



Half Yearly Report

2008

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COMPANY INFORMATION

Board of Directors

Kunwar Idris
Chairman

Hideya Iijima
Managing Director & Chief Executive

Takeshi Ito
Deputy Managing Director

Shinji Fujimoto
Susumu Hongo
Muhammad Irfan Shaikh
Fasihul Karim Siddiqi

Company Secretary

Gul Abbas

Bankers

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

Auditors

A.F. Ferguson & Co. Chartered Accountants

Legal Advisors

Sayeed & Sayeed

Registered Office

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

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**HINOPAK MOTORS LIMITED
DIRECTORS' REVIEW
FOR THE HALF YEAR ENDED JUNE 30, 2008**

Greetings to the Shareholders!

In the first half of 2008 (January to June) the sale of commercial vehicles rose steeply. Besides a particularly higher demand for heavy duty vehicles, speculative buying has been the chief reason for this. The dealers and operators anticipating increase in the prices of vehicles because of the declining value of rupee have been buying, it seems, ahead of time.

The sale of medium and heavy trucks rose to 1986 from 1329 in the first half of 2007. The sale of small trucks increased to 1357 from 763 and of buses to 629 from 523 making a total of 3972 which is 52% more than last year's first half.

The sales revenue has increased to Rs. 6.1 billion from Rs. 3.9 billion. The gross profit at Rs.796 million shows an increase of 20% over the first half of last year. As a percentage of sales, however, it has fallen from 17% to 13% because of increase in the cost of local parts and other raw materials and fall in the rupee value.

The finance cost of Rs. 154 million includes a net exchange loss of Rs. 148 million due to depreciating rupee and fair value adjustment of forward exchange contracts that were entered into to hedge the risk.

The cash flow improved and the company closed the first half with a surplus of Rs. 1,532 million.

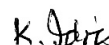
The profit after tax is Rs. 281 million against Rs. 268 million of last year's first half and earnings per share Rs. 22.66 against Rs. 21.63.

The outlook for the second half of the year is much less cheerful. The market is getting depressed and with the rupee falling ever so steeply the prices must keep rising. The management is, thus, relying mostly on higher productivity and economy in expenditure to maintain the old levels of profitability. The directors would need the understanding and support of the shareholders, workers, dealers and vendors in the difficult times ahead.



**Managing Director &
Chief Executive**

Dated: August 19, 2008



Chairman

A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

**AUDITORS' REPORT TO THE MEMBERS
ON REVIEW OF INTERIM FINANCIAL INFORMATION**

A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road, P.O. Box 4716
Karachi-7400, Pakistan
Telephone: (021) 2426682 / 2426711-5
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Introduction

We have reviewed the accompanying condensed interim balance sheet of Hinopak Motors Limited as at June 30, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended together with the notes forming part thereof (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2008.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



Chartered Accountants

Karachi

Dated: August 20, 2008


**CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2008**

	Note	(Unaudited) June 30, 2008	(Audited) December 31, 2007
(Rupees '000)			
ASSETS			
Non-current assets			
Fixed Assets	4	927,768	890,313
Investments		-	-
Long-term loans and advances		10,806	7,121
Long-term deposits		5,729	6,002
		<u>944,303</u>	<u>903,436</u>
Current assets			
Stores, spares and loose tools		35,761	30,605
Stock-in-trade		2,071,388	2,533,159
Trade debts		662,103	816,386
Loans and advances		123,224	90,523
Trade deposits and prepayments	5	318,373	96,829
Accrued mark-up on term deposit accounts		11,273	2,678
Refunds due from the government - sales tax		216,584	164,817
Other receivables		22,894	12,183
Cash and bank balances	6	1,532,216	260,915
		<u>4,993,816</u>	<u>4,008,095</u>
Total Assets		<u>5,938,119</u>	<u>4,911,531</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
20,000,000 ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up share capital		124,006	124,006
Revenue reserve		291,000	291,000
Unappropriated profit		1,459,903	1,473,552
Total capital and reserves		<u>1,874,909</u>	<u>1,888,558</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		281,760	284,677
LIABILITIES			
Non-current liabilities			
Long-term security deposits		34,000	32,000
Deferred taxation		46,079	33,594
		<u>80,079</u>	<u>65,594</u>
Current liabilities			
Liability against assets subject to finance lease		2,220	4,299
Trade and other payables	7	3,694,008	2,439,908
Running finance under mark-up arrangements		-	105,178
Accrued mark-up		-	598
Taxation		5,143	122,719
		<u>3,701,371</u>	<u>2,672,702</u>
Commitments	8		
Total liabilities		<u>3,781,450</u>	<u>2,738,296</u>
Total Equity and Liabilities		<u>5,938,119</u>	<u>4,911,531</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Managing Director &
Chief Executive



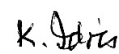
Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED JUNE 30, 2008 - UNAUDITED**

	Quarter ended		Half year ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	← (Rupees '000) →			
Sales - net	3,057,412	2,137,493	6,109,687	3,859,970
Cost of sales	(2,748,847)	(1,772,213)	(5,313,974)	(3,197,732)
Gross profit	308,565	365,280	795,713	662,238
Distribution expenses	(91,218)	(75,964)	(158,164)	(123,069)
Administration expenses	(44,726)	(39,244)	(84,427)	(72,264)
Other operating income	46,280	13,620	69,125	19,646
Other operating expenses	(11,160)	(16,301)	(32,675)	(30,658)
Profit from operations	207,741	247,391	589,572	455,893
Finance cost	(62,391)	(27,370)	(154,041)	(42,468)
Profit before taxation	145,350	220,021	435,531	413,425
Taxation - Current	(40,437)	(77,008)	(142,000)	(144,698)
- Deferred	(12,249)	(235)	(12,484)	(470)
Profit after taxation	92,664	142,778	281,047	268,257
Earnings per share - Basic and diluted	Rs. 7.47	Rs. 11.51	Rs. 22.66	Rs. 21.63

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.


**Managing Director &
Chief Executive**


Chairman


**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED JUNE 30, 2008 - UNAUDITED**

	Note	June 30, 2008	June 30, 2007
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	2,003,023	950,887
Payment of mark-up on running finance		(1,181)	(11,337)
Return on short term deposits		5,470	1,853
Return on PLS savings accounts		18,400	2,600
Taxes paid		(259,576)	(177,996)
Increase in long-term loans and advances		(3,685)	(996)
Decrease / (Increase) in long-term deposits		273	(312)
Increase in long-term security deposits		2,000	-
Net cash generated from operating activities		<u>1,764,724</u>	<u>764,699</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		<u>(100,692)</u>	<u>(84,272)</u>
Proceeds from disposal of fixed assets		11,434	1,952
Net cash used in investing activities		<u>(89,258)</u>	<u>(82,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in liability against assets subject to finance lease		<u>(2,079)</u>	<u>(2,003)</u>
Dividend paid		<u>(296,908)</u>	<u>(129,803)</u>
Net cash used in financing activities		<u>(298,987)</u>	<u>(131,806)</u>
Net increase in cash and cash equivalents		<u>1,376,479</u>	550,573
Cash and cash equivalents at the beginning of the period		155,737	(144,189)
Cash and cash equivalents at the end of the period		<u>1,532,216</u>	<u>406,384</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



**Managing Director &
Chief Executive**



Chairman

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED JUNE 30, 2008 - UNAUDITED**

	Share Capital	Revenue Reserve	Unappropriated Profit	Total
	← (Rupees '000) →			
Balance at January 1, 2007	124,006	291,000	1,007,847	1,422,853
Dividend for the year ended December 31, 2006 @ Rs 10.5 per share	-	-	(130,206)	(130,206)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	2,930	2,930
Profit after taxation for the half year ended June 30, 2007	-	-	268,257	268,257
Balance at June 30, 2007	<u>124,006</u>	<u>291,000</u>	<u>1,148,828</u>	<u>1,563,834</u>
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	2,934	2,934
Profit after taxation for the half year ended December 31, 2007	-	-	321,790	321,790
Balance at December 31, 2007	<u>124,006</u>	<u>291,000</u>	<u>1,473,552</u>	<u>1,888,558</u>
Dividend for the year ended December 31, 2007 @ Rs 24 per share	-	-	(297,613)	(297,613)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	2,917	2,917
Profit after taxation for the half year ended June 30, 2008	-	-	281,047	281,047
Balance at June 30, 2008	<u><u>124,006</u></u>	<u><u>291,000</u></u>	<u><u>1,459,903</u></u>	<u><u>1,874,909</u></u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.



Managing Director &
Chief Executive



Chairman

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2008 - UNAUDITED**

1. COMPANY AND ITS OPERATIONS

Hinopak Motors Limited is incorporated in Pakistan as a public limited company and quoted on Karachi and Lahore Stock Exchanges. The company's principal activity is the assembly, progressive manufacture and sale of Hino buses and trucks in Pakistan.

2. BASIS OF PREPARATION

These condensed interim financial information have been prepared in accordance with the requirements of International Accounting Standard No. 34, "Interim Financial Reporting" and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Lahore Stock Exchanges.

3. ACCOUNTING POLICIES

The present accounting policies and methods of computation adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the company for the year ended December 31, 2007.

New standard adopted during the period by the Securities and Exchange Commission of Pakistan, that is relevant but not yet effective

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments.

The revised standard will be effective for accounting periods beginning on or after April 28, 2008.

	Note	(Unaudited) June 30, 2008 (Rupees '000)	(Audited) December 31, 2007
4. FIXED ASSETS			
Property, plant and equipment	4.1	921,216	887,117
Intangible assets		6,552	3,196
		927,768	890,313

4.1 Property, plant and equipment

	Note	(Unaudited) June 30, 2008 (Rupees '000)	(Audited) December 31, 2007
Operating assets	4.2	921,216	884,341
Capital work in progress		-	2,776
		<u>921,216</u>	<u>887,117</u>

4.2 Additions / disposals

	Additions (at cost)		Disposals (at net book value)	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	Half year ended (Rupees '000)			
Building on leasehold land	22,596	1,390	7,875	-
Plant and machinery	30,177	19,623	1,297	-
Furniture and fixtures	427	165	-	-
Vehicles				
- owned	30,205	17,406	2,397	499
- held under finance lease	-	-	-	302
Electrical installations	11,768	-	-	-
Office and other equipments	3,561	5,385	53	-
	<u>98,734</u>	<u>43,969</u>	<u>11,622</u>	<u>801</u>

5. TRADE DEPOSITS AND PREPAYMENTS

These include Rs. 245.35 million (December 31, 2007: Nil) held by banks under margin accounts against letters of credit.

6. CASH AND BANK BALANCES

	(Unaudited) June 30, 2008 (Rupees '000)	(Audited) December 31, 2007
Balances with banks		
- on current accounts	98,480	52,514
- on PLS savings accounts	531,644	156,377
- on term deposit accounts	902,000	52,000
Cash in hand	92	24
	<u>1,532,216</u>	<u>260,915</u>

7. TRADE AND OTHER PAYABLES

These include bills payable to Toyota Tsusho Corporation, Japan - associated company amounting to Rs. 1.59 billion (December 31, 2007: Rs. 0.89 billion) and advances from customers amounting to Rs. 1.04 billion (December 31, 2007: Rs. 0.71 billion).

	(Unaudited) June 30, 2008	(Audited) December 31, 2007
	(Rupees '000)	
8. COMMITMENTS FOR CAPITAL EXPENDITURE	37,297	58,816

	(Unaudited) June 30, 2008	(Unaudited) June 30, 2007
	(Rupees '000)	
9. CASH GENERATED FROM OPERATIONS		
Profit before taxation	435,531	413,425
Add/(Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	51,616	41,793
Mark-up on running finance	583	22,209
Loss/(Gain) on disposal of fixed assets	188	(1,151)
Return on short term deposits	(18,400)	(1,853)
Return on PLS savings accounts	(14,065)	(1,583)
	<u>19,922</u>	<u>59,415</u>
Profit before working capital changes	455,453	472,840
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase)/Decrease in current assets		
Stores, spares and loose tools	(5,156)	(5,406)
Stock-in-trade	461,771	395,232
Trade debts	154,283	(168,880)
Loans and advances	(32,701)	3,172
Trade deposits and prepayments	(221,544)	(36,308)
Refunds due from the government - Sales tax	(51,767)	(128,549)
Other receivables	(10,711)	10,860
	<u>294,175</u>	<u>70,121</u>
Increase in current liabilities		
Trade and other payables	1,253,395	407,926
	<u>1,547,570</u>	<u>478,047</u>
	<u>2,003,023</u>	<u>950,887</u>

10. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	(Unaudited)	(Unaudited)
		June 30, 2008	June 30, 2007
		(Rupees '000)	
i. Holding Company	- Purchase of goods	77,331	35,690
	- Royalty	42,364	35,136
	- Technical fee	2,775	-
	- Dividend paid	176,584	77,255
ii. Associated Companies	- Purchase of goods and services	2,408,209	1,260,047
	- Sale of goods	69,388	-
	- Purchase of property, plant and equipment	18,775	42,768
	- Commission earned	-	32
	- Dividend paid	88,292	38,628
iii. Employees' Provident Fund	- Contribution paid	5,681	5,953
iv. Employees' Gratuity Fund	- Contribution paid / (refund)	7,745	(966)
v. Employees' Pension Fund	- Contribution paid	5,735	742
vi. Key management personnel	- Salaries and other employee benefits	21,660	19,647
	- Post employment benefits	349	439

11. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 19, 2008 by the Board of Directors of the company.



Managing Director &
Chief Executive



Chairman



HINOPAK MOTORS LIMITED

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