enables the Management to review Purchase Order status on line.

LABOUR MANAGEMENT RELATIONS

As in the past Labour Management Relations continued to be cordial. On 26th June, 1997 a new Union Agreement was signed between the CBA and the Management of the Company. This agreement has been signed for two years ending 30th June, 1999.

STAFF WELFARE, SPORTS & RECREATION FACILITIES

The 7th Hinopak Trophy KCCA inter-firms cricket tournament generated immense enthusiasm. The Company's football team for the first time participated in the Karachi League alongwith the top 20 teams of Karachi and secured 5th position. Inter-departmental table tennis, chess and other sports competitions were also held enabling employees to participate in various sports events.

PRODUCTIVITY AND HOUSE KEEPING TROPHY

In order to encourage employees to improve productivity and to maintain better house keeping, an annual competition was arranged among the various departments during the year. All the departments participated in the productivity improvement competition. These activities generated interest and motivation among the employees for various initiatives in productivity and house keeping improvement throughout the Company.

FUTURE OUTLOOK

We believe that the economy has now passed through the worst period. The automobile industry is gradually emerging from an acute slump in demand. Sales are likely to increase as there has been some movement in the market over the past few months, and the trend is likely to get better as Government will be importing fertilizer, wheat and other bulk commodities in the next few months. Local freight rates have also been raised giving transporters a better return on their investments. Thus, whilst results for the first half of the current year will still be poor, an improving trend is expected in the balance of the year.

The Company has recently received inquiries from Africa for export of trucks and buses. The potential is good provided we get further tax rebates from the Federal Government. This matter is being pursued with the Government and is likely to bear fruit in the near future. The overall scenario is much better today than it was a few months ago.

It is hoped that with greater political stability in the Country, and with the Economic Packages

announced by this Government, confidence in the economy will be restored, resulting in better sales opportunities.

Management continues to seek suitable products for assembly in its plant to utilize the spare capacity and to bring down the manufacturing costs of its main Hino models.

ACKNOWLEDGMENTS

Finally, I would like to thank my colleagues on the board, employees at all levels, CBA officials, Japanese advisors and vendors for their hard work, dedication and commitment in contributing towards achievement of these results during a year of unprecedented difficulties. I am particularly appreciative of our dealers and customers for their continued support and loyalty to Hino vehicles.

KEITH S. STACK
CHAIRMAN

Karachi: 1st October, 1997

DIRECTORS' REPORT

The Directors of Hinopak Motors Limited take pleasure in presenting this report, together with the Accounts of the Company for the year ended 30th June, 1997 and recommend the appropriations detailed below:

	1997	1996
	(Rupees '000)	
OPERATING RESULTS		
Profit before taxation	102,705	222,127
Provision for taxation	(45,795)	(46,018)
	-----	-----
Profit after taxation	56,910	176,109
UNAPPROPRIATED PROFIT BROUGHT FORWARD	972	1,267
	-----	-----
Profit available for appropriations	57,882	177,376
LESS: APPROPRIATIONS		
Transfer to Revenue Reserve	(24,000)	(102,000)
	-----	-----
Proposed Stock Dividend Nil (1996 @ 20%	-	(20,668)
Tax on Stock Dividend Nil (1996 @ 10%	-	(2,067)
Interim Cash Dividend Nil (1996 @ 15%	-	(15,501)
Final Cash Dividend - proposed @ 25% (1996 @ 35%	(31,001)	(36,168)
	-----	-----
Total Distribution for the year	(31,001)	(74,404)
	-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD	2,881	972
	=====	=====

DIRECTORS

Since the review in the last Directors' Report in October, 1996, there has been no change in the number of Directors and the individuals on the Board.

INVESTMENTS

Hinopak Motors Limited has contributed Rs. 375,000 being 25% share of the total investment towards the equity participation in Automotive Testing and Training Centre (AT&TC); this is a newly incorporated private limited company with an authorised share capital of Rs. 30.0 million. AT&TC has invited tenders for the construction of their Main Building and Ancillary Works. The construction is planned on a plot of land measuring half an acre; this is to be sub-leased out of PACO's estate in Pakistan Steel's Down Stream Industrial Area. AT&TC has also taken overall testing machinery and some of the personnel of Vendor Development and Training Cell (VDTC) of PACO.

AUDITORS

The Auditors, Messrs. A. F. Ferguson & Co., retire at the conclusion of the Twelfth Annual General Meeting and, being eligible, offer themselves for re-appointment.

PATTERN OF SHAREHOLDINGS

The Pattern of the shareholdings of the Company as at 30th June, 1997 is given on page 39.

HOLDING COMPANY

Al-Futtaim Industries (Private) Limited of Dubai, U.A.E. continues to hold 59% of Company's shares and is the Holding Company of Hinopak Motors Limited.

10 YEARS AT A GLANCE

Rupees in million

Year ended 30th, June	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
ASSETS & LIABILITIES										
Net Assets										
Fixed Operating Assets	82.56	81.92	91.23	126.66	134.60	163.14	205.77	201.01	165.84	184.62
Capital Work in Progress	0.37	2.20	2.34	3.52	-	3.02	3.31	14.85	-	7.53
Long Term Investments	-	-	-	-	-	-	-	2.00	5.00	5.38
Other Long Term Assets	4.46	3.64	4.42	6.82	9.59	24.13	28.63	28.32	31.87	34.10
Current Assets	293.77	417.57	482.67	774.46	650.25	1,027.82	947.80	816.43	1,281.70	1,530.13
Less: Current Liabilities	264.72	378.02	427.38	675.63	491.09	796.06	818.92	789.85	1,092.43	1,306.96
Total Net Assets	116.44	127.31	153.28	235.83	303.35	422.06	366.59	272.76	391.98	454.80
Finance By										
Issued, Subscribed & Paid up capital	103.34	103.34	103.34	103.34	103.34	103.34	103.34	103.34	103.34	124.00
Reserves	8.40	14.70	40.33	125.21	191.06	308.06	237.92	166.27	288.64	293.88
Long Term Liabilities	4.70	9.27	9.61	7.28	8.95	10.65	25.33	3.15	-	36.92
Total Funds Invested	116.44	127.31	153.28	235.83	303.35	422.05	366.59	272.76	391.98	454.80
TURNOVER										
HinoChassis	743.19	827.18	1,063.18	1,436.81	1,428.39	2,474.12	1,607.31	1,124.60	2,385.51	2,124.40
Bus Bodies	65.68	69.87	83.23	110.80	180.03	252.12	118.46	92.08	118.13	94.15
Spare Parts	42.65	34.97	76.32	93.66	103.54	86.06	90.98	60.81	88.93	136.45
Others	11.30	23.52	18.62	22.20	10.94	3.06	1.65	4.59	5.26	4.88
Total	862.82	955.54	1,241.35	1,663.47	1,722.90	2,815.36	1,818.40	1,282.08	2,597.83	2,359.88
RESULTS & APPROPRIATIONS										
Profit/(Loss) Before Tax	27.95	32.56	79.40	199.55	183.67	267.13	7.96	(65.22)	222.13	102.71
Taxation	12.55	13.34	35.68	86.25	84.24	98.46	9.63	6.44	46.02	45.80
Profit/(Loss) After Tax	15.40	19.22	43.72	113.30	99.43	168.67	(1.67)	(71.66)	176.11	56.91
Extraordinary items							(52.96)			
Dividend	12.92	12.92	18.08	28.42	33.59	51.67	15.50	-	51.67	31.00
Transfer To / (From) Reserve	4.00	6.00	20.00	86.00	70.00	110.00	(65.00)	(70.00)	102.00	24.00
Unappropriated Profit carried forward	0.40	0.70	6.33	5.21	1.06	8.06	2.93	1.27	0.97	2.88
FINANCIAL RATIOS										
Net Profit Margin	1.80%	2.00%	3.50%	6.80%	5.80%	6.00%	3.00%	5.60%	6.80%	2.40%
Return on Assets (after tax)	4.00%	3.80%	7.50%	12.40%	12.50%	13.80%	4.60%	6.70%	11.90%	3.20%
Return on Equity (after tax)	14.70%	16.70%	33.40%	60.90%	38.00%	47.80%	14.50%	23.50%	53.20%	14.10%
Current Ratio	1.10	1.10	1.10	1.10	1.30	1.30	1.20	1.00	1.20	1.20
Quick Ratio	0.30	0.40	0.30	0.50	0.60	0.20	0.20	0.10	0.40	0.10
PRODUCTION (UNITS)										
Hino Chassis	1,734	1,824	1,876	2,433	2,444	3,613	1,861	1,024	1,715	1,370
Suzuki Pickups	2,331	4,746	3,838	3,629	2,103	206	-	-	-	-
Bus Bodies	322	329	416	499	588	757	339	212	337	300
SALES (UNITS)										
Hino Chassis	1,784	1,777	1,902	2,381	2,388	3,526	1,890	1,055	1,713	1,365
Bus Bodies	337	382	457	463	589	760	430	289	331	290
PER SHARE ACCOUNTS (in Rupees)										
Cash Dividend	1.25	1.25	1.75	2.75	3.25	5.00	1.50	-	5.00	2.50
Stock Dividend	-	-	-	-	-	-	-	-	2.00	-
Breakup Value	11	11	14	22	28	*55	*49	*42	*63	*55
Earning / (Loss) Per Share	1.49	1.86	4.23	10.96	9.62	16.32	(5.29)	(6.93)	17.04	4.59
Share Price (High)	-	-	-	93	113	132	100	48	61	81
Share Price (Low)	-	-	-	32	70	85	46	32	43	47
ONE US\$ = RUPEE	18.11	21.23	21.94	24.45	25.28	27.32	30.83	31.20	35.25	40.70
ONE YEN = RUPEE	0.14	0.15	0.18	0.20	0.26	0.26	0.31	0.37	0.32	0.36

* Breakup values take into consideration the surplus on revaluation of Land and Buildings.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Hinopak Motors Limited as at June 30, 1997 and the related profit and loss account and cash flow statement, 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 and after due verification thereof, we report that:

(a) in our opinion, proper books of account 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 account 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 and profit and loss account and the cash flow statement, together with the notes forming part thereof, 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 June 30, 1997 and of the profit and the cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: 1st October, 1997

A.F. Ferguson & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1997

	Note	1997 (Rupees '000)	1996
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
20,000,000 ordinary shares of Rs. 10 each		200,000	200,000
		=====	=====
Issued, subscribed and paid-up	2	124,006	103,338
Reserves	3	291,000	287,668
Unappropriated profit		2,881	972
		-----	-----
		417,887	391,978
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES			
	4	36,915	-
CURRENT LIABILITIES			
Current maturity of liability against assets subject to finance leases	4	12,302	-
Finance under mark-up arrangements	5	490,986	6,861
Short term loans	6	169,035	-
Creditors, accrued and other liabilities	7	597,708	1,021,789
Workers' profits participation fund	8	5,676	11,930
Dividend	9	31,257	51,848
		-----	-----
	10	1,306,964	1,092,428
		-----	-----
		1,761,766	1,484,406
		=====	=====
FIXED ASSETS - TANGIBLE			
Operating assets	11	184,623	165,835
Capital work-in-progress - plant & machinery		7,532	-
		-----	-----
		192,155	165,835
LONG-TERM INVESTMENTS	12	5,375	5,000
LONG-TERM LOANS AND ADVANCES	13	11,490	9,386
LONG-TERM DEPOSITS AND PREPAYMENTS	14	2,848	2,175
DEFERRED TAXATION	15	19,766	20,310
CURRENT ASSETS			
Stores, spares and loose tools	16	6,530	8,031
Stock-in-trade	17	1,296,277	873,359
Trade debts	18	56,034	47,709
Loans and advances	19	45,976	46,788
Trade deposits and prepayments	20	5,870	7,304
Other receivables	21	37,746	90,212
Taxation		78,985	7,438
Cash and bank balances	22	2,714	200,859
		-----	-----
		1,530,132	1,281,700
		-----	-----

1,761,766 1,484,406
 =====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 1997**

	Note	1997	1996
		(Rupees '000)	
Sales	23	2,359,882	2,597,833
Cost of goods sold	24	(2,110,874)	(2,296,965)
		-----	-----
Gross profit		249,008	300,868
Administration and selling expenses	25	(94,156)	(86,071)
		-----	-----
Operating profit		154,852	214,797
Other income	26	18,336	36,943
		-----	-----
		173,188	251,740
		-----	-----
Financial charges	27	(62,522)	(13,147)
Other charges	28	(7,961)	(16,466)
		-----	-----
		(70,483)	(29,613)
		-----	-----
Profit before taxation		102,705	222,127
Taxation	29	(45,795)	(46,018)
		-----	-----
Profit after taxation		56,910	176,109
Unappropriated profit brought forward		972	1,267
		-----	-----
		57,882	177,376
		-----	-----
Appropriations			
Transfer to:			
- General reserve		24,000	102,000
		-----	-----
- Reserve for issue of bonus shares		-	20,668
- Tax thereon		-	20,671
		-----	-----
		-	22,735
Interim dividend Nil (1996: 15%)		-	15,501
Proposed final dividend @ 25% (1996: 35%)		31,001	36,168
		-----	-----
		55,001	176,404
		-----	-----
Unappropriated profit carried forward		2,881	972
		=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT
 FOR THE YEAR ENDED JUNE 30, 1997**

	Note	1997	1996
		(Rupees '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	34	(659,212)	533,427
Interest and mark-up on short-term loans and finance paid		(28,609)	(19,394)
Return on deposits received		9,991	4,078
Taxes paid		(116,798)	(7,924)
Increase in long-term loans		(2,104)	(1,211)
		-----	-----
Net cash (outflow)/inflow from operating activities		(796,732)	508,976
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(77,810)	(23,120)
Long term investment		(375)	(3,000)
Sale proceeds of fixed assets		26,660	58,289
(Increase)/decrease in long-term deposits and prepayments		(673)	4,308
		-----	-----
Net cash (outflow)/inflow from investing activities		(52,198)	36,477
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in short term loan		169,035	-
Payment of long term liability		-	(11,962)
Increase/(decrease) in liability against assets subject to finance leases		49,217	(13,120)
Dividend paid		(51,592)	(3)

Net cash inflow/(outflow) from financing activities	166,660	(25,093)
Net (decrease)/increase in cash and cash equivalents	(682,270)	520,360
Cash and cash equivalents at the beginning of the year	193,998	(326,362)
Cash and cash equivalents at the end of the year	35 (488,272)	193,998

The annexed notes form an integral part of these accounts.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1997

HINOPAK MOTORS LIMITED is a public company quoted on Karachi and Lahore stock exchanges. The Company's principal activity is the assembly and progressive manufacture and sale of Hino buses and trucks in Pakistan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Staff retirement benefits

The company operates a funded gratuity scheme for all its employees. Contributions are made annually on the basis of actuarial valuation. Based on the last actuarial valuation as at June 30, 1995, the fair value of fund's assets and liabilities were Rs. 14.80 million and Rs. 11.84 million respectively. Annual contribution to the fund at the rate of 8.33% have been made on the basis of actuarial recommendation.

Entry Age Normal (EAM) actuarial cost method, using following significant assumptions, is used for valuation of above mentioned funded scheme:

- Expected rate of increase in salaries 14% per annum
- Expected rate of income on investments 13% per annum.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

The company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

1.3 Taxation

Provision 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. The Company accounts for deferred taxation arising on all significant timing differences using the liability method.

1.4 Fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except capital work-in-progress which is stated at cost.

Leasehold land is amortized over the period of the lease. Depreciation on all other assets is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions during the year, while no depreciation is charged on disposals.

The company accounts for fixed assets acquired under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the straight line method.

Profit or loss on disposal or retirement of fixed assets is included in income currently. Maintenance and normal repairs, plant and machinery costing up to approximately Rs. 10,000 and other assets costing up to approximately Rs. 5,000 are charged to income as and when incurred.

1.5 Stores, spares and loose tools

These are valued at cost determined on moving average basis.

1.6 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.

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 includes prime cost and appropriate portion of manufacturing expenses.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

1.7 Foreign currency translation

Assets and liabilities in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date, except where forward exchange purchases have been made for payment of liabilities, in which case the contracted rates are applied. Exchange differences are included in income currently.

1.8 Revenue recognition

The Company recognises sales upon delivery of goods to customers. Warranty claims and indenting commission on handling Complete Built Up (CBU) vehicles are recognised in the accounts as and when received.

1.9 Research and development costs

Research and development costs are charged in the year in which they are incurred.

1.10 Warranty expenses

Warranty expenses are recorded as and when claims are received from customers.

1.11 Long term investments

These are stated at cost.

2. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

		1997	1996
		(Rupees '000)	
Ordinary shares of Rs. 10 each			
6,200,280	6,200,280 shares fully paid in cash	62,003	62,003
4,133,520	4,133,520 shares issued as fully paid for consideration other than cash	41,335	41,335
2,066,760-	shares issued as fully paid bonus shares	20,668	-
-----		-----	-----
12,400,560	10,333,800	124,006	103,338
=====		=====	=====

At June 30, 1997 Al-Futtaim Industries (Private) Limited, U.A.E. held 7,316,330 (1996: 4,133,520) ordinary shares of the company.

3. RESERVES

	Capital	Revenue	Total	
	For issue of bonus shares	General	1997	1996
(Rupees '000)				
Opening balance	20,668	267,000	287,668	165,000
Transfer from profit and loss account	-	24,000	24,000	122,668
Issue of bonus shares	(20,668)	-	(20,668)	-
	-----	-----	-----	-----
	-	291,000	291,000	287,668
	=====	=====	=====	=====

4. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASES

		1997
		(Rupees '000)
Payable during		
1997-1998		20,666
1998-1999		21,721
1999-2000		18,855
2000-2001		5,652

		66,894
Less: Finance charge not due		17,677

		49,217
Less: Current maturity shown under current liabilities		12,302

36,915

=====

This represents finance leases entered into with leasing companies for plant and machinery, furniture and fixtures, vehicles, electrical installations, airconditioners, refrigerators and water coolers and office equipments. The balance of liability is payable by January 20, 2001 in quarterly installments.

Quarterly lease payments include finance charge of 17.13% to 24% per annum, which is used as discounting factor.

There was no liability against assets subject to finance leases as at June 30, 1996.

5. FINANCE UNDER MARK-UP ARRANGEMENTS

	1997	1996
	(Rupees '000)	
Running finance (note 5.1)	454,681	6,861
Finance under trust receipts	36,305	-
	-----	-----
	490,986	6,861
	=====	

5.1 The facility for running finance available from various banks amounts to Rs. 536 million (1996: Rs. 394.50 million). The rates of mark-up range between Re. 0.37 to Re. 0.44 per Rs. 1,000 per day. The purchase prices and mark-up are payable by June 30, 1998. The arrangements are secured by way of pari-passu charge against hypothecation of Company's stock-in-trade.

5.2 The facilities for opening letters of credit and guarantees as at June 30, 1997 amounted to Rs. 1.74 billion (1996: Rs. 1.44 billion) of which the amount remaining unutilised at the year end was Rs. 1.49 billion (1996: Rs. 814.24 million).

6. SHORT TERM LOANS

	1997
	(Rupees '000)
Unsecured	
Foreign currency loan - 1 (note 6.1)	85,635
loan - 2 (note 6.2)	83,400

	169,035
	=====

6.1 Foreign currency loan of Japanese Yen 247 million equivalent to US \$ 2.0 million has been obtained from Banqua Indosuez, Bahrain and is repayable in lump sum 6 months after the draw down date. The loan has been obtained for working capital under State Bank of Pakistan repatriation guarantee and bears interest at 1.677 per cent. The loan is repayable by September 29, 1997.

6.2 Foreign currency loan of US Dollars 2.0 million has been obtained from Sakura Bank Limited, Germany and is repayable in lump sum 6 months after the draw down date. The loan has been obtained for working capital under State Bank of Pakistan repatriation guarantee and bears interest at 6.97 per cent. The loan is repayable by October 2, 1997.

There was no short term loan payable as at June 30, 1996.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1997	1996
	(Rupees '000)	
Creditors	8,147	7,796
Bills payable	173,763	362,429
Custom duties payable	34,856	45,575
Accrued liabilities	66,870	9,461
Customers' credit balances	246,332	468,632
Mark-up on running finance	12,591	
Mark-up on trust receipt	101	-
Interest on short term loans	3,014	-
Contractors' earnest/retention money	128	14
Taxes deducted, payable to statutory authorities	442	222
Sales tax payable	4,887	11,791
Payable to provident fund	2,436	1,661
Payable to gratuity fund	1,076	-
Workers' welfare fund	18,422	16,137
Royalty	16,829	6,767
Employees mutual subscription fund	1,725	1,525
Others	6,089	4,621
	-----	-----
	597,708	1,021,789
	=====	

8. WORKERS' PROFITS PARTICIPATION FUND

	1997	1996
	(Rupees '000)	
Balance at the beginning of the year	11,930	-
Allocation for the year	5,676	11,930

Amount available to the company for its business operations/utilised by the company	17,606	11,930
Add: Interest on fund utilised in company's business	2,844	-

	20,450	11,930
Less: Amounts paid to the trustees of the Fund/Government	14,774	-

	5,676	11,930
=====		

9. DIVIDEND

Unclaimed dividend	256	179
Dividend payable	-	15,501
Proposed dividend	31,001	36,168

	31,257	51,848
=====		

10. CONTINGENT LIABILITY AND COMMITMENTS

10.1 Contingent Liability

Post-dated cheques to Collector of Customs as a security against the concessional rate of duty amounted to Rs 452.58 million (1996: Rs 446.67 million).

10.2 Commitments

Commitments for capital expenditure outstanding at June 30, 1997 amounted to approximately Rs. 3.13 million (1996: Rs. 10.86 million).

11. FIXED ASSETS

11.1 The following is a statement of operating assets:

	Cost as at July 1, 1996	Additions/ (disposals)	Cost as at June 30, 1997	Accumulated depreciation as at July 1, 1996	Depreciation for the year/on (disposals)	Accumulated depreciation as at June 30, 1997	Net book value as at June 30, 1997	Annual rate of depreciation %
	(Rupees '000)							
Leasehold land	53,520	-	53,520	4,662	803	5,465	48,055	
Building on leasehold land	65,280	2,010	67,290	11,908	1,682	13,590	53,700	2.5
Plant and machinery	55,025	2,971 (14,448)	43,548	17,828	4,346 (1,445)	20,729	22,819	10
Furniture and fixtures	4,069	1,585	5,654	2,873	1,062	3,935	1,719	10 & 50
Vehicles	38,333	5,069 (18,488)	24,914	21,339	5,182 (7,260)	19,261	5,653	20 & 25
Electrical Installations	10,148	1,002	11,150	7,509	1,781	9,290	1,860	20
Airconditioners, refrigerators and water coolers	8,040	1,877 (274)	9,643	6,100	1,468 (274)	7,294	2,349	20 & 25
Office and other equipments	12,391	1,180	13,571	8,752	1,483	10,235	3,336	15 & 20
Assets held under finance leases:								
Plant & machinery	-	25,344	25,344	-	2,534	2,534	22,810	10
Furniture & Fixtures	-	831	831	-	393	393	438	10 & 50
Vehicles	-	19,488	19,488	-	4,796	4,796	14,692	20 & 25
Electrical installations	-	23	23	-	5	5	18	20

Airconditioners, refrigerators & water coolers	-	3,514	3,514	-	734	734	2,780	20 & 25
Office equipments	-	5,384	5,384	-	990	990	4,394	15 & 20
	246,806	70,278 (33,210)	283,874	80,971	27,259 (8,979)	99,251	184,623	
1996	267,247	37,972 (58,413)	246,806	66,240	23,007 (8,276)	80,971	165,835	

An independent professional valuation of land and buildings carried out in April 1996 revealed an aggregate value of Rs. 363.49 million. The surplus of Rs. 261.26 million over the net book value as at June 30, 1996 has not been considered in these accounts.

11.2 Details of fixed assets disposed off:

Cost Accumulated depreciation {Rupees '000}	Book value	Sale Mode	Particulars of proceeds	D	Purchaser
Plant & machinery	14,448	1,445	13,003	13,003	Sale & lease back Standard Chartered Mercantile Leasing Co. Ltd., Karachi
Vehicles	14,082	3,426	10,656	10,656	" "
	250	250	-	102	Negotiations Mr Naushad Riaz Executive
	141	141	-	57	" Mr S.K. Shamsuddin Executive
	158	158	-	65	" Mr Kh. Zahid Saleem Executive
	158	158	-	65	" Mr Aseem Ahsan Executive
	328	328	-	181	" Mr Mateen-ur-Rehman Executive
	158	158	-	65	" Mr Adil M. Shah Executive
	158	158	-	65	" Mr Johnson Preira Executive
	328	328	-	181	" Mian Humayun Shah Executive
	278	278	-	114	" Mr Ejaz Majeed Executive
	210	210	-	97	" Mr Azdiar Mobed Executive
	200	200	-	87	" Mr S, Ejaz All Executive
	187	187	-	77	" Mr Mohammad Akram Executive
	187	187	-	77	" Mr Aneesur Rehman Executive
	1,145	573	572	1,011	Insurance claim New Jubilee Insurance Co. Ltd., Karachi
Airconditioners, Refrigerators & Watercoolers	45	45	-	2	Negotiations Mr Z.A. Rehani
	45	45	-	2	" Mr Ejaz Majeed Executive
	45	45	-	2	" Mr Mateen-ur-Rehman

Executive

14 14 - 5 *

Mr Saleem Jawaid
Executive

12 12 - 5 *

Mr Wasif All Mahmood
Executive

32,577 8,346 24,231 25,919

Assets having written
down value below

Rs. 5,000 each 633 633 - 741

33,210 8,979 24,231 26,660

=====

12. LONG-TERM INVESTMENT

1997 1996
(Rupees '000)

Arabian Sea Country Club - note 12.1 5,000 5,000
Automotive Testing & Training Centre
(Private) Limited - note 12.2 375 -

5,375 5,000

=====

12.1 This represents the cost of 500,000 fully paid-up ordinary shares of Rs. 10 each in an unquoted associated undertaking. The value of investment based on the net assets of the investee company as per its audited accounts for the year ended June 30, 1996 was Rs 5.10 million (June 30, 1995: Rs 2.00 million). The company held 12.82% of the investees total equity as at June 30, 1996. The name of the company's Chief Executive is Mr Zaeem Lutfi.

12.2 The company has made advance payment towards shares to be issued.

13. LONG-TERM LOANS AND ADVANCES- considered good

1997 1996
(Rupees '000)

Loans to
Executives 85 47
Employees 11,382 13,480

13,527 11,467

Less: Installments recoverable within one year 3,165 3,337

10,362 8,130

Advances to
Managing Director 379 757
Executives 8,028 5,509
Employees 4,480 4,203

12,887 10,469

Less: Installments recoverable within one year 11,759 9,213

1,128 1,256

11,490 9,386

=====

The loans under the schemes have been provided to the employees of the Company to facilitate purchase of motor vehicles, construction of house and personal assistance and are repayable over a period of five to eight years.

The motor vehicle loans are secured by joint registration of the vehicle in the name of the Company and the employees.

Advances are made to the Managing Director and executives of the Company in respect of house rent and these are payable over a period of two years.

Aggregate amount of loans and advances outstanding for period exceeding three years is Rs. 1.882 million (1996: Rs. 0.602 million).

The maximum amount of advances to Managing Director and executives of the Company at the end of any month during the year was:

1997 1996
(Rupees '000)

Managing Director 951 757

Executives	6,742	5,509
	=====	=====

14. LONG-TERM DEPOSITS AND PREPAYMENTS

	1997	1996
	(Rupees '000)	
Deposits	2,414	2,175
Prepayments	434 -	
	-----	-----
	2,848	2,175
	=====	=====

15. DEFERRED TAXATION

Debit balances arising in respect of:

Provision for doubtful trade debts	2,279	1,944
Provision for slow moving stock	17,902	20,504
Provision for doubtful deposits	938	1,585
Others	218	962
	-----	-----
	21,337	24,995

Credit balances arising in respect of:

Accelerated tax depreciation	(1,571)	(4,685)
	-----	-----
	19,766	20,310
	=====	=====

16. STORES, SPARES AND LOOSE TOOLS

Stores	1,261	1,974
Spares	3,646	3,688
Loose tools	1,623	2,369
	-----	-----
	6,530	8,031
	=====	=====

17. STOCK-IN-TRADE

	1997	1996
	(Rupees '000)	
Raw materials [including in transit Rs. 0.25 million (1996: Rs. 4.13 million)]	1,020,901	598,525
Less: Provision for slow moving stocks	35,520	37,868
	1,623	1,623
	-----	-----
Work-in-process	11,570	14,819
Spare parts [including in transit Rs. 1.19 million (1996: Rs. 0.97 million)]	67,259	76,305
Less: Provision for slow moving spare parts	24,153	24,265
	-----	-----
Finished goods	256,220	245,843
	-----	-----
	1,296,277	873,359
	=====	=====

18. TRADE DEBTS - unsecured

Considered good		
Due from associated undertaking	116	61
Others	55,918	47,648
	-----	-----
	56,034	47,709
Considered doubtful	7,598	5,892
	-----	-----
	63,632	53,601
Less: Provision for doubtful debts	7,598	5,892
	-----	-----
	56,034	47,709
	=====	=====

The maximum amount due from associated undertaking at the end of any month during the year was Rs. 116 thousand (1996: Rs. 61 thousand).

19. LOANS AND ADVANCES- considered good

	1997	1996
	(Rupees '000)	

Loans to:		
Executives	20	28
Employees	3,145	3,309
	-----	-----
	3,165	3,337
Advances to:		
Managing Director	379	379
Executives	6,900	4,631
Employees	4,480	4,203
Suppliers	31,052	34,238
	-----	-----
	42,811	43,451
	-----	-----
	45,976	46,788
	=====	=====

20. TRADE DEPOSITS AND PREPAYMENTS

	1997	1996
	(Rupees '000)	
Deposits	7,965	10,797
Prepayments	1,030	1,310
	-----	-----
	8,995	12,107
Less: Provision for doubtful deposits	3,125	4,803
	-----	-----
	5,870	7,304
	-----	-----

21. OTHER RECEIVABLES

Due from associated undertakings	596	898
Custom duty refundable	406	2,595
Sales tax	34,014	75,660
Due from gratuity fund	-	1,334
Insurance claim receivable	13	1,379
Accrued return on deposits	3,370	11,079
Others	75	184
	-----	-----
	38,474	93,129
Less: Provision for doubtful receivables	728	2,917
	-----	-----
	37,746	90,212
	=====	=====

The maximum amount due from associated undertakings at the end of any month during the year was Rs. 0.66 million (1996: Rs. 1.0 million).

22. CASH AND BANK BALANCES

	1997	1996
	(Rupees '000)	
Balances with banks		
On deposit accounts	-	169,729
On current accounts	2,575	30,998
Cheques in hand	-	15
Cash in hand	139	117
	-----	-----
	2,714	200,859
	=====	=====

23. SALES

Gross sales	2,378,338	2,607,230
Less: Commission and discounts	18,456	9,397
	-----	-----
	2,359,882	2,597,833
	=====	=====

24. COST OF GOODS SOLD

	1997	1996
	(Rupees '000)	
Manufactured goods		
Raw materials consumed - note 24.1	2,134,498	1,846,786
Stores and spares consumed	3,285	5,011
Salaries, wages, allowances and staff welfare - note 24.2	93,679	81,572
Rent, rates and taxes	953	860
Insurance	2,361	1,982
Fuel and power	9,519	8,089

Repairs and maintenance	8,225	7,414
Printing and stationery	1,754	1,211
Travelling and entertainment	2,332	2,328
Technical assistance	737	2,010
Royalty	9,945	1,248
Depreciation	16,660	13,315
Fixed assets charged off	290	622
Research and development	561	11,007
Provision for slow moving stocks	-	4,249
Other expenses	10,945	6,450
Opening stock of work-in-process	14,819	12,903
Closing stock of work-in-process	(11,570)	(14,819)

Cost of goods manufactured	2,279,950	2,011,281
Opening stock of finished goods	182,207	245,843
Closing stock of finished goods	(245,843)	(256,220)

	2,000,904	2,216,314
Trading goods		
Opening stock	76,305	56,701
Purchases	100,924	90,424

	177,229	147,125
Closing stock	(67,259)	(76,305)

	109,970	70,820
Provision for slow moving spare parts	-	9,831

	109,970	80,651

	2,110,874	2,296,965
=====		

24.1 Raw materials consumed are stated net of proceeds from sale of packing materials
Rs. 6.25 million (1996: Rs. 6.1 million).

24.2 Salaries and wages include Rs. 3.36 million (1996: Rs. 2.64 million) in respect of staff retirement benefits.

25. ADMINISTRATION AND SELLING EXPENSES

	1997	1996
	(Rupees '000)	
Salaries, wages, allowances and staff welfare - note 25,1	42,687	34,275
Rent, rates and taxes	1,297	1,039
Insurance	2,424	1,884
Repairs and maintenance	3,966	3,711
Depreciation	10,599	9,692
Advertising and sales promotion	2,317	6,615
Travelling and entertainment	5,312	4,545
Legal and professional charges	691	2,414
Vehicle running expenses	4,693	3,612
Postage, telex and telephone	3,501	3,149
Printing, stationery and office supplies	2,564	1,924
Staff training	2,258	1,480
Auditors' remuneration - note 30	399	274
Subscription	1,706	185
Warranty service	1,590	1,741
Securities and maintenance	4,366	4,091
Provision for doubtful deposits written back	(1,678)	(911)
Provision for doubtful trade debts	2,069	1,125
Provision for doubtful trade debts written back	(363)	(89)
Fixed assets charged off	321	531
Others	3,437	4,784

	94,156	86,071
=====		

25.1 Salaries and wages include Rs. 2.16 million (1996: Rs. 1.56 million) in respect of staff retirement benefits.

26. OTHER INCOME

	1997	1996
	(Rupees '000)	
Return on deposits	2,282	15,157
Sale of scrap	1,788	11,152
Indenting and agency commission	2,428	1,732
Gain on disposal of fixed assets	2,429	8,152
Provision for other receivables written back	2,189	-

Provision for slow moving stocks written back	2,461	-
Exchange gain	1,397	-
Miscellaneous	3,362	750
	-----	-----
	18,336	36,943
	=====	=====

27. FINANCIAL CHARGES

	1997	1996
	(Rupees '000)	
Interest on short term loans	1,802	-
Mark-up on term finance	749	768
Mark-up on running finance	36,817	6,886
Mark-up on finance under trust receipts	4,946	1,789
Finance lease charges	255	1,387
Bank charges	3,471	1,840
Exchange risk fee	9,005	-
Excise duty	2,633	477
Interest on workers' profits participation fund	2,844	-
	-----	-----
	62,522	13,147
	=====	=====

28. OTHER CHARGES

Workers' profits participation fund	5,676	11,930
Workers' welfare fund	2,285	4,536
	-----	-----
	7,961	16,466
	=====	=====

29. TAXATION

Current		
- this year	40,000	51,000
- prior years	5,251	737
Deferred	544	(5,719)
	-----	-----
	45,795	46,018
	=====	=====

30. AUDITORS' REMUNERATION

Audit fee	250	200
Special reports and advisory services	84	25
Out of pocket expenses	33	30
Central excise duty	32	19
	-----	-----
	399	274
	=====	=====

31. REMUNERATION OF MANAGING DIRECTOR, DIRECTOR AND EXECUTIVES

	Managing Director		Director		Executives	
	1997	1996	1997	1996	1997	1996
	(Rupees '000)					
Managerial remuneration and allowances	1,533	1,035	276	97	26,843	11,904
Company's contribution to provident and gratuity funds	215	157	-	10	2,693	1,478
Rent and utilities	650	423	702	53	8,133	4,018
Leave passage	97	109	-	-	1,293	691
Medical expenses	671	278	2	7	2,797	1,187
Other expenses	34	34	-	6	82	47
	-----	-----	-----	-----	-----	-----
	3,200	2,036	980	173	41,841	19,325
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	88	47
	=====	=====	=====	=====	=====	=====

The Managing Director, Director and certain executives of the Company are provided with free use of Company cars.

32. PLANT CAPACITY AND PRODUCTION

The production capacity of the plant cannot be determined as this depends upon the relative proportion of various types of truck and bus chassis, bus bodies and components produced.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

1997	1996
------	------

(Rupees '000)

Aggregate amounts in respect of:

Goods sold to associated undertakings	55	-
Purchase of components	1,763	41,188
Royalty	10,062	6,767
	=====	=====

34. CASH (USED IN)/GENERATED FROM OPERATIONS

1997 1996
(Rupees '000)

Profit before taxation	102,705	222,127
Add/(Less): Adjustments for non cash charges and other items	-----	-----
Depreciation	27,259	23,007
Gain on disposal of fixed assets	(2,429)	(8,152)
Interest and mark-up on short-term loans and finance	44,314	9,443
Return on deposits	(2,282)	(15,157)
	-----	-----
	66,862	9,141

Profit before working capital changes 169,567 231,268

EFFECT ON CASH FLOW DUE TO

WORKING CAPITAL CHANGES

Decrease/(Increase) in current assets		
Stores and spares	1,501	208
Stock-in-trade	(422,918)	(204,568)
Trade debts	(8,325)	(32,464)
Loans and advances	812	(31,572)
Trade deposits and prepayments	1,434	(2,422)
Other receivables less accrued income on deposits	44,757	(47,751)
	-----	-----
	(382,739)	(318,569)

Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(442,071)	604,262
Workers' Profits Participation Fund	(6,254)	11,930
Workers' Welfare Fund	2,285	4,536
	-----	-----
	(828,779)	302,159

(659,212) 533,427
=====

35. CASH AND CASH EQUIVALENTS

Cash and bank balances	2,714	200,859
Running finance under mark-up arrangements	(490,986)	(6,861)
	-----	-----
	(488,272)	193,998
	=====	=====

36. CORRESPONDING FIGURES

Previous year's figures have been rearranged, wherever necessary, for the purposes of comparison.

PATTERN OF SHAREHOLDING AS AT 30th, J U N E 1997

Shareholding	Number of Shareholders	Total Shares Held	
1	- 100	26	81
101	- 500	920	130,200
501	- 1000	50	32,160
1001	- 5000	26	48,480
5001	- 10000	2	11,520
10001	- 15000	1	13,200
35001	- 40000	1	35,680
55001	- 60000	1	57,360
115001	- 120000	1	120,000
910001	- 915000	1	913,821
1240001	- 1245000	1	1,240,056
2480001	- 2485000	1	2,480,112
7315001	- 7320000	1	7,316,330
-----	-----	-----	
	1,032	12,400,560	
=====	=====	=====	

1997

Shareholders' Categories	Number of Shareholders	No. of Shares	Percentage
--------------------------	------------------------	---------------	------------

Individuals	1,020	213,921	1.73
Investment Companies	4	953,581	7.69
Insurance Companies	2	70,560	0.57
Joint Stock Companies	1	480	-
Foreign Investors	3	11,036,498	89.00
Financial Institutions	1	120,000	0.97
Modaraba	1	5,520	0.04
	-----	-----	-----
	1,032	12,400,560	100.00
	=====	=====	=====

HINOPAK MOTOR'S COUNTRYWIDE DEALERS NETWORK

Abbas Motors

220, Farozepur Road,
Lahore.
Ph: (042) 7570414

Karachi:
Ph: (021) 2578383-5

Peshawar:
Ph: (0521) 218896-7

Afridi Motors

Haji Building; Torkham Road,
Landi Kotal; Khyber Agency
Pashawar.

Ph: (0521) 253365

Afzal Motors

Plot No. 986, Street No. 6,
Block-C, Shershah Chowk,
S.I.T.E., Karachi.

Ph: (021) 2578383-6

Mardan:

Ph: (0531) 3200

Peshawar:
Ph: (0521) 218896-7

Al-Nasir Motors

1-A, Al-Hayat Auto Market
M.A. Jinnah Road, Karachi.
Ph: (021) 7720344-5

Faisalabad:
Ph: (0411) 712002-3, 719902

Azmat Motors

SC-43, Chandni Chowk, Stadium
Road, Karachi
Ph. (021) 4937733

Deluxe Corporation

Lambat Square, Magazine Line
Saddar, Karachi.

Ph: (021) 7727335, 7720019

Frontier Motors

7, Shopping Centre No. 2,
Shershah Chowk, S.I.T.E., Karachi.

Ph: (021) 2575281-5

D.I. Khan:
Ph: (0529) 710730

Hassan Motors

M.A. Jinnah Road, Quetta.
Ph: (081) 826193
Karachi.

Ph: (021) 2576527-9

Maqbool Motors

D-55-A, S.I.T.E., Karachi.

Ph: (021) 2573251-3, 2573262

Multan Autos

Abdali Road, Multan.
Ph: (061) 33347, 32925
Karachi:

Ph: (021) 4937733

New Crown Motors

Anam Tower, University Road,
Karachi.
Ph: (021) 4971166, 2439725-6
4972293

Polad & Co.

Polad Building, M.A. Jinnah Road
Karachi.

Ph: (021) 7720574, 7720532

Shawal Motors

Sahibjan Sarai, South Waziristan
Agency, Tank-29400,
D.I. Khan
Ph: (0529) 710730

Karachi:
Ph: (021) 2575281-4

Shinwari Motors

University Road, Peshawar.
Ph: (091) 41410
Karachi:

Ph: (0321) 330345

The Motor House Ltd.

1, Dyal Singh Mansion, The Mall,
Lahore.
Ph: (042) 7232491

Karachi:
Ph: (021) 5680771