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15



20
EXCELLENCE



25

CONTINUOUS DRIVE FOR



HINO

Annual Report 2011

05



1986
1990

Hinopak Motors Limited started its operations in 1986 under the terms of a joint venture agreement concluded amongst Pakistan Automobile Corporation Ltd., Al-Futtaim Industries (Pvt.) Ltd., Hino Motors Ltd. and Toyota Tsusho Corporation for assembly and progressive manufacturing of trucks and buses in Pakistan. In this phase a big breakthrough in Pakistan Automobile sector was the launch of Air-Conditioned Bus by the company. Further, installation of engine and axle assembly plants, establishment of in-house fabrication, introduction of Fibre Reinforced Plastic (FRP) technology, and enhanced paint facilities were also the major value addition for the company. Further, to meet the requirement of customized products, Engineering and Development division was also formed. In addition to trucks and buses, the company also assembled Pickups for Pak Suzuki Motor Company Ltd.



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10

1991
1995

The company continued to increase its market share by ensuring customer satisfaction. It achieved various landmarks mainly the export of 106 buses to U.A.E. and Somalia despite confronting severe competition with Indian, Korean, Chinese and Philippine suppliers. Reinforced and powerful version of Hino FF and FL trucks were also launched to cater the market requirements. In Pakistan, the company became the first to introduce "3-S" (Sales, Services and Spare Parts) concept in commercial vehicle segment through establishing dealership network country wide. Specialized vehicle line was also established at Body Operation Plant with improved productivity.



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.

1996
2000

This era marked a turning point in the history of company. In 1998, Hino Motors Ltd. and Toyota Tsusho Corporation acquired major shareholding in the company. New management revamped its business strategy based on the extensive research of local as well as international markets. It established its own laboratory for the calibration of in-house equipments as well as tools for quality audit at every stage of production. Product Support Centre was established with the aim of providing after sales services. The Company launched new super flyer series of trucks, AK series of buses, FB2W and Metro Liner air-conditioned coach. Hinopak became the only automotive company in Pakistan and the first Hino affiliate worldwide to receive the ISO 9001 certificate for implementing and maintaining a company-wide quality management system.



15



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.



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.



2001
2005

The company became the market leader enjoying 60% market share in commercial vehicle segment. In this phase, the company succeeded to export 110 buses to Afghanistan. It also setup production line to provide Hilux deck and frames to Indus Motor Company Ltd. In line with the policy of providing the customers with superior products, the company introduced 500 series trucks complying with global emission standards. Moreover, the Company also introduced Pakistan's first locally assembled CNG bus. Dealership network was also expanded to provide better after sales services to the customers. For improving and advancement of the quality management standards, the Company was awarded ISO 14001 certificate.





25



25th Anniversary

1986 ~ 2011

HINO PAK MOTORS LIMITED



2006
2010

The company achieved the milestone of completing 25 years of its progressive existence and market leadership in the commercial vehicle segment. After extensive research and refurbishment with an active support from Hino Motors Ltd., the company once again started export of trucks and buses to Middle Eastern and African countries. New models were launched namely FG1J & FM1J prime movers and HI power Dutro Super in a mega launch inaugurated by the Prime Minister of Pakistan. The company also added a new feather in its cap by successfully assembling and delivering environmental friendly CNG buses to City District Government Karachi in a record short span of time. A new model namely Dutro Junior has recently been launched in the Light Commercial Vehicle segment for the intra-city operations.

> Company Information

BANKERS

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

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISOR

Sayeed & Sayeed

REGISTERED OFFICE

D-2, S.I.T.E., Manghopir Road
P.O. Box No. 10714
Karachi-75700, Pakistan
Tel: 111-25-25-25
Fax: 021-32563028
Website: www.hinopak.com
Email: info@hinopak.com

SHARE REGISTRAR

Technology Trade (Pvt.) Limited
Dagja 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: 042-37512003-6
Fax: 042-37512005
Email: hino-lahore@hinopak.com

Sadiqabad

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

Islamabad

1-D, Unit 14
Rehmat Plaza, 2nd Floor
Blue Area, Islamabad
Tel: 051-2276234
Fax: 051-2272268
Email: 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

Peshawar

Hino Peshawar
Ring Road, Near Kohat Road Bridge
Peshawar
Tel: 091-2586004
Fax: 091-2586005
Email: 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

Quetta

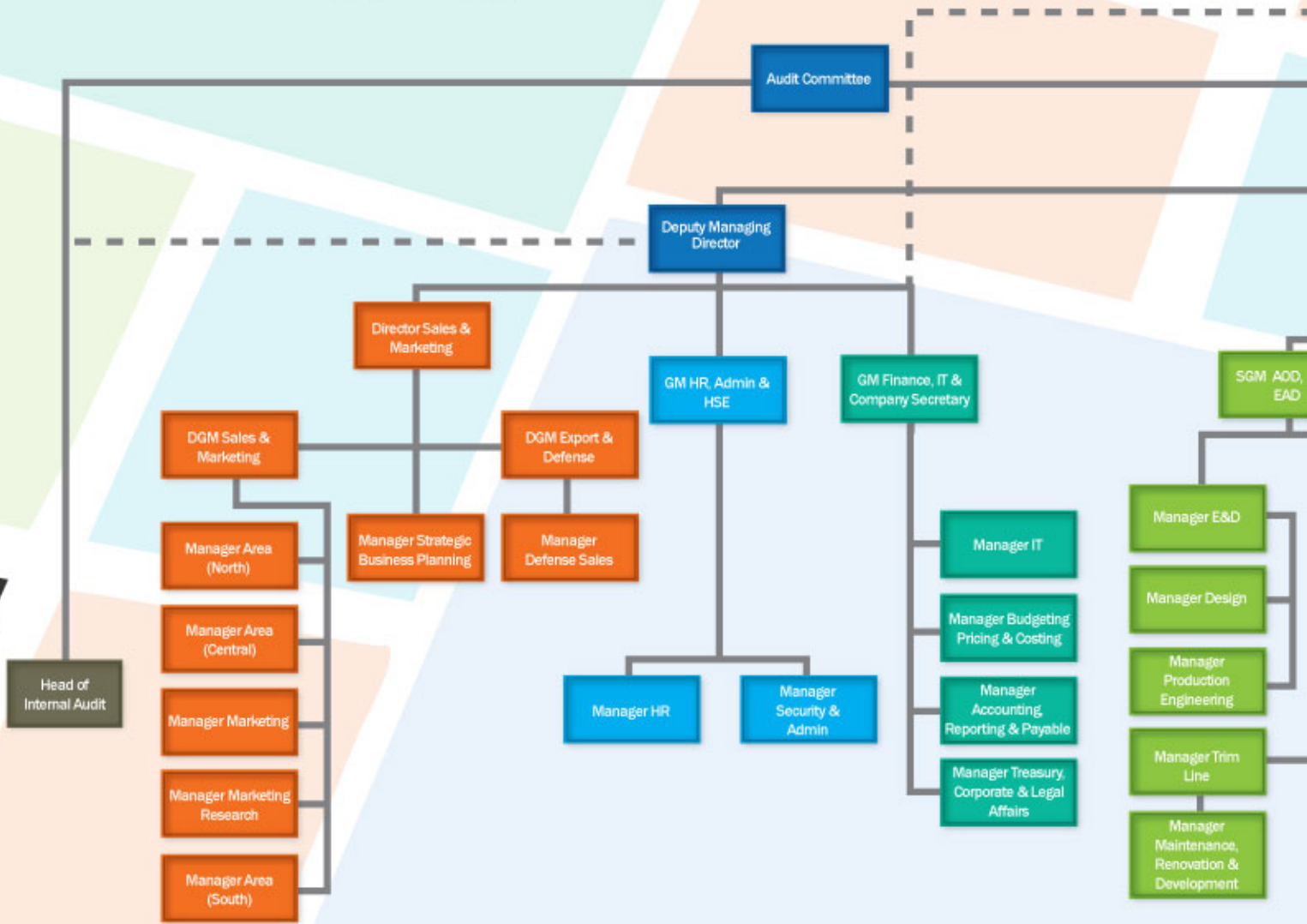
Room No. 3
Kasi Plaza No. 1, Zarghoon Road
Quetta
Tel: 081-2452598
Fax: 081-2451217
Email: hino-quetta@hinopak.com

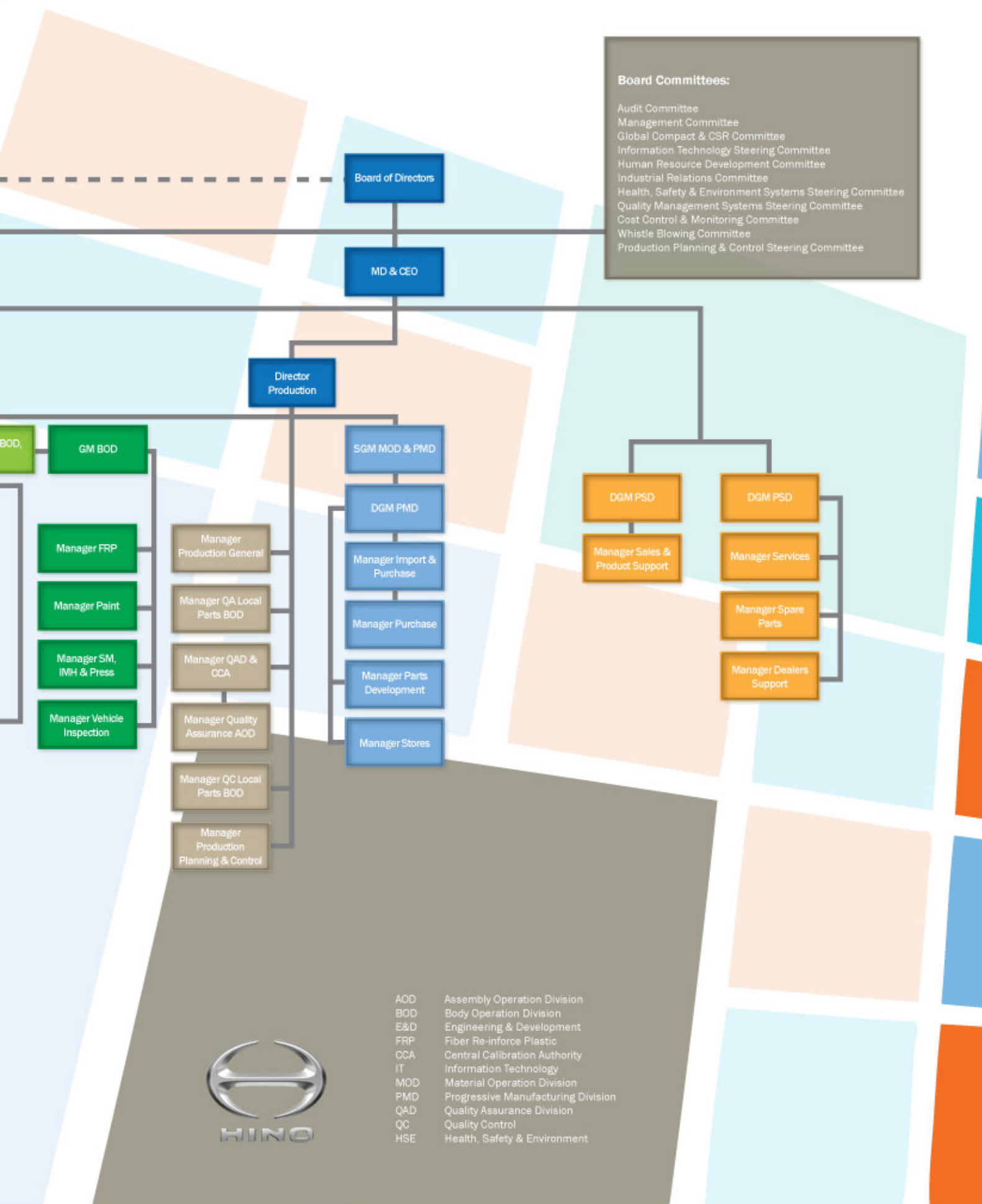


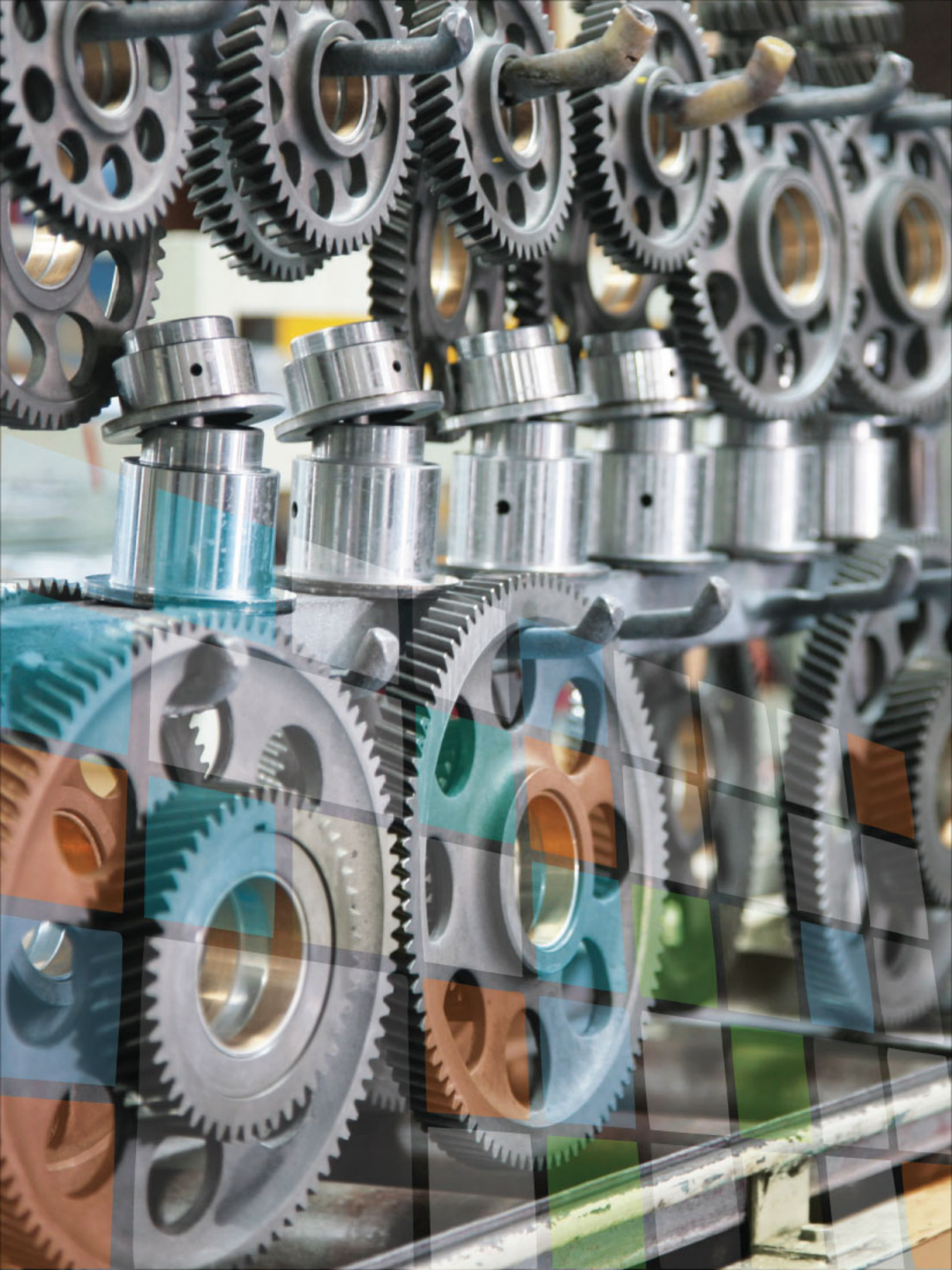
Our Organogram



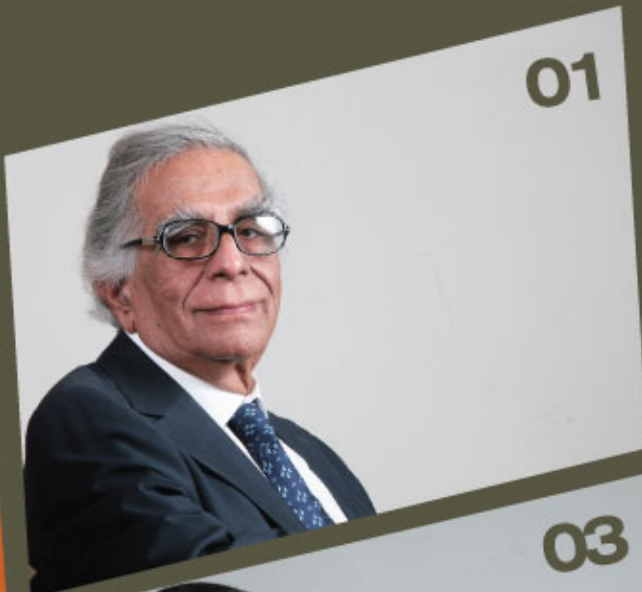
Our Organogram







Board of Directors



01

KUNWAR IDRIS
Chairman
Non - Executive Director

01

Mr. Kunwar Idris is the Chairman of the Board of Directors of the Company. He is also Director/Chairman of Orix Leasing, 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 & Natural Resources.



02

HIDEYA IJIMA
Managing Director & CEO

02

Mr. Hideya Iijima is the Managing Director and Chief Executive Officer of the Company. He has been associated with the Company since 2007. Whereas he joined Hino Motors Ltd. (HML), Japan in 1976. He has served HINO group in different countries and has held numerous roles.



04

TSUTOMU MORI
Deputy Managing Director

03

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 (TTC). He has served the Toyota group in different countries and held numerous roles. He has a vast experience in overseas automotive sales & marketing.

HIROFUMI WACHI
Director Production

04

Mr. Hirofumi Wachi was appointed in 2009 as Director Production, Technical & Quality Assurance Division of the Company. He joined Hino Motors Ltd., Japan in 1983. He has a rich experience in production, production techniques and production investigation activities. He has served HINO group in different countries including Indonesia, Thailand and China in different capacities.



05

HIROSHI KOKAJI
Non - Executive Director

05

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. He is also on the Board of Takebe Tekkosho Co. Ltd., Japan.



06

KOJI TSUBOUCHI
Non - Executive Director

07

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 (TTC) in 1981. Presently he is also working in TTC as General Manager Hino & Subaru Automotive Department.



07

HARUO KOMATSU
Non - Executive Director

06

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 General Manager of Middle East, Euro & Africa Division. He has a vast experience of overseas business in Parts & Services as well as Sales & Marketing.



08

FAHIM AIJAZ SABZWARI
General Manager Finance & IT
and Company Secretary

08

Mr. Fahim Ajjaz 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.



01



02



03



Our Functional Heads

TAKESHI NISHIO
Executive Director Sales
and Marketing

01

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 M. KHAN
Senior General Manager
Production AOD, BOD & E&D

02

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

03

Mr. Naushad Riaz is the Senior General Manager, heading Material Operations and Progressive Manufacturing Divisions. Mr. 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 Vice Chairman of PAMA (Pakistan Automotive Manufacturers Association) and also the director of AT&TC. (Automotive Testing & Training Centre (Pvt.) Ltd.)



FAHIM AIJAZ SABZWARI
General Manager Finance & IT
and Company Secretary

04

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.

MUHAMMAD AKRAM
General Manager HR, Administration
& HSE

05

Mr. Muhammad Akram is the General Manager Human Resource, Administration & Health Safety Environment. 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

06

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 Committees

Audit Committee

Kunwar Idris - Chairman
(Non - Executive Director)

Hiroshi Kokaji
(Non - Executive Director)

Koji Tsubouchi
(Non - Executive Director)

Gul Abbas (Secretary)

Management Committee

Hideya Iijima - Chairman

Tsutomu Mori
Hirofumi Wachi
Takeshi Nishio
Muhammad Owais M. Khan
Naushad Riaz
Fahim Aljaz Sabzwari
Nishat Zafar
Shahab Anwar
Ahmed Rauf
Syed Zafar Ali
Yasushi Nakamura
Yukinori Uchida
Mehmood A Khan
Syed Samad Siraj
Muhammad Akram (Secretary)

Global Compact & CSR Committee

Hideya Iijima - Chairman

Tsutomu Mori
Hirofumi Wachi
Muhammad Owais M. Khan
Naushad Riaz
Fahim Aljaz Sabzwari
Muhammad Akram
Yasushi Nakamura
Maria Azhar (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.

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.

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.

Information Technology Steering Committee

Fahim Aljaz Sabzwari - Chairman

Naushad Riaz
Shahab Anwar
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

Hideya Iijima - Chairman

Tsutomu Mori
Fahim Aljaz 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
Khaliluddin (Secretary)

Terms of Reference

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

Board Committees

Health, Safety & Environment Systems Steering Committee

Hirofumi Wachi - Chairman

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

Quality Management Systems Steering Committee (ISO 9000 : 2000)

Hirofumi Wachi - Chairman

Hideya Iijima
Tsutomu Mori
Muhammad Owais M. Khan
Naushad Riaz
Fahim Aijaz Sabzwari
Muhammad Akram
Shahab Anwar
Secretariat Members
Syed Samad Siraj (Secretary)

Cost Control and Monitoring Committee

Tsutomu Mori - Chairman

Muhammad Owais M. Khan
Naushad Riaz
Fahim Aijaz Sabzwari
Muhammad Akram
Shahab Anwar
Syed Zafar Ali
Abdul Basit (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.

Terms of Reference

- a. Establishing, implementing and maintaining Environmental Management System and QMS against ISO 9001:2008 and ISO 14001:2004 Standard 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.

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

Hideya Iijima - Chairman

Tsutomu Mori
Fahim Aijaz Sabzwari
Muhammad Akram
Gul Abbas (Secretary)

Production Planning & Control Steering Committee

Hirofumi Wachi - Chairman

Muhammad Owais M. Khan -
Vice Chairman
Hideya Iijima
Tsutomu Mori
Takeshi Nishio
Fahim Aijaz Sabzwari
Muhammad Akram
Shahab Anwar
Ahmed Rauf
Hassan Salman (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 & 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.

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



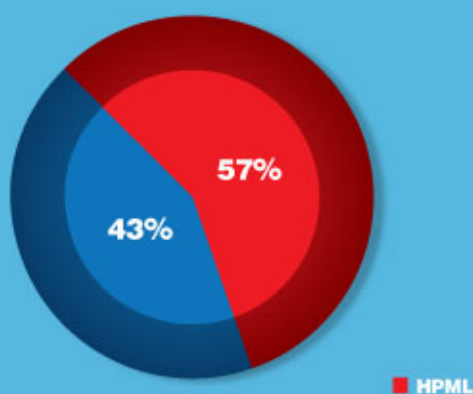
On behalf of the Board of Directors, I welcome you to the 26th Annual General Meeting of Hinopak Motors and hereby share with you the improved results of the Company for the year ended March 31, 2011. I would also be speculating a bit about the prospects ahead.

The rising values of the foreign currencies, falling value of our rupee and slowing economic growth, power-cuts and double-digit inflation compounded by natural calamities and man-made commotions continue to haunt Pakistan's business and industry. Trucks and buses suffer the consequences of it all more than other sectors and commodities.

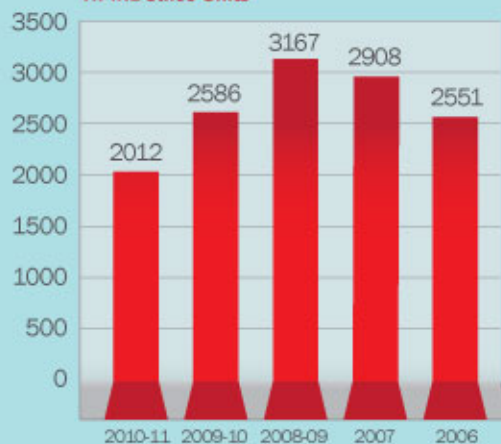
National Sales

The sale of trucks and buses both has fallen nationally as will be seen from the table of figures for the automotive sector for the last six years - last two years from April to March and before that four calendar years. The sale figures are the lowest in the year under review:

HPML Market Share 2010-11



HPML Sales Units



Sales - Units						
Segment	Apr 10-Mar 11	Apr 09-Mar 10	2008	2007	2006	2005
Car	135,278	108,142	127,863	177,306	160,256	141,326
Truck	3,002	3,613	4,736	4,098	4,558	3,887
Bus	536	738	922	1,078	928	1,375
L.C.V. (Jeep, Van, Pick-up)	19,485	15,993	23,661	23,476	33,936	29,187
Farm Tractor	70,591	70,688	54,573	54,322	49,643	46,733
Motor Cycle	805,152	665,131	580,604	540,385	483,382	481,980
Total	1,034,044	864,305	792,359	800,665	732,703	704,488

(The above figures are only for the member companies of the Pakistan Automotive Manufacturers Association)



HINOPAK BUSINESS

Sales

In a discouraging business environment, Hinopak managed to retain its position as market leader in commercial vehicles with a share at 56.87%.

The sales revenue for the year was Rs. 9,282 million (Rs. 11,128 million in 2009-10).

Export

During the year the company exported 35 units of buses to the Middle Eastern and African countries.

Gross Profit

The gross margins increased to Rs. 737 million from Rs. 389 million in the previous year.

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

Product Line	Gross Profit		
	2010 - 11	2009 - 10	Increase / (Decrease)
	Rs. in million		
Chassis	740	136	604
Bus & Truck Bodies	(29)	96	(125)
Other Business (Export, Contract Assembly and Spare Parts)	26	157	(131)
Total Gross Profit	737	389	348

As the rising input costs could not be passed on to the consumers in full, overheads were cut extensively to secure better profitability.

Distribution and Administrative Expenses

The distribution and administrative expenses at Rs. 447 million were marginally lower than last year.

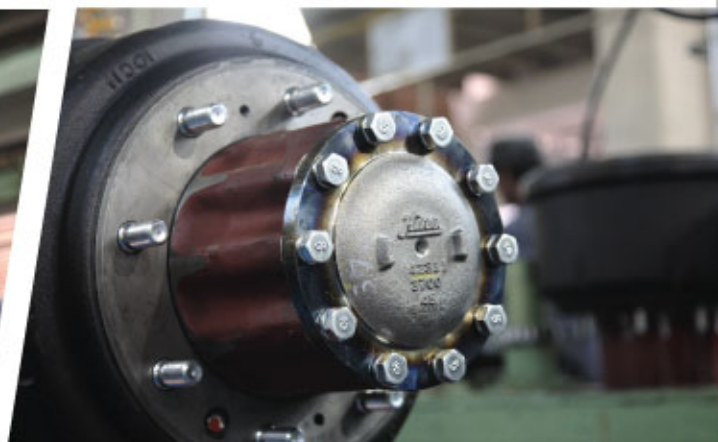
Finance Cost

The exchange loss increased to Rs. 178 million from Rs. 88 million last year chiefly due to the appreciation of Japanese Yen against US dollar. The financial cost also increased by Rs. 68 million.

Profit before Tax

Despite the odds briefly recounted above, the Company managed to earn a profit of Rs. 40 million before tax compared to a loss of Rs. 130 million in 2009-10.

This profit however has become a loss of Rs. 30 million after the payment of one percent turn-over tax. It is, indeed, a penal tax for a Company that has been paying large amounts of income tax in the years of profit - the highest paid was Rs. 315 million in the year 2007. The share-holders who could have earned some dividend this year, instead, would be bearing the brunt of interest on the borrowing from the banks to pay this tax. The representations against the imposition of the tax however have gone unheard.



Capital Expenditure

The total capital expenditure was Rs. 151 million incurred mostly on the expansion of Body Building Plant, Paint Shop and Body Trimming Area which increased the capacity of Allied Shops and improved the work environment and safety. New presses, machines and other facilities were installed to enhance production in various sections of the Body Operation Plant.

Cash Flow

By efficient inventory management, the Company generated a cash of Rs. 307 million from operating activities and invested Rs. 151 million in capital goods. The increase in cash and cash equivalent was Rs. 198 million.

Dividend

Because of the loss caused by the payment of turn-over tax, the Directors have decided to pay no dividend.

Production

The number of chassis produced was 2,103 compared to 3,370 in the preceding year. In addition 2,738 IMV (Hilux) frames were produced for Indus Motor Company. The plant productivity improved by 6%.

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 499 bodies of different and specialised varieties. This number last year, at 1,173, was much larger because of institutional orders. The plant is equipped to produce flatbed vehicles, dozer carriers, recovery vehicles, troop carriers, ambulances and mobile workshops. Thirty-four bus bodies conforming to international standards of comfort and safety were developed for export. The productivity of the plant has been constantly improving as waste is reduced and advanced manufacturing processes are introduced by improved skills at all levels.

Business Process Improvement and Product Development

During the year, the Company started several programmes to meet the exigencies arising from product rationalization, productivity improvement and corporate restructuring.

The Management offered a Voluntary Severance Scheme (VSS) to its employees to reduce the workforce necessitated by falling volumes. In doing that the best industry practices were followed and interest of the outgoing employees was fully safeguarded.

The Oracle footprint can now be seen in all departments of the Company. The local development of parts to reduce the cost of production continued, though at a slow pace because of technology and cost considerations.

During the year the Company launched Dutro Junior truck and 32 seater GB-bus.



Corporate Social Responsibility

The CSR and Global Compact Committee oversees the whole range of environmental, philanthropy, health and safety issues. A full report on the CSR activities has been published. The employees on their own initiative and encouraged by the policy of the Company contributed voluntarily to social and welfare programmes.

The Company remained involved in relief and rehabilitation works for the flood victims.

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

Contribution to National Exchequer

Through its own manufacture and localization of parts by vendors, the Company saved almost two billion rupees in foreign exchange and paid around Rs. 800 million in taxes, duties and cesses.

Human Resource Development

Despite financial constraints, training and skill development of the employees and the organization was not neglected. The focus remained on function-specific theoretical training covering areas like Supply Chain Management, Production Management, Sales & Marketing and Human Resource leading to 14.9% improvement over the target - from 23,000 hours to 26,444 hours.

Future Outlook

Besides a stagnating market and diminishing value of the rupee, rising interest rates, long and frequent power-cuts combined with the high rates proposed in the impending RGST constitute a bigger threat to the automotive sector than other businesses. The volumes and profitability both may fall steeply.

The prospects for the Company to return to its once highly profitable operations rest on the implementation of the government's long-delayed policies on truck modernization and improvement in urban transport by introducing the fleet concept instead of individual ownership of old and small buses.

The transport business does not attract investment because of high operating costs, uneconomical passenger fares and falling volumes of cargo. Only a strict enforcement of highway regulations on cargo loads and subsidy to city bus operators would lead to the progressive replacement of old and polluting vehicles with new ones that are economical to operate and safe for the travelling public.



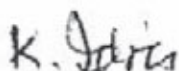
Vote of Thanks

I must take this opportunity to thank the management and workers for maintaining the Company's market leadership in a most trying situation by increasing productivity and reducing costs.

I must also thank the vendors for maintaining steady supplies and the dealers for their exertions in promoting sales in a shrinking but competitive market where prices are always rising but bank loans are hard to come by for the transporters.

The Company owes its success in a large measure to the technical and administrative support coming from our principals - Hino Motors and TTC of Japan. My thanks are due to both.

I have also to thank the Government and many other public and private organizations for their support and patronage.



KUNWAR IDRIS
Chairman

May 16, 2011



OUR VALUES AND PRACTICES

H

Honesty at all cost and in all spheres of business



I

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

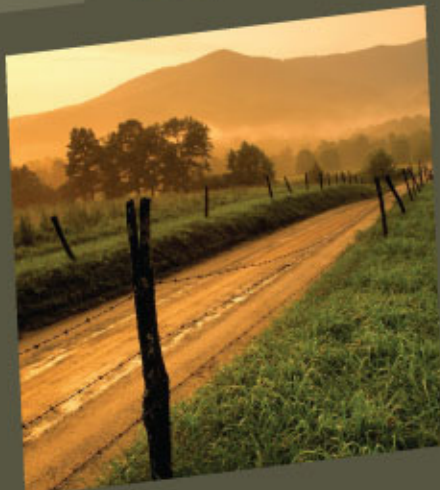
N

Non bureaucratic pragmatic in systems & processes



O

Openness to customers, markets & criticism





P

Purpose oriented -
always keeping the
end in mind



A

Altruism - fostering
relationship
with society &
environment



K

Kaizen -
continuous
improvement

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, 2011.

The **Board of Directors** of the Company as at March 31, 2011 consists of:

Mr. Kunwar Idris
 Mr. Hideya Iijima
 Mr. Takeshi Ito *
 Mr. Hirofumi Wachi
 Mr. Hiroshi Kokaji
 Mr. Haruo Komatsu
 Mr. Koji Tsubouchi

* Effective April 1, 2011, Mr. Tsutomu Mori has been appointed as Director in place of Mr. Takeshi Ito

Appropriation of Profit

Following are the details of appropriations:

	2010 - 11	2009 - 10
	Rupees in '000	
Profit / (Loss) before taxation	40,485	(130,419)
Taxation	(70,625)	(17,650)
Loss after taxation	(30,140)	(148,069)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	5,647	5,694
Unappropriated profit brought forward	1,088,973	1,253,049
Profit available for appropriation	1,064,480	1,110,674
Final cash dividend paid for the 15 months ended March 31, 2009: Rs. 1.75 per share	-	(21,701)
Unappropriated profit brought forward	1,064,480	1,088,973

For the year ended March 31, 2011, the Board in its meeting held on May 16, 2011 has proposed not to declare final cash dividend because of the net loss of Rs. 30 million.



Basic and Diluted Loss Per Share

The basic and diluted loss per share for the year is Rs. 2.43. (2010: Rs. 11.94).

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, 2012.

Pattern of Shareholding

The pattern of shareholding as at March 31, 2011 and additional information thereabout required under Code of Corporate Governance are disclosed on page 102 and page 103 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 XIX 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, 2011 were as follows:

	Rupees in '000
Hinopak Motors Limited Employees' Provident Fund	97,152
Hinopak Motors Limited Employees' Gratuity Fund	44,994
Hinopak Motors Limited Employees' Pension Fund	56,430

Audit of these Retirement Benefit Funds is in process.



- 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. Takeshi Ito	4
Mr. Hirofumi Wachi	3
Mr. Hiroshi Kokaji	-
Mr. Haruo Komatsu	-
Mr. Koji Tsubouchi	-
Mr. Katsuhiko Nagai (Alternate Director)	1

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, 2011.

Chairman's Review

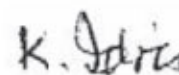
The accompanied Chairman's Review covers the performance, significant deviations from last year in operating results, significant plans and decisions and future outlook. The Board endorses the contents of the review.



HIDEYA IJIMA
Managing Director & CEO

May 16, 2011

By order of the Board



KUNWAR IDRIS
Chairman

Financial Highlights

	2005	2006	2007	2008-09	2009-10	2010-11
Profit & Loss Account (Rs. in Million)						
Sales - Net	6,367.61	6,392.28	7,826.78	12,151.02	11,127.55	9,281.82
Gross Profit	661.51	834.58	1,387.64	1,279.14	389.48	737.29
Operating Profit	435.06	560.18	967.78	794.35	15.29	342.36
Profit / (Loss) before Tax	381.58	511.76	904.61	115.83	(130.42)	40.49
Taxation	138.62	187.88	314.56	45.91	17.65	70.63
Profit / (Loss) after Tax	242.96	323.88	590.05	69.92	(148.07)	(30.14)
Transfer from surplus on revaluation of fixed assets	5.86	5.86	5.86	7.19	5.69	5.65
Dividend	105.41	74.40	130.21	297.61	21.70	-
Unappropriated Profit carried forward	752.51	1,007.85	1,473.55	1,253.05	1,088.97	1,064.48
Balance Sheet (Rs. in Million)						
Net Assets						
Fixed Assets	833.68	865.24	890.31	954.03	921.28	1,790.29
Other Long Term Assets	12.71	15.05	13.12	23.59	28.48	9.79
Current Assets	2,320.62	3,259.54	4,008.10	4,029.42	4,793.61	2,752.86
Less : Current Liabilities	1,639.45	2,342.08	2,672.70	3,017.06	3,885.81	1,903.96
Total Net Assets	1,527.56	1,797.75	2,238.83	1,989.99	1,857.56	2,648.98
Financed By:						
Issued, Subscribed & Paid up Capital	124.01	124.01	124.01	124.01	124.01	124.01
Reserves / Accumulated Profit	1,043.51	1,298.84	1,764.55	1,544.05	1,379.97	1,355.48
Long Term / Deferred tax Liabilities	63.64	84.36	65.59	44.44	81.79	120.48
Surplus on Revaluation of Fixed Assets	296.40	290.54	284.68	277.49	271.80	1049.01
Total Funds Invested	1,527.56	1,797.75	2,238.83	1,989.99	1,857.56	2,648.98
Cash Flow (Rs. in Million)						
Cash flows from / (used in) operating activities	(425.98)	257.36	541.70	(950.34)	936.20	307.04
Cash flows used in investing activities	(204.97)	(109.99)	(106.84)	(189.41)	(60.10)	(108.98)
Cash flows used in financing activities	(108.47)	(77.54)	(134.94)	(301.34)	(21.69)	(0.01)
Turnover (Rs. in Million)						
Hino Chassis	5,359.53	5,577.64	5,943.60	9,205.34	9,226.12	8,125.22
Bus & Other Bodies	633.74	580.24	1,023.70	1,435.77	804.35	491.85
Spare Parts	51.79	89.05	120.88	252.95	177.76	211.27
Others	322.54	145.35	738.60	1,256.96	919.32	453.48
Total	6,367.61	6,392.28	7,826.78	12,151.02	11,127.55	9,281.82
Production (Units)						
Hino Chassis	2286	2614	2953	3571	2577	1981
Bus & Other Bodies	739	938	1747	2258	1173	499
Hilux Frame	3290	970	809	2409	2130	2738
Hilux Deck	3375	946	-	-	-	-

	2005	2006	2007	2008-09	2009-10	2010-11
Sales (Units)						
Hino Chassis	2352	2551	2908	3705	2586	2012
Bus & Other Bodies	918	789	1697	2373	1140	525
Hilux Frame	3290	970	775	2400	2020	2752
Hilux Deck	3375	962	-	-	-	-
No. of Employees	268	287	313	344	394	290
Investor Information						
Financial Ratios						
Gross Profit ratio	10.39%	13.06%	17.73%	10.53%	3.50%	7.94%
Net profit margin	3.82%	5.07%	7.54%	0.58%	(1.33%)	(0.32%)
Return on assets (after tax)	7.70%	7.80%	12.00%	1.40%	(2.58%)	(0.66%)
Return on equity (after tax)	20.81%	22.76%	31.24%	4.19%	(9.85%)	(2.04%)
Debt equity ratio*	0.05	0.05	0.03	0.02	0.05	0.05
Current Ratio	1.42	1.39	1.50	1.34	1.23	1.45
Quick Ratio	0.31	0.36	0.54	0.53	0.47	0.55
Interest cover ratio	67.64	148.59	41.87	7.78	(1.71)	1.35
Dividend payout ratio	30.60%	40.20%	50.44%	31.04%	-	-
Dividend yield ratio	4%	7%	4%	1%	-	-
Dividend cover ratio	327%	249%	198%	322%	-	-
Other Ratios						
Price earning ratio	8.58	5.90	12.57	50.13	(14.75)	(45.34)
Earning before interest, taxes, depreciation and amortization (EBITDA)	492.47	638.77	1,050.73	918.61	115.22	441.32
EBITDA Margin to sales	7.73%	9.99%	13.42%	7.56%	1.04%	4.75%
Total assets turnover ratio	2.01	1.54	1.59	2.43	1.94	2.04
Fixed assets turnover ratio	7.64	7.39	8.79	12.74	12.08	5.18
Return on capital employed	15.90%	18.02%	26.36%	3.51%	(7.97%)	(1.14%)
Inventory turnover ratio	3.19	2.66	2.62	4.42	4.02	3.69
Number of days inventory	114	137	139	103	91	99
Debtors turnover ratio	22.25	15.47	11.86	12.45	10.90	13.37
Number of days debtors	16	24	31	37	33	27
Creditors turnover ratio	3.51	3.42	2.94	5.37	4.29	3.43
Number of days creditors	104	107	124	85	85	106
Operating cycle (days)	27	54	46	55	39	20
Per Share Amounts (in Rupees)						
Cash dividend	6.00	10.50	24.00	1.75	-	-
Breakup value with surplus on revaluation of fixed assets	118.06	138.17	175.25	156.89	143.20	203.90
Breakup value without surplus on revaluation of fixed assets	94.15	114.74	152.30	134.51	121.28	119.30
Earning / (Loss) per share	19.59	26.12	47.58	5.64	(11.94)	(2.43)
Share Price (High)	175.00	241.75	624.00	640.00	284.96	177.54
Share Price (Low)	102.00	120.10	152.90	282.65	148.00	102.00
Share Price (Closing)	168.00	154.00	598.00	282.65	176.10	110.20
One US\$ = Rupee as at period end	59.93	60.98	61.55	80.40	84.20	85.25
One JPY = Rupee as at period end	0.5092	0.5122	0.5497	0.8169	0.9015	1.0306

*Debit Equity Ratio take into consideration the surplus on revaluation of land and building

Vertical Analysis

Operating Results

	2010-11		2009-10		2008-09	
	(Rs. in million)	%	(Rs. in million)	%	(Rs. in million)	%
Sales - net	9,281.82	100.00	11,127.55	100.00	12,151.02	100.00
Cost of sales	8,544.53	92.06	10,738.07	96.50	10,871.89	89.47
Gross profit	737.29	7.94	389.48	3.50	1,279.13	10.53
Distribution expenses	279.32	3.01	288.91	2.60	427.67	3.52
Administration expenses	168.30	1.81	161.20	1.45	206.77	1.70
Other operating expenses	3.82	0.04	1.02	0.01	19.95	0.16
Other operating income	56.51	0.61	76.94	0.69	169.61	1.40
Profit from operations	342.36	3.69	15.29	0.14	794.35	6.54
Finance cost	301.87	3.25	145.71	1.31	678.53	5.58
Profit / (Loss) before taxation	40.49	0.44	(130.42)	(1.17)	115.83	0.95
Taxation	70.63	0.76	17.65	0.16	45.91	0.38
(Loss) / Profit after taxation	(30.14)	(0.32)	(148.07)	(1.33)	69.92	0.58

Balance Sheet

Property, plant and equipment	1,788.26	39.28	918.59	15.99	948.54	18.94
Other non current assets	2.04	0.04	2.69	0.05	10.53	0.21
Long-term deposits	5.88	0.13	3.99	0.07	5.48	0.11
Long-term loans and advances	3.91	0.09	11.75	0.21	13.09	0.26
Deferred taxation	-	-	12.74	0.22	-	-
Current assets (excluding investments)	2,752.86	60.46	4,793.61	83.46	4,029.42	80.47
Total assets	4,552.95	100.00	5,743.37	100.00	5,007.05	100.00
Shareholders' equity	1,479.49	32.50	1,503.98	26.20	1,668.06	33.32
Long-term security deposits	-	-	32.00	0.56	32.00	0.64
Liability against assets subject to finance lease	-	-	-	-	-	-
Deferred taxation	47.37	1.04	-	-	11.50	0.23
Other non current liabilities	73.11	1.60	49.79	0.86	0.95	0.02
Surplus on revaluation of fixed assets	1,049.01	23.04	271.80	4.73	277.49	5.54
Short term debt (including current maturity of long term debt)	296.31	6.51	501.93	8.74	1,400.49	27.97
Other current liabilities (trade, interest and tax)	1,607.66	35.31	3,383.88	58.91	1,616.57	32.29
Total equity and liabilities	4,552.95	100.00	5,743.37	100.00	5,007.05	100.00

Cash Flows

Cash flows from / (used in) operating activities	307.04	155.03	936.20	109.57	(950.34)	65.95
Cash flows used in investing activities	(108.98)	(55.03)	(60.10)	(7.03)	(189.41)	13.14
Cash flows (used in) / from financing activities	(0.01)	-	(21.69)	(2.54)	(301.34)	20.91
Net (decrease) / increase in cash and cash equivalents	198.05	100.00	854.41	100.00	(1,441.09)	100.00

Horizontal Analysis

Operating Results

	2010-11 (Rs. in million)	Variance vs Last Year Increase / (Decrease) %	2009-10 (Rs. in million)	Variance vs Last Year Increase / (Decrease) %	2008-09 (Rs. in million)	Variance vs Last Year Increase / (Decrease) %
Sales - net	9,281.82	(16.59)	11,127.55	(8.42)	12,151.02	55.25
Cost of sales	8,544.53	(20.43)	10,738.07	(1.23)	10,871.89	68.84
Gross profit	737.29	89.30	389.48	(69.55)	1,279.13	(7.82)
Distribution expenses	279.32	(3.32)	288.91	(32.45)	427.67	59.00
Administration expenses	168.30	4.40	161.20	(22.04)	206.77	47.28
Other operating expenses	3.82	274.51	1.02	(94.87)	19.95	(70.70)
Other operating income	56.51	(26.55)	76.94	(54.64)	169.61	194.41
Profit from operations	342.36	2139.11	15.29	(98.08)	794.35	(17.92)
Finance cost	301.87	107.17	145.71	(78.53)	678.53	974.13
Profit / (Loss) before taxation	40.49	131.04	(130.42)	(212.60)	115.83	(87.20)
Taxation	70.63	300.17	17.65	(61.55)	45.91	(85.41)
(Loss) / Profit after taxation	(30.14)	79.64	(148.07)	(311.76)	69.92	(88.15)

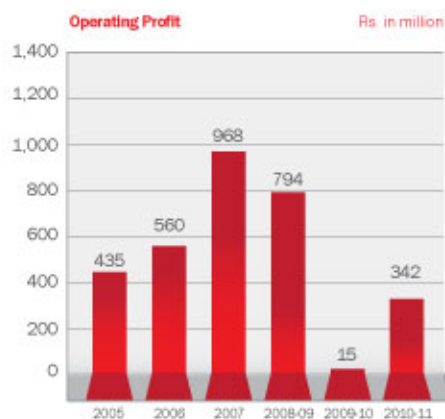
Balance Sheet

Property, plant and equipment	1,788.26	94.67	918.59	(3.16)	948.54	6.92
Other non current assets	2.04	(24.16)	2.69	(74.46)	10.53	229.06
Long-term deposits	5.88	47.37	3.99	(27.21)	5.48	(8.67)
Long-term loans and advances	3.91	(66.72)	11.75	(10.23)	13.09	83.85
Deferred taxation	-	(100.00)	12.74	100.00	-	-
Current assets (excluding investments)	2,752.86	(42.57)	4,793.61	18.97	4,029.42	0.53
Total assets	4,552.95	(20.73)	5,743.37	14.71	5,007.05	1.94
Shareholders' equity	1,479.49	(1.63)	1,503.98	(9.84)	1,668.06	(11.68)
Long-term security deposits	-	(100.00)	32.00	-	32.00	-
Liability against assets subject to finance lease	-	-	-	-	-	-
Deferred taxation	47.37	100.00	-	(100.00)	11.50	(65.76)
Other non current liabilities	73.11	46.84	49.79	5141.05	0.95	100.00
Surplus on revaluation of fixed assets	1,049.01	285.96	271.80	(2.05)	277.49	(2.53)
Short term debt (including current maturity of long term debt)	296.31	(40.97)	501.93	(64.16)	1,400.49	1172.25
Other current liabilities (trade, interest and tax)	1,607.66	(52.49)	3,383.88	109.33	1,616.57	(36.92)
Total equity and liabilities	4,552.95	(20.73)	5,743.37	14.71	5,007.05	1.94

Cash Flows

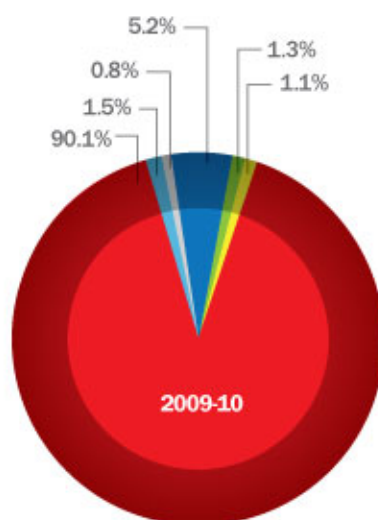
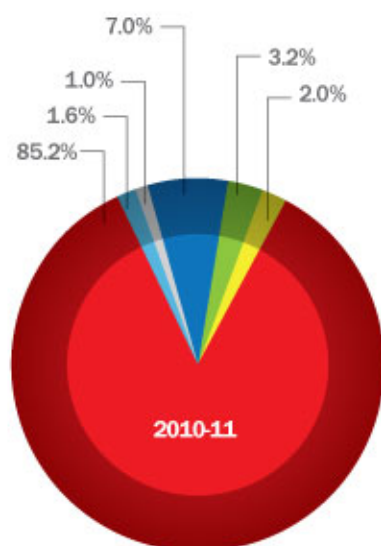
Cash flows from / (used in) operating activities	307.04	(67.20)	936.20	198.51	(950.34)	(275.44)
Cash flows used in investing activities	(108.98)	(81.33)	(60.10)	68.27	(189.41)	(77.28)
Cash flows (used in) / from financing activities	(0.01)	99.95	(21.69)	92.80	(301.34)	(123.31)
Net (decrease) / increase in cash and cash equivalents	198.05	(76.82)	854.41	159.29	(1,441.09)	(580.49)

Financial Highlights Contd...



Statement of Value Addition and its Distribution

	2010-11		2009-10	
	Rs. in million	%	Rs. in million	%
Value Addition				
Revenue	9,398	99.1	11,239	98.0
Other income	57	0.6	77	0.7
Utilisation of unappropriated earnings due to loss incurred	30	0.3	148	1.3
Total	9,485	100.0	11,464	100.0
Value Distribution				
Cost of sales	8,082	85.2	10,331	90.1
Distribution expenses	154	1.6	176	1.5
Administration, CSR & other operating expenses	95	1.0	92	0.8
Employees remuneration	666	7.0	590	5.2
Finance cost	302	3.2	146	1.3
Income tax, sales tax and excise duty to government	186	2.0	129	1.1
Total	9,485	100.0	11,464	100.0



Cost of sales	■
Distribution expenses	■
Administration, CSR & other operating expenses	■
Employees remuneration	■
Finance Cost	■
Income tax, sales tax and excise duty to government	■





CORPORATE SOCIAL RESPONSIBILITY

Seeking Harmony among People, Society and the Global Environment and Sustainable Development of Society through Manufacturing.



25 HINOPAK CELEBRATES YEAR MILESTONE

February, for Hinopak Motors Limited, starts with an air of celebration as the Company celebrates its founding anniversary on 1st February every year. But this year, February for Hinopak came with tremendous joy as the year 2011 marked the company's 25th anniversary.

In recognition of this 25-year milestone, the day of the Anniversary started with congratulatory messages from our Managing Director and Deputy Managing Director, followed by a company-wide kickoff and cake cutting ceremony. Hanging balloons, buntings and banners created a festive look all over the Company. Employees were seen sending and receiving congratulatory messages and at the end of the day, sweets were distributed amongst the employees.

Continuing with the silver jubilee festivities, a company-wide sports activities were organized for the employees. These sports activities comprised of various inter-departmental sports competitions such as badminton, arm-wrestling, tug-of-war, volleyball and tape ball cricket tournament. Most of the employees participated in these activities.

Our Guiding CSR Fundamentals

HINOPAK ENVIRONMENTAL POLICY

Hinopak Motors Limited is committed to identify and implement means and measures that would result in minimum environmental impact from its products and every aspect of its business activities ranging from product development to production and servicing.

Our motto at Hinopak is:

"Strive for contributing to environment friendly products to our customer satisfaction & support to environmental preservation activities for our employees and community, to the best of our ability".

For this, we will set objectives and targets to:

Promote pollution prevention & reduce environmental impacts by proper handling and disposal of waste water,

solid waste, hazardous substances & gaseous emissions.

Conserve energy and other resources.

Comply with all the applicable legal and other requirements.

Improve environmental performance continually by reviewing objectives, conducting audits and management reviews under our Environmental Management System.

Educate, train and motivate employees and interested parties to conduct activities in an environmentally responsible manner and as per the company's environmental policy, which is also available to the public.

SAFETY AND HEALTH POLICY

Hinopak Motors Limited is committed to have all its operations safe and protected against all hazards effecting Occupational Safety and Health (OSH) of its employees.

Our Aim at Hinopak is:

To create and develop such working conditions and environment which are conducive to safety and health of employees.

To make our process free from accidents and illnesses gradually.

To work in an organized manner to make CONTINUAL IMPROVEMENT in the areas of OSH.

To make objective based efforts for reducing unsafe and un-healthy work practices / conditions.

To educate / train our employees in the area of OSH and make continuous efforts to create awareness among all concerned on the subject.

To develop an adequate investigation system to help in avoiding reoccurrence of accidents.

To comply with all the applicable legislation / regulations and to cooperate with the authorities concerned.

HINOPAK QUALITY POLICY

Hinopak Motors Limited is committed to produce trucks and buses which meet the expectations of its customers in the areas of quality, cost and delivery.

Striving for total customer satisfaction, we focus on achieving quality objective set in the following areas:

- Identification of products and operational needs of customers;
- Building quality features in product design ensuring reliability, maintainability, safety and durability;

- Production of vehicles conforming to Hino Global Standards;
- Diligent Product Support and Customer Service.

All Hino users, suppliers and employees are continuously being educated, trained and motivated to accept the quality as combined responsibility and to meet the customer needs and regulatory requirements following the international standards of Quality Management System.



CSR Philosophy and its Endorsement

Striving for co-existence and co-prosperity with people, society and the Earth, we aim to become a value creating company that contributes to the creation of a prosperous society

Our CSR Philosophy

CSR Management



- Global Compact & CSR Committee
- Environment & Quality Management Committee
- Health & Safety Committee
- Human Resource Development Committee
- Industrial Relations Committee
- Whistle Blowing Committee

Compliance



- Governance Structure
- Code of Conduct
- Whistle Blowing
- Initiatives in 2010-11

Environment Management Regulations

Global Compact

Environment Policy

The key to running a business is having a relationship of trust with the company's stakeholders that include shareholders, customers, suppliers and employees as well as protecting environment and promoting good governance practices. The CSR & Global Compact Committee established in 2007, and its sub committees have been working to meet the social expectations and ensure sustainable development.

In the year 2010-11, Hinopak has achieved many milestones in all three primary domains of the CSR

approach i.e Compliance, Environment and Social Aspects.

The diagram below exhibits our CSR management structure, the primary domains for the CSR activities and initiatives taken during 2010-11 as well as our fundamentals and guiding principles from which our CSR strategies grow & gain strength.

Hinopak's CSR accomplishments during 2010-11 have been summarized in the following pages.

Environment



- Environmental Management
- Initiatives and achievements in 2010-11
- Environmental performance at our plants

Social Aspect



- Customers
- Employees
- Community
- Sports

Hino Spirit

Safety & Health Policy

Quality Policy



Compliance

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

Compliance at Hinopak is not just about observing the laws and its 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 is composed of executive and non-executive directors. The Board convened four times in 2010-11. The Board reviewed and approved Company's future strategy and short and mid term plans.

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 2010-11. 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 controls and procedures designed to ensure reliable and

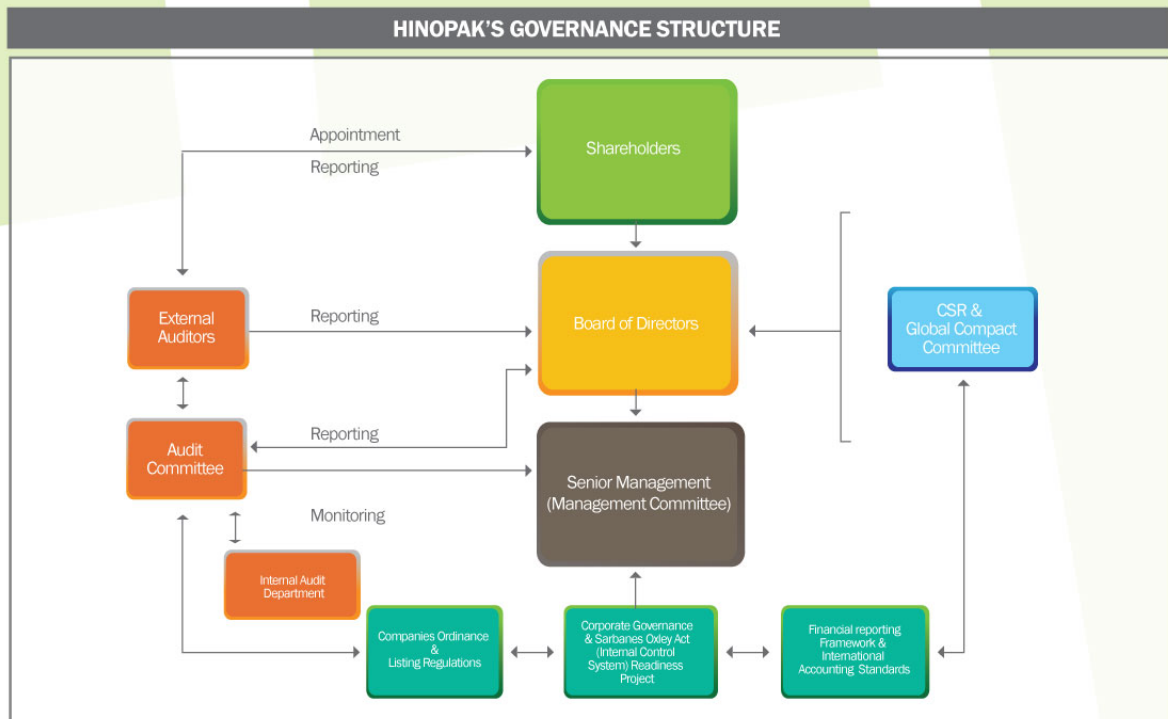
transparent financial reporting and disclosures. Hinopak is a group company of Toyota Motors Corporation (TMC) and was selected for TMC's project to strengthen internal controls and compliance with the requirement of US Sarbanes-Oxley Act. The Company is working on the project under the guidelines from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



Environmental Management

To make the world a better place to live by helping people and goods get where they need to go ... safely and economically... while focusing on sustainable development

Hinopak is continuously making efforts towards environmental management, with the aim of becoming an eco-friendly company. While complying with existing environmental laws, we are actively promoting energy and resource saving activities. As a result, we are making efforts to reduce the environment load of the plant as a whole.

Environment Management System (EMS)

As a responsible corporate company Hinopak has adopted ISO 14001 standards to ensure effective environmental risk management and compliance across all its business activities, from designing to product sale. Specific EMS requirement for each of the various business activities are set for effective and efficient performance. These requirements include adoption of Hino Japan Environmental Charter, implementing SMART objectives, promotion of environmental action plan and commitment to facing environmental challenges resulting from changing business activities.

Reducing Environmental Risks

We have developed Emergency Response Plan (ERP) at Hinopak to respond to Fire, Spill and Medical Emergencies. We ensure that resources are used effectively and quickly to respond to emergencies and protect the environment. We have identified and conducted ERP related trainings and ensure that essential information is communicated to the concerned personnel as quickly as possible.

Employees Environmental Education

We ensure that personnel whose work has the potential to cause significant environmental impacts are competent on the basis of appropriate educations, training or experience. In order to enhance a sustainable environmental awareness, we provide comprehensive environmental education to our employees and contractors. We make it a point that our people are developed with greater consciousness and sense of responsibility towards the environment. This year 164 employees were given awareness and training in EMS, Internal Auditing, Operational Control Procedures & Chemical Hazards (Shop Wise).

Internal / External Communication

Hinopak firmly believes in open communication channels. To ensure that our EMS efforts pay off quickly,

it is very important to make our stakeholders understand our business activities and to build a strong bond of cooperation.

Keeping this in mind, we have been publishing our environmental & Social Report since 2007. Moreover, Hinopak feels honored to be one of the 52 participating business organizations from all over Pakistan in United Nations Global Compact (UNGC). Global Compact is a voluntary initiative that seeks to advance universal principles on human rights, labour, environment and anti-corruption through active engagement of the corporate community.

Surveillance Audit under OHSAS 18001:2007

Surveillance Audit under Occupational Health & Safety Assessment Series 18001 was conducted by our external auditors M/s. Bureau Vertias in March 2011. In the closing meeting the auditors informed that the system was in full compliance with the OHSAS 18001:2007 standards.

Environmental Initiatives in 2010-11

World Environment Day

World Environment Day was celebrated with great zeal and enthusiasm on June 05, 2010 in collaboration with Total Atlas Lubricants Pakistan (Pvt) Ltd. World Environment day is being celebrated by Hinopak for the past several years nationwide by holding Free Tune up Camps, Tree Plantation and School's Children Projects exhibition on various environmental aspects. This year three Schools participated involving a total of 200 students and teachers, which shows Hinopak's commitment towards CSR activities, by being a good corporate citizen and involving the local community in protecting the environment.



Hinopak, as a market leader has the responsibility to protect this beautiful earth for the next generations

Tree Plantation Activity

Tree plantation makes a valuable contribution in the fight against global climate changes, as well as provides a host for wider environmental and socio-economic benefits. They absorb carbon dioxide (CO₂), the main "green-house gas" responsible for global warming, thereby reducing the concentration of this gas in the atmosphere.

Every year, we conduct tree plantation events during Environmental Month of June. The main purpose of this activity is to promote importance of environmental conservation among our employees and interested parties.

The first ceremony was inaugurated by our top management by planting a tree at our Head Office.

Approximately 500 trees were planted in the tree plantation activity.

Awareness Program on Marine Environment for the Students of S.I.T.E Model School

Subsequent to the complete renovation of SITE Model School (SMS) in 2008, Hinopak Motors Limited has taken various measures to further improve the school's environment by promoting co-curricular activities and providing exposure visits to the students and teachers.

With the purpose of providing environmental awareness to the students of SMS, a one day program was organized on May 28, 2010 at HPML, where officials from Sindh Wild Life Department (SWLD) - Government of Sindh, were invited to deliver lectures on various environmental issues to the SMS students. Our guests from SWLD included Dr. Fahmida Firdous, Deputy Conservator Wild Life, Mr. Adnan Hamid Khan, Game Officer and Mr. Mansoor, Project Manager Marine Turtle Conservation.

In all 110 students and 7 teachers participated in the day long activity in which the SWLD officials conducted various lectures, presentations, documentaries and question-answer sessions on various issues relating to the marine environment and turtle conservation. Awareness stickers were distributed among the SMS students at the end of the sessions.

Installation of Garbage Disposal Drums at Green Turtle breeding areas at Karachi beach

On June 12, 2010, while celebrating the Environment month the company staff installed 10 Garbage Disposal Drums at Sand spit beach Karachi, which is a renowned Green Turtle breeding zone.

The Sindh Wild Life Department (SWLD) has put up three turtle hatcheries in this area. The garbage drums were installed around these hatcheries to ensure a cleaner beach for the turtles which will expected to arrive of the egg laying season.

The drums so installed were made by recycling company's scrap thereby contributing toward waste reduction and controlling environmental impact of manufacturing.



Hinopak employees and children in action at Sandspit Beach



Awareness Stickers provided to the participants of the Session



Beach Cleaning Activity of the company's employees (Phase I)

In addition to the day long drum installation activity and the available opportunity, the HPML staff conducted a beach cleaning exercise in the same area collecting garbage and sea debris and were able to remove approximately 450 Kilograms of garbage including plastic bags, fishing nets, glass bottles etc. The garbage so collected was appropriately disposed to the landfill sites.

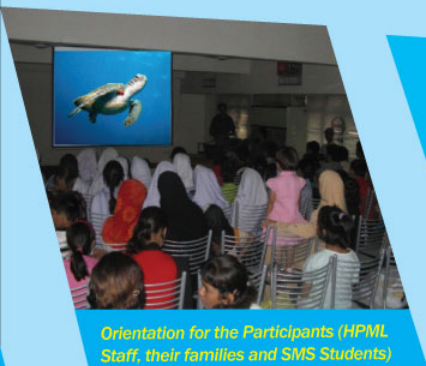
Activity At Sand spit Beach (Phase II)

On June 19, 2010, HPML staff and their families joined hands with the students of S.I.T.E. Model School to conduct a beach cleaning activity at all three Turtle Hatcheries at Sand spit.

The activity which lasted for 3 hours was performed by 193 beach cleaning volunteers, including 85 children. Brochures containing awareness messages were also distributed among the picnickers.

An educational visit was also conducted to the SWLD laboratory and both the SMS students and the company's staff with children enjoyed this experience.

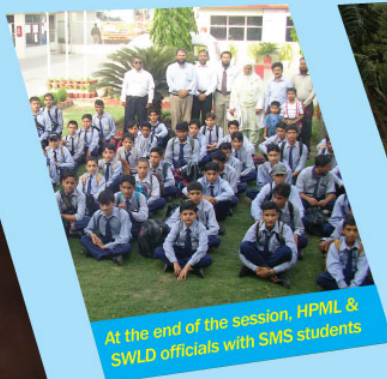
The cleaning activity was concluded till evening, with the removal of 45 bags of garbage (500 Kg's. approx) which was appropriately disposed in the garbage dumps of CDGK.



Orientation for the Participants (HPML Staff, their families and SMS Students)



Installation of Garbage Disposal Drum at Sand spit beach



At the end of the session. HPML & SWLD officials with SMS students





CSR Initiatives – 2010

Orientation of S.I.T.E. Model School Students by representatives of Space & Upper Atmosphere Research Commission - SUPARCO

Honoring our commitments to provide opportunities for environmental awareness of the students of the S.I.T.E. Model School - (SMS), Hinopak Motors Limited invited experts from SUPARCO to conduct orientation sessions for the students at the Company's premises.

SUPARCO had recently celebrated the World Space Week (Oct. 4 to Oct. 10, 2010) and conducted various programs for introducing 'space' to underprivileged students / children from government schools or remote areas.

Acknowledging HPML's request, two SUPARCO officers Dr. Said Rahman from Environmental Section and Mr. Zain Raheem from Astrophysics Section visited our Company on October 19, 2010 and delivered lecture to SMS students on "Environmental Pollution" and "Our Solar System". The sessions were attended by 90 Girls and 57 Boys along with 11 faculty members.

The orientation sessions were very well received by the faculty members and students of SMS, who also requested for a field trip to SUPARCO facility.



Group photos of the SMS Students & faculty members with SUPARCO representatives



Reducing Environmental Load of Trucks & Buses

We understand that the commercial vehicle industry stands at a historical crossroad. Acknowledging the climate change is very much a global issue and the need to reduce the CO₂ emissions has become inextricably linked to socio-economic activities

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 CO₂), 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 CO₂ emission, material discarded and water consumption.



Work in progress at our Body Operation Division



Work in progress at our Assembly Operation Division



Work in progress at our Body Operation Division

Water Release (Assembly Operation Division)

Reporting Period: April 2010 – March 2011

Items	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
				Max	Min	Avg
Water discharged [m ³ /month]	-	-	l/m	4934.0	2120.0	2850.3
Water discharged [m ³ /day]	-	-	l/m	164.5	90.2	103.3
Acidity level pH	6~9	6.8~7.4	l/m	7.2	7.1	7.1
Biological oxygen demand (mg/l)	80.0	70.0	l/m	48.0	26.0	38.8
Chemical oxygen demand (mg/l)	400.0	300.0	l/m	132.0	93.0	111.9
Total suspended salts (mg/l)	200.0	100.0	l/m	36.0	21.0	29.8
Oil (mg/l)	10.0	5.0	l/m	3.2	2.1	2.8
Total dissolved salts (mg/l)	3500.0	3000.0	l/m	716.0	669.0	699.1

Air Release (Assembly Operation Division)

NO_x [mg/Nm³]

Facilities	Fuel Type	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
ED oven	Natural Gas	600mg/Nm ³	100.0	l/m	3.0	1.0	1.5
Top coat oven	Natural Gas	600mg/Nm ³	100.0	l/m	4.0	1.0	1.2
Boiler	Natural Gas	600mg/Nm ³	100.0	l/m	67.0	33.0	45.1

SO_x [mg/Nm³]

Facilities	Fuel Type	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
ED oven	Natural Gas	1700mg/Nm ³	100.0	l/m	2.0	1.0	0.4
Top coat oven	Natural Gas	1700mg/Nm ³	100.0	l/m	1.0	1.0	0.2
Boiler	Natural Gas	1700mg/Nm ³	100.0	l/m	0.0	0.0	0.0

Water Release (Body Operation Division)

Items	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
				Max	Min	Avg
Water discharged [m ³ /month]	-	-	l/m	2747.0	1293.0	1773.0
Water discharged [m ³ /day]	-	-	l/m	91.5	58.0	67.8
Acidity level pH	6~9	6.8~7.4	l/m	7.23	7.1	7.2
Biological oxygen demand [mg/l]	80.0	70.0	l/m	41.0	28.0	35.1
Chemical oxygen demand [mg/l]	400.0	300.0	l/m	131.0	73.0	104.1
Total suspended salts [mg/l]	200.0	100.0	l/m	28.0	12.0	20.3
Oil [mg/l]	10.0	5.0	l/m	3.1	2.3	2.7
Total dissolved salts [mg/l]	3500.0	3000.0	l/m	679.0	582.0	622.8



Air Release (Body Operation Division)

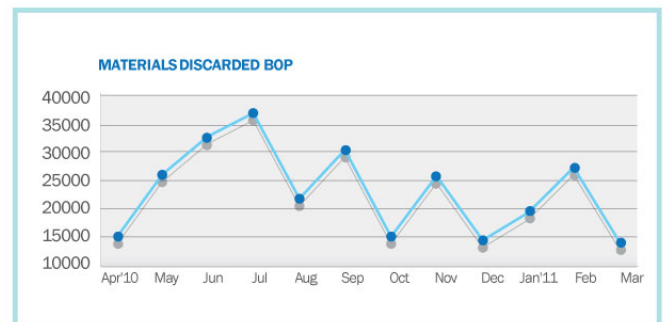
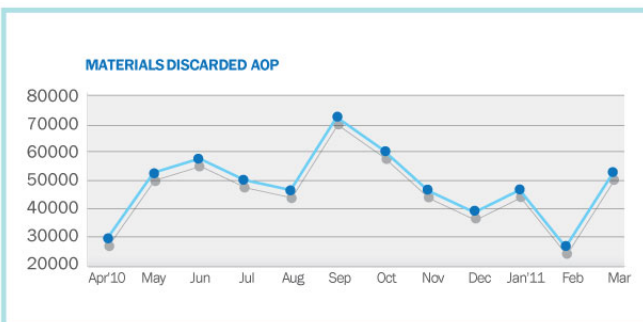
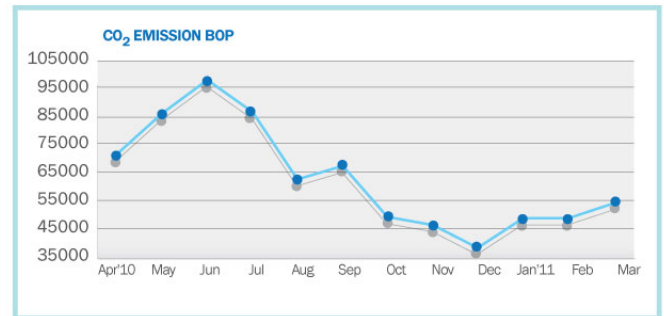
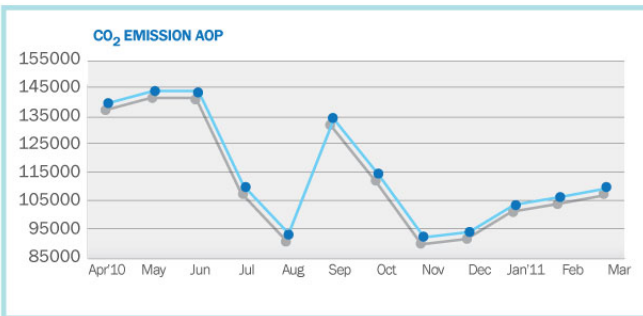
NO_x [mg/Nm³]

Facilities	Fuel Type	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
Parts primer baking oven	Natural Gas	600mg/Nm ³	100.0	l/m	43.0	1.0	17.0
Paint baking oven	Natural Gas	600mg/Nm ³	100.0	l/m	45.0	1.0	11.2

Air Release (Body Operation Division)

SO_x [mg/Nm³]

Facilities	Fuel Type	Official Regulations	Voluntary Regulation	Measurement	Actual Conditions		
					Max	Min	Avg
Parts primer baking oven	Natural Gas	1700mg/Nm ³	100.0	l/m	54.0	2.0	7.8
Paint baking oven	Natural Gas	1700mg/Nm ³	100.0	l/m	5.0	1.0	0.6



Future Plan

In line with the Hino Global Environment Charter, Hinopak is committed to continue its aim for prevention of global warming by reducing CO₂ emissions, conserving water resources and minimizing waste generation. To achieve these targets upstream goals for next five years are being established.



Vendor training through Quality Assurance Division



HPML free Service and Tune-up camps



Educate our customers through Mobile field Training Unit



Stakeholder Engagement

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.

Vendor Training

Vendor development has always been our prime focus so as to mitigate product performance risks and improve quality. With this mission, in 2010-11 Hinopak through its Quality Assurance staff conducted training programs for 307 participants (mostly on vendor premises), consequently achieving 1,019 training man-hours. Programs for the vendors focused on Kaizen, 5S, Quality Control, In-process Inspection, Safety, PDI, and Reduction in Line, and Field Complaints.

Mobile Workshop Services

Our strong after sales service, backed by 10 mobile workshops and 4 pro-care units operative across the country, has once again helped us in achieving enhanced customer satisfaction.

Free Service and Tune-up Camps

As part of our after sales and environmental management campaigns, Hinopak has been organizing free tune up and service camps for the customers. Over 240 vehicles were serviced for free during April 2010 ~ March 2011 that taught drivers / customers how to

ensure proper vehicle usage and maintenance resulting to cleaner air from more clean air-emitting and fuel-efficient vehicles. Besides this, customers were also trained on safe driving practices.

Mobile Field Training Unit

As part of our continuous efforts to educate our customers at their premises, Hinopak launched a Mobile Field Training Unit in 2008. By virtue of this initiative, technical training is imparted on basic automotive repair and maintenance. The core objective of this program is to familiarize the drivers with road operations and to enhance human safety. In this unique program, 176 courses were conducted under which 1,917 technicians / drivers were trained during the year 2010-2011.

Sensitization / Awareness Campaigns

2,231 Customers / end-users / drivers / technicians / dealers and general public (participants of our Motor Vehicle Training Program, Mobile Field Training Unit & Training Centre) were sensitized on the importance of vehicle maintenance and its positive impact to the environment during this reporting period.



Hinopak employees get-together at Silver Jubilee Celebration



Hinopak organizes Employees' Children's visit



Hygiene Awareness Programs for S.I.T.E. Model School Students



Employees

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

Hinopak has made efforts to maximize employee potential, performance and motivation at the heart of its basic human resource policy.

Safety takes priority over all business activities as embodied in the company's Safety and Health policy. We are making concerted efforts towards occupational, safety and hygiene management and the development of a workplace that is safe, healthy and decent.

Hygiene Awareness Program for S.I.T.E Model School Students

Happiness lies in health. It is for this reason that Hinopak regularly holds health awareness programs. Under the banner of "United to Educate", the Company organized a Hygiene Awareness Program for S.I.T.E Model School students in November 2010.

The program was organized in collaboration with The Aga Khan University Hospital to educate students on self hygiene and how hygiene can help in creating a healthier community. The session was facilitated by Dr. Tabinda Ashfaq and was attended by 43 students and teachers.

Hinopak Organizes Employees' Children visit

Hinopak always strives to strengthen its bond with its employees and organizes activities / events that bring together Hinopak with its employees and their families. In continuation of such activities, a half-day visit to the

Company was organized by the HR department which offered them an exhilarating experience.

97 children aged 7~16 years showed keen participation and an enthusiastic response to the visit. The children were kept active and engage through Hinopak's corporate video, introduction activity, fire fighting and fire prevention lecture and AOD - BOD visits followed by lunch.

Retreat to Re-treat

Hinopak has always fostered an environment of team performance and team building, which has helped in bringing out the best in a team to ensure self development, positive communication, leadership skills and the ability to work closely together as a team to solve problems. To keep this culture alive, a post reorganization retreat entitled "Retreat to Re-treat" was held at the Arabian Sea Country Club on 10th ~ 11th December 2010.

The objective of the workshop was to move back from everyday work routine and re-treat the senior management on company's goals, challenges, values and benefits. The workshop comprised of a number of activities for the senior management to engage in, in order to emerge as a strong and unified team to lead the organization through the trying times.



Community

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

Scholarship Program for NED University Students

For the third consequent year, we continued disbursement of Hinopak Skill Promotion Scholarship extended to ten (10) students of Pakistan's renowned engineering school (NED University), producing linkage and therefore, sustainability with regard to our business operations and human resource development commitment. The students are due to graduate in January 2012.

Summer / Winter Internship Program 2010-11

Honoring our commitment for social development this year also Hinopak offered summer and winter internships to 75 and 20 students respectively, from technical and non-technical universities. During the internship program, the students were provided hands on exposure to industry practices through over 80 projects. The main objective of this program is to build capacity of the students in various disciplines.

Industrial Visits

To promote industry linkages, this year again Hinopak offered its premises for industrial visits to 884 students and teachers from 20 technical and non-technical institutes/universities.

S.I.T.E Model School – Technical Wing

Hinopak added a duly-registered technical wing to S.I.T.E Model School in August 2009, it becomes operational exactly one year after its inauguration in August 2008. First batch of Technical School Certificate (TSC) Part II students completed their certification in May 2010, and a fresh batch was inducted in part-I in the same month. This has been the third consecutive year where Hinopak has supplied technical tools / equipment for TSC students.

Hinopak Assembles Chassis for Mobile Health Units for the Flood Victims

In order to lend a helping hand in providing basic health facilities to the flood victims, Hinopak assembled chassis for six Medical Units for the Government of

Punjab. These units are successfully operating in Muzaffar Garh, Rajanpur, Mianwali, Dera Ghazi Khan, Layyah and Bawalpur. Hinopak is privileged to become a part of this noble cause.

Service Campaign for Flood Affected Vehicles

Hinopak launched 'Flood Affected Vehicle Service Campaign' for its customers through the country-wide dealership network. Product Support Division in collaboration with Hino Motors Limited, Japan offered 50% discount on parts for rehabilitation of flood affected vehicles from November 15, 2010 to January 31, 2011. The objective of this campaign was to revive the business activities of Hino customers who were badly affected by the recent floods.

Flood Relief Activities by Hinopak Motors Limited

In the wake of the devastating floods triggered by the annual monsoon rains, the management and employees joined hands and donated Rs. 1.63 million for the flood victims of Sahwan Sharif, Sawat, Malakand, Dera Ismail Khan and Nowshera districts.

The first phase of the flood relief activities was carried out in Sindh where relief goods comprising of packets containing a mattress, a pillow and a head comforter were distributed among 700 families at Sahwan Sharif and its adjoining areas. The task was completed in collaboration with the Pakistan Army Officers to ensure equitable distribution of the relief goods.

In the second phase, Khyber-Pukhtunkhwa areas of Swat, Malakand, Dera Ismail Khan and Nowshera were selected for the distribution of flood relief goods. In these areas multipurpose cooking stoves suitable for cooking, heating and lighting were distributed among 250 families.

The activities were accomplished by a team of Hinopak officials including the area office staff and the CBA members.



HPML interns of summer / winter Internship Program

Distribution of relief goods to Pakistan Army

Plant visit by different academic institutions

S.I.T.E Model School - Technical Wing

Flood relief activities by Hinopak Motors Ltd.,



Sports

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

We consider that for a healthier society sports is an essential tool, therefore we always have been at the forefront of promoting sporting events. Over the years Hinopak has sponsored various competitions in cricket, golf, badminton and football.

Hinopak Inter-Firm 17th KCCI Cricket Tournament

Even in difficult economic times, when companies are looking at various measures of cost cutting, Hinopak provides its continuous supports for the promotion of sports in Pakistan. Also, tournaments like the Inter firms cricket trophy have been serving the purpose of promoting sports on a consistent basis, irrespective of the economic conditions which shows the extent to which Hinopak values sports.

The 17th edition of the event was inaugurated at UBL sports complex in October 2010. A total of 22 teams took part in the tournament, each representing their respective firms.

Hinopak Interdepartmental Cricket Tournament

Hinopak does not only promote sports externally, but

internally as well, by encouraging its employee to take part in sports activities. In this respect Hinopak organized an interdepartmental cricket tournament in which total 13 teams from all the departments took part.

Chief Guest Mr. Sirajul Islam Bukhari, President KCCA in his address appreciated the efforts of the organizing committee for successfully arranging the cricket tournament.

Hinopak Silver Jubilee Sports Tournament 2011

Hinopak Silver Jubilee Sports Tournament 2011 was inaugurated at AOD plant in February 2011 to encourage Hinopak employees to increase their interest and involvement in recreational activities as well as the promotion of sports.

Hinopak Silver Jubilee Sports Tournament 2011 consists of Tug Of War, Badminton, Arm Wrestling, and Tape Ball Cricket Tournament among different department's teams.



BEHAVIORAL GUIDELINES

As a good corporate citizen we will strive to:

- undertake open and fair business activities.
- execute our social responsibilities and to preserve the environment.
- respect humankind and create a vibrant and motivating workplace.
- utilize our creativity and offer added value.



FOUR MAIN PRINCIPLES OF HINOPAK

Always:

- be faithful to your duties, thereby contributing to the Company and to the overall good.
- be studious, creative and striving to stay ahead of the times.
- be practical and avoid frivolousness.
- strive to build a homelike atmosphere at work that is warm and friendly.





Statement of Compliance with the Code of Corporate Governance

For the year ended March 31, 2011

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.

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 vacancy on the Board of Directors occurred during the year ended March 31, 2011 which was 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.

The Company arranges orientation courses / meetings for its directors to appraise them of their duties and responsibilities.

The Board has approved 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, 2011 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.

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.

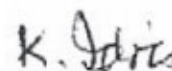
The related party transactions were placed before the Audit Committee and approved by the Board of Directors.

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



Hideya Iijima
Managing Director & CEO

By order of the Board



Kunwar Idris
Chairman

Dated: May 16, 2011

A.F. FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

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

A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11 Chundrigar Road, P.O. BOX 4716
Karachi- 74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended March 31, 2011 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 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, 2011.



A.F. Ferguson & Co.
Chartered Accountants

Karachi

Dated: May 16, 2011

The background of the cover features a blue grid with a white line graph showing an upward trend. In the bottom left, there is a 3D bar chart with blue and white bars. The central focus is a large, white, 3D circular graphic with four concentric rings, creating a tunnel effect.

Financial
Statements

CODE OF
CORPORATE
GOVERNANCE

CRITERIA FOR BEST
CORPORATE REPORT
BY ICAP / ICMAP
AND SAFA

STOCK EXCHANGE
LISTING REGULATIONS

INTERNATIONAL
ACCOUNTING
STANDARDS

COMPANIES
ORDINANCE,
1984 &
OTHER
TAXATION
LAWS

INTERNATIONAL
FINANCIAL
REPORTING
STANDARDS

TRUE AND
FAIR VIEW

Regulations
Governing Financial
Statements

Financial Statements



Auditors' Report to the members

A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11 Chundrigar Road, P.O. BOX 4716
Karachi- 74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

We have audited the annexed balance sheet of Hinopak Motors Limited as at March 31, 2011 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 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 except for the changes as stated in note 2.3.2 of these financial statements with which we concur;
 - (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, 2011 and of the loss, 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).



A.F. Ferguson & Co.
Chartered Accountants

Karachi

Dated: May 16, 2011
Name of Engagement Partner: Farrukh Rehman

Balance Sheet

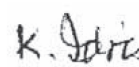
As at March 31, 2011

	Note	March 31, 2011	March 31, 2010
Rupees '000			
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,788,255	918,593
Intangible assets	4	2,038	2,688
Long-term investments	5	-	-
Long-term loans and advances	6	3,908	11,751
Long-term deposits		5,881	3,989
Deferred taxation	18	-	12,738
		<u>1,800,082</u>	<u>949,759</u>
Current assets			
Stores, spares and loose tools	7	19,794	26,340
Stock-in-trade	8	1,677,525	2,949,130
Trade debts	9	482,570	906,272
Loans and advances	10	83,382	66,673
Trade deposits and prepayments	11	27,253	36,463
Refunds due from the government	12	225,479	406,288
Other receivables	13	28,876	3,239
Taxation - payments less provision		144,567	335,944
Cash and bank balances	14	63,416	63,263
		<u>2,752,862</u>	<u>4,793,612</u>
Total assets		<u>4,552,944</u>	<u>5,743,371</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share Capital	15	124,006	124,006
Reserves	16	1,355,480	1,379,973
		<u>1,479,486</u>	<u>1,503,979</u>
SURPLUS ON REVALUATION OF FIXED ASSETS	17	1,049,014	271,796
LIABILITIES			
Non-current liabilities			
Long-term security deposits		-	32,000
Deferred taxation	18	47,372	-
Retirement benefits obligations	19	73,105	49,787
		<u>120,477</u>	<u>81,787</u>
Current liabilities			
Trade and other payables	20	1,597,894	3,383,884
Short-term borrowings	21	296,310	494,204
Accrued mark-up		9,763	7,721
		<u>1,903,967</u>	<u>3,885,809</u>
Total liabilities		<u>2,024,444</u>	<u>3,967,596</u>
Contingency and commitments	22		
Total equity and liabilities		<u>4,552,944</u>	<u>5,743,371</u>

The annexed notes 1 to 37 form an integral part of these financial statements.



Managing Director &
CEO



Chairman

Profit and Loss Account

For the year ended March 31, 2011

	Note	March 31, 2011	March 31, 2010
		Rupees '000	
Sales - net	23	9,281,822	11,127,551
Cost of sales	24	<u>(8,544,530)</u>	<u>(10,738,070)</u>
Gross profit		737,292	389,481
Distribution expenses	24	(279,319)	(288,911)
Administration expenses	24	(168,303)	(161,196)
Other operating income	25	56,510	76,937
Other operating expenses	26	<u>(3,821)</u>	<u>(1,024)</u>
Profit from operations		342,359	15,287
Finance cost	27	<u>(301,874)</u>	<u>(145,706)</u>
Profit / (Loss) before taxation		40,485	(130,419)
Taxation	28	<u>(70,625)</u>	<u>(17,650)</u>
Loss after taxation		(30,140)	(148,069)
Other comprehensive income		-	-
Total comprehensive loss		<u>(30,140)</u>	<u>(148,069)</u>
Loss per share	29	<u>Rs. (2.43)</u>	<u>Rs. (11.94)</u>

The annexed notes 1 to 37 form an integral part of these financial statements.


Managing Director &
CEO


Chairman

Cash Flow Statement

For the year ended March 31, 2011

	Note	March 31, 2011	March 31, 2010
Rupees '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	359,955	1,259,604
Mark-up paid on short-term borrowings		(114,405)	(85,363)
Return on savings and deposit accounts		2,055	8,457
Refunds received - net / Taxes paid		111,584	(244,461)
Retirement benefits obligations paid		(58,105)	(4,868)
(Increase) / Decrease in long-term deposits		(1,892)	1,486
Decrease in long-term loans and advances		7,843	1,343
Net cash generated from operating activities		307,035	936,198
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(150,561)	(72,808)
Proceeds from sale of property, plant and equipment		41,581	12,706
Net cash used in investing activities		(108,980)	(60,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(8)	(21,686)
Net increase in cash and cash equivalents		198,047	854,410
Cash and cash equivalents at the beginning of the year		(430,941)	(1,285,351)
Cash and cash equivalents at the end of the year	31	(232,894)	(430,941)

The annexed notes 1 to 37 form an integral part of these financial statements.


Managing Director &
CEO


Chairman

Statement of Changes In Equity

For the year ended March 31, 2011

	Share Capital	Reserves - Revenue		Total
		General	Unappropriated Profit	
Rupees '000				
Balance at April 1, 2009	124,006	291,000	1,253,049	1,668,055
Dividend for the fifteen months period ended March 31, 2009 @ Rs. 1.75 per share	-	-	(21,701)	(21,701)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	5,694	5,694
Total comprehensive loss for the year	-	-	(148,069)	(148,069)
Balance at March 31, 2010	<u>124,006</u>	<u>291,000</u>	<u>1,088,973</u>	<u>1,503,979</u>
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	5,647	5,647
Total comprehensive loss for the year	-	-	(30,140)	(30,140)
Balance at March 31, 2011	<u><u>124,006</u></u>	<u><u>291,000</u></u>	<u><u>1,064,480</u></u>	<u><u>1,479,486</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.


Managing Director &
CEO


Chairman

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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 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 policies and disclosures

Standards, interpretations and amendments to published approved accounting standards which have been effective and relevant to the Company

Certain standards, amendments and new interpretations to existing approved accounting standards, as detailed in the subsequent paragraphs, are applicable from the current year. However, these are considered not to be relevant for the Company as these do not effect the Company's financial statements.

Standards, interpretations and amendments to published approved accounting standards which have been effective but are not relevant to the Company

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.
- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

- of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009).
 - IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 1, 2009.
 - IAS 36 (amendment), 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
 - IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective July 1, 2009.
 - IAS 38 (amendment), 'Intangible assets', effective January 1, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
 - IFRIC 16, 'Hedges of a net investment in a foreign operation' effective July 1, 2009.
 - 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010.
 - IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective July 1, 2010.

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

- IAS 24 (revised), 'Related party disclosures', the standard is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The standard is expected to have no significant effect on the financial statements of the Company.
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendments are effective for annual periods beginning January 1, 2011. The amendments should be applied retrospectively to the earliest comparative period presented. The amendment is expected to have no significant effect on the financial statements of the Company.

2.2 Basis of measurement

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

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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 During the year ended March 31, 2011, the Company has revalued its land and buildings. Until last year the land and buildings were valued at cost. As more fully explained in note 3.2 of these financial statements, this change in accounting policy has no effect on prior years' balances. The effect on the current year is to increase the carrying amount of land and buildings under the head of property, plant and equipment by Rs. 855.85 million cumulatively and creating surplus on revaluation accordingly.

2.3.3 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 is amortised equally over the remaining lease period 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.

2.3.4 Surplus arising on revaluation of land and buildings is disclosed as surplus on revaluation. The accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount.

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

- Leasehold land	lease term i.e. 65 to 67 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

2.3.6 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.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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.

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.

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.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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 which is charged to the surplus on revaluation.

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.

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 running finance 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 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.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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, 2011 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.

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 goods under warranty at the balance sheet date.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Company enters into derivative transactions mainly to hedge foreign currency liabilities or firm commitments and these are designated as fair value hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged liability that are attributable to the hedged risk.

2.19 Trade and other payable

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.

2.20 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.

2.21 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.

2.22 Foreign currency translation

Foreign currency transactions are recorded into 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.

2.23 Dividend distribution

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

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

2.24 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 19.8 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 28.1 has not been accounted for as the turnover tax can be carried forward upto three 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	March 31, 2011	March 31, 2010
Rupees '000			
3. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	3.1	1,692,262	893,401
Capital work-in-progress	3.4	95,993	25,192
		<u>1,788,255</u>	<u>918,593</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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								
Year ended								
March 31, 2011								
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>
At March 31, 2011								
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)
Provision for impairment	-	-	-	-	-	-	-	-
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>
Year ended								
March 31, 2010								
Opening net book value	241,537	295,531	279,451	5,646	74,721	18,778	21,576	937,240
Additions	-	8,956	14,974	429	26,089	356	8,107	58,911
Disposals - at NBV	-	-	(325)	-	(5,229)	-	(74)	(5,628)
Depreciation / amortisation charge for the year	(4,474)	(9,460)	(46,410)	(905)	(18,014)	(8,064)	(9,795)	(97,122)
Closing net book value	<u>237,063</u>	<u>295,027</u>	<u>247,690</u>	<u>5,170</u>	<u>77,567</u>	<u>11,070</u>	<u>19,814</u>	<u>893,401</u>
At March 31, 2010								
Cost	294,451	379,691	511,345	12,695	141,650	67,390	95,381	1,502,603
Accumulated depreciation / amortisation	(57,388)	(84,664)	(259,384)	(7,525)	(64,083)	(56,320)	(75,567)	(604,931)
Provision for impairment	-	-	(4,271)	-	-	-	-	(4,271)
Net book value	<u>237,063</u>	<u>295,027</u>	<u>247,690</u>	<u>5,170</u>	<u>77,567</u>	<u>11,070</u>	<u>19,814</u>	<u>893,401</u>

3.2 During the year, two of 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, 2011 would have been Rs. 232.59 million and Rs. 280.50 million respectively.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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					
Factory Building	6,588	1,894	4,694	1,999	Tender	M/s. Asian Salvaging Co. Suit # 2, Ground Floor, Plot # C Ittehad Commercial Lane 7 Phase VI, DHA Karachi.
"	4,152	1,269	2,883	1,580	"	M/s Hajiwala Traders Old Haji Camp Karachi
* Motor Vehicle	2,750	1,416	1,334	1,932	Company Policy	Mr. Irfan Shaikh - Ex Director
"	1,414	95	1,319	1,334	"	Mr. Towheed Iqbal - Ex Employee
"	1,414	95	1,319	1,345	"	Mr. Salim Ali - Employee
"	1,414	95	1,319	1,286	"	Mr. Gul Abbas - Executive
"	1,354	243	1,111	1,194	"	Mrs. Clarita Ahmed - Ex Executive
"	870	49	821	813	"	Mr. Amir Mirza - Ex Employee
"	870	58	812	799	"	Mr. Sajjad Bashir - Ex Employee
"	827	28	799	799	"	Mr. M Aamir Mustafa - Ex Employee
"	1,335	687	648	792	"	S Arshad Ali - Ex Executive
"	755	110	645	622	"	Mr. Muhammad Ali - Ex Employee
"	671	45	626	626	"	Mr. Saleem Jawed - Ex Executive
"	890	331	559	688	"	Mr. Fasihul Karim Siddiqui - Ex Employee
"	645	87	558	517	"	Syed Jawed Ali - Ex Employee
"	969	413	556	497	"	Mr. Mansoor Alam - Ex Employee
"	980	428	552	519	"	Mr. Johnson Pereira - Ex Executive
"	893	380	513	693	"	Mr. Abdul Qadir Shaikh - Ex Executive
"	593	86	507	471	"	Mr. M Saleem uz Zaman - Ex Employee
"	590	211	379	383	"	Mr. Ahmed Rizwan Quresh - Ex Employee
"	620	271	349	383	"	Mr. Riaz Mahmood - Ex Employee
"	576	239	337	372	"	Mr. Shakeel Akhtar - Ex Employee
"	969	648	321	570	"	Mr. Aseem Ahsan - Ex Employee

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
			Rupees '000			
* Motor Vehicle	1,209	892	317	459	Company Policy	Mr. Owais Khan - Executive
"	620	363	257	379	"	Mr. Hari Chand - Ex Employee
"	969	728	241	570	"	Mr. Mehmood Mian - Ex Employee
"	560	328	232	319	"	Mr. Khurram Abrar - Ex Employee
"	969	746	223	539	"	Mr. Saleem Jawaid - Ex Executive
"	969	746	223	376	"	Mr. Nishat Zafar - Executive
"	969	746	223	550	"	Mr. Gul Abbas - Executive
"	969	746	223	549	"	Mr. Azhar Ul Ahsan - Employee
"	879	676	203	462	"	Mr. Arif Murtuza - Ex Employee
"	434	240	194	202	"	Syed Asfar Alam - Ex Employee
"	560	384	176	302	"	Syed Naqvi - Ex Employee
"	620	445	175	352	"	Mr. Rizwan Ahmed - Ex Employee
"	560	393	167	301	"	Mr. Farukh Ghaffar - Ex Employee
"	620	456	164	228	"	Mr. Anisur Rehman - Ex Employee
"	609	469	140	327	"	Mr. Rizwan Ul Haq - Employee
"	604	465	139	321	"	Mr. Fahim Iqbal - Executive
"	464	326	138	187	"	Mr. Athar Darbari - Ex Employee
"	560	431	129	279	"	Mr. Towhed Iqbal - Ex Employee
"	560	431	129	278	"	Mr. Ahmer Siddiqui - Executive
"	555	427	128	273	"	Mr. Muzaffar Anjum - Executive
"	560	442	118	292	"	Mr. Saleem Ali - Ex Employee
"	469	361	108	187	"	Mr. Sabir Pasha - Employee
"	419	318	101	111	"	Mr. Amir Mirza - Ex Employee
"	419	322	97	137	"	Mr. Aamir Mustafa - Ex Employee
"	85	10	75	73	"	Mr. Ikhtlaq Ahmed - Ex Employee
"	560	487	73	279	"	Mr. Faridullah - Employee
"	63	2	61	60	"	Mr. Bilal Nasim - Ex Employee
"	63	2	61	60	"	Mr. Ali Bux - Ex Employee
"	63	4	59	58	"	Mr. Sikandar Sharif - Ex Employee
"	63	7	56	55	"	Mr. Shahzad Ahmed - Ex Employee
"	63	7	56	54	"	Mr. Muhammad Suleman - Ex Employee
"	63	7	56	54	"	Mr. Abdul Malik - Ex Employee
"	63	10	53	51	"	Mr. Muhammad Javed - Ex Employee
"	63	10	53	51	"	Mr. Arif Mehmood - Ex Employee
"	63	13	50	51	"	Mr. Ramzan - Employee
"	63	13	50	48	"	Mr. Muhammad Alam - Ex Employee
"	63	13	50	48	"	Mr. John Robinson - Ex Employee
"	1,289	130	1,159	1,222	Insurance Claim	EFU General Insurance Limited Central Division Karachi
"	63	7	56	60	"	EFU General Insurance Limited Central Division Karachi
"	63	5	58	63	"	EFU General Insurance Limited Central Division Karachi
"	63	5	58	63	"	EFU General Insurance Limited Central Division Karachi

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
			Rupees '000			
* Motor Vehicle	63	7	56	63	Insurance Claim	EFU General Insurance Limited Central Division Karachi
"	665	22	643	665	"	EFU General Insurance Limited Central Division Karachi
"	63	5	58	63	"	EFU General Insurance Limited Central Division Karachi
"	2,675	410	2,265	1,600	Negotiation	Maqbool Motors D-55 A, S.I.T.E., Main SITE Avenue Karachi
"	2,675	410	2,265	1,600	"	Lahore Central Motors 19-KM, Multan Road Lahore
"	2,060	1,241	819	3,000	"	Habib Adm Limited Plot 6, Sector M, Mauza Baroot HITE, Baluchistan

*These include disposal of motor vehicles to ex-employees of the company under the Voluntary Severance Scheme - note 24.2.

- 3.4 These include costs incurred on construction of expansion project of Body Operations Plant amounting to Rs. 73.88 million (2010: Rs. 13.03 million). Borrowing costs for the year capitalised on this project amounts to Rs. 7.05 million (2010: Nil) based on the average rate of capitalisation of 14% per annum.

	2011	2010
	Rupees '000	
4. INTANGIBLE ASSETS - Computer Softwares		
Opening balance		
Cost	18,814	18,814
Accumulated amortisation	(16,126)	(13,315)
Net book value	<u>2,688</u>	<u>5,499</u>
Year ended March 31, 2011		
Opening net book value	2,688	5,499
Additions	2,128	-
Amortisation	(2,778)	(2,811)
Closing net book value	<u>2,038</u>	<u>2,688</u>
Closing balance		
Cost	20,942	18,814
Accumulated amortisation	(18,904)	(16,126)
Net book value	<u>2,038</u>	<u>2,688</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
5. LONG-TERM INVESTMENTS - Related Parties		
Available for sale		
Arabian Sea Country Club Limited - note 5.1	5,000	5,000
Automotive Testing & Training Centre (Private) Limited - note 5.2	<u>500</u>	<u>500</u>
	5,500	5,500
Less: Provision for impairment	<u>(5,500)</u>	<u>(5,500)</u>
	<u>-</u>	<u>-</u>

5.1 This represents cost of 500,000 (2010: 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.

5.2 This represents cost of 50,000 (2010: 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.

	2011	2010
	Rupees '000	
6. LONG-TERM LOANS AND ADVANCES – considered good		
Loans and advances to:		
- executives	3,675	8,182
- other employees	<u>4,818</u>	<u>10,504</u>
	8,493	18,686
Less: Recoverable within one year - note 10	<u>(4,585)</u>	<u>(6,935)</u>
	<u>3,908</u>	<u>11,751</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.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
6.2 Reconciliation of carrying amount of loans and advances to executives:		
Opening balance	8,182	7,701
Add: Disbursements	4,833	3,852
	<u>13,015</u>	<u>11,553</u>
Less: Repayments	(9,340)	(3,371)
Closing balance	<u>3,675</u>	<u>8,182</u>
7. STORES, SPARES AND LOOSE TOOLS		
Stores	6,237	13,452
Spares	11,001	9,831
Loose tools	8,176	9,338
	<u>25,414</u>	<u>32,621</u>
Less: Provision for obsolescence	(5,620)	(6,281)
	<u>19,794</u>	<u>26,340</u>
8. STOCK-IN-TRADE		
Raw Materials and components - note 8.1 [including in transit Rs. 273 million (2010: Rs. 622 million)]	859,066	2,195,300
Less: Provision for obsolescence	(54,280)	(51,363)
	<u>804,786</u>	<u>2,143,937</u>
Work-in-process	280,809	19,992
Finished goods - note 8.1	436,537	710,476
Less: Provision for obsolescence	(15,067)	(60,741)
	<u>421,470</u>	<u>649,735</u>
Trading stock - Spare parts [including in transit Rs. 15 million (2010: Rs. 8 million)]	223,106	183,032
Less: Provision for obsolescence	(52,646)	(47,566)
	<u>170,460</u>	<u>135,466</u>
	<u>1,677,525</u>	<u>2,949,130</u>

8.1 Raw materials and finished goods include stocks held with suppliers and Company's authorised dealers amounting to Rs. 15.20 million (2010: Rs. 12.92 million) and Rs. 26.58 million (2010: Rs. 74.02 million) respectively.

8.2 The above balances include items costing Rs. 387.04 million (2010: Rs. 299.39 million) valued at net realisable value of Rs. 300.65 million (2010: Rs. 237.48 million).

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
9. TRADE DEBTS		
Considered good - unsecured		
Related parties:		
Indus Motor Company Limited	36,134	7,878
Orix Leasing Pakistan Limited	15,150	9,450
Government Institutions	269,101	568,667
Others	<u>162,185</u>	<u>320,277</u>
	482,570	906,272
Considered doubtful		
Others	<u>62,108</u>	<u>73,672</u>
	544,678	979,944
Less: Provision for doubtful debts - note 9.1	<u>(62,108)</u>	<u>(73,672)</u>
	<u>482,570</u>	<u>906,272</u>

As of March 31, 2011, trade debts of Rs. 140 million (2010: Rs. 378 million) were past due but not impaired. These relate to a number of individual customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2011	2010
	Rupees '000	
Up to 3 months	25,729	176,120
3 to 6 months	9,508	72,288
6 to 12 months	9,910	95,463
More than one year	<u>95,078</u>	<u>34,384</u>
	<u>140,225</u>	<u>378,255</u>
9.1 Balance at the beginning of the year	(73,672)	(87,930)
Reversed during the year	6,697	14,258
Write offs	4,867	-
Balance at the end of the year	<u>(62,108)</u>	<u>(73,672)</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
10. LOANS AND ADVANCES		
Considered good		
Current maturity of long term loans and advances to:		
- executives	2,423	3,591
- other employees	2,162	3,344
	<u>4,585</u>	<u>6,935</u>
Advances to:		
- executives	-	4,597
- other employees	9,533	18,396
- suppliers	69,264	36,745
	<u>78,797</u>	<u>59,738</u>
	<u><u>83,382</u></u>	<u><u>66,673</u></u>
11. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Trade deposits	24,128	33,866
Prepayments	3,125	2,597
	<u>27,253</u>	<u>36,463</u>
Considered doubtful		
Trade deposits	14,496	15,239
	<u>41,749</u>	<u>51,702</u>
Less: Provision for doubtful deposits - note 11.1	<u>(14,496)</u>	<u>(15,239)</u>
	<u><u>27,253</u></u>	<u><u>36,463</u></u>
11.1 Balance at the beginning of the year	(15,239)	(21,536)
Reversed during the year	743	6,297
Balance at the end of the year	<u>(14,496)</u>	<u>(15,239)</u>
12 REFUNDS DUE FROM THE GOVERNMENT		
Sales tax		
Considered good - note 12.1	225,479	406,288
Considered doubtful	5,239	5,239
	<u>230,718</u>	<u>411,527</u>
Less: Provision for doubtful refundable	<u>(5,239)</u>	<u>(5,239)</u>
	<u><u>225,479</u></u>	<u><u>406,288</u></u>
12.1 This includes sales tax refundable of Rs.112.65 million outstanding for more than three years mainly due to various procedural matters.		

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
13. OTHER RECEIVABLES		
Receivable from related parties - considered good		
Employees' Provident Fund	10,973	-
Gratuity Fund - Permanent Staff - note 19.1	25	-
Others - considered good		
Insurance claim receivable	17,536	2,390
Others	342	849
	<u>28,876</u>	<u>3,239</u>
14. CASH AND BANK BALANCES		
Balances with banks:		
- on current accounts	2,445	2,016
- on PLS savings accounts	60,771	61,147
Cash in hand	200	100
	<u>63,416</u>	<u>63,263</u>

14.1 At March 31, 2011, the rates of mark-up on savings accounts range from 5% to 9.5% per annum (2010: 5% to 9.5% per annum).

	2011	2010
	Rupees '000	
15. SHARE CAPITAL		
15.1 Authorised share capital		
20,000,000 ordinary shares of Rs. 10 each	<u>200,000</u>	<u>200,000</u>
15.2 Issued, subscribed and paid-up capital		
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>

15.3 At March 31, 2011 and March 31, 2010 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.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
16. RESERVES		
Revenue		
- General reserves	291,000	291,000
- Unappropriated profit	1,064,480	1,088,973
	<u>1,355,480</u>	<u>1,379,973</u>
17. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening balance	271,796	277,490
Realisation of surplus on disposal of fixed assets during the year	(3,707)	-
Transferred to unappropriated profit on account of incremental depreciation for the year - net of deferred tax	(5,647)	(5,694)
	<u>262,442</u>	<u>271,796</u>
Surplus arising on revaluation during the year - net of deferred tax	786,572	-
Closing balance	<u>1,049,014</u>	<u>271,796</u>

During the year, land and buildings on leasehold land were revalued by independent valuer and resulted in increase of accumulated balance of surplus on revaluation as referred in notes 2.3.2 and 3.2 of these financial statements.

	2011	2010
	Rupees '000	
18. DEFERRED TAXATION		
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	76,417	76,143
- surplus arising on revaluation of fixed assets	91,239	26,096
	<u>167,656</u>	<u>102,239</u>
Debit balances arising in respect of:		
- provision for stores and stocks obsolescence	(43,340)	(56,815)
- provision for doubtful trade debts, deposits and other receivables	(27,828)	(32,963)
- recoupable carried forward tax losses - note 2.24 (c)	(49,116)	(25,199)
	<u>(120,284)</u>	<u>(114,977)</u>
	<u>47,372</u>	<u>(12,738)</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011		2010	
	Rupees '000			
19. STAFF RETIREMENT BENEFITS				
Gratuity Fund - Permanent Staff - note 19.1		-		3,655
Pension Fund - Permanent Staff - note 19.1		16,200		6,860
Retirement benefits - others - note 19.12		56,905		39,272
		<u>73,105</u>		<u>49,787</u>
<hr/>				
	2011		2010	
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund
	Rupees '000			
19.1 Movement in asset / (liability)				
Opening balance	(3,655)	(6,860)	5,025	(945)
Charge for the year	(21,396)	(30,765)	(7,411)	(12,052)
Net payments to / (from) the fund	25,076	21,425	(1,269)	6,137
Closing balance	<u>25</u>	<u>(16,200)</u>	<u>(3,655)</u>	<u>(6,860)</u>
19.2 Balance sheet reconciliation as at March 31, 2011				
Fair value of plan assets	51,185	59,132	76,711	82,761
Present value of obligations	(62,350)	(87,633)	(98,321)	(105,088)
Unrecognised actuarial loss	11,190	10,343	17,955	13,183
Past service cost - non vested	-	1,958	-	2,284
	<u>25</u>	<u>(16,200)</u>	<u>(3,655)</u>	<u>(6,860)</u>
19.3 Charge for the year				
Current service cost	5,562	5,485	5,293	5,654
Interest cost	11,696	11,985	12,539	14,219
Expected return on plan assets	(9,567)	(10,998)	(11,068)	(9,794)
Actuarial loss recognised during the year	903	297	647	1,647
Curtailment gain	(47,892)	(35,477)	-	-
Settlement loss	52,099	52,440	-	-
Actuarial loss recognised	8,595	6,707	-	-
Past service cost - vested	-	326	-	326
	<u>21,396</u>	<u>30,765</u>	<u>7,411</u>	<u>12,052</u>
19.4 Movement in the present value of obligation				
Opening balance	98,321	105,088	83,592	94,797
Current service cost	5,562	5,485	5,293	5,654
Interest cost	11,696	11,985	12,539	14,219
Curtailment gain	(47,892)	(35,477)	-	-
Settlement loss	52,099	52,440	-	-
Actuarial loss / (gain)	1,226	7,377	1,227	(7,752)
Benefits paid	(58,662)	(59,265)	(4,330)	(1,830)
Closing balance	<u>62,350</u>	<u>87,633</u>	<u>98,321</u>	<u>105,088</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011		2010		
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund	
	Rupees '000				
19.5 Movement in fair value of plan assets					
Opening balance	76,711	82,761	73,784	65,290	
Expected return on plan assets	9,567	10,998	11,068	9,794	
Actuarial (loss) / gain	(1,507)	3,213	(2,542)	3,370	
Employer contributions	25,076	21,425	(1,269)	6,137	
Benefits paid	(58,662)	(59,265)	(4,330)	(1,830)	
Closing balance	<u>51,185</u>	<u>59,132</u>	<u>76,711</u>	<u>82,761</u>	
19.6 Actual return on plan assets	<u>8,060</u>	<u>14,211</u>	<u>8,526</u>	<u>13,164</u>	
19.7 Plan assets comprise of:					
Equity (%)	8	4	18	36	
Debt (%)	80	83	49	46	
Others (%)	12	13	33	18	
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	
19.8 Key actuarial assumptions used:					
Expected rate of return on investments (%)	14	14	14	14	
Expected rate of increase in salaries (%)	13	13	13	13	
Discount factor used (%)	14	14	14	14	
Retirement age (years)	60	60	60	60	
19.9 Comparison for five years:					
	March 31, 2011	March 31, 2010	March 31, 2009	December 31, 2007	December 31, 2006
	Rupees '000				
Gratuity fund					
Fair value of plan assets	51,185	76,711	73,784	69,337	63,165
Present value of defined benefit obligation	(62,350)	(98,321)	(83,592)	(68,920)	(56,221)
(Deficit) / Surplus	<u>(11,165)</u>	<u>(21,610)</u>	<u>(9,808)</u>	<u>417</u>	<u>6,944</u>
Experience adjustment					
Actuarial loss on obligation	1,226	1,227	9,350	4,476	6,521
Actuarial loss / (gain) on plan assets	1,507	2,542	5,828	(261)	(1,828)
Pension fund					
Fair value of plan assets	59,132	82,761	65,290	70,040	61,406
Present value of defined benefit obligation	(87,633)	(105,088)	(94,797)	(78,546)	(58,482)
(Deficit) / Surplus	<u>(28,501)</u>	<u>(22,327)</u>	<u>(29,507)</u>	<u>(8,506)</u>	<u>2,924</u>
Experience adjustment					
Actuarial loss / (gain) on obligation	7,377	(7,752)	2,216	3,810	2,145
Actuarial gain on plan assets	(3,213)	(3,370)	(18,911)	(319)	(3,542)

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

19.10 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.

19.11 Based on actuary's advice, the amount of expected contribution to gratuity and pension funds in 2011-12 will be Rs. 7.16 million and Rs. 8.78 million respectively.

19.12 The balance represents gratuity payable to contractual staff.

	2011	2010
	Rupees '000	
20. TRADE AND OTHER PAYABLES		
Creditors	58,194	84,120
Bills payable to Toyota Tsusho Corporation, Japan - associated company	532,275	2,010,905
Accrued liabilities	265,501	372,527
Provision for warranty services - note 20.1	85,579	99,714
Advances from customers	357,382	517,577
Provision for compensated absences - note 20.2	24,977	29,550
Custom duties payable - note 20.3	157,969	157,969
Payable to Hino Motors, Ltd. Japan - holding company - royalty	12,558	15,595
Security deposits from dealers	32,000	-
Provision for infrastructure cess	23,249	23,249
Employees related obligation - note 20.4	19,895	26,152
Tax deducted at source	12,736	3,305
Payable under Voluntary Severance Scheme - note 24.2	3,722	-
Workers' profits participation fund - note 20.5	2,173	-
Workers' welfare fund	810	-
Excise duty payable	1,272	3,561
Unclaimed dividend	1,971	1,979
Net unrealised loss on foreign currency option contracts	-	27,441
Contractors retention money	1,261	1,081
Others	4,370	9,159
	<u>1,597,894</u>	<u>3,383,884</u>
20.1 Provision for warranty services		
Balance at the beginning of the year	99,714	74,442
Recognised during the year	55,808	85,356
Expenses against provision	(69,943)	(60,084)
Balance at the end of the year	<u>85,579</u>	<u>99,714</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
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Rupees '000

20.2 Provision for compensated absences

Balance at the beginning of the year	29,550	24,745
Recognised during the year	5,818	14,452
Reversals / payments made	<u>(10,391)</u>	<u>(9,647)</u>
Balance at the end of the year	<u>24,977</u>	<u>29,550</u>

20.3 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.

20.4 These represent contributions made by employees towards the sale price of vehicles provided to them by the Company in accordance with the Company's vehicle policy.

	2011	2010
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Rupees '000

20.5 Workers' Profits Participation Fund

Opening liability	-	6,286
Allocation for the year	<u>2,173</u>	<u>-</u>
	2,173	6,286
Interest on funds utilised in Company's business	<u>-</u>	<u>21</u>
	2,173	6,307
Amount paid to the Fund	<u>-</u>	<u>(6,307)</u>
Closing liability	<u>2,173</u>	<u>-</u>

21. SHORT-TERM BORROWINGS - Running finance under mark-up arrangements

The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 2.55 billion (2010: Rs. 2.03 billion) of which the amount remaining unutilised at the year end was Rs. 2.26 billion (2010: Rs. 1.54 billion). The rates of mark-up are based on KIBOR and range from 13.28% per annum to 15.46% per annum (2010: 13.35% per annum to 14.94% per annum).

The facilities for opening the letters of credit and guarantees as at March 31, 2011 amounted to Rs. 7.55 billion (2010: Rs. 5.80 billion) of which the amount remaining unutilised at the year end was Rs. 5.40 billion (2010: Rs. 2.20 billion).

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

22. CONTINGENCY AND COMMITMENTS

22.1 As at March 31, 2011 the Company has received provisional refunds of Rs. 519.05 million (2010: Rs. 562.97 million) from the sales tax authorities against bank guarantees.

22.2 Commitments for capital expenditures as at March 31, 2011 amounted to Rs. 71.50 million (2010: Rs. 13.94 million).

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
23. SALES		
Manufactured goods		
Gross sales - note 23.1		
Local	9,047,015	11,164,806
Export	219,995	40,835
	<u>9,267,010</u>	<u>11,205,641</u>
Less: Commission	108,338	172,654
Sales tax and excise duty	80,434	83,201
Sale returns	7,692	-
	<u>9,070,546</u>	<u>10,949,786</u>
Trading goods		
Gross sales	287,311	242,222
Less: Discounts	39,049	35,978
Sales tax	35,374	28,442
Sale returns	1,612	37
	<u>211,276</u>	<u>177,765</u>
	<u>9,281,822</u>	<u>11,127,551</u>

23.1 Sales of chassis and bodies amounted to Rs 8.31 billion and Rs. 0.59 billion (2010: Rs. 10.14 billion and Rs. 0.81 billion) respectively.

23.2 Sales to Government institutions of Rs. 1.60 billion (2010: Rs. 1.85 billion) account for over 17 percent (2010: 10 percent) of the net sales.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

24. OPERATING COST

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
	Rupees '000							
Raw materials consumed	7,693,606	10,099,967	-	-	-	-	7,693,606	10,099,967
Stores and spares consumed	8,165	3,088	-	-	255	90	8,420	3,178
Staff costs - note 24.1 & 24.2	463,044	407,132	125,352	112,642	77,130	70,590	665,526	590,364
Staff training	2,363	2,028	551	598	404	395	3,318	3,021
Depreciation and amortisation	77,522	79,126	10,607	9,255	10,837	11,552	98,966	99,933
Fixed assets charged off	1,165	920	356	1,011	814	924	2,335	2,855
Rent, rates and taxes	5,251	9,822	1,263	1,295	-	-	6,514	11,117
Insurance	793	696	361	356	3,339	2,628	4,493	3,680
Vehicle running and maintenance expenses	12,189	11,382	13,051	11,096	6,915	7,371	32,155	29,849
Fuel and power	35,682	32,252	1,942	1,656	7,235	5,776	44,859	39,684
Travelling and entertainment	4,917	5,603	12,183	14,669	5,049	3,653	22,149	23,925
Repairs and maintenance	13,951	37,002	1,572	1,974	6,576	9,127	22,099	48,103
Printing, stationery and office supplies	2,293	3,090	3,465	4,822	2,041	1,562	7,799	9,474
Communication	1,282	1,651	2,903	3,104	1,571	1,503	5,756	6,258
Royalty	56,814	32,315	-	-	-	-	56,814	32,315
Research and development	912	8,139	-	-	-	-	912	8,139
Legal and professional charges	-	-	-	-	8,668	10,903	8,668	10,903
Auditors' remuneration - note 24.3	-	-	-	-	2,236	1,968	2,236	1,968
Security and maintenance	-	-	-	-	33,169	31,885	33,169	31,885
Outward freight and handling	-	-	2,334	460	-	-	2,334	460
Advertising and sales promotion	-	-	26,428	24,290	-	-	26,428	24,290
Product maintenance charges	-	-	25,100	34,200	-	-	25,100	34,200
Warranty services - note 20.1	-	-	55,808	85,356	-	-	55,808	85,356
Reversal for doubtful trade debts - note 9.1	-	-	(6,697)	(14,258)	-	-	(6,697)	(14,258)
Reversal for doubtful deposits - note 11.1	-	-	(743)	(6,297)	-	-	(743)	(6,297)
Other expenses	3,499	4,028	3,483	2,682	2,064	1,269	9,046	7,979
	8,383,448	10,738,241	279,319	288,911	168,303	161,196	8,831,070	11,188,348
Opening stock of work in process	19,992	9,576						
	8,403,440	10,747,817						
Closing stock of work in process	(280,809)	(19,992)						
Cost of goods manufactured	8,122,631	10,727,825						
Opening stock of finished goods	649,735	489,757						
Closing stock of finished goods	(421,470)	(649,735)						
	8,350,896	10,567,847						
Trading goods								
Opening stock	135,466	118,074						
Purchases	228,628	187,615						
	364,094	305,689						
Closing stock	(170,460)	(135,466)						
	193,634	170,223						
	8,544,530	10,738,070						

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

24.1 Staff costs

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
	Rupees '000							
Salaries, wages, allowances and staff welfare	392,759	357,273	113,772	103,050	69,076	63,553	575,607	523,876
Charge for defined benefit plans	64,949	44,922	9,599	7,701	6,875	6,112	81,423	58,735
Charge for defined contribution plan	5,336	4,937	1,981	1,891	1,179	925	8,496	7,753
	<u>463,044</u>	<u>407,132</u>	<u>125,352</u>	<u>112,642</u>	<u>77,130</u>	<u>70,590</u>	<u>665,526</u>	<u>590,364</u>

24.2 Voluntary severance scheme

During the year ended March 31, 2011, certain employees of the Company have availed the Company's Voluntary Severance Scheme (VSS). VSS is a programme initiated during the year by the Company to achieve rationalisation and corporate restructuring. The aggregate cost of Rs. 89.56 million incurred during the year on account of VSS has been allocated as follows:

	2011	2010
	Rupees '000	
Cost of sales	63,627	-
Distribution expenses	21,637	-
Administration expenses	4,298	-
	<u>89,562</u>	<u>-</u>

24.3 Auditors' Remuneration

Audit fee	1,100	925
Fee for limited review of half yearly financial statements and other certifications	830	821
Out of pocket expenses	306	222
	<u>2,236</u>	<u>1,968</u>

25. OTHER OPERATING INCOME

Income from financial assets

Return on PLS savings accounts	2,055	6,631
Return on bank term deposits	-	1,826
	<u>2,055</u>	<u>8,457</u>

Income from non-financial assets

Gain on disposal of operating fixed assets	3,148	7,078
Realisation of surplus on disposal of fixed assets	3,707	-

Others

Scrap sales - stores, spares and loose tools	27,188	33,866
Commission from an associated company	13,918	24,830
Discounting of assets / liabilities to amortised cost - net	4,548	-
Liabilities no longer required written back	448	-
Others	1,498	2,706
	<u>56,510</u>	<u>76,937</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
26. OTHER OPERATING EXPENSES		
Donations and charities - note 26.1	838	1,024
Workers' Profits Participation Fund - note 20.5	2,173	-
Workers' Welfare Fund	810	-
	<u>3,821</u>	<u>1,024</u>
26.1 None of the directors or their spouses had any interest in the donees.		
27. FINANCE COST		
Mark-up on short-term borrowings	116,447	48,150
Exchange loss - net	177,845	88,192
Bank charges	7,582	9,343
Interest on Workers' Profits Participation Fund	-	21
	<u>301,874</u>	<u>145,706</u>
28. TAXATION		
Current - for the year - note 28.1	98,050	64,821
- for prior years	(18,257)	(22,934)
Deferred	(9,168)	(24,237)
	<u>70,625</u>	<u>17,650</u>
28.1 Current year charge mainly represents minimum tax at the rate of 1% (2010: 0.5%) of the turnover, in accordance with section 113 of the Income Tax Ordinance, 2001.		
28.2 Relationship between tax expense and accounting profit		
Profit / (Loss) before taxation	<u>40,485</u>	<u>(130,419)</u>
Tax calculated at the rate of 35% (2010: 35%)	14,170	(45,647)
Effect of final tax regime	2,631	793
Tax effect of other than temporary differences	6,321	4,001
Reversal of prior years' tax provision	(18,257)	(22,934)
Tax effect of (recoupable) / un-recoupable carried forward losses	(24,440)	26,590
Un-recoupable turnover tax	89,520	54,847
Tax surcharge	680	-
Tax charge for the year	<u>70,625</u>	<u>17,650</u>

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
29. LOSS PER SHARE		
Loss after taxation attributable to ordinary shareholders	(30,140)	(148,069)
Number of ordinary shares (in '000s) issued and subscribed at the end of the year	12,401	12,401
Loss per share	Rs. (2.43)	Rs. (11.94)

29.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at March 31, 2011 and March 31, 2010 which would have any effect on the loss per share if the option to convert is exercised.

	2011	2010
	Rupees '000	
30. CASH GENERATED FROM OPERATIONS		
Profit / (Loss) before taxation	40,485	(130,419)
Add / (Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	98,966	99,933
Gain on disposal of operating fixed assets	(3,148)	(7,078)
Retirement benefits charge	81,423	58,735
Mark-up on short-term borrowings	116,447	48,150
Return on PLS savings accounts	(2,055)	(6,631)
Realisation of surplus on disposal of fixed assets	(3,707)	-
Return on bank term deposits	-	(1,826)
	287,926	191,283
Profit before working capital changes	328,411	60,864

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (Increase) in current assets

Stores, spares and loose tools	6,546	6,969
Stock-in-trade	1,271,605	(550,525)
Trade debts	423,702	229,060
Loans and advances	(16,709)	(14,787)
Trade deposits and prepayments	9,210	16,935
Refunds due from the government	180,809	(257,086)
Other receivables	(25,637)	871
	1,849,526	(568,563)
(Decrease) / Increase in current liabilities		
Trade and other payables	(1,817,982)	1,767,303
	31,544	1,198,740
	359,955	1,259,604

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
31. CASH AND CASH EQUIVALENTS		
Cash and bank balances	63,416	63,263
Running finance under mark-up arrangements	(296,310)	(494,204)
	<u>(232,894)</u>	<u>(430,941)</u>

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

The aggregate 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	
	2011	2010	2011	2010	2011	2010
	Rupees '000					
Managerial remuneration and allowances	4,831	4,570	10,279	11,427	44,945	38,320
Bonus	1,711	1,587	3,591	4,076	12,351	9,261
Retirement benefits**	-	-	9,177	630	15,353	4,050
Rent and utilities	2,316	2,185	4,909	5,292	15,622	14,199
Leave passage	351	331	740	802	2,353	1,850
Club expenses	-	-	20	32	276	284
Medical expenses	146	141	365	426	2,878	2,523
	<u>9,355</u>	<u>8,814</u>	<u>29,081</u>	<u>22,685</u>	<u>93,778</u>	<u>70,487</u>
Number of persons	<u>1</u>	<u>1</u>	<u>* 3</u>	<u>3</u>	<u>33</u>	<u>26</u>

* The number of Executive Directors as at year end was reduced to two after retirement of one Executive Director.

** Includes benefits of Rs. 8.65 million (2010: Nil) and Rs. 8.13 million (2010: Nil) paid to the retiring Director and Executives respectively in addition to normal retirement benefits on account of loss of office.

32.1 Consultancy fee paid to the Chairman and retainership and meetings fee paid to a non-executive director during the year amounted to Rs. 3.95 million (2010: Rs. 3.26 million) and Rs. 420,000 (2010: Rs. 3.10 million - consultancy fee) respectively. Further, the Chairman and the Director are provided with free use of Company maintained cars.

32.2 The Managing Director, Executive Directors and certain executives of the Company are provided with free use of Company maintained cars and certain items of household furniture and fixtures and electrical appliances in accordance with their terms of employment.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	Rupees '000	
33. PLANT CAPACITY AND PRODUCTION		
Plant capacity (single shift without overtime)		
- Chassis	<u>6,000</u>	<u>6,000</u>
- Bodies	<u>1,800</u>	<u>1,800</u>
Actual production		
- Chassis	<u>2,103</u>	<u>3,370</u>
- Bodies	<u>499</u>	<u>1,173</u>

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

	2011	2010	
	Rupees '000		
34. RELATED PARTY DISCLOSURES			
Disclosure of transactions between the Company and related parties:			
Relationship	Nature of transaction		
i. Holding company	- Purchase of goods	123,634	249,134
	- Sale of goods	197,624	12,858
	- Royalty charge	56,814	32,315
	- Dividend paid	-	12,876
ii. Associated companies	- Purchase of goods	4,512,957	7,279,131
	- Purchase of services	350	389
	- Sale of goods	616,729	695,204
	- Purchase of property, plant and equipment	21,090	11,584
	- Commission earned	13,918	24,830
	- Dividend paid	-	6,438
iii. Staff retirement funds	- Payments to retirement benefit plans	76,340	20,374

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

34.2 Details of compensation to key management personnel comprising of Managing Director and Directors is disclosed in note 32 above.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

35. 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							
Loans and receivables							
Loans and advances	-	-	-	4,585	3,908	8,493	8,493
Deposits	-	-	-	24,128	5,881	30,009	30,009
Trade debts	-	-	-	482,570	-	482,570	482,570
Other receivables	-	-	-	28,876	-	28,876	28,876
Cash and bank balances	60,771	-	60,771	2,445	-	2,445	63,216
2011	60,771	-	60,771	542,604	9,789	552,393	613,164
2010	61,147	-	61,147	952,428	15,740	968,168	1,029,315
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	1,042,303	-	1,042,303	1,042,303
Short-term borrowings	296,310	-	296,310	-	-	-	296,310
Accrued mark-up	-	-	-	9,763	-	9,763	9,763
2011	296,310	-	296,310	1,052,066	-	1,052,066	1,348,376
2010	494,204	-	494,204	2,686,346	32,000	2,718,346	3,212,550
On balance sheet gap							
2011	(235,539)	-	(235,539)	(509,462)	9,789	(499,673)	(735,212)
2010	(433,057)	-	(433,057)	(1,733,918)	(16,260)	(1,750,178)	(2,183,235)
OFF BALANCE SHEET FINANCIAL INSTRUMENTS							
Commitments for capital expenditure							71,500
Letters of credit							5,160,000
Letters of guarantee							2,390,000
2011							7,621,500
2010							3,606,102

OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Commitments for capital expenditure							71,500
Letters of credit							5,160,000
Letters of guarantee							2,390,000
2011							7,621,500
2010							3,606,102

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, 2011 the Company's interest bearing financial liabilities of

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

Rs. 296.31 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 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately lower / higher by Rs. 5.93 million (2010: lower / higher by Rs. 9.88 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 200 basis points movement in the interest rates has been used as historically (five years) floating interest rates have moved by an average of 200 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. 613.16 million (2010: Rs. 1.03 billion). 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. In case of receivable from other customers, the Company usually obtains post dated cheques.

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 Pakistan Rupee. As at March 31, 2011 payable exposed to foreign exchange risk is of Rs. 544.83 million (2010: Rs. 2.03 billion).

As at March 31, 2011, if the Pakistani Rupee had weakened / strengthened by 16% against Japanese Yen with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 87.17 million (2010: Rs. 106.2 million), mainly as a result of foreign exchange losses / gains on translation of Japanese Yen denominated financial assets and liabilities.

Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

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.

36. 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:

	2011	2010
	Rupees '000	
Total Borrowings	306,073	501,925
Cash and Bank	(63,416)	(63,263)
Net debt	242,657	438,662
Total equity	1,479,486	1,503,979
Total capital	1,722,143	1,942,641
Gearing ratio	14%	23%

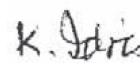
The capital structure of the Company is equity based with no financing through long term borrowings. Company avails short-term borrowings for working capital purposes only.

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by Directors on May 16, 2011.



Managing Director &
CEO



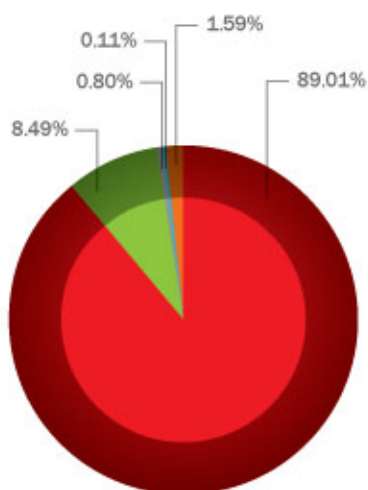
Chairman

Pattern of Shareholding

As at March 31, 2011

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
342	1	100	13,762
591	101	500	98,615
48	501	1000	34,874
24	1001	5000	43,731
1	5001	10000	8,500
4	10001	15000	49,117
1	15001	35000	33,300
1	35001	45000	42,160
1	45001	50000	48,468
1	50001	110000	108,948
1	110001	115000	113,973
1	115001	260000	259,462
1	260001	510000	509,152
1	510001	3680000	3,678,833
1	3680001	7360000	7,357,665
1019			12,400,560

Shareholders' Category	Number of Shareholders	Number of Shares Held	Percentage of Holding
Foreign investors	3	11,037,498	89.01%
Financial institutions	9	1,052,195	8.49%
Insurance companies	4	99,801	0.80%
Joint stock companies	7	13,729	0.11%
Individuals	996	197,337	1.59%
Grand total	1019	12,400,560	100.00%



Pattern of Shareholding

Foreign investors	■
Financial institutions	■
Insurance companies	■
Joint stock companies	■
Individuals	■



Pattern of Shareholding

As at March 31, 2011

Shareholders' Category	Number of Shareholders	Number of Shares held
Associated Companies		
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	1	3,678,833
NIT		
National Bank of Pakistan-Trustee Department	2	509,352
National Investment Trust Limited	1	13,111
Executives		
Mr. Nishat Zafar	1	120
Mr. Muzaffar Anjum	1	120
Mr. Muhammad Owais Muhib Khan	1	120
Mr. Naushad Riaz	1	120
Mr. Gul Abbas	1	120
Banks, Development Finance Institutions, Non - Banking Finance Institutions, Insurance Companies, Modarabas And Mutual Funds		
Faysal Bank Limited	1	113,973
First Tri-star Modaraba	1	20
National Bank of Pakistan	1	307,930
New Jubilee Insurance Company Limited	1	42,160
New Jubilee Life Insurance Company Limited	1	33,300
Pak Asian Fund Limited	1	307
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
Shareholders Holding 10% or More Voting Interest		
Hino Motors Ltd.	1	7,357,665
Toyota Tsusho Corporation	1	3,678,833

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 26th 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 Monday, June 20, 2011 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, 2011, together with the Reports of the Directors and Auditors.
2. To appoint Auditors for the ensuing year and fix their remuneration.
3. Any other business with the permission of the Chair.

By order of the Board

FAHIM AIJAZ SABZWARI
Company Secretary

Karachi:
May 29, 2011

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 14, 2011 to June 20, 2011 (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, Dagja 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 26th Annual General Meeting of the Company to be held on Monday, June 20, 2011 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>_____ First Witness Signature</p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>	<p>_____ Second Witness Signature</p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>
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Proxy's Signature

Proxy's Signature

Proxy's CNIC Number or Passport Number

Proxy's CNIC Number or Passport Number

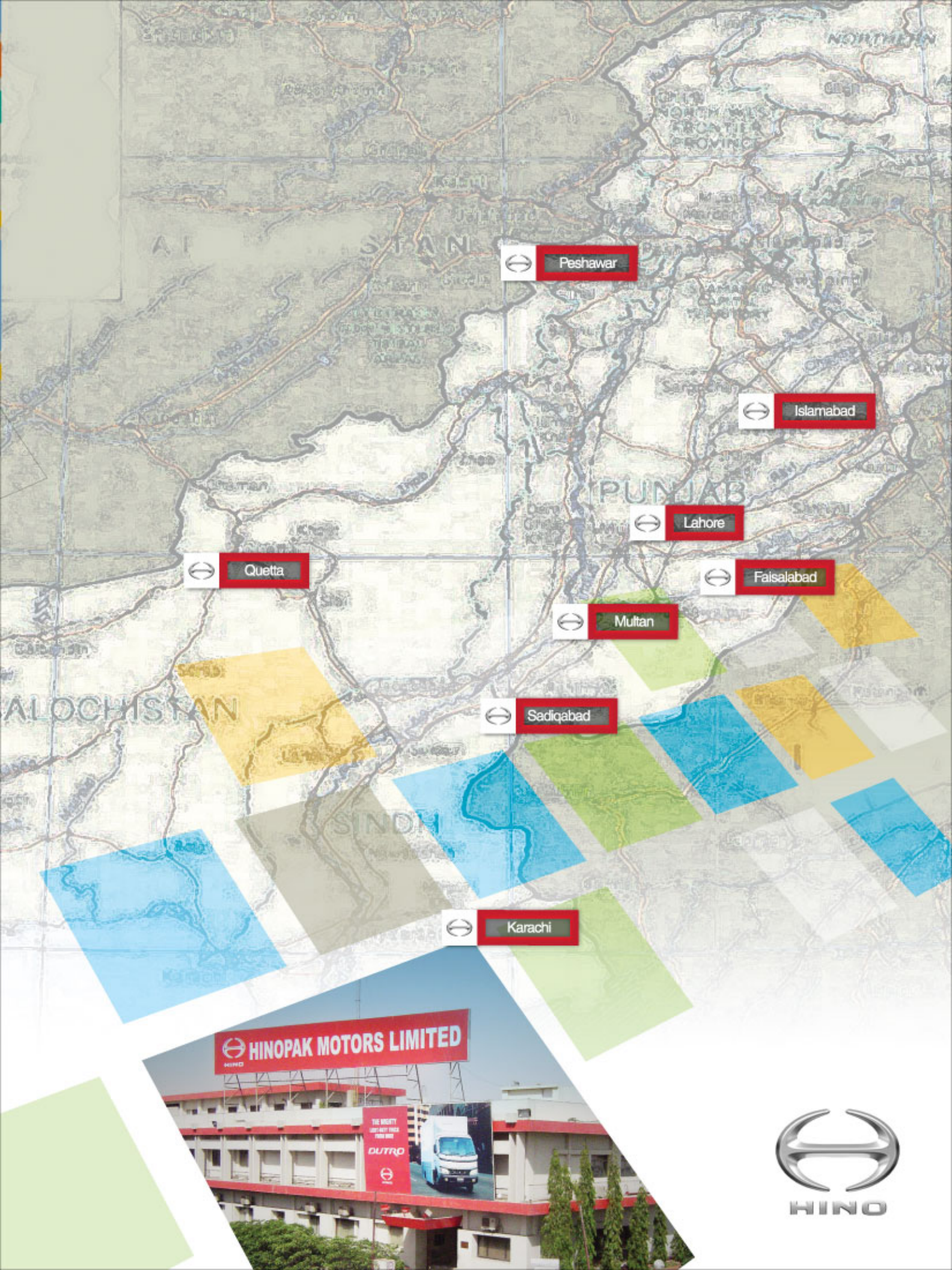
NOTES:

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





 Peshawar


 Islamabad

 Lahore

 Quetta

 Faisalabad

 Multan

 Sadiqabad

 Karachi



HINO

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

