

FINANCIAL HIGHLIGHTS

	2004	2005	2006	2007	2009	2010
Profit & Loss Account (Rs. in Million)						
Sales - Net	5,521.80	6,367.61	6,392.28	7,826.78	12,151.02	11,127.55
Gross Profit	770.09	661.51	834.58	1,387.64	1,279.14	389.48
Operating Profit	509.40	435.06	560.18	967.78	794.35	15.29
Profit / (Loss) before Tax	499.74	381.58	511.76	904.61	115.83	(130.42)
Taxation	164.01	138.62	187.88	314.56	45.91	17.65
Profit / (Loss) after Tax	335.73	242.96	323.88	590.05	69.92	(148.07)
Transfer from surplus on revaluation of fixed assets	21.05	5.86	5.86	5.86	7.19	5.69
Dividend	105.41	105.41	74.40	130.21	297.61	21.70
Unappropriated profit carried forward	609.10	752.51	1,007.85	1,473.55	1,253.05	1,088.97
Balance Sheet (Rs. in Million)						
Net Assets						
Fixed Assets	682.47	833.68	865.24	890.31	954.03	921.28
Other Long Term Assets	11.96	12.71	15.05	13.12	23.59	28.48
Current Assets	2,724.51	2,320.62	3,259.54	4,008.10	4,029.42	4,793.61
Less: Current Liabilities	2,032.57	1,639.45	2,342.08	2,672.70	3,017.06	3,885.81
Total Net Assets	1,386.37	1,527.56	1,797.75	2,238.83	1,989.99	1,857.56
Financed By						
Issued, Subscribed & Paid up Capital	124.01	124.01	124.01	124.01	124.01	124.01
Reserves / Accumulated Profit	900.10	1,043.51	1,298.84	1,764.55	1,544.04	1,379.97
Long Term / Deferred tax Liabilities	60.01	63.64	84.36	65.59	44.44	81.79
Surplus on Revaluation of Fixed Assets	302.26	296.40	290.54	284.68	277.49	271.80
Total Funds Invested	1,386.37	1,527.56	1,797.75	2,238.83	1,989.99	1,857.56
Cash Flow (Rs. in Million)						
Cash flows from / (used in) operating activities	345.52	(425.98)	257.36	541.70	(950.34)	936.20
Cash flows used in investing activities	(134.62)	(204.97)	(109.99)	(106.84)	(189.41)	(60.10)
Cash flows used in financing activities	(107.93)	(108.47)	(77.54)	(134.94)	(301.34)	(21.69)
Turnover (Rs. in Million)						
Hino Chassis	4,161.05	5,359.53	5,577.64	5,943.60	9,205.34	9,226.12
Bus & Other Bodies	815.31	633.74	580.24	1,023.70	1,435.77	804.35
Spare Parts	38.14	51.79	89.05	120.88	252.95	177.76
Others	507.30	322.54	145.35	738.60	1,256.96	919.32
Total	5,521.80	6,367.61	6,392.28	7,826.78	12,151.02	11,127.55
Production (Units)						
Hino Chassis	2341	2286	2614	2953	3571	2577
Bus & Other Bodies	1712	739	938	1747	2258	1173
IMV / Hilux Frame	2910	3290	970	809	2409	2130
Hilux Deck	2906	3375	946	-	-	-

PATTERN OF SHAREHOLDING

As at March 31, 2010

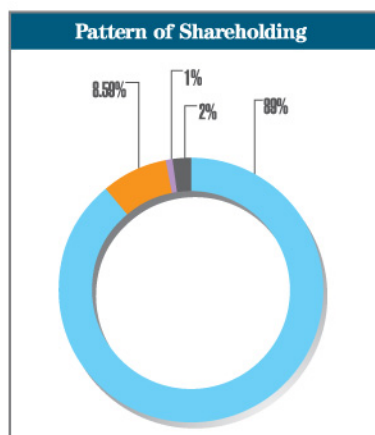
Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies		
- Hino Motors Limited, Japan (Hinopak Motors Limited is Toyota group Company and subsidiary of Hino Motors Ltd. Japan. Toyota Motors Corporation is the ultimate parent of the group).	1	7,357,665
- Toyota Tsusho Corporation, Japan	1	3,678,833
NIT		
- National Bank of Pakistan - Trustee Department	3	631,411
Directors & Executives		
- Mr. Fasihul Karim Siddiqi	1	120
- Mr. Muhammad Owais Muhib Khan	1	120
- Mr. Naushad Riaz	1	120
- Mr. Syed Arshad Ali	1	120
- Mr. Gul Abbas	1	120
- Mr. Nishat Zafar	1	120
- Mr. Johnson P.J. Pereira	1	120
- Mr. Mahmood Mian	1	120
- Mr. Saleem Jawed	1	120
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas And Mutual Funds		
- Arif Habib Bank Limited	1	30,266
- Faysal Bank Limited	1	83,690
- 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
- Premier Insurance Limited	1	15,101
- State Life Insurance Corporation of Pakistan	1	13,200
- The Bank of Khyber	1	11,665
Shareholders Holding 10% or More Voting Interest		
- Hino Motors Ltd.	1	7,357,665
- Toyota Tsusho Corporation	1	3,678,833

PATTERN OF SHAREHOLDING

As at March 31, 2010

No. of Shareholders	Shareholding		No. of Shares Held
	From	To	
316	1	100	13,421
609	101	500	102,145
46	501	1000	34,232
20	1001	5000	36,040
1	5001	10000	10,000
2	10001	15000	24,566
1	15001	20000	15,101
2	20001	35000	63,566
1	35001	45000	42,160
1	45001	85000	83,690
1	85001	125000	122,059
1	125001	310000	307,930
1	310001	510000	509,152
1	510001	3680000	3,678,833
1	3680001	7400000	7,357,665
1004			12,400,560

Shareholders' Category	No. of Shareholders	No. of Shares Held	Percentage of Holding
Foreign Investors	3	11,037,498	89.01
Financial Institutions	8	1,064,962	8.59
Insurance Companies	4	103,761	0.84
Joint Stock Companies	9	1,909	0.01
Individuals & Others	980	192,430	1.55
Grand Total	1,004	12,400,560	100.00



- Foreign Investors
- Financial Institution
- Companies
- Individuals and others



FINANCIAL STATEMENTS



REGULATIONS GOVERNING FINANCIAL STATEMENTS

STOCK EXCHANGE LISTING REGULATIONS

CRITERIA FOR BEST CORPORATE REPORT BY ICAP / ICMAP AND SAFA

CODE OF CORPORATE GOVERNANCE

INTERNATIONAL ACCOUNTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

COMPANIES ORDINANCE, 1984 & OTHER TAXATION LAWS

TRUE AND FAIR VIEW



FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE MEMBERS

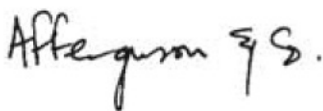
A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I Chundrigar Road, P.O. BOX 4716
Karachi- 74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

We have audited the annexed balance sheet of Hinopak Motors Limited as at March 31, 2010 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 2.1.1 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, 2010 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII OF 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.



Chartered Accountants

Karachi

Dated: May 13, 2010

Name of Engagement Partner: Syed Fahim ul Hasan

BALANCE SHEET

As at March 31, 2010

	Note	March 31, 2010	March 31, 2009
		Rupees '000	
SHARE CAPITAL AND RESERVES			
Share Capital	3	124,006	124,006
Reserves	4	1,379,973	1,544,049
		1,503,979	1,668,055
SURPLUS ON REVALUATION OF FIXED ASSETS			
	5	271,796	277,490
NON-CURRENT LIABILITIES			
Long-term security deposits		32,000	32,000
Deferred taxation	14	-	11,499
Retirement benefits obligations	6	49,787	945
		81,787	44,444
CURRENT LIABILITIES			
Trade and other payables	7	3,383,884	1,616,566
Short-term borrowings	8	494,204	1,355,557
Accrued mark-up		7,721	44,934
		3,885,809	3,017,057
CONTINGENCIES AND COMMITMENTS			
	9		
		5,743,371	5,007,046

		March 31, 2010	March 31, 2009
	Note	Rupees '000	
NON-CURRENT ASSETS			
Property, plant and equipment	10	918,593	948,535
Intangible assets	11	2,688	5,499
Investments	12	-	-
Long-term loans and advances	13	11,751	13,094
Long-term deposits		3,989	5,475
Deferred taxation	14	12,738	-
Retirement benefits prepayments	6	-	5,025
		<u>949,759</u>	<u>977,628</u>
CURRENT ASSETS			
Stores, spares and loose tools	15	26,340	33,309
Stock-in-trade	16	2,949,130	2,398,605
Trade debts	17	906,272	1,135,332
Loans and advances	18	66,673	51,886
Trade deposits and prepayments	19	36,463	53,398
Refunds due from the government	20	406,288	149,202
Other receivables	21	3,239	4,110
Taxation		335,944	133,370
Cash and bank balances	22	63,263	70,206
		<u>4,793,612</u>	<u>4,029,418</u>
		<u>5,743,371</u>	<u>5,007,046</u>

The annexed notes 1 to 38 form an integral part of these financial statements.



**Managing Director
& CEO**



Chairman

PROFIT AND LOSS ACCOUNT

For the year ended March 31, 2010

	Note	Year ended	Fifteen months
		ended	period ended
		March 31,	March 31,
		2010	2009
		Rupees '000	
Sales - net	23	11,127,551	12,151,021
Cost of sales	24	(10,738,070)	(10,871,886)
Gross profit		389,481	1,279,135
Distribution expenses	24	(288,911)	(427,669)
Administration expenses	24	(161,196)	(206,769)
Other operating income	25	76,937	169,610
Other operating expenses	26	(1,024)	(19,953)
Profit from operations		15,287	794,354
Finance cost	27	(145,706)	(678,526)
(Loss) / profit before taxation		(130,419)	115,828
Taxation	28	(17,650)	(45,905)
(Loss) / profit after taxation		(148,069)	69,923
Other comprehensive income		-	-
Total comprehensive income		(148,069)	69,923
(Loss) / earnings per share	29	Rs. (11.94)	Rs. 5.64

The annexed notes 1 to 38 form an integral part of these financial statements.



Managing Director
& CEO



Chairman

CASH FLOW STATEMENT

For the year ended March 31, 2010

		Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Note	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	30	1,259,604	(595,224)
Mark-up paid on short-term borrowings		(85,363)	(57,719)
Return on investments and savings accounts		8,457	52,658
Taxes paid		(244,461)	(324,089)
Retirement benefits obligations paid		(4,868)	(20,519)
Decrease in long-term deposits		1,486	527
Decrease / (increase) in long-term loans and advances		1,343	(5,973)
Net cash generated from / (utilised in) operating activities		<u>936,198</u>	<u>(950,339)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(72,808)	(207,500)
Proceeds from sale of property, plant and equipment		12,706	18,092
Net cash used in investing activities		<u>(60,102)</u>	<u>(189,408)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in liabilities against assets subject to finance leases		-	(4,299)
Short-term loan received		-	50,682
Short-term loan paid		-	(50,682)
Dividend paid		(21,686)	(297,042)
Net cash used in financing activities		<u>(21,686)</u>	<u>(301,341)</u>
Net increase / (decrease) in cash and cash equivalents		<u>854,410</u>	<u>(1,441,088)</u>
Cash and cash equivalents at the beginning of the year		<u>(1,285,351)</u>	155,737
Cash and cash equivalents at the end of the year	31	<u>(430,941)</u>	<u>(1,285,351)</u>

The annexed notes 1 to 38 form an integral part of these financial statements.



**Managing Director
& CEO**



Chairman

STATEMENT OF CHANGES IN EQUITY

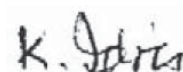
For the year ended March 31, 2010

	Share Capital	Reserves - Revenue		Total
		General	Unappropriated profit	
	Rupees '000			
Balance at January 1, 2008	124,006	291,000	1,473,552	1,888,558
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	-	-	7,187	7,187
Profit after taxation for the period	-	-	69,923	69,923
Balance at March 31, 2009	<u>124,006</u>	<u>291,000</u>	<u>1,253,049</u>	<u>1,668,055</u>
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
Loss after taxation for the year	-	-	(148,069)	(148,069)
Balance at March 31, 2010	<u><u>124,006</u></u>	<u><u>291,000</u></u>	<u><u>1,088,973</u></u>	<u><u>1,503,979</u></u>

The annexed notes 1 to 38 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, 2010

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

In 2009, the company changed its financial year end from December 31 to March 31 to coincide with the financial year of the holding company and prepared financial statements for the fifteen months period ended March 31, 2009. Therefore the comparative figures of the profit and loss account, cash flow statement, statement of changes in equity and related notes have been presented for the fifteen months period ended March 31, 2009.

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 shall prevail.

2.1.1 Changes in accounting policies and disclosures

Accounting standards, amendments and interpretations which have been effective and adopted by the company:

- IAS 1 (revised) - 'Presentation of financial statements', requires presentation of transactions with owners in Statement of Changes in Equity and with non-owners in the Statement of Comprehensive Income. The revised standard requires an entity to opt for presenting such transactions either in a single statement of comprehensive income or in an income statement and a separate statement of comprehensive income. The company has applied IAS 1 (revised) from April 1, 2009 and elected to present one performance statement (i.e. the profit and loss account). However, since there are no non-owner changes in equity, there is no impact of such revised standard on these financial statements.
- IAS 23 (Amendment) - 'Borrowing costs' requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs has been removed. Further, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. There is no material impact on the company's financial statements due to change in the interest calculation method.
- IFRS 7 - 'Financial Instruments: Disclosures', introduces new disclosures relating to financial instruments. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

- IFRS 8 - 'Operating segments' replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segment. The company has no reportable segments under IFRS 8. However, certain disclosures as required under IFRS 8 have been included in these financial statements. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The other new standards, amendments and interpretations are considered not to be relevant or have any significant effect on the company's financial statements.

2.2 Basis of measurement

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

2.3 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.

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, 2010 using the projected unit credit method. The present values of the obligations are determined by discounting the estimated future cash outflows using interest rates of high quality government securities that have terms to maturity approximating to the terms of the related obligations.

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

Defined contribution plan

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

2.4 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.

2.5 Taxation

i. Current

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

ii. Deferred

The company accounts for deferred taxation using the liability method on all major temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally 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.

2.6 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.

2.7 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.

2.8 Research and development cost

Research and development cost is charged in the year in which it is incurred.

2.9 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

2.10 Warranty obligations

The company recognises the estimated liability on an accrual basis to repair or replace goods under warranty at the balance sheet date.

2.11 Financial instruments

Financial instruments include investments, trade and other debts, cash and bank balances, borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.12 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.

2.13 Trade and other payables

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

2.14 Property, plant and equipment

These are stated at cost less accumulated depreciation / amortisation and impairment losses, if any, except capital work-in-progress which is stated at cost.

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 cost of leasehold land is amortised equally over the lease period. 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.

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
- Electrical installations	5 years
- Office and other equipments	3 to 7 years

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

2.15 Intangible assets - computer softwares

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

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

2.16 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.

2.17 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.

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 recognised at fair value and changes in fair value are taken to profit and loss account.

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 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 cost, and subsequently at fair value. Changes in fair value are recognised in statement of 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.

2.18 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

2.19 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.

2.20 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.

2.21 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.

2.22 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

(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 6.8 below.

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.

	March 31, 2010	March 31, 2009
	Rupees '000	
3. SHARE CAPITAL		
3.1 Authorised share capital		
20,000,000 ordinary shares of Rs. 10 each	<u>200,000</u>	<u>200,000</u>
3.2 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>124,006</u>	<u>124,006</u>
3.3 At March 31, 2010 and March 31, 2009 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.		

	March 31, 2010	March 31, 2009
	Rupees '000	
4. RESERVES		
Revenue		
- General reserves	291,000	291,000
- Unappropriated profit	1,088,973	1,253,049
	<u>1,379,973</u>	<u>1,544,049</u>
5. SURPLUS ON REVALUATION OF FIXED ASSETS		

The surplus on revaluation of fixed assets represents surplus recognised in 1998 on revaluation of certain leasehold land and buildings on leasehold land carried out by an independent professional valuer.

To comply with the requirements of the revised International Accounting Standard 16 - 'Property, Plant and Equipment', the company adopted the cost model for its fixed assets. Consequently, the revalued figures of such assets as at January 1, 2005 were treated as deemed cost. The surplus on revaluation on these assets shall be held on the balance sheet till realisation in accordance with the requirements of section 235 of the Companies Ordinance, 1984.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
Opening balance	277,490	284,677
Transferred to unappropriated profit on account of incremental depreciation for the year	(5,694)	(7,187)
Closing balance	<u>271,796</u>	<u>277,490</u>
6. STAFF RETIREMENT BENEFITS		
Gratuity Fund - Permanent Staff - note 6.1	3,655	(5,025)
Pension Fund - Permanent Staff - note 6.1	6,860	945
Retirement benefits - others	39,272	-
	<u>49,787</u>	<u>(4,080)</u>

	March 31, 2010		March 31, 2009	
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund
	Rupees '000			
6.1 Movement in asset / (liability)				
Opening balance	5,025	(945)	224	(3,236)
Charge for the year	(7,411)	(12,052)	(4,885)	(8,542)
Net payments (from) / to the fund	(1,269)	6,137	9,686	10,833
Closing balance	<u>(3,655)</u>	<u>(6,860)</u>	<u>5,025</u>	<u>(945)</u>
6.2 Balance sheet reconciliation as at March 31, 2010				
Fair value of plan assets	76,711	82,761	73,784	65,290
Present value of obligations	(98,321)	(105,088)	(83,592)	(94,797)
Unrecognised actuarial loss	17,955	13,183	14,833	25,952
Past service cost - non vested	-	2,284	-	2,610
	<u>(3,655)</u>	<u>(6,860)</u>	<u>5,025</u>	<u>(945)</u>
6.3 Charge for the year				
Current service cost	5,293	5,654	4,430	5,773
Interest cost	12,539	14,219	9,998	11,364
Expected return on plan assets	(11,068)	(9,794)	(9,695)	(9,405)
Actuarial loss recognised during the year	647	1,647	152	445
Past service cost - vested	-	326	-	365
	<u>7,411</u>	<u>12,052</u>	<u>4,885</u>	<u>8,542</u>
6.4 Movement in the present value of obligation				
Opening balance	83,592	94,797	68,920	78,546
Current service cost	5,293	5,654	4,430	5,773
Interest cost	12,539	14,219	9,998	11,364
Actuarial loss / (gain)	1,227	(7,752)	9,350	2,216
Benefits paid	(4,330)	(1,830)	(9,106)	(6,077)
Past service cost - vested	-	-	-	365
Past service cost - non vested	-	-	-	2,610
Closing balance	<u>98,321</u>	<u>105,088</u>	<u>83,592</u>	<u>94,797</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010		March 31, 2009		
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund	
	Rupees '000				
6.5 Movement in fair value of plan assets					
Opening balance	73,784	65,290	69,337	70,040	
Expected return on plan assets	11,068	9,794	9,695	9,405	
Actuarial (loss) / gain	(2,542)	3,370	(5,828)	(18,911)	
Employer contributions	(1,269)	6,137	9,686	10,833	
Benefits paid	(4,330)	(1,830)	(9,106)	(6,077)	
Closing balance	<u>76,711</u>	<u>82,761</u>	<u>73,784</u>	<u>65,290</u>	
6.6 Actual return / (loss) on plan assets	<u>8,526</u>	<u>13,164</u>	<u>3,867</u>	<u>(9,506)</u>	
6.7 Plan assets comprise of:					
Equity (%)	18	36	13	33	
Debt (%)	49	46	15	53	
Others (%)	33	18	72	14	
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	
6.8 Key actuarial assumptions used:					
Expected rate of return on investments (%)	14	14	15	15	
Expected rate of increase in salaries (%)	13	13	14	14	
Discount factor used (%)	14	14	15	15	
Retirement age (years)	60	60	60	60	
6.9 Comparison for five years:					
	March 31, 2010	March 31, 2009	December 31, 2007	December 31, 2006	December 31, 2005
	Rupees '000				
Gratuity fund					
Fair value of plan assets	76,711	73,784	69,337	63,165	53,665
Present value of defined benefit obligation	(98,321)	(83,592)	(68,920)	(56,221)	(43,922)
(Deficit) / surplus	<u>(21,610)</u>	<u>(9,808)</u>	<u>417</u>	<u>6,944</u>	<u>9,743</u>
Experience adjustment					
Actuarial loss on obligation	1,227	9,350	4,476	6,521	603
Actuarial loss / (gain) on plan assets	2,542	5,828	(261)	(1,828)	593
Pension fund					
Fair value of plan assets	82,761	65,290	70,040	61,406	48,511
Present value of defined benefit obligation	(105,088)	(94,797)	(78,546)	(58,482)	(48,712)
(Deficit) / surplus	<u>(22,327)</u>	<u>(29,507)</u>	<u>(8,506)</u>	<u>2,924</u>	<u>(201)</u>
Experience adjustment					
Actuarial (gain) / loss on obligation	(7,752)	2,216	3,810	2,145	1,747
Actuarial (gain) on plan assets	(3,370)	(18,911)	(319)	(3,542)	(4,098)
6.10	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.				
6.11	Based on actuary's advice, the amount of expected contribution to gratuity and pension funds in 2010-11 will be Rs. 10.53 million and Rs. 9.88 million respectively.				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
7. TRADE AND OTHER PAYABLES		
Creditors	84,120	69,289
Bills payable to Toyota Tsusho Corporation, Japan - associated company	2,010,905	273,970
Accrued liabilities	425,326	404,138
Provision for warranty services - note 7.1	99,714	74,442
Advances from customers	517,577	575,468
Custom duties payable	157,969	158,832
Payable to Hino Motors Ltd., Japan - holding company - royalty	15,595	7,568
Employees related obligation - note 7.2	26,152	23,629
Workers' profits participation fund - note 7.3	-	6,286
Workers' welfare fund	-	6,974
Excise duty payable	3,561	2,659
Unclaimed dividend	1,979	1,964
Net unrealised loss on foreign currency option contracts - note 7.4	27,441	4,230
Others	13,545	7,117
	<u>3,383,884</u>	<u>1,616,566</u>
7.1 Provision for warranty services		
Balance at the beginning of the year	74,442	83,570
Recognised during the year - note 24	85,356	44,717
Expenses against provision	(60,084)	(53,845)
Balance at the end of the year	<u>99,714</u>	<u>74,442</u>

7.2 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
7.3 Workers' Profits Participation Fund		
Opening liability / (asset)	6,286	(1,287)
Allocation for the year	-	6,390
	6,286	5,103
Interest on funds utilised in company's business	21	-
	6,307	5,103
Amount received (paid to) / from the Fund	(6,307)	1,183
Closing liability	-	6,286

7.4 This represents unrealised loss on foreign currency option contracts entered into with various banks by the company to hedge its foreign currency exposure which are classified as Fair Value hedges. The option contracts have maturity upto three months. As at March 31, 2010, the aggregate notional value of these contracts amounted to JP¥ 1.54 billion; equivalent Rs. 1.39 billion (2009: JP¥ 358 million; equivalent Rs. 292 million) and the fair value of these contracts amounted to Rs. 1.36 billion (2009: Rs. 288 million).

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

The facilities for running finance under mark-up arrangements with various banks amounted to Rs. 2.03 billion (2009: Rs. 1.78 billion) of which the amount remaining unutilised at the year end was Rs. 1.54 billion (2009: Rs. 424 million). The rates of mark-up are based on KIBOR and range from 13.35% per annum to 14.94% per annum (2009: 12.14% per annum to 18.02% per annum).

The facilities for opening the letters of credit and guarantees as at March 31, 2010 amounted to Rs. 5.80 billion (2009: Rs. 5.32 billion) of which the amount remaining unutilised at the year end was Rs. 2.20 billion (2009: Rs. 3.26 billion).

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

9. CONTINGENCIES AND COMMITMENTS

9.1 As at March 31, 2010 the company has received provisional refunds of Rs. 562.97 million (2009: Rs. 516.16 million) from the sales tax authorities against bank guarantees.

9.2 Commitments for capital expenditures as at March 31, 2010 amounted to Rs. 13.94 million (2009: Rs. 16.89 million).

	March 31, 2010	March 31, 2009
	Rupees '000	
10. PROPERTY, PLANT AND EQUIPMENT		
Operating assets	893,401	937,240
Capital work-in-progress	25,192	11,295
	918,593	948,535

Note

10.1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

10.1 Operating assets

	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Vehicles		Electrical installations	Office and other equipments	TOTAL
					Owned	Acquired under finance lease			
Rupees '000									
2010									
Year ended March 31									
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>-</u>	<u>11,070</u>	<u>19,814</u>	<u>893,401</u>
At March 31									
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>-</u>	<u>11,070</u>	<u>19,814</u>	<u>893,401</u>
2009									
Fifteen months period ended March 31									
Opening net book value	247,982	244,615	280,525	4,407	64,004	3,535	19,343	19,930	884,341
Additions	-	70,261	53,895	2,428	38,382	-	12,148	15,238	192,352
Cost - transfer	-	-	-	-	16,176	(16,176)	-	-	-
Disposals - at NBV	-	(7,875)	(1,423)	-	(9,910)	-	(258)	(55)	(19,521)
Depreciation / amortisation charge for the period	(6,445)	(11,470)	(53,546)	(1,189)	(17,755)	(3,535)	(12,455)	(13,537)	(119,932)
Depreciation - transfer	-	-	-	-	(16,176)	16,176	-	-	-
Closing net book value	<u>241,537</u>	<u>295,531</u>	<u>279,451</u>	<u>5,646</u>	<u>74,721</u>	<u>-</u>	<u>18,778</u>	<u>21,576</u>	<u>937,240</u>
At March 31									
Cost	294,451	370,735	498,627	12,266	132,157	-	68,445	87,585	1,464,266
Accumulated depreciation / amortisation	(52,914)	(75,204)	(214,905)	(6,620)	(57,436)	-	(49,667)	(66,009)	(522,755)
Provision for impairment	-	-	(4,271)	-	-	-	-	-	(4,271)
Net book value	<u>241,537</u>	<u>295,531</u>	<u>279,451</u>	<u>5,646</u>	<u>74,721</u>	<u>-</u>	<u>18,778</u>	<u>21,576</u>	<u>937,240</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

10.2 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			
Plant & Machinery	340	227	113	12	Auction	Mr. Khursheed c/o ABC Nelaam Ghar, 1-A/A SITE, Karachi
"	340	218	122	12	"	Mr. Khursheed c/o ABC Nelaam Ghar, 1-A/A SITE, Karachi
"	231	143	88	25	"	Mr. Sagheer Mohammad c/o ABC Nelaam Ghar, 1-A/A SITE, Karachi
Motor Vehicle	981	198	783	731	Company Policy	Mr. Adil Mohiyuddin Shah - Ex-Executive
"	651	102	549	588	"	Mr. Zulfiqar Habib Memon - Employee
"	620	403	217	406	"	Mr. Iqbal Ahmad - Ex-Employee
"	469	305	164	251	"	Mr. Mohammad Tayyab - Ex-Employee
"	63	5	58	56	"	Mr. Syed Javed Ali - Employee
"	63	5	58	56	"	Mr. Arif Hasnain - Employee
"	1,186	1,109	77	1,067	Insurance Claim	EFU General Insurance Limited Central Division Karachi
"	815	78	737	815	"	EFU General Insurance Limited Central Division Karachi
"	71	19	52	61	"	EFU General Insurance Limited Central Division Karachi
"	1,305	234	1,071	1,500	Negotiation	Mr. M Salman Raees House No. R-1235, Block-9, Federal "B" Area, Karachi
"	1,305	234	1,071	1,500	"	Mr. M Yousuf House No. R-1213, Block-9, Federal "B" Area, Karachi
"	350	286	64	65	"	Mr. Yamin Wadiwalla Shop # 17, Farrukh Heights, Bahadurabad, Karachi

March 31, 2010	March 31, 2009
Rupees '000	

11. INTANGIBLE ASSETS - Computer Softwares

Opening balance

Cost	18,814	12,185
Accumulated amortisation	(13,315)	(8,989)
Net book value	<u>5,499</u>	<u>3,196</u>

Year ended March 31, 2010

Opening net book value	5,499	3,196
Additions	-	6,629
Amortisation	(2,811)	(4,326)
Closing net book value	<u>2,688</u>	<u>5,499</u>

Closing balance

Cost	18,814	18,814
Accumulated amortisation	(16,126)	(13,315)
Net book value	<u>2,688</u>	<u>5,499</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
12. INVESTMENTS - Related Parties		
Available for sale		
Arabian Sea Country Club Limited - note 12.1	5,000	5,000
Automotive Testing & Training Centre (Private) Limited - note 12.2	500	500
	<u>5,500</u>	<u>5,500</u>
Less: Provision for impairment	(5,500)	(5,500)
	<u>-</u>	<u>-</u>

12.1 This represents cost of 500,000 (2009: 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.

12.2 This represents cost of 50,000 (2009: 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.

	March 31, 2010	March 31, 2009
	Rupees '000	
13. LONG-TERM LOANS AND ADVANCES – considered good		
Loans and advances to:		
- executives	8,182	7,701
- other employees	10,504	10,979
	<u>18,686</u>	<u>18,680</u>
Less: Recoverable within one year - note 18	(6,935)	(5,586)
	<u>11,751</u>	<u>13,094</u>

13.1 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, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
13.2 Reconciliation of carrying amount of loans and advances to executives:		
Opening balances	7,701	2,720
Add: Disbursements	3,852	9,876
	<u>11,553</u>	<u>12,596</u>
Less: Repayments	(3,371)	(4,895)
Closing balances	<u>8,182</u>	<u>7,701</u>

13.3 The maximum aggregate amount of loans and advances due from executives at the end of any month, during the year was Rs. 9.43 million (2009: Rs. 8.78 million).

	March 31, 2010	March 31, 2009
	Rupees '000	
14. DEFERRED TAXATION		
Debit balances arising in respect of:		
- provision for stores and stocks obsolescence	56,815	58,086
- provision for doubtful trade debts, deposits and other receivables	32,963	40,146
- recoupable carried forward tax losses	25,199	-
	<u>114,977</u>	<u>98,232</u>
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	(76,143)	(82,215)
- surplus on revaluation of fixed assets	(26,096)	(27,516)
	<u>(102,239)</u>	<u>(109,731)</u>
	<u>12,738</u>	<u>(11,499)</u>
15. STORES, SPARES AND LOOSE TOOLS		
Stores	13,452	18,903
Spares	9,831	9,893
Loose tools	9,338	10,435
	<u>32,621</u>	<u>39,231</u>
Less: Provision for obsolescence	(6,281)	(5,922)
	<u>26,340</u>	<u>33,309</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
16. STOCK-IN-TRADE		
Raw Materials and components [including in transit Rs. 622 million (2009: Rs. 117 million)]	2,195,300 (51,363)	1,859,168 (77,970)
Less: Provision for obsolescence	<u>2,143,937</u>	<u>1,781,198</u>
Work-in-process	19,992	9,576
Finished goods - note 16.1 Less: Provision for obsolescence	710,476 (60,741)	528,659 (38,902)
	<u>649,735</u>	<u>489,757</u>
Trading stock - Spare parts [including in transit Rs. 8 million (2009: Rs. 12 million)]	183,032 (47,566)	161,238 (43,164)
Less: Provision for obsolescence	<u>135,466</u>	<u>118,074</u>
	<u>2,949,130</u>	<u>2,398,605</u>

16.1 Finished goods include stocks held with company's authorised dealers amounting to Rs. 74.02 million (2009: Rs. 54.57 million)

16.2 The above balances include items costing Rs. 299.39 million (2009: nil) valued at net realisable value of Rs. 237.48 million (2009: nil).

	March 31, 2010	March 31, 2009
	Rupees '000	
17. TRADE DEBTS		
Considered good - unsecured		
Related parties:		
Indus Motor Company Limited	7,878	4,526
Orix Leasing Pakistan Limited	9,450	-
Government Institutions	568,667	1,053,417
Others	320,277	77,389
	<u>906,272</u>	<u>1,135,332</u>
Considered doubtful		
Others	73,672	87,930
	<u>979,944</u>	<u>1,223,262</u>
Less: Provision for doubtful debts - note 17.1	(73,672)	(87,930)
	<u>906,272</u>	<u>1,135,332</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

As of March 31, 2010, trade debts of Rs. 378 million (2009: Rs. 882 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:

	March 31, 2010	March 31, 2009
	Rupees '000	
Up to 3 months	176,120	336,121
3 to 6 months	72,288	349,259
More than 6 months	129,847	197,049
	<u>378,255</u>	<u>882,429</u>
17.1 Balance at the beginning of the year	(87,930)	(29,026)
Reversed / (recognised) during the year - note 24	14,258	(58,904)
Balance at the end of the year	<u>(73,672)</u>	<u>(87,930)</u>
18. LOANS AND ADVANCES		
Considered good		
Current maturity of long term loans and advances to:		
- executives	3,591	2,327
- other employees	3,344	3,259
	<u>6,935</u>	<u>5,586</u>
Advances to:		
- executives	4,597	3,955
- other employees	18,396	16,274
- suppliers	36,745	26,071
	<u>59,738</u>	<u>46,300</u>
	<u>66,673</u>	<u>51,886</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
19. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Trade deposits	33,866	41,978
Prepayments	2,597	3,670
Margin against letters of credit	-	7,750
	<u>36,463</u>	<u>53,398</u>
Considered doubtful		
Trade deposits	15,239	21,536
	<u>51,702</u>	<u>74,934</u>
Less: Provision for doubtful deposits - note 19.1	<u>(15,239)</u>	<u>(21,536)</u>
	<u>36,463</u>	<u>53,398</u>
19.1 Balance at the beginning of the year	<u>(21,536)</u>	(15,350)
Reversed / (recognised) during the year - note 24	6,297	(6,186)
Balance at the end of the year	<u>(15,239)</u>	<u>(21,536)</u>
20. REFUNDS DUE FROM THE GOVERNMENT		
Sales tax		
Considered good	406,288	149,202
Considered doubtful	5,239	5,239
	<u>411,527</u>	<u>154,441</u>
Less: Provision for doubtful refundable - note 20.1	<u>(5,239)</u>	<u>(5,239)</u>
	<u>406,288</u>	<u>149,202</u>
20.1 Balance at the beginning of the year	<u>(5,239)</u>	(2,527)
Recognised during the year - note 24	-	(2,712)
Balance at the end of the year	<u>(5,239)</u>	<u>(5,239)</u>
21. OTHER RECEIVABLES		
Receivable from related parties - considered good		
Toyota Tsusho Corporation, Japan	-	2,551
Others - considered good		
Insurance claim receivable	2,390	-
Others	849	1,559
	<u>3,239</u>	<u>4,110</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
22. CASH AND BANK BALANCES		
Balances with banks		
on current accounts	2,016	3,527
on PLS savings accounts	61,147	66,679
Cash in hand	100	-
	<u>63,263</u>	<u>70,206</u>

22.1 At March 31, 2010, the rates of mark-up on savings accounts range from 5% to 9.5% per annum (2009: 5% to 9.5% per annum).

	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000	

	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
23. SALES		
Manufactured goods		
Gross sales		
Local	11,164,806	12,283,569
Export	40,835	-
	<u>11,205,641</u>	<u>12,283,569</u>
Less: Commission	172,654	284,214
Sale tax and excise duty	83,201	94,552
Sale returns	-	6,734
	<u>10,949,786</u>	<u>11,898,069</u>
Trading goods		
Gross sales	242,222	347,154
Less: Discounts	35,978	56,273
Sale tax	28,442	37,529
Sale returns	37	400
	<u>177,765</u>	<u>252,952</u>
	<u>11,127,551</u>	<u>12,151,021</u>

23.1 Sales of chassis and bodies amounted to Rs. 10.14 billion and Rs. 0.81 billion (2009: Rs. 10.46 billion and Rs. 1.44 billion) respectively.

23.2 Sales to Government institutions of Rs. 1.85 billion account for over 10 percent of the net sales.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

24. OPERATING COST

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000							
Raw materials consumed	10,099,967	9,518,258	-	-	-	-	10,099,967	9,518,258
Stores and spares consumed	3,088	3,269	-	-	90	12	3,178	3,281
Staff costs - note 24.1	407,132	462,324	112,642	141,039	70,590	84,982	590,364	688,345
Staff training	2,028	3,636	598	1,056	395	858	3,021	5,550
Depreciation and amortisation	79,126	95,834	9,255	10,361	11,552	18,063	99,933	124,258
Fixed assets charged off	920	7,135	1,011	1,009	924	2,191	2,855	10,335
Rent, rates and taxes	9,822	18,113	1,295	1,182	-	100	11,117	19,395
Insurance	696	1,622	356	1,226	2,628	1,270	3,680	4,118
Vehicle running and maintenance expenses	11,382	12,825	11,096	12,905	7,371	9,541	29,849	35,271
Fuel and power	32,252	36,512	1,656	2,047	5,776	10,334	39,684	48,893
Travelling and entertainment	5,603	7,638	14,669	20,880	3,653	8,172	23,925	36,690
Repairs and maintenance	37,002	46,631	1,974	2,333	9,127	14,385	48,103	63,349
Printing, stationery and office supplies	3,090	4,414	4,822	6,332	1,562	3,141	9,474	13,887
Communication	1,651	2,927	3,104	3,966	1,503	2,135	6,258	9,028
Technical assistance fee	-	2,642	-	-	-	-	-	2,642
Royalty	32,315	61,442	-	-	-	-	32,315	61,442
Research and development	8,139	2,215	-	-	-	-	8,139	2,215
Legal and professional charges	-	-	-	-	10,903	18,169	10,903	18,169
Auditors' remuneration - note 24.2	-	-	-	-	1,968	2,200	1,968	2,200
Security and maintenance	-	-	-	-	31,885	28,772	31,885	28,772
Outward freight and handling	-	-	460	870	-	-	460	870
Advertising and sales promotion	-	-	24,290	33,504	-	-	24,290	33,504
Product maintenance charges	-	-	34,200	71,292	-	-	34,200	71,292
Warranty services - note 7.1	-	-	85,356	44,717	-	-	85,356	44,717
(Reversal) / provision for doubtful trade debts - note 17.1	-	-	(14,258)	58,904	-	-	(14,258)	58,904
(Reversal) / provision for doubtful deposits - note 19.1	-	-	(6,297)	6,186	-	-	(6,297)	6,186
Provision for doubtful refundable - note 20.1	-	-	-	2,712	-	-	-	2,712
Other expenses	4,028	6,546	2,682	5,148	1,269	2,444	7,979	14,138
	10,738,241	10,293,983	288,911	427,669	161,196	206,769	11,188,348	10,928,421
Opening stock of work in process	9,576	64,627						
	10,747,817	10,358,610						
Closing stock of work in process	(19,992)	(9,576)						
Cost of goods manufactured	10,727,825	10,349,034						
Opening stock of finished goods	489,757	752,024						
Closing stock of finished goods	(649,735)	(489,757)						
	10,567,847	10,611,301						
Trading goods								
Opening stock	118,074	81,706						
Purchases	187,615	296,953						
	305,689	378,659						
Closing stock	(135,466)	(118,074)						
	170,223	260,585						
	10,738,070	10,871,886						

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

24.1 Staff costs

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000							
Salaries, wages, allowances and staff welfare	357,273	448,269	103,050	135,634	63,553	82,361	523,876	666,264
Charge for defined benefit plans	44,922	8,546	7,701	3,295	6,112	1,586	58,735	13,427
Charge for defined contribution plan	4,937	5,509	1,891	2,110	925	1,035	7,753	8,654
	<u>407,132</u>	<u>462,324</u>	<u>112,642</u>	<u>141,039</u>	<u>70,590</u>	<u>84,982</u>	<u>590,364</u>	<u>688,345</u>

24.2 Auditors' Remuneration

	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000	
Audit fee	925	1,075
Fee for limited review of half yearly financial statements and other certifications	821	925
Out of pocket expenses	222	200
	<u>1,968</u>	<u>2,200</u>

25. OTHER OPERATING INCOME

Income from financial assets		
Return on PLS savings accounts	6,631	18,163
Return on bank term deposits	1,826	31,817
	<u>8,457</u>	<u>49,980</u>
Income from non-financial assets		
Gain on disposal of operating fixed assets	7,078	-
Others		
Scrap sales	33,866	66,541
Commission from an associated company	24,830	40,692
Liabilities no longer required written back	-	8,098
Others	2,706	4,299
	<u>76,937</u>	<u>169,610</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000	
26. OTHER OPERATING EXPENSES		
Donations and charities - note 26.1	1,024	7,164
Workers' Profits Participation Fund - note 7.3	-	6,390
Workers' Welfare Fund	-	4,970
Loss on disposal of property, plant and equipment	-	1,429
	<u>1,024</u>	<u>19,953</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	48,150	102,055
Exchange loss - net	88,192	562,961
Bank charges	9,343	12,458
Finance lease charges	-	1,052
Interest on Workers' Profits Participation Fund	21	-
	<u>145,706</u>	<u>678,526</u>
28. TAXATION		
Current - for the year - note 28.1	64,821	68,000
- for prior years	(22,934)	-
Deferred	(24,237)	(22,095)
	<u>17,650</u>	<u>45,905</u>
28.1 Current year charge mainly represents minimum tax at the rate of 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		
(Loss) / profit before taxation	<u>(130,419)</u>	<u>115,828</u>
Tax calculated at the rate of 35% (2009: 35%)	(45,647)	40,540
Effect of final tax regime	793	4,986
Tax effect of other than temporary differences	4,001	379
Reversal of prior years' tax provision	(22,934)	-
Tax effect of un-recoupable carried forward losses	26,590	-
Un-recoupable turnover tax	54,847	-
Tax charge for the year	<u>17,650</u>	<u>45,905</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000	
29. (LOSS) / EARNINGS PER SHARE		
(Loss) / profit after taxation attributable to ordinary shareholders	(148,069)	69,923
Number of ordinary shares (in '000s) issued and subscribed at the end of the year	12,401	12,401
(Loss) / earnings per share	<u>Rs. (11.94)</u>	<u>Rs. 5.64</u>

- 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, 2010 and March 31, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000	
30. CASH GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(130,419)	115,828
Add / (less): Adjustments for non cash charges and other items		
Depreciation and amortisation	99,933	124,258
(Gain) / loss on sale of property, plant and equipment	(7,078)	1,429
Retirement benefits charge	58,735	13,427
Mark-up on short-term borrowings	48,150	102,055
Return on PLS savings accounts	(6,631)	(18,163)
Return on bank term deposits	(1,826)	(31,817)
	<u>191,283</u>	<u>191,189</u>
Profit before working capital changes	60,864	307,017
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spares and loose tools	6,969	(2,704)
Stock-in-trade	(550,525)	134,554
Trade debts	229,060	(318,946)
Loans and advances	(14,787)	38,637
Trade deposits and prepayments	16,935	43,431
Refunds due from the government	(257,086)	15,615
Other receivables	871	7,849
	<u>(568,563)</u>	<u>(81,564)</u>
Increase / (decrease) in current liabilities - trade and other payables	<u>1,767,303</u>	<u>(820,677)</u>
	<u>1,198,740</u>	<u>(902,241)</u>
	<u>1,259,604</u>	<u>(595,224)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

	March 31, 2010	March 31, 2009
	Rupees '000	
31. CASH AND CASH EQUIVALENTS		
Cash and bank balances	63,263	70,206
Running finance under mark-up arrangements	(494,204)	(1,355,557)
	<u>(430,941)</u>	<u>(1,285,351)</u>

32. REMUNERATION OF MANAGING DIRECTOR, DIRECTORS AND EXECUTIVES

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

	MANAGING DIRECTOR		DIRECTORS		EXECUTIVES	
	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009	Year ended March 31, 2010	Fifteen months period ended March 31, 2009
	Rupees '000					
Managerial remuneration and allowances	4,570	5,733	11,427	18,681	38,320	44,197
Bonus	1,587	3,104	4,076	7,398	9,261	18,727
Retirement benefits	-	-	630	821	4,050	4,515
Rent and utilities	2,185	2,731	5,292	6,510	14,199	16,264
Leave passage	331	504	802	984	1,850	2,106
Club expenses	-	29	32	126	284	339
Medical expenses	141	144	426	434	2,523	2,493
	<u>8,814</u>	<u>12,245</u>	<u>22,685</u>	<u>34,954</u>	<u>70,487</u>	<u>88,641</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>4</u>	<u>26</u>	<u>25</u>

32.1 Consultancy fee paid to the Chairman and a non-executive director during the year amounted to Rs. 3.26 million (2009: Rs. 3.69 million) and Rs. 3.10 million (2009: Rs. 4.65 million) 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 & 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, 2010

	Year ended	Fifteen months
	ended	period ended
	March 31,	March 31,
	2010	2009
	Units	
33. PLANT CAPACITY AND PRODUCTION		
Plant capacity (single shift without overtime)		
- Chassis	6,000	7,500
- Bodies	1,800	2,250
Actual production		
- Chassis	3,370	5,128
- Bodies	1,173	2,258

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

34. RELATED PARTY DISCLOSURES

Disclosure of transactions between the company and related parties:

Relationship	Nature of transaction	Year ended	Fifteen months
		ended	period ended
		March 31,	March 31,
		2010	2009
		Rupees '000	
i. Holding company	- Purchase of goods	249,134	197,656
	- Sale of goods	12,858	-
	- Royalty charge	32,315	61,442
	- Dividend paid	12,876	176,584
	- Technical assistance fee	-	2,642
ii. Associated companies	- Purchase of goods	7,279,131	6,287,007
	- Purchase of services	389	315
	- Sale of goods	695,204	471,058
	- Purchase of property, plant and equipment	11,584	27,106
	- Commission earned	24,830	40,692
	- Dividend paid	6,438	88,292
iii. Staff retirement funds	- Payments to retirement benefit plans	20,374	37,493

34.1 Outstanding balances with related parties as at year end have been included in trade and other payables, trade debts, loans and advances and other receivables respectively.

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, 2010

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	-	-	-	6,935	11,751	18,686	18,686
Deposits	-	-	-	33,866	3,989	37,855	37,855
Trade debts	-	-	-	906,272	-	906,272	906,272
Other receivables	-	-	-	3,239	-	3,239	3,239
Cash and bank balances	61,147	-	61,147	2,116	-	2,116	63,263
March 31, 2010	61,147	-	61,147	952,428	15,740	968,168	1,029,315
March 31, 2009	66,679	-	66,679	1,195,558	18,569	1,214,127	1,280,806

Financial liabilities

At amortised cost

Long-term security deposits	-	-	-	-	32,000	32,000	32,000
Trade and other payables	-	-	-	2,678,625	-	2,678,625	2,678,625
Short-term borrowings	494,204	-	494,204	-	-	-	494,204
Accrued mark-up	-	-	-	7,721	-	7,721	7,721
March 31, 2010	494,204	-	494,204	2,686,346	32,000	2,718,346	3,212,550
March 31, 2009	1,355,557	-	1,355,557	887,652	32,000	919,652	2,275,209

On balance sheet gap

March 31, 2010	(433,057)	-	(433,057)	(1,733,918)	(16,260)	(1,750,178)	(2,183,235)
March 31, 2009	(1,288,878)	-	(1,288,878)	307,906	(13,431)	294,475	(994,403)

OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Commitments for capital expenditure	-	-	-	13,938	-	13,938	13,938
Letters of credit	-	-	-	2,240,556	-	2,240,556	2,240,556
Letters of guarantee	-	-	-	1,351,608	-	1,351,608	1,351,608
March 31, 2010	-	-	-	3,606,102	-	3,606,102	3,606,102
March 31, 2009	-	-	-	2,073,260	-	2,073,260	2,073,260

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, 2010 the company's interest bearing financial liabilities of Rs. 494.20 million

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

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, loss / profit before tax for the year would have been approximately higher / lower by Rs. 9.88 million (2009: lower / higher by Rs. 27.11 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) Concentration of 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 amounts to Rs. 1.03 billion (2009: Rs. 1.28 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 management

Foreign currency risk arises mainly when receivables and payables exist due to transactions with foreign undertakings. As at March 31, 2010 payable exposed to foreign exchange risk is of Rs. 2.03 billion (2009: Rs. 279 million). The company manages foreign currency risk arising on import related activity usually by obtaining currency option contracts.

As at March 31, 2010, if the Pakistani Rupee had weakened / strengthened by 16% against Japanese Yen with all other variables held constant, loss / profit before tax for the year, net of gains / loss arising on option contracts, would have been higher / lower by Rs. 106.2 million (2009: Rs. 2.30 million), mainly as a result of foreign exchange losses / gains on the translation of Japanese Yen denominated financial assets and liabilities.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended March 31, 2010

(v) **Fair values of the 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:

	March 31, 2010	March 31, 2009
	Rupees '000	
Total Borrowings	501,925	1,400,491
Cash and Bank	(63,263)	(70,206)
Net debt	438,662	1,330,285
Total equity	1,503,979	1,668,055
Total capital	1,942,641	2,998,340
Gearing ratio	23%	44%

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.

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

37. **CORRESPONDING FIGURES**

The following prior period figure has been reclassified for the purpose of better presentation and comparison. Material change made during the year is as follows:

Reclassification from component	Reclassification to component	Amount (Rupees in thousand)
Cost of sales Raw materials consumed	Distribution expenses Warranty services	27,892

38. **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were approved and authorised for issue by the Directors on May 13, 2010.



**Managing Director
& CEO**



Chairman



HINO
Product Support

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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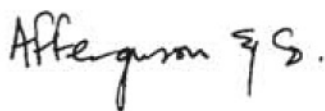
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Hinopak Motors Limited to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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 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 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 price 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, 2010.



Chartered Accountants

Karachi

Dated: May 13, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended March 31, 2010

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 three 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.

No vacancy in the Board has been occurred during the year ended March 31, 2010.

The Company has prepared a 'Basic Principles of Code of Conduct' which has been signed by 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 apprise them of their duties and responsibilities from time to time.

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, 2010 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.

By order of the Board



Hideya Iijima
Managing Director & CEO



Kunwar Idris
Chairman

Dated: May 13, 2010



CORPORATE SOCIAL RESPONSIBILITY

Seeking harmony between
Technology, Society and Environment



CSR philosophy and its endorsement

We do not consider Corporate Social Responsibility (CSR) to be a special activity, but rather as an element of management itself for determining the ideal means for pursuing corporate activities.



The key to running a business is having a relationship of trust with the company's many 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 tirelessly working to meet the

social expectations and ensure sustainable development.

In the year 2009-10, 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 2009-10 as well as our fundamentals and guiding principles from which our CSR strategies grow & gain strength.

Hinopak's CSR accomplishments during the period 2009-10 have been summarized in the following pages.

CSR Domains and Initiatives

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 2009-10

Environment

- Environmental Management
- Initiatives and achievements in 2009-10
- Environmental performance at our plants

Social Aspect

- Customers
- Employees
- Community
- Sports

Environment
Management
Regulations

Global
Compact

Environment
Policy

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 regulation. It also means respecting social norms and corporate ethics, complying with the expectation of all the stake holders and engaging in fair corporate activities.

Board of Directors:

In Hinopak, the Board of Directors is composed of executive and non-executive directors. The Board convened four times in 2009-2010. 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 2009-10. 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 requirements of US Sarbanes-Oxley Act. The company is working on the

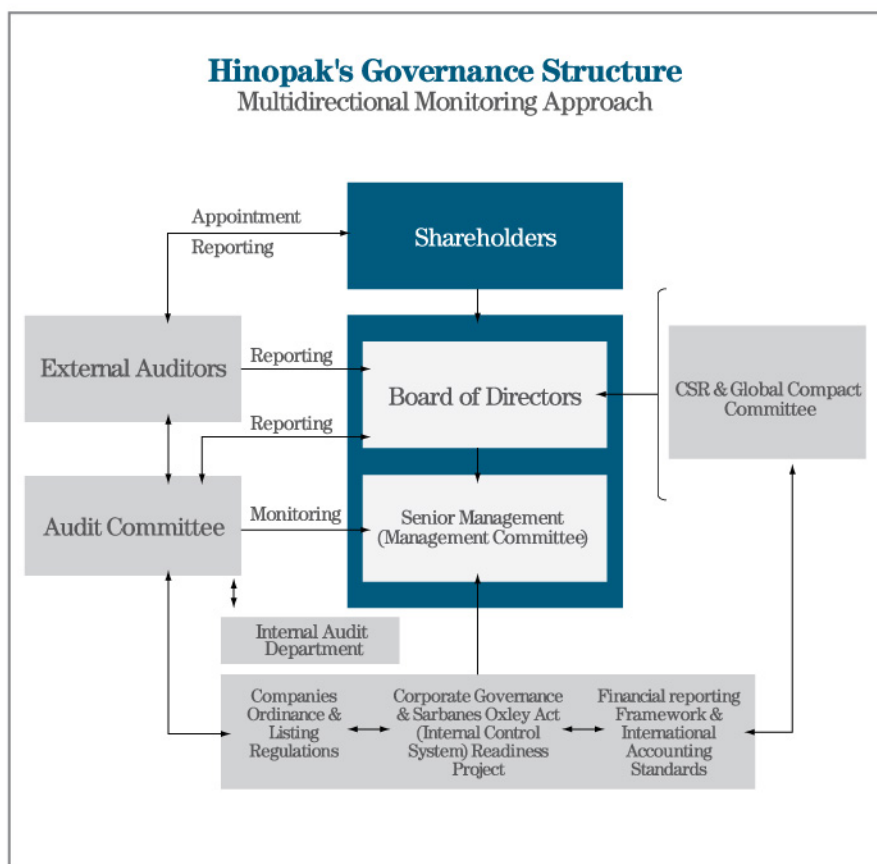
project under the guidelines from TMC.

Code of Conduct:

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

Whistle Blowing Mechanism:

We recognize whistle blowing as one 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"





Mr. Soren Peterson, of United Nations Global Compact office addresses a session of Business Talk-CSR at our head office



Mr. Ahsan Waseem Akhter, our Accounting & Reporting Manager receives the best corporate report award from Syed Saleem Raza, Governor of State Bank of Pakistan

Initiatives and achievement in 2009-10

Hinopak is working to strengthen corporate governance in an effort to realize its corporate mission and ensure management that gains the trust of all stakeholders.



Business Talks on CSR

Business Talks CSR on "Role of Business in Societal Development" was organized by Global Compact Pakistan Local Network in Collaboration with S.I.T.E. Association of Trade & Industry in March 2010 at company premises.

Mr. Soren Peterson of United Nations Global Compact office was the Chief Guest.

CSR Global Compact Award 2009:

In August 2009, the company received the RBI/UNGC "Living the Global Compact" award in recognition of its strong commitment towards CSR. The award is greatly valued as its was

judged by global-renowned foreign CSR figures.

Best Corporate Report Award:

Our Annual Report for 2009 achieved the "Best Corporate Report Award" for exemplary practices and corporate reporting, in a competition organized jointly by the Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost & Management Accountants of Pakistan (ICMAP) to foster better corporate Reporting culture among Organizations.

SAFA Best Presented Accounts Award:

Our Annual Report for 2009 was also awarded "SAFA Best Presented

Accounts Award" for transparent reporting and adequate disclosure in the financial statements. The awards under different categories are conferred on the basis of evaluation criteria administered by the South Asian Federation of Accountants (SAFA) for transparent, high quality financial reporting and presentation of meaningful disclosures and other pertinent information in the published corporate reports, catering to the needs of diversified stakeholders group.

Environment

We realize our social and societal responsibility by producing environment friendly commercial vehicle and supporting transportation that is friendly to the earth and people. Our vehicles are comfortable and environment friendly, taking care of all aspects including children and senior citizen.

Hinopak is continuously improving its environmental efforts 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 environmental load of the plant as a whole.

Environment Management System

As a responsible corporate company, Hinopak has adopted ISO 14001 standard 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.

Initiatives to Reduce Environmental Risk

We have developed Emergency Response Plan at Hinopak to respond to Fire, Spill and Medical Emergencies. We ensure that resources are used effectively and quickly to respond to emergencies & 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.

Enhancing Employees Awareness through Education

In order to enhance a sustainable environmental awareness, we provide comprehensive environmental education to our employee and contractors. We make it a point that our people have been developed with greater consciousness and sense of responsibility towards the environment. Training relates to Operational Control, Energy Conservation and Emergency Responses. This year 88 employees were given awareness and training in EMS, Internal Auditing, Operational Control Procedures & Chemical Hazards (Shop Wise).

Internal / External Communication

Hinopak firmly believe in open communication channel. To ensure that our EMS efforts pay off quickly. It is very important to get stake holders understand our business activities and to build strong bond of cooperation.

Keeping this in mind, we have been publishing our Environmental & Social Report since 2007. Moreover, important information like policy, significant environmental aspects and important events are being constantly communicated to our stake holders through our website www.hinopak.com. Regarding Compliance from April 09 to March 10, no environment related

complaints have been received so far.

Surveillance Audit under OHSAS 18001:2007

Surveillance Audit under Occupational Health & Safety Assessment Series 18001 were conducted by the external auditors M/s. Bureau Veritas in September 2009. In the closing meeting the Auditors informed that the system was in full compliance with the OHSAS 18001:2007 standards.

Initiatives in 2009-10

CNG Buses for Karachi

Hinopak has recently handed over 50 dedicated CNG buses to City District Government Karachi (CDGK), in an effort to reduce CO₂ emissions. We strongly believe that the nation will be benefited in the long run by saving precious foreign exchange being spent on import of fuel and reducing pollution for preservation of the environment.

World Environment Day

World Environment Day was celebrated with great zeal and enthusiasm on Friday, June 05, 2009 in collaboration with MAL (Mobil) Pakistan Ltd. Mrs. Nasreen Jalil, Ex-City Naib Nazim, City District Government Karachi, was the Chief Guest and Dr. Moazzam Ali Khan, Director Institute of Environmental Studies, University of Karachi, was the Guest of Honor at the ceremony.

World Environment Day is being celebrated by Hinopak for the past several years nationwide by holding Free Tune up Camps, Tree Plantation and Children Projects exhibition on various environmental aspects. This year 3 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 responsibility to protect this beautiful earth for the next generation.

Tree Plantation

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

Every year, we conduct tree plantation ceremonies during Environmental Month of June. The main purpose 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.

Cleaning Activity

A company wide Cleaning Activities was held on 20th June 09. The purpose of this activity was to promote employees awareness on proper disposal of waste, leading to clean and green environment. This volunteer program was welcomed by our employees including our top management who enthusiastically participated in the activity. Approximately 700 employees worked together to collect trash outside Hinopak premises. Altogether 2.1 Tons of waste was collected.

Moreover, to enhance the same spirit in our society, we have organized the same activity in a local school near Hinopak. Students keenly participated by cleaning their class rooms and ground. 22 kg waste was collected and disposed off.

Energy Saver Lights

Using energy saving light bulbs offer many advantages and they are more earth friendly as well. Energy saving bulbs use around one third of the power that normal light bulbs do.

Keeping this in view, we have distributed 18 watt lights to all 1800 employees, including the services people like Janitorial staff, Canteen staff & Security staff. This will remind them about energy saving by their practical contribution in Reducing Global warming.

Climate Change Awareness Walk

To help create awareness of the impacts and consequences of climate change, Hinopak in collaboration with Global Compact Pakistan Local Network (GCPLN), City District Government Karachi's Committee for Monitoring and Improvement of CDGK School (CDGK-CMIS), S.I.T.E. Model School (SMS) and Pakistan Beverages Limited, organized a Climate Change Awareness Walk on October 19, 2009 at S.I.T.E. Area, Karachi.

Approximately 500 people, mostly students and teachers from S.I.T.E. Model School and GC member company/CDGK-CMIS & SITE Association employees, participated in the walk to show their concern and to raise awareness of the need for action on climate change.



The cleaning exercise at our AOD & BOD plants and S.I.T.E. Model School turned out to be a success in sensitizing our employees and students towards the significance of cleaner environment.

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 socioeconomic 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 load by reducing the CO₂ emission, material discarded and water consumption.



Work in progress at the IMV line at our Assembly Operation Division

Water Release

Reporting Period: April 2009 - March 2010

Items	Official Regulations	Measurements	*Actual Conditions	
			AOD	BOD
Acidity level pH	6-9	1/m	7.2	7.2
Biological Oxygen demand BOD (mg/l)	80	1/m	35.5	33.5
Chemical Oxygen demand COD (mg/l)	400	1/m	107.0	105.0
Total suspended salts TSS (mg/l)	200	1/m	25.5	2.5
Oil (mg/l)	10	1/m	275	2.5
Total dissolved salts TDS (mg/l)	3500	1/m	619.5	518.0

(* Based on average reading)

Air Release

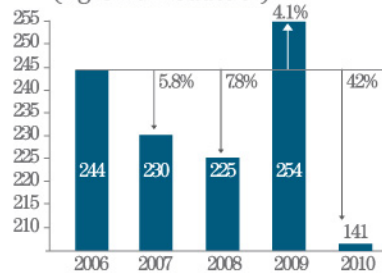
Facilities	Measurement Items	Official Regulations	Actual Conditions	
			Measurements	Avg
Assembly Operation Division (AOD)				
Top Coat Oven (Natural Gas)	NOx	600 mg/Nm ³	1/m	2.53
	SOx	1700 mg/Nm ³	1/m	10.55
ED Oven (Natural Gas)	NOx	600 mg/Nm ³	1/m	2.00
	SOx	1700 mg/Nm ³	1/m	9.85
Boiler (Natural Gas)	NOx	600 mg/Nm ³	1/m	39.00
	SOx	1700 mg/Nm ³	1/m	5.50
Body Operation Division (BOD)				
Parts Primer Baking Oven	NOx	600 mg/Nm ³	1/m	25.50
	SOx	1700 mg/Nm ³	1/m	5.00
Paint Baking Oven	NOx	600 mg/Nm ³	1/m	18.00
	SOx	1700 mg/Nm ³	1/m	4.00

Assembly Operation Division

CO₂ Emissions
(Kg-CO₂/Unit Production)



Material Discarded
(Kg/Unit Production)

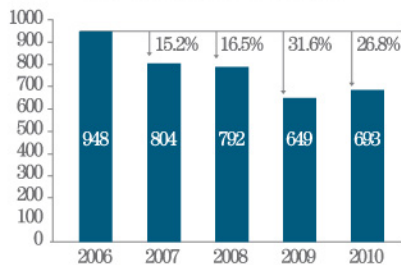


Water Consumption
(m₃/Unit Production)



Body Operation Division

CO₂ Emissions
(Kg-CO₂/Unit Production)



Material Discarded
(Kg/Unit Production)



Water Consumption
(m₃/Unit Production)



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.

Social Aspects

Customers

We strive to deliver practical, useful and environmental friendly products and services that meet the needs of customers and market.

Customer Satisfaction Index (CSI) Survey for the year 2009-10

In order to provide maximum benefits to our customers, our Product Support Department has recently started a Customer Satisfaction Index Survey (CSI Survey) across the country.

The objective of the survey is to accumulate completely all positive

and negative feedback from our valued customers, including better awareness towards their specific needs.

Free Service Camps and Free Health Check-ups

The company organized free service camps for the trucks and buses on the road as well as the health check-ups for the drivers and mechanics in various cities across Pakistan.

Mobile Workshop Unit

Hinopak aspires to be a company that serves its valuable customers in every corner of Pakistan. Our country wide dealers network and Mobile workshops operations provide our well renowned "After Sales & Support Services" at the very door steps of our valued customers.

Recently the Company has added two mobile units in our 3S dealers fleet.

These units have been fabricated on Hino Dutro truck chassis and are fully equipped with special service tools, equipments and, spare parts section.

Our Mobile Workshop Units can provide the most sophisticated services; repair and maintenance work on the entire Hinopak product range on the remotest location.

Excellence Award in Service Maintenance Contest

In compliance with the Hino Motors Limited, a three months service promotion contest was conducted for Hino Dealers Network world wide. In recognition of the excellent efforts Hino Motors limited Japan presented "Excellence Award" to Hinopak during a 2009 parts & Service Managers Conference held at Taipei, Taiwan recently.

Operations of our Mobile Training Unit

A unique service initiative taken by Hinopak which is found to be very effective for delighting customers is the full fledged Mobile Training Centre built on a bus chassis, providing training to our customers at their door step.

This activity was started in July 2008. Purpose & Benefits enjoyed by the customers were as follows;

1. Customer transportation cost saved on training.
2. Absence of employee from workplace not prolonged.
3. Trainees supervisors can oversee and also participate in the training programme.
4. Training productivity improved significantly.



Besides delighting our customers by training their drivers and technical staff at their doorstep, the productivity of our training department has also increased 4 times. The number of drivers trained in 2009 was 2784 as compared to last year's 1211, increasing by more than 2 times.

Employees

We have built a dynamic workplace in which each and every employee can exercise independence, self development and his or her talents to the fullest.



Kokoro-e Kumura, a fusion of Nihongo and Urdu, meaning 'Knowledge Room' was inaugurated in a simple ceremony by the Chairman. This room contains pertinent company-related information beneficial for all.



Children of one of the Japanese school paid a visit to our AOD plant.

Knowledge Sharing

A knowledge Room "Kokoro-e Kumura" was inaugurated by the Chairman of the company. The room contains detailed information about the companies operations which is updated on regular basis by all departments. Employees are expected to use this room for knowledge sharing and group discussions that shall contribute toward continuous development and process improvements.

OHSAS Best Practice Award 2009

The Employer's Federation of Pakistan (EFP) holds the competition every year among the member organizations to judge which member is contributing more in the promotion of Health & Safety Activities.

Hinopak has succeeded to achieve the trophy consecutively for 2008 & 2009 on the basis of enhanced

organized efforts to implement Occupational Safety & Health activities.

Awareness Programs on Hazards of Smoking / Tobacco, Pan and Gutka

Happiness lies in health. It is for this reason that Hinopak regularly holds health awareness programs for its employees. A similar health awareness program on "Hazards of Smoking & Tobacco, Pan, Gutka" was held on 9th February 2010 by the HR department in collaboration with the Aga Khan University Hospital. The speaker, Dr. Jawed Ahmed Khan (Consultant Pulmonologist and Head of department of Pulmonary Section, AKUH), educated around 400 employees on the dangers of smoking and consuming tobacco, pan and gutka. The program was followed by a question and answer session.

Hinopak Organizes Employees' Children's Visit

For 198 children of Hinopak's employees, half-day visits to Hinopak Motors Limited were organized by the HR department in December 2009 which offered them an exhilarating experience. This program was an excellent opportunity to appraise employees' children on Hinopak's operations and assess what they knew about the company. The children aged 7 - 16 years showed keen participation and an enthusiastic response to the visits. The children were kept active and engaged through a cartoon movie, Hinopak's corporate video, introduction activity, firefighting and fire prevention lecture, AOD and BOD visits and lastly with a 'Happy Meal' lunch. This activity was well appreciated by the children and employees alike.

Community

Hinopak's Social & Community development initiatives are marked by public-private partnership, further increasing our sphere of influence in sensitization and responsiveness to challenges afflicting community at large.

Hinopak establishes Technical / Vocational Education Centre at S.I.T.E. Model School

To continue with its pledge to give back to the society, Hinopak established the Technical / Vocational Education Centre at S.I.T.E. Model School which was revamped and adopted by Hinopak last year. This technical wing is fully equipped with two engines, technical tools and other academic material. The wing has already been joined by 25 students.

Recently the Technical Wing was inaugurated by Chairman-Sindh Board of Technical Education, Professor M. Saeed Siddiqui in a modest ceremony held at the school auditorium. Mr. Hideya Iijima, Managing Director and CEO and other distinguished guests from Hinopak, CDGK, CMIS, FPCCI, and SBTE were also present on the occasion.

Career Counseling conducted for the student of SITE Model School

Mr. J. Pereira, our Deputy General Manager, Customer Services and Training, conducted a Career Counseling session for the student of SITE Model School.

He delivered a presentation on the "Scope of Technical Education in Pakistan" commencing from the Technical School Certificate (TSC),



Prof. M. Saeed Siddiqui inaugurating the Technical / Vocational Education Centre at S.I.T.E. Model School

Diploma of Associate Engineering (DAE), Bachelor of Technology (B-Tech – Pass & Hons) and going on up to Master of Technology (M-Tech) program.

The career counseling session encouraged the students and assisted them in planning of their career.

5S Training for SITE Model School

Continuing with the CSR Adopt-a-School project, Hinopak has now taken up the task of educating the students and teachers of the school on the philosophy of "5S".

To make this project effective the

teachers and students were invited to attend the workshops on "5S" and learn the five steps toward better house keeping.

Summer Internship Program 2009

At Hinopak, internships are all about identifying the right resource, giving hands-on experience in the corporate work environment, and providing maximum possible exposure in the least possible time.

This year 80 technical and non technical interns have joined Hinopak who have been placed in different departments on various projects across the company.



Sports

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

Hinopak Inter-Departmental Table Tennis & Carrom Tournament 2010

An inter department Table Tennis & Carrom Tournament-2010 was inaugurated at AOD Sports & Recreation Club, Head office Building on Friday the 18th of December, 2009 to encourage Hinopak employees to increase their interest and involvement in recreational activities as well as the promotion of sports.

Golf Tournament at Arabian Sea Country Club

The Company sponsored a golf tournament at Arabian Sea Country Club. Golf players representing various institutions participated in the tournament.

The prize distribution ceremony was honoured by our top management.



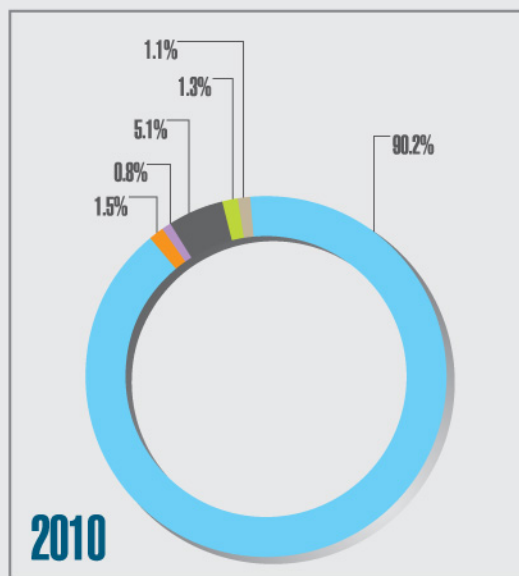
Mr. Hideya Iijima our Managing Director & CEO makes his address at the Golf Tournament at Arabian Sea Country Club

The group photo session after the inauguration of the Inter-Departmental Table Tennis and Carrom Tournament

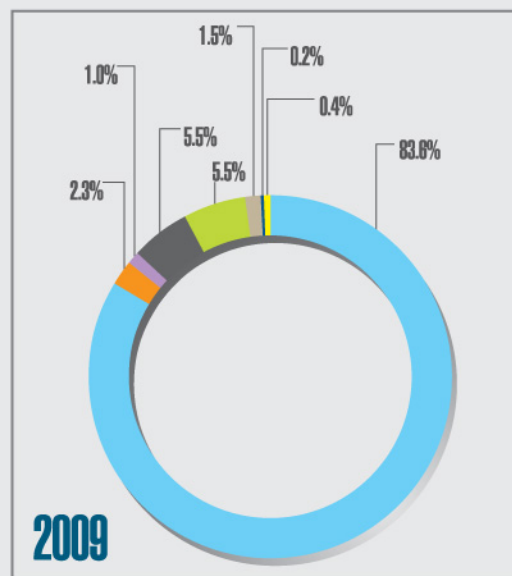


STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2010		2009	
	Rs. in million	%	Rs. in million	%
Value Addition				
Revenue	11,239	98.0	12,283	98.6
Other income	77	0.7	170	1.4
Utilisation of unappropriated earnings due to loss incurred	148	1.3	-	-
Total revenue	11,464	100.0	12,453	100.0
Value Distribution				
Cost of sales	10,331	90.2	10,410	83.6
Distribution expenses	176	1.5	287	2.3
Administration, CSR & other operating expenses	92	0.8	130	1.0
Employees remuneration	590	5.1	688	5.5
Finance Cost	146	1.3	679	5.5
Income tax, sales tax, excise duty and workers' fund payments to Government	129	1.1	189	1.5
Dividend to shareholders	-	-	22	0.2
Profit retained for reinvestment and future growth	-	-	48	0.4
	11,464	100.0	12,453	100.0



- Cost of sales
- Distribution expenses
- Administration, CSR & other operating expenses
- Employees remuneration



- Finance Cost
- Income tax, sales tax, excise duty and workers' fund payments to Government
- Dividend to shareholders
- Profit retained for reinvestment and future growth

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of the Shareholders of Hinopak Motors Limited will be held at the Registered Office of the Company situated at D-2, S.I.T.E., Manghopir Road, Karachi on Thursday, June 17, 2010 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, 2010, 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 26, 2010

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 09, 2010 to June 17, 2010 (both days inclusive) for the purpose of Annual General Meeting. No transfer will be accepted for registration during this period.
- iii. The Shareholders are requested to intimate any changes in their addresses to: The Share Registrar, Technology Trade (Pvt.) Limited, Dagia House 241-C, Block-2, PE.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 Computerised 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.



	2004	2005	2006	2007	2009	2010
Sales (Units)						
Hino Chassis	2206	2352	2551	2908	3705	2586
Bus & Other Bodies	1579	918	789	1697	2373	1140
IMV / Hilux Frame	2941	3290	970	775	2400	2020
Hilux Deck	2900	3375	962	-	-	-
No. of Employees	255	268	287	313	344	394
Investor Information						
Financial Ratios						
Gross profit ratio	13.95%	10.39%	13.06%	17.73%	10.53%	3.50%
Net profit margin	6.08%	3.82%	5.07%	7.54%	0.58%	-1.33%
Return on Assets (after Tax)	10.00%	7.70%	7.80%	12.00%	1.40%	-2.58%
Return on Equity (after Tax)	32.78%	20.81%	22.76%	31.24%	4.19%	-9.85%
Debt equity ratio*	0.05	0.05	0.05	0.03	0.02	0.05
Current ratio	1.34	1.42	1.39	1.50	1.34	1.23
Quick ratio	0.46	0.31	0.36	0.54	0.53	0.47
Interest cover ratio	52.79	8.13	11.57	15.32	1.17	0.10
Dividend payout ratio	31.40%	30.60%	40.20%	50.44%	31.04%	-
Dividend yield ratio	5%	4%	7%	4%	1%	-
Dividend cover ratio	319%	327%	249%	198%	322%	-
Other Ratios						
Price earning ratio	5.95	8.58	5.90	12.57	50.13	(14.75)
Earning before interest, taxes, depreciation and amortization (EBITDA)	562.57	492.47	638.77	1,050.73	918.61	115.22
EBITDA Margin to sales	10.19%	7.73%	9.99%	13.42%	7.56%	1.04%
Total assets turnover ratio	1.62	2.01	1.54	1.59	2.43	1.94
Fixed assets turnover ratio	8.09	7.64	7.39	8.79	12.74	12.08
Return on capital employed	24.22	15.90	18.02	26.36	3.51	(7.97)
Inventory turnover ratio	3.11	3.19	2.66	2.62	4.42	4.02
Operating cycle (days)	3	27	54	46	55	39
Number of days inventory	117	114	137	139	103	91
Debtors turnover ratio	13.84	22.25	15.47	11.86	12.45	10.90
Creditors turnover ratio	2.60	3.51	3.42	2.94	5.37	4.29
Number of days debtors	26	16	24	31	37	33
Number of days creditors	140	104	107	124	85	85
Per Share Amounts (in Rupees)						
Cash dividend	8.50	6.00	10.50	24.00	1.75	-
Breakup value with surplus on revaluation of fixed assets	106.96	118.06	138.17	175.25	156.89	143.20
Breakup value without surplus on revaluation of fixed assets	82.59	94.15	114.74	152.30	134.51	121.28
Earnings / (Loss) per share	27.07	19.59	26.12	47.58	5.64	(11.94)
Share Price (High)	180.00	175.00	241.75	624.00	640.00	284.96
Share Price (Low)	110.00	102.00	120.10	152.90	282.65	148.00
Share Price (Closing)	161.00	168.00	154.00	598.00	282.65	176.10
One US\$ = Rupee as at period end	59.65	59.93	60.98	61.55	80.40	84.20
One JPY = Rupee as at period end	0.5812	0.5092	0.5122	0.5497	0.8169	0.9015

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

VERTICAL ANALYSIS

Operating Results

	2010		2009		2007	
	Rs. in million	%	Rs. in million	%	Rs. in million	%
Sales - net	11,127.55	100.00	12,151.02	100.00	7,826.78	100.00
Cost of sales	10,738.07	96.50	10,871.89	89.47	6,439.14	82.27
Gross profit	389.48	3.50	1,279.14	10.53	1,387.64	17.73
Distribution expenses	288.91	2.60	427.67	3.52	268.98	3.44
Administration expenses	161.20	1.45	206.77	1.70	140.39	1.79
Other operating expenses	1.02	0.01	19.95	0.16	68.10	0.87
Other operating income	76.94	0.69	169.61	1.40	57.61	0.74
Profit from operations	15.29	0.14	794.35	6.54	967.78	12.36
Finance cost	145.71	1.31	678.53	5.58	63.17	0.81
(Loss) / profit before taxation	(130.42)	(1.17)	115.83	0.95	904.61	11.56
Taxation	17.65	0.16	45.91	0.38	314.56	4.02
(Loss) / profit after taxation	(148.07)	(1.33)	69.92	0.58	590.05	7.54

Balance Sheet

Property, plant and equipment	918.59	15.99	948.54	18.94	887.12	18.06
Other non current assets	2.69	0.05	10.53	0.21	3.20	0.07
Long-term deposits	3.99	0.07	5.48	0.11	6.00	0.12
Long-term loans and advances	11.75	0.21	13.09	0.26	7.12	0.14
Deferred taxation	12.74	0.22	-	-	-	-
Current assets (excluding investments)	4,793.61	83.46	4,029.42	80.47	4,008.10	81.61
Total assets	5,743.37	100.00	5,007.05	100.00	4,911.54	100.00
Shareholders' equity	1,503.98	26.20	1,668.06	33.32	1,888.56	38.45
Long-term security deposits	32.00	0.56	32.00	0.64	32.00	0.65
Liability against assets subject to finance lease	-	-	-	-	-	-
Deferred taxation	-	-	11.50	0.23	33.59	0.68
Other non current liabilities	49.79	0.86	0.95	0.02	-	-
Surplus on revaluation of fixed assets	271.80	4.73	277.49	5.54	284.68	5.80
Short term debt (including current maturity of long term debt)	501.93	8.74	1,400.49	27.97	110.08	2.24
Other Current Liabilities	3,383.88	58.91	1,616.57	32.29	2,562.63	52.18
Total equity and liabilities	5,743.37	100.00	5,007.05	100.00	4,911.54	100.00

Cash Flows

Cash flows from / (used in) operating activities	936.20	109.57	(950.34)	65.95	541.70	180.61
Cash flows used in investing activities	(60.10)	(7.03)	(189.41)	13.14	(106.84)	(35.62)
Cash flows used in financing activities	(21.69)	(2.54)	(301.34)	20.91	(134.94)	(44.99)
Net (decrease) / increase in cash and cash equivalents	854.41	100.00	(1,441.09)	100.00	299.92	100.00

HORIZONTAL ANALYSIS

Operating Results

	2010		2009		2007	
	Rs. in million	Variance v/s last period Increase / (Decrease) %	Rs. in million	Variance v/s last year Increase / (Decrease) %	Rs. in million	Variance v/s last year Increase / (Decrease) %
Sales - net	11,127.55	(8.42)	12,151.02	55.25	7,826.78	22.44
Cost of sales	10,738.07	(1.23)	10,871.89	68.84	6,439.14	15.86
Gross profit	389.48	(69.55)	1,279.13	(7.82)	1,387.64	66.27
Distribution expenses	288.91	(32.45)	427.67	59.00	268.98	42.67
Administration expenses	161.20	(22.04)	206.77	47.28	140.39	17.27
Other operating expenses	1.02	(94.87)	19.95	(70.70)	68.10	75.65
Other operating income	76.94	(54.64)	169.61	194.41	57.61	(20.67)
Profit from operations	15.29	(98.08)	794.35	(17.92)	967.78	72.76
Finance cost	145.71	(78.53)	678.53	974.13	63.17	30.46
(Loss) / profit before taxation	(130.42)	(212.60)	115.83	(87.20)	904.61	76.76
Taxation	17.65	(61.55)	45.91	(85.41)	314.56	67.43
(Loss) / profit after taxation	(148.07)	(311.76)	69.92	(88.15)	590.05	82.18

Balance Sheet

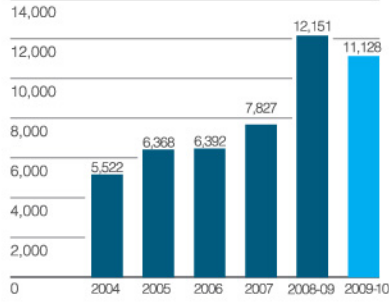
Property, plant and equipment	918.59	(3.16)	948.54	6.92	887.12	2.61
Other non current assets	2.69	(74.46)	10.53	229.06	3.20	350.70
Long-term deposits	3.99	(27.21)	5.48	(8.67)	6.00	(27.71)
Long-term loans and advances	11.75	(10.23)	13.09	83.85	7.12	5.33
Deferred taxation	12.74	100.00	-	-	-	-
Current assets (excluding investments)	4,793.61	18.97	4,029.42	0.53	4,008.10	22.97
Total assets	5,743.37	14.71	5,007.05	1.94	4,911.54	18.64
Shareholders' equity	1,503.98	(9.84)	1,668.06	(11.68)	1,888.56	32.73
Long-term security deposits	32.00	-	32.00	-	32.00	6.67
Liability against assets subject to finance lease	-	-	-	-	-	(100.00)
Deferred taxation	-	(100.00)	11.50	(65.76)	33.59	(30.98)
Other non current liabilities	49.79	5,141.05	0.95	100.00	-	-
Surplus on revaluation of fixed assets	271.80	(2.05)	277.49	(2.53)	284.68	(2.02)
Short term debt (including current maturity of long term debt)	501.93	(64.16)	1,400.49	1,172.25	110.08	(58.71)
Other Current Liabilities	3,383.88	109.33	1,616.57	(36.92)	2,562.63	23.47
Total equity and liabilities	5,743.37	14.71	5,007.05	1.94	4,911.54	18.64

Cash Flows

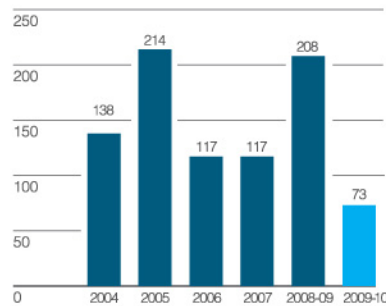
Cash flows from / (used in) operating activities	936.20	(198.51)	(950.34)	(275.44)	541.70	110.48
Cash flows used in investing activities	(60.10)	(68.27)	(189.41)	77.28	(106.84)	(2.86)
Cash flows used in financing activities	(21.69)	(92.80)	(301.34)	123.31	(134.94)	74.03
Net (decrease) / increase in cash and cash equivalents	854.41	(159.29)	(1,441.09)	(580.49)	299.92	329.50

FINANCIAL HIGHLIGHTS CONTD...

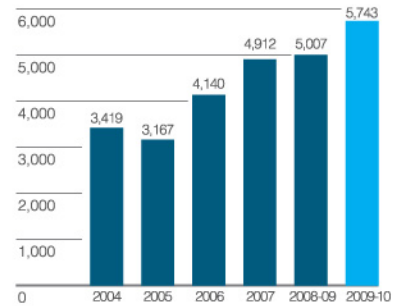
Net Sales Revenue -1,023
million rupees



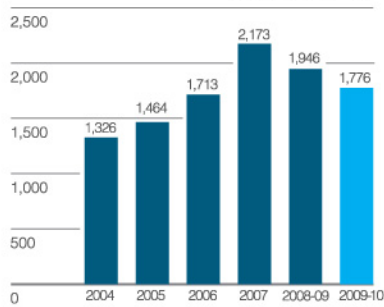
Capital Expenditure -135
million rupees



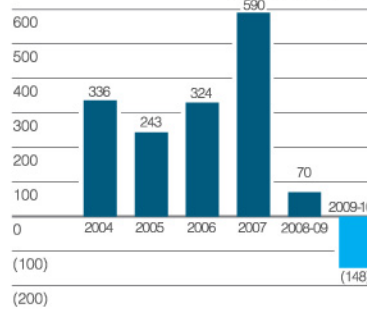
Total Assets 736
million rupees



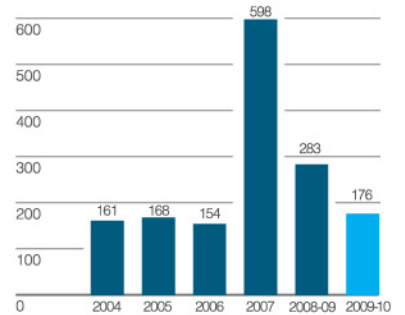
Total Shareholders' Equity -170
million rupees



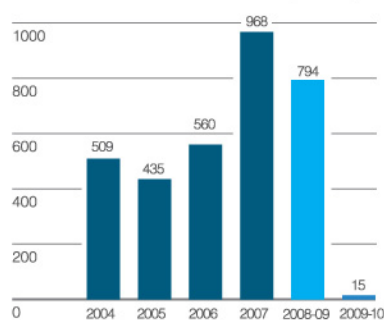
Profit / (Loss) After Tax -218
million rupees



Share Price (Closing) -107
rupees



Operating Profit -779
million rupees



Earnings / (Loss) Per Share -18
rupees

