

Striving Together
for Growth



HINOPAK MOTORS LIMITED

Annual Report 2009



AK Export Bus



FG1J Prime Mover



HINO



Dutro Hi Horse Power



FM1J Prime Mover

Diversifying HINO's product range

Contents

02	<u>Vision and Mission Statement</u>
05	<u>Basic Principles of Our Code of Conduct</u>
07	<u>Company Information</u>
08	<u>Our Organogram</u>
12	<u>Board of Directors</u>
14	<u>Our General Managers</u>
16	<u>Board Committees</u>
20	<u>Our Values and Practices</u>
22	<u>Chairman's Review</u>
29	<u>Directors' Report</u>
32	<u>Financial Highlights</u>
37	<u>Statement of Value Addition and its Distribution</u>
38	<u>Corporate Social Responsibility</u>
52	<u>Statement of Compliance</u>
54	<u>Review Report on Statement of Compliance</u>
55	<u>Financial Statements</u>
90	<u>Pattern of Shareholding</u>
92	<u>Notice of Annual General Meeting</u>
	Proxy Form



Vision

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

Mission

To pursue our vision, we commit ourselves:

- **To our individual, institutional and international customers:** to deliver high quality, safe, durable, reliable, comfortable, environment friendly and economical products and services to their total satisfaction.
- **To our employees:** to foster corporate culture of mutual trust, respect for fundamental human rights at work, opportunities for professional growth and personal welfare so that they are proud of being a member of the "Hinopak Family".
- **To the community and our nation:** to contribute to economic and social development by providing means of transportation and by progressive localization of the vehicles.
- **To the shareholders:** to act in compliance with the norms expected of a subsidiary of the Toyota Group of Companies and make a meaningful financial return to the shareholders.



Employees

At Hinopak quality assurance is not only limited just to our products but personnel development and training of employees at all level continues to remain the main concern.

Basic Principles of Hinopak Code of Conduct

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



Customers

Hinopak Motors Limited places the utmost emphasis on its Customer First Policy to ensure that each and every employee make their best effort to provide products and services that fully incorporate the customer perspective. On this basis the company is endeavoring to enhance customer satisfaction and to nurture relationships built on mutual trust.

Company Information

Bankers

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

Auditors

A.F. Ferguson & Co. Chartered Accountants

Legal Advisor

Sayeed & Sayeed

Registered Office

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

Share Registrar

Technology Trade (Pvt.) Limited
Dagja House 241 - C, Block - 2
P.E.C.H.S., Off Shahra - e- Quaideen
Karachi
Tel: 4391316 - 7 & 19, 4387960 - 61
Fax: 4391318

Area Offices

Lahore

19 KM, Multan Road, Lahore
Tel: 042 - 7512003-6
Fax: 042 - 7512005
Email: hino-lahore@hinopak.com

Sadiqabad

Mohammad Hussain Market
By Pass National Highway
KLP Road, Sadiqabad
Tel: 068 - 5034284-85
Email: hino-sadiqabad@hinopak.com

Islamabad

1- D, Unit 14,
Rehmat Plaza, 2nd Floor
Blue Area, Islamabad
Tel: 051 - 2276234
Fax: 051 - 2272268
Email: hino-islamabad@hinopak.com

Multan

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

Peshawar

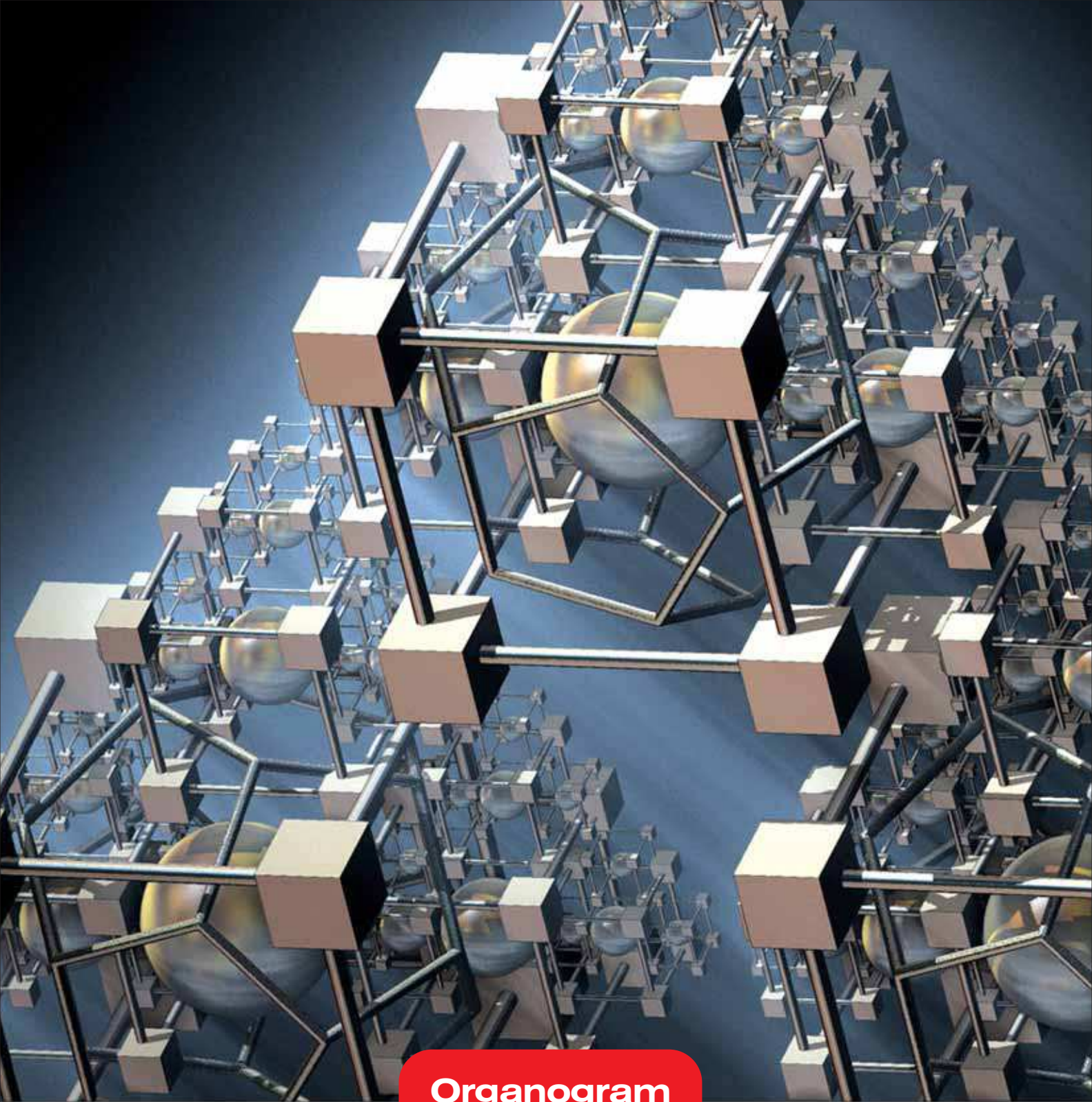
Hino Peshawar
Ring Road, Near Kohat Road Bridge
Peshawar
Tel: 091 - 2586004
Fax: 091 - 2586005
Email: hino-peshawar@hinopak.com

Faisalabad

Hino Faisalabad
Street, No. 6, Rashid Abad
Main Jhang Road, Faisalabad
Tel: 041 - 2551331
Fax: 041 - 255132
Email: hino-faisalabad@hinopak.com

Quetta

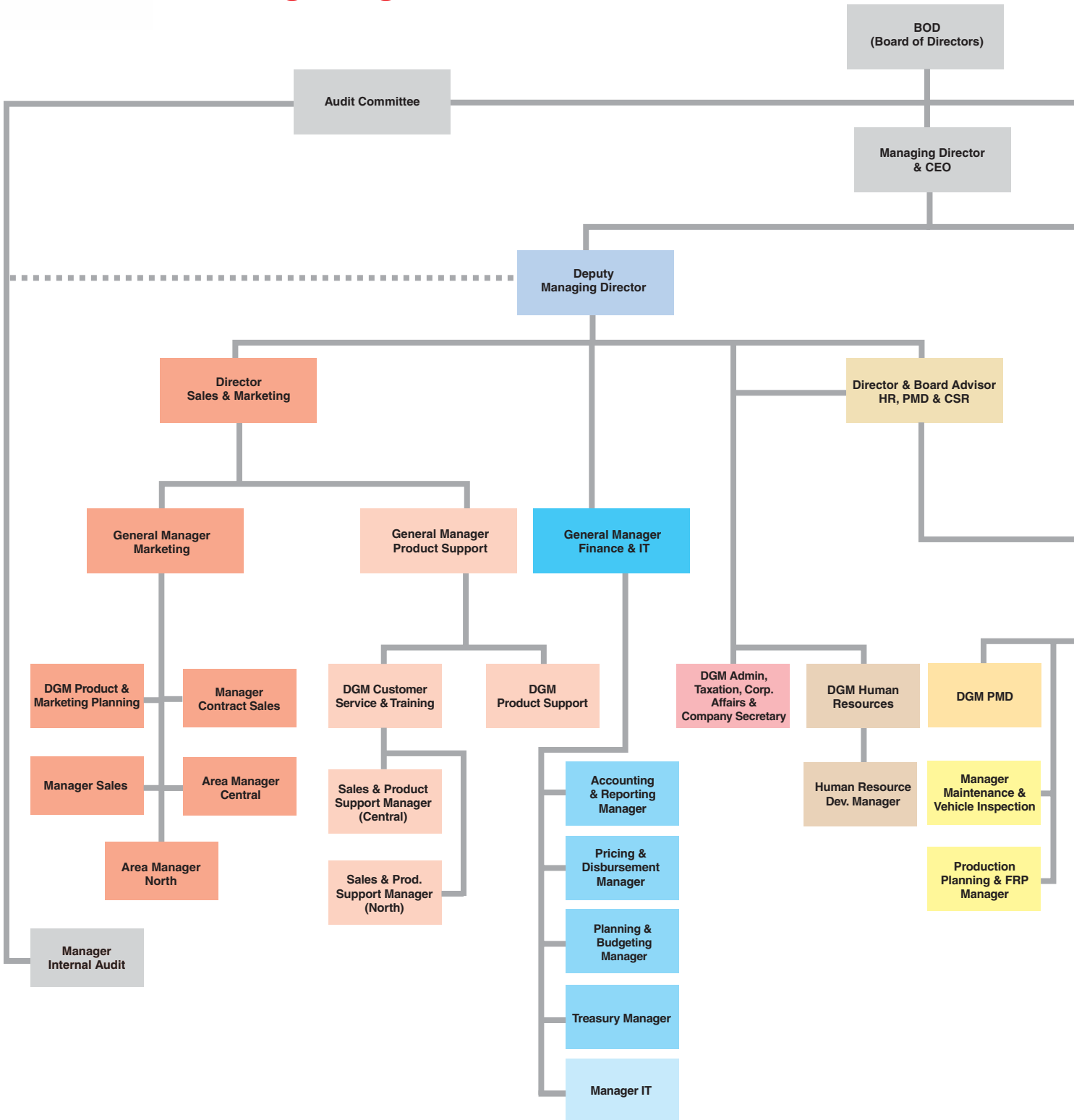
Room No. 3
Kasi Plaza No. 1, Zarghoon Road
Quetta
Tel: 081 - 2452598
Fax: 081 - 2451217
Email: hino-quetta@hinopak.com



Organogram



Our Organogram

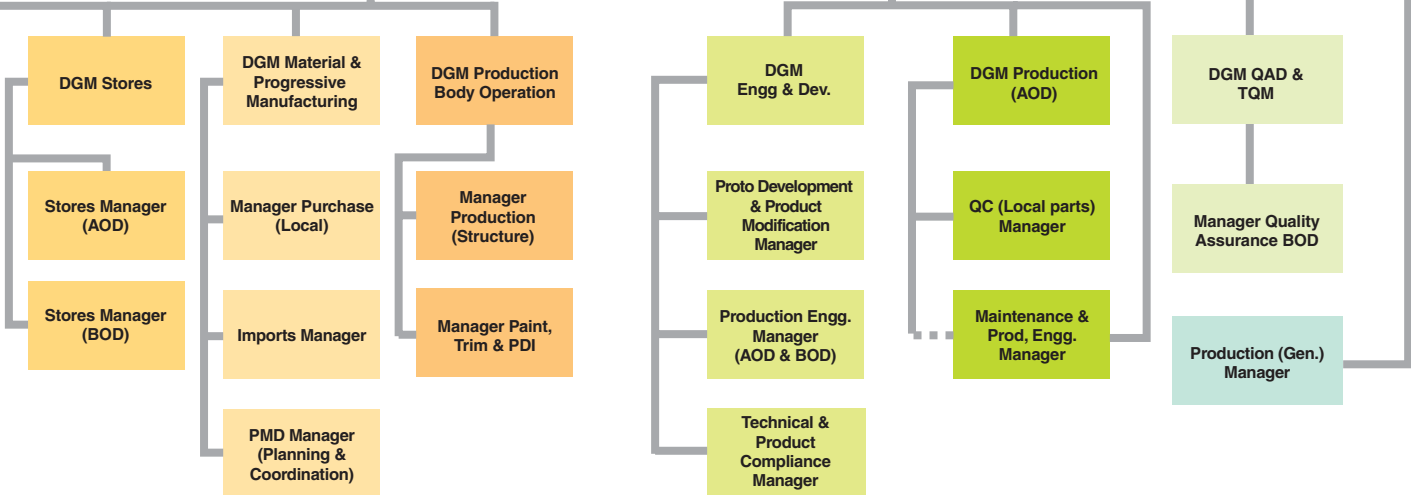


- Board Committees:**
- Management Committee
 - Global Compact & CSR Committee
 - Industrial Relations Committee
 - Human Resource Development Committee

**Director Production
(EMS Representative)**

**Sr. General Manager
Production
BOD, MOD & PMD**

**Sr. General Manager
Production AOD,
E & D**



- | | |
|----------------|-------------------------------------------|
| AOD | Assembly Operation Division |
| BOD | Body Operation Division |
| EMS | Environment Management System |
| E&D | Engineering & Development |
| FRP | Fiber Re-Inforce Plastic |
| IT | Information Technology |
| MOD | Material Operation Division |
| PDI | Pre-Delivery Inspection |
| PMD | Progressive Manufacturing Division |
| QAD | Quality Assurance Division |
| QC | Quality Control |
| TQM | Total Quality Management |



INNOVATION, INTEGRITY, INSPIRATION
INNOVAK MOTORS LTD
SINCE THE BEGINNING OF 2000
MR. WILIAMPHAT KHALLER ABRAU
The company is a leading manufacturer of
the most advanced and reliable
and most efficient engine, transmission, and
powertrain components for the automotive
industry. The company is a leading
manufacturer of the most advanced and
reliable and most efficient engine, transmission,
and powertrain components for the automotive
industry.

Board of Directors





Sitting from Left to Right

- Takeshi Ito
Deputy Managing Director
- Kunwar Idris
Chairman
- Hideya Iijima
Managing Director & CEO

Standing from Left to Right

- Hirofumi Wachi
Director Production
- Muhammad Irfan Shaikh
Director Sales & Marketing
- Fasihul Karim Siddiqi
Director & Board Advisor
HR, PMD & CSR
- Gul Abbas
Company Secretary

Not in Picture

- Shinji Fujimoto
Director

Our General Managers



Adil M. Shah
General Manager
Sales & Marketing

Syed Arshad Ali
General Manager
Product Support

Naushad Riaz
Senior General Manager
Production BOD, MOD & PMD



Muhammad Owais M. Khan

Senior General Manager
Production AOD & E&D

Fahim Aijaz Sabzwari

General Manager
Finance & IT

Board Committees

Audit Committee

Members

Kunwar Idris - Chairman
(Non - Executive Director)

Shinji Fujimoto
(Non - Executive Director)

Fasihul Karim Siddiqi

Terms of Reference

The terms of reference of the Audit Committee are as follows:

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

Management Committee

Members

Hideya Iijima - Chairman
Takeshi Ito
Hirofumi Wachi
Muhammad Irfan Shaikh
Fasihul Karim Siddiqi
Muhammad Owais M. Khan
Naushad Riaz
Syed Arshad Ali
Fahim Aijaz Sabzwari
Adil M. Shah
Tsutomu Suzuki
Yoshimi Sato
Yukinori Uchida
Gul Abbas
Muhammad Akram
Azhar ul Ehsan
Muhammad Khurram Abrar
Mehmood Mian

Terms of Reference

The terms of reference of the Management Committee are as follows:

- a. managing the day to day operations of the Company;
- b. developing the business and marketing strategy of the Company;
- c. reviewing budgetary proposals and the necessary actions to implement the business plan;
- d. monitoring profitability and deviations from business plan;
- e. handling the major business issues and other urgent matters on behalf of the Board.

Global Compact & CSR Committee

Members

Hideya Iijima - Chairman
Takeshi Ito
Hirofumi Wachi
Fasihul Karim Siddiqi
Naushad Riaz
Syed Arshad Ali
Fahim Aijaz Sabzwari
Adil M. Shah

Terms of Reference

The terms of reference of the Global Compact & CSR Committee are as follows:

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

Information Technology Steering Committee

Members

Fasihul Karim Siddiqi - Chairman
Naushad Riaz
Fahim Aijaz Sabzwari
Adil M. Shah
Shams Naveed Zia

Human Resource Development Committee

Members

Hideya Iijima - Chairman
Takeshi Ito
Fasihul Karim Siddiqi
Fahim Aijaz Sabzwari
Muhammad Akram

Industrial Relations Committee

Members

Fasihul Karim Siddiqi - Chairman
Muhammad Akram
Clarita Ahmed
Siddique Balouch
Muhammad Ahmed

Health & Safety Committee

Members

Fasihul Karim Siddiqi - Chairman
Muhammad Owais M. Khan
Naushad Riaz
Muhammad Akram
Muhammad Ali
Muhammad Ahmed

Terms of Reference

The terms of reference of the IT Steering Committee are as follows:

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

Terms of Reference

The terms of reference of the Human Resource Development Committee are as follows:

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

Terms of Reference

The terms of reference of the Industrial Relations Committee are as follows:

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

Terms of Reference

The terms of reference of the Health & Safety Committee are as follows:

- a. reviewing compliance with the health and safety policy of the Company;
- b. reviewing major health and safety projects and ensure their implementation;
- c. organizing different training programs to educate employees for health & safety issues.

Environment and Quality Management Systems Steering Committee

Members

Hideya Iijima - Chairman
Takeshi Ito
Hirofumi Wachi
Muhammad Irfan Shaikh
Fasihul Karim Siddiqi
Muhammad Owais M. Khan
Naushad Riaz
Syed Arshad Ali
Fahim Aijaz Sabzwari
Adil M. Shah
Muhammad Ahmed
EMC Secretariat Members

Cost Control and Monitoring Committee

Members

Takeshi Ito - Chairman
Naushad Riaz
Muhammad Owais M. Khan
Syed Arshad Ali
Fahim Aijaz Sabzwari
Muhammad Akram
Muhammad Khurram Abrar
Abdul Basit

Whistle Blowing Committee

Member

Hideya Iijima - Chairman
Takeshi Ito
Fasihul Karim Siddiqi
Fahim Aijaz Sabzwari
Gul Abbas

Terms of Reference

The terms of reference of the Environment and Quality Management Systems Steering Committee are as follows:

- a. establishing , implementing and maintaining Environmental Management System and QMS against ISO 9000:2000 and ISO 14001:2004 Standard Company wide;
- b. providing leadership and guidance and periodic review of the progress and performance of QMS. EMS through audits and management reviews for the continual improvement.

Terms of Reference

The terms of reference of the Cost Control and Monitoring Committee are as follows:

- a. monitoring cost being incurred in all functional areas;
- b. recommending, proposing methods, ways to control, minimize cost to the top management for approval;
- c. monitoring Implementation of cost control process / methods.

Terms of Reference

The terms of reference of the Whistle Blowing Committee are as follows:

- a. establishing, implementing and maintaining the Whistle Blowing Mechanism;
- b. monitoring and ensuring the transparency of the Whistle Blowing Process;
- c. reviewing and analyzing periodically the feed back & complains obtained through the mechanism;
- d. designating and supervising the officer investigating with regards to any matter reported through the Whistle Blowing Mechanism;
- e. initiating steps to ensure compliance with the Hinopak Code of Conduct, transparency in financial reporting & safeguard of company assets.





Hinopak Values

Honesty at all cost and all spheres of business

Integrity we do what we say at personal & corporate level

Non bureaucratic pragmatic in systems & processes

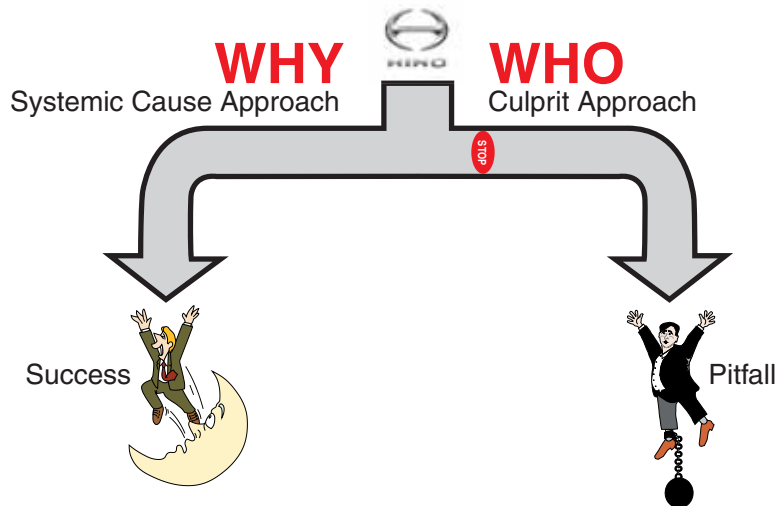
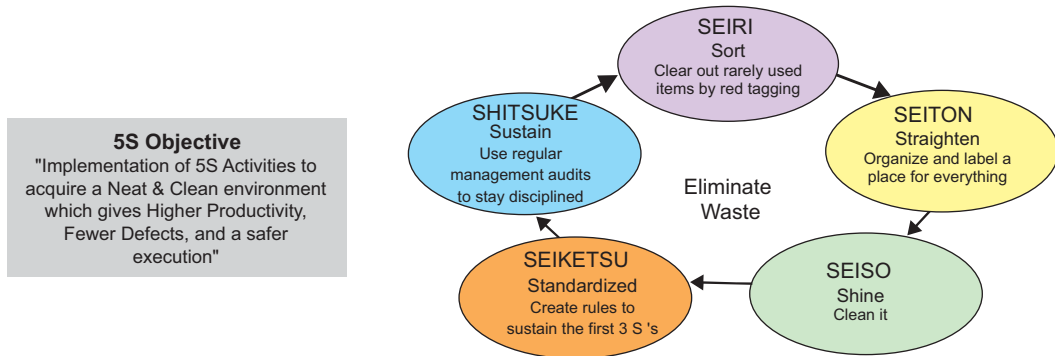
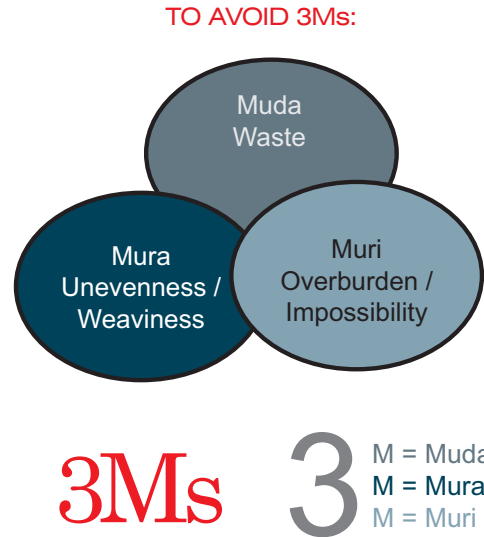
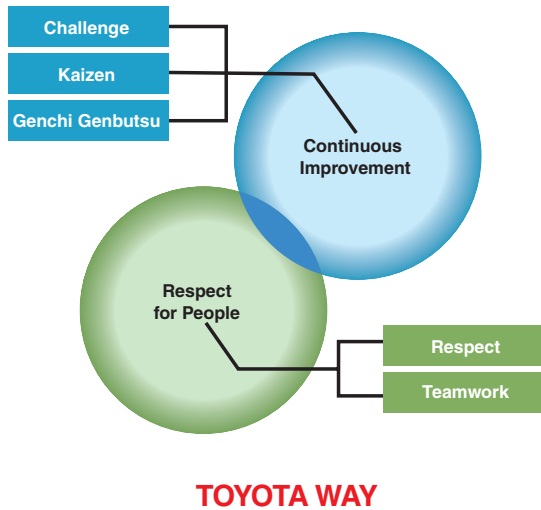
Openness to customers, markets & criticism

Purpose oriented always keeping the end in mind

Altruism fostering relationship with society & environment

Kaizen continuous improvement

Some of the Best Practices followed by Hinopak Motors





Kunwar Idris
Chairman

Chairman's Review

I welcome you to the 24th Annual General Meeting of the Hinopak and place before you the accounts of the company and a brief account of its performance over the fifteen - month period ended March 31, 2009, and also to speculate a bit on the prospects ahead.

It has been an enigmatic extended financial year - the sales revenue was highest ever and the company's share of 56% in the national sales was also close to the highest 57% achieved in 2003. The profit before, tax however, fell steeply to Rs. 116 million from Rs. 905 million in the 12 months of 2007. You will find some explanation for this unfortunate outcome in the comments that follow.

Change of Financial Year

The company has changed its financial year from December 31 to March 31 to coincide with the financial year of Hino Motors Limited, Toyota Tsusho Corporation and their affiliated companies worldwide. That is how this report covers fifteen months defying an exact comparison with the previous year 2007 of 12 months.

National Sales

In the background of global economic recession, worst since the Second World War, Pakistan's own peculiar problems - political disturbance, falling value of rupee both against yen and dollar, acute shortage of energy, high inflation and rising interest rates - all had their adverse impact on the production cost and income of the Company despite commendable effort to increase productivity, promote sales and strengthen after - sales service arrangements.

As is well known, the worst to suffer world-wide in the current economic recession is the automotive industry. So, it has been in Pakistan. The passenger car sales have suffered, perhaps, even more than the commercial vehicles. Only the farm tractors have defied recession.

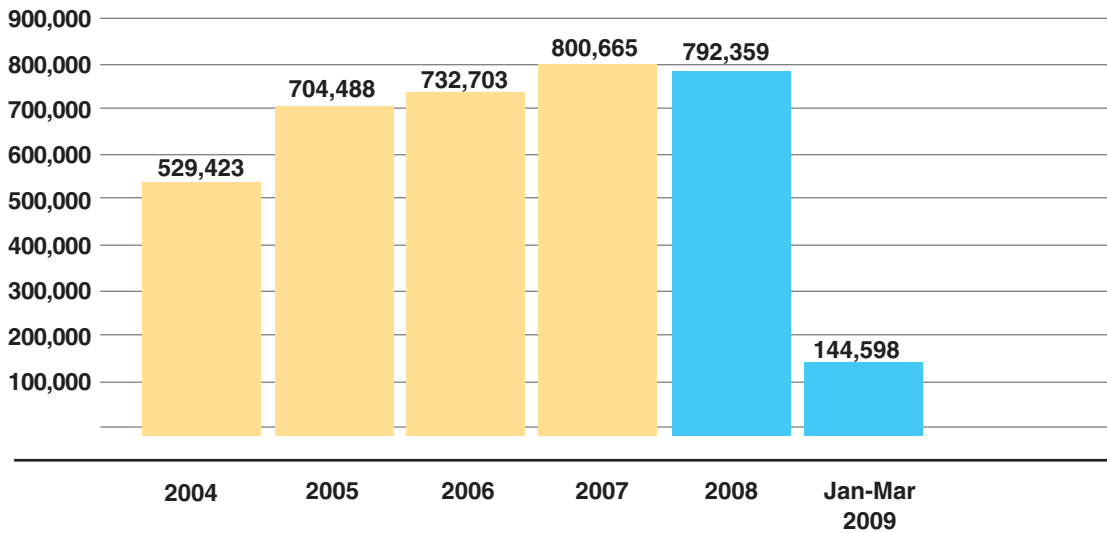
The table below shows the sale of locally produced vehicles in the last five calendar years and three months of January to March 2009:

Sales - Units

Segment	Jan – Mar 2009	2008	2007	2006	2005	2004
Car	19,213	127,863	177,306	160,256	141,326	109,439
Truck	783	4,736	4,098	4,558	3,887	2,048
Bus	158	922	1,078	928	1,375	1,411
L.C.V.(Jeep, Van, Pick-up)	1,643	23,661	23,476	33,936	29,187	18,692
Farm Tractor	14,835	54,573	54,322	49,643	46,733	40,300
Motor Cycle	107,966	580,604	540,385	483,382	481,980	357,533
Total	144,598	792,359	800,665	732,703	704,488	529,423

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

The sale of commercial vehicles started on a note of high optimism at the start of the year. In the second half, however, the sales almost fell to half of the previous mark but the year still ended with a national growth of 9.3%. And so it was in Hinopak.

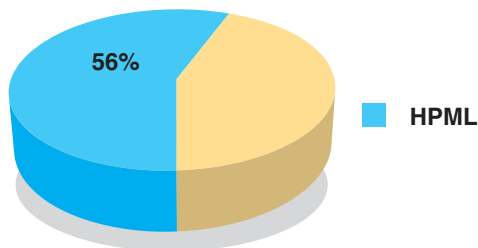


Hinopak Business

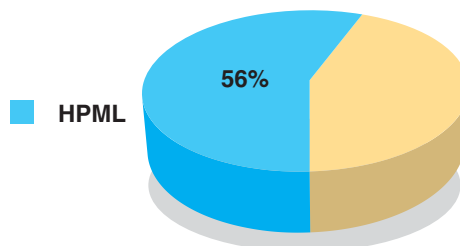
Sales

The sales revenue for the year 2008 is a record. The Company maintained its leadership in the commercial vehicles with a market share of 56%.

HPML Market Share 2007



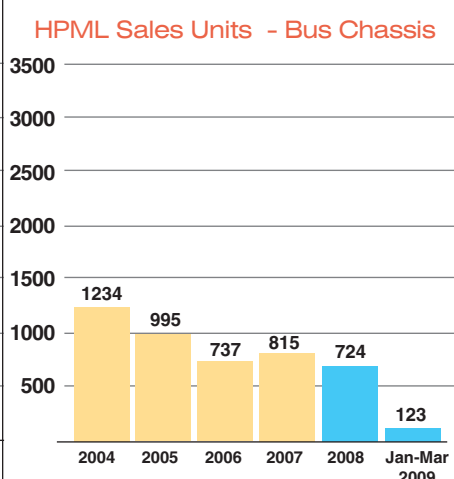
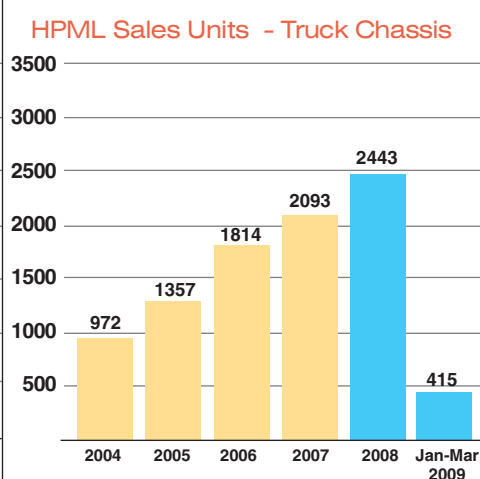
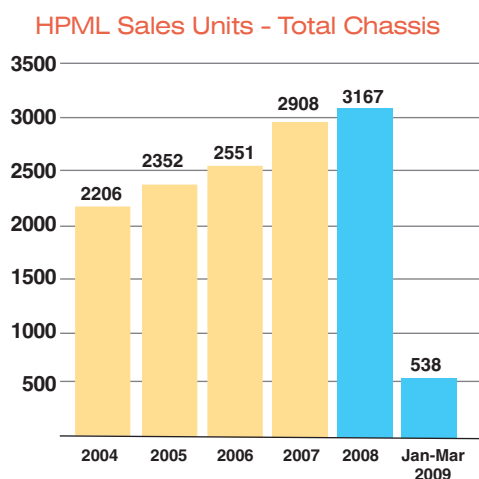
HPML Market Share 2008



Export

A project with the active support of Hino Japan for the export of buses and trucks to the Gulf, Middle East and Africa is in hand. A number of Hino dealers from the region visited Hinopak's manufacturing and body - fabrication facilities and went back feeling confident that for its quality and price the bus produced in Pakistan would sell though the market is highly competitive. Export is expected to commence by the end of the year.

The export of wind deflectors to the Gulf countries is continuing but in small numbers.



Operating Results

Sales Revenue

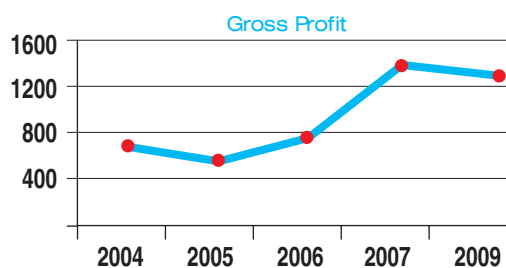
The sales revenue for the fifteen months is Rs. 12,151 million (Rs. 7,827 million in 12 months of 2007).

Gross Profit

The gross profit has fallen to Rs. 1,251 million from Rs. 1,388 million. For each product line it is shown below:

	Rs. in million		
Gross Profit	Jan 2008 - Mar 2009	2007	Increase / (Decrease)
Chassis	693	939	(246)
Bus & Truck Bodies	303	263	40
Other Business (Contract Assembly and Spare Parts)	255	186	69
Total Gross Profit	1,251	1,388	(137)

Production cost has risen because of depreciating rupee and rising cost of materials. The distribution and administrative expenses increased to Rs. 607 million from Rs. 409 million chiefly due to inflation.



Other Income & Expenses

Income from short term investments and savings increased by Rs. 29 million due to better liquidity in the first half of 2008 and increase in interest rates. Because of improved procedures, income from scrap sales increased by Rs. 38 million.

Finance cost

The exchange loss stood at Rs. 563 million compared to only Rs. 31 million in the corresponding period last year due to depreciation of rupee against US dollar by 34% and appreciation of Japanese Yen against US Dollar by 22% - highest in 13 years. The financial cost also increased by Rs. 79 million due to larger borrowings and higher interest rates in the latter half.

Profit before Tax

For the reasons explained heretofore the profit before tax sharply declined to Rs. 116 million from Rs. 905 million in 2007.

Capital Expenditure

The Company continued to invest in its plants to streamline capacity and technology and to improve safety standards. The amount invested during the year was Rs. 208 million.

Cash Flow

The cash flow in the last two quarters of the year received a serious setback because of unfavorable exchange rate, fall in sales and imposition of 35% cash margin on opening of import letter of credits by the State Bank (since withdrawn).

Production

The number of chassis produced in 15 months was 5128 compared to 4152 in 2007. The production of trucks went up by 29% but that of buses remained static. 2409 IMV (Hilux) frames were produced for Indus Motor Company. The plant productivity improved by 7.4%.



Body Fabrication

Hinopak is the only commercial vehicle manufacturer of the country which alongside its assembly plant also has a modern body fabrication plant. During the period 2258 bodies of different kinds, both for trucks and buses, were produced. The number last year was 1747. New body designs have been developed for diverse and specialized purposes like flatbed, dozer carrier, recovery vehicle and troop carrier. A body of superior specifications for the export bus has also been developed. The productivity of the plant went up by 4.4% by elimination of waste, more balanced production planning, advanced manufacturing processes, improved skill and positive attitude of the managers, technicians and workers.



Business Process Improvement and Product Development

Through continuous transfer of technology and implementation of Oracle-based Enterprise Resource Planning System in the manufacture of components and processes, Hinopak's product quality remained at a high level.



Corporate Social Responsibility (CSR)

A CSR and Global Compact Committee looks after the whole range of issues relating to environment, philanthropy, health and safety. A full report on CSR activities was published. The employees on their own initiative and encouraged by the policy of the Company are contributing voluntarily to social activities.

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

Contribution to National Exchequer

Through its own manufacture and localization of parts by vendors, the company saved almost two billion rupees in foreign exchange and paid Rs. 878 million in taxes, duties and cesses.

Human Resource Development

Regular training courses were organized at home and abroad (Singapore, Thailand, Vietnam, Sri Lanka, Malaysia and Japan) for the workers, executives and managers to keep them abreast of new technologies and work practices. A group of employees was also sent to Leadership Adventure training session.



Future Outlook

With no end to economic slump in sight, political conditions aggravating and production cost rising the hope for profitable operations of the company lies only in the implementation of the government's long-delayed truck modernization and urban transport schemes. The transport business itself is not attracting investors because of high operating costs, fixed passenger fares and low volume of cargo. Hinopak has been constantly pleading with the concerned authorities to provide incentives and facilities to vendors, investors and operators to deploy new vehicles for economical transportation of goods and passengers. Particularly pathetic is the state of public transport in Karachi and other large cities but no headway at all is made in implementing a national scheme for 8000 passenger buses for big cities approved by the authorities quite some time ago.

The struggle ahead looks long and hard. The management can only promise to work hard and as long as it takes, and asks for the understanding of the shareholders with whom it has always generously shared its profits.

I must take this opportunity to thank the management and the workers for their commitment to duty, the vendors for maintaining quality and the dealers for their exertions in promoting sale which enabled Hinopak to retain its distinction of being the best commercial vehicle company of the country even in adverse circumstances. The response of the individual customers and institutions to the after-sales service provided by the company has been more than generous. I would also like to thank the federal and provincial governments for their support and the district governments and many other official and semi-official organizations for their patronage and their willingness to pay a bit more for quality and better service.



K. Idris

Kunwar Idris

Chairman

Dated: April 30, 2009

Directors' Report

The Directors of your Company take pleasure in presenting this report, together with the Audited Financial Statements of the Company for the fifteen months period ended March 31, 2009.

The **Board of Directors** of the Company as at March 31, 2009 consists of:

Mr. Kunwar Idris
Mr. Hideya Iijima
Mr. Takeshi Ito
Mr. Shinji Fujimoto
Mr. Hirofumi Wachi
Mr. Muhammad Irfan Shaikh
Mr. Fasihul Karim Siddiqi

Appropriation of Profit

Following are the details of appropriations:

	Fifteen months period ended March 31, 2009	Year ended December 31, 2007
	Rupees in thousand	
Profit before taxation	115,828	904,610
Taxation	(45,905)	(314,563)
Profit after taxation	69,923	590,047
Transferred from surplus on revaluation of fixed assets on account of Incremental depreciation	7,187	5,864
Unappropriated profit brought forward	1,473,552	1,007,847
Profit available for appropriation	1,550,662	1,603,758
Final cash dividend paid for the year 2007: Rs. 24.0 per share (2006: Rs. 10.5 per share)	(297,613)	(130,206)
Unappropriated profit brought forward	1,253,049	1,473,552

For the fifteen months period ended March 31, 2009, the Board in its meeting held on April 30, 2009 has proposed a final cash dividend of Rs. 1.75 per share.

Basic and Diluted Earnings Per Share

The basic and diluted earnings per share for the year is Rupees 5.64 (2007: Rupees 47.58).

Auditors

The present auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The directors endorse recommendation of the Audit Committee for the re-appointment of Messrs A. F. Ferguson & Co. as the auditors for the financial year 2009-10.

Pattern of Shareholding

The pattern of shareholding as at March 31, 2009 and additional information thereabout required under Code of Corporate Governance is disclosed on page 90 and page 91 respectively.

Holding Company

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

Subsequent Events

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

Compliance With The Best Practices Of Corporate Governance As Per Clause XIX Of Code Of Corporate Governance

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

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The highlights of operating and financial data for the last six years are given on page 32.
- The value of investments of Company's Provident, Gratuity and Pension Funds as on March 31, 2009 were as follows:

	Rupees in thousand
Hinopak Motors Limited Employees' Provident Fund	144,182
Hinopak Motors Limited Employees' Gratuity Fund	74,159
Hinopak Motors Limited Employees' Pension Fund	68,324

Audit of these Retirement Benefit Funds is in process.

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

Name of Directors	Number of meetings attended
Mr. Kunwar Idris	6
Mr. Hideya Iijima	6
Mr. Takeshi Ito	6
Mr. Shinji Fujimoto	1
Mr. Susumu Hongo	6
Mr. Hirofumi Wachi	-
Mr. Muhammad Irfan Shaikh	6
Mr. Fasihul Karim Siddiqi	5

During the period, Mr. Susumu Hongo was replaced by Mr. Hirofumi Wachi in the month of February, 2009.

- The directors including CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the fifteen months period ended March 31, 2009.

Chairman's Review

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

By order of the Board



Hideya Iijima
Managing Director & CEO

Dated: April 30, 2009



Kunwar Idris
Chairman

Financial Highlights

	2003	2004	2005	2006	2007	2009
Profit & Loss Account (Rs. in Million)						
Net Turnover	4,261.27	5,521.80	6,367.61	6,392.28	7,826.78	12,151.02
Gross Profit	784.21	770.09	661.51	834.58	1,387.64	1,251.24
Operating Profit	552.98	509.40	435.06	560.18	967.78	794.35
Profit before Tax	546.18	499.74	381.58	511.76	904.61	115.83
Taxation	194.05	164.01	138.62	187.88	314.56	45.91
Profit after Tax	352.13	335.73	242.96	323.88	590.05	69.92
Transfer from surplus on revaluation of fixed assets	4.62	21.05	5.86	5.86	5.86	7.19
Dividend	12.40	105.41	105.41	74.40	130.21	297.61
Unappropriated Profit carried forward	357.72	609.10	752.51	1,007.85	1,473.55	1,253.05
Balance Sheet (Rs. in Million)						
Net Assets						
Fixed Assets	639.40	682.47	833.68	865.24	890.31	954.03
Other Long Term Assets	12.14	11.96	12.71	15.05	13.12	18.57
Current Assets	2,355.98	2,724.51	2,320.62	3,259.54	4,008.10	4,034.44
Less : Current Liabilities	1,866.94	2,032.57	1,639.45	2,342.08	2,672.70	3,018.00
Total Net Assets	1,140.57	1,386.37	1,527.56	1,797.76	2,238.83	1,989.04
Financed By						
Issued, Subscribed & Paid up Capital	124.01	124.01	124.01	124.01	124.01	124.01
Reserves / Accumulated Profit	648.72	900.10	1,043.51	1,298.84	1,764.55	1,544.04
Long Term / Deferred tax Liabilities	136.65	60.01	63.64	84.36	65.59	43.50
Surplus on Revaluation of Fixed Assets	231.20	302.26	296.40	290.54	284.68	277.49
Total Funds Invested	1,140.57	1,386.37	1,527.56	1,767.76	2,238.83	1,989.04
Cash Flow (Rs. in Million)						
Cash flows from / (used in) operating activities	338.23	345.52	(425.98)	257.36	541.70	(950.34)
Cash flows used in investing activities	(117.65)	(134.62)	(204.97)	(109.99)	(106.84)	(189.41)
Cash flows (used in) / from financing activities	6.47	(107.93)	(108.47)	(77.54)	(134.94)	(301.34)
Turnover (Rs. in Million)						
Hino Chassis	3,143.40	4,161.05	5,359.53	5,577.64	5,943.60	10,342.39
Bus & Other Bodies	610.23	815.31	633.74	580.24	1,023.70	1,435.78
Spare Parts	39.12	38.14	51.79	89.05	120.88	252.95
Others	468.52	507.30	322.54	145.35	738.60	119.90
Total	4,261.27	5,521.80	6,367.61	6,392.28	7,826.78	12,151.02
Production (Units)						
Hino Chassis	1883	2341	2286	2614	2953	3571
Bus & Other Bodies	1363	1712	739	938	1747	2258
IMV / Hilux Frame	2549	2910	3290	970	809	2409
Hilux Deck	2557	2906	3375	946	-	-

	2003	2004	2005	2006	2007	2009
Sales (Units)						
Hino Chassis	1862	2206	2352	2551	2908	3705
Bus & Other Bodies	1337	1579	918	789	1697	2373
IMV / Hilux Frame	2549	2941	3290	970	775	2400
Hilux Deck	2560	2900	3375	962	-	-
No. of Employees	249	255	268	287	313	345
Investor Information						
Financial Ratios						
Gross profit ratio	18.40%	13.95%	10.39%	13.06%	17.73%	10.30%
Net profit margin	8.26%	6.08%	3.82%	5.07%	7.54%	0.58%
Return on Assets (after Tax)	11.70%	10.00%	7.70%	7.80%	12.00%	1.40%
Return on Equity (after Tax)	45.57%	32.78%	20.81%	22.76%	31.24%	4.19%
Debt equity ratio*	0.14	0.05	0.05	0.05	0.03	0.02
Current ratio	1.26	1.34	1.42	1.39	1.50	1.34
Quick ratio	0.57	0.46	0.31	0.36	0.54	0.53
Interest cover ratio	522.18	-	67.64	148.59	41.87	7.78
Dividend payout ratio	29.90%	31.40%	30.60%	40.20%	50.44%	31.04%
Dividend yield ratio	7%	5%	4%	7%	4%	1%
Dividend cover ratio	334%	319%	327%	249%	198%	322%
Other Ratios						
Price earning ratio	4.23	5.95	8.58	5.90	12.57	50.13
Earning before interest, taxes, depreciation and amortization (EBITDA)	591.76	562.57	492.47	638.77	1,050.73	918.61
Total assets turnover ratio	1.42	1.62	2.01	1.54	1.59	2.43
Fixed assets turnover ratio	6.66	8.09	7.64	7.39	8.79	12.74
Return on capital employed	30.87	24.22	15.90	18.02	26.36	3.52
Inventory turnover ratio	3.38	3.11	3.19	2.66	2.62	4.42
Operating cycle (days)	(4)	3	27	54	46	55
Number of days inventory	108	117	114	137	139	103
Debtors turnover ratio	12.31	13.84	22.25	15.47	11.86	12.45
Creditors turnover ratio	2.57	2.60	3.51	3.42	2.94	5.37
Number of days debtors	30	26	16	24	31	37
Number of days creditors	142	140	104	107	124	85
Per Share Amounts (in Rupees)						
Cash dividend	8.50	8.50	6.00	10.50	24.00	1.75
Breakup value with surplus on revaluation of fixed assets	80.96	106.96	118.06	138.17	175.25	156.89
Breakup value without surplus on revaluation of fixed assets	62.32	82.59	94.15	114.74	152.30	134.51
Earnings per share	28.40	27.07	19.59	26.12	47.58	5.64
Share Price (High)	143.00	180.00	175.00	241.75	624.00	640.00
Share Price (Low)	56.25	110.00	102.00	120.10	152.90	282.65
Share Price (Closing)	120.00	161.00	168.00	154.00	598.00	282.65
One US\$ = Rupee as at period end	57.62	59.65	59.93	60.98	61.55	80.40
One JPY = Rupee as at period end	0.5389	0.5812	0.5092	0.5122	0.5497	0.8169

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

Vertical Analysis

Operating Results

	2009		2007		2006	
	Rs. in million	%	Rs. in million	%	Rs. in million	%
Sales - net	12,151.02	100.00	7,826.78	100.00	6,392.28	100.00
Cost of sales	10,899.78	89.70	6,439.14	82.27	5,557.70	86.94
Gross profit	1,251.24	10.30	1,387.64	17.73	834.58	13.06
Distribution expenses	399.78	3.29	268.98	3.44	188.53	2.95
Administration expenses	206.77	1.70	140.39	1.79	119.72	1.87
Other operating expenses	19.95	0.16	68.10	0.87	38.77	0.61
Other operating income	169.61	1.40	57.61	0.74	72.62	1.14
Profit from operations	794.35	6.54	967.78	12.36	560.18	8.76
Finance cost	678.53	5.58	63.17	0.81	48.42	0.76
Profit before taxation	115.82	0.95	904.61	11.56	511.76	8.01
Taxation	45.91	0.38	314.56	4.02	187.88	2.94
Profit after taxation	69.91	0.58	590.05	7.54	323.88	5.07

Balance Sheet

Property, plant and equipment	948.54	18.94	887.12	18.06	864.53	20.88
Other non current assets	5.50	0.11	3.20	0.07	0.71	0.02
Long-term deposits	5.48	0.11	6.00	0.12	8.30	0.20
Long-term loans and advances	13.09	0.26	7.12	0.14	6.76	0.16
Current assets (excluding investments)	4,034.44	80.58	4,008.10	81.61	3,259.54	78.74
Total assets	5,007.05	100.00	4,911.54	100.00	4,139.84	100.00
Shareholders' equity	1,668.06	33.32	1,888.56	38.45	1,422.85	34.37
Long-term security deposits	32.00	0.64	32.00	0.65	30.00	0.72
Liability against assets						
subject to finance lease	-	0.00	-	0.00	5.69	0.14
Deferred taxation	11.50	0.23	33.59	0.68	48.67	1.18
Surplus on revaluation of fixed assets	277.49	5.54	284.68	5.80	290.54	7.02
Short term debt (including						
current maturity of long term debt)	1,400.49	27.97	110.08	2.24%	266.62	6.44
Other Current Liabilities	1,617.51	32.30	2,562.63	52.18%	2,075.47	50.13
Total equity and liabilities	5,007.05	100.00	4,911.54	100.00%	4,139.84	100.00

Cash Flows

Cash flows (used in) / from						
operating activities	(950.34)	(65.95)	541.70	180.61	257.36	368.55
Cash flows used in investing activities	(189.41)	(13.14)	(106.84)	(35.62)	(109.99)	(157.51)
Cash flows used in financing activities	(301.34)	(20.91)	(134.94)	(44.99)	(77.54)	(111.04)
Net (decrease) / increase						
in cash and cash equivalents	(1,441.09)	(100.00)	299.92	100.00	69.83	100.00

Horizontal Analysis

Operating Results

	2009		2007		2006	
	Rs. in million	Variance v/s last year Increase / (Decrease) %	Rs. in million	Variance v/s last year Increase / (Decrease) %	Rs. in million	Variance v/s last year Increase / (Decrease) %
Sales - net	12,151.02	55.25	7,826.78	22.44	6,392.28	0.39
Cost of sales	10,899.78	69.27	6,439.14	15.86	5,557.70	(2.60)
Gross profit	1,251.24	(9.83)	1,387.64	66.27	834.58	26.16
Distribution expenses	399.78	48.63	268.98	42.67	188.53	26.34
Administration expenses	206.77	47.28	140.39	17.27	119.72	11.51
Other operating expenses	19.95	(70.70)	68.10	75.65	38.77	12.67
Other operating income	169.61	194.41	57.61	(20.67)	72.62	12.54
Profit from operations	794.35	(17.92)	967.78	72.76	560.18	28.76
Finance cost	678.53	974.13	63.17	30.46	48.42	(9.46)
Profit before taxation	115.82	(87.20)	904.61	76.76	511.76	34.12
Taxation	45.91	(85.41)	314.56	67.43	187.88	35.54
Profit after taxation	69.91	(88.15)	590.05	82.18	323.88	33.31

Balance Sheet

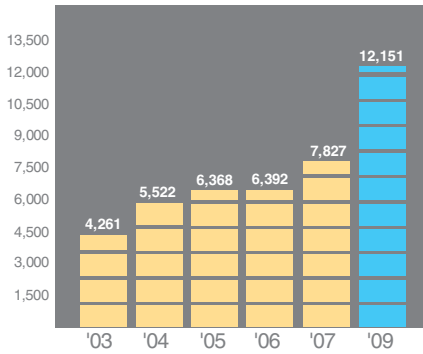
Property, plant and equipment	948.54	6.92	887.12	2.61	864.53	4.00
Other non current assets	5.50	71.88	3.20	350.70	0.71	(70.54)
Long-term deposits	5.48	(8.67)	6.00	(27.71)	8.30	31.33
Long-term loans and advances	13.09	83.85	7.12	5.33	6.76	5.63
Current assets (excluding investments)	4,034.44	0.66	4,008.10	22.97	3,259.54	40.46
Total assets	5,007.05	1.94	4,911.54	18.64	4,139.84	30.72
Shareholders' equity	1,668.06	(11.68)	1,888.56	32.73	1,422.85	21.87
Long-term security deposits	32.00	-	32.00	6.67	30.00	100.00
Liability against assets subject to finance lease	-	-	-	(100.00)	5.69	(38.88)
Deferred taxation	11.50	(65.76)	33.59	(30.98)	48.67	(10.42)
Surplus on revaluation of fixed assets	277.49	(2.53)	284.68	(2.02)	290.54	(1.98)
Short term debt (including current maturity of long term debt)	1,400.49	1172.25	110.08	(58.71)	266.62	(5.12)
Other Current Liabilities	1,617.51	(36.88)	2,562.63	23.47	2,075.47	52.78
Total equity and liabilities	5,007.05	1.94	4,911.54	18.64	4,139.84	30.72

Cash Flows

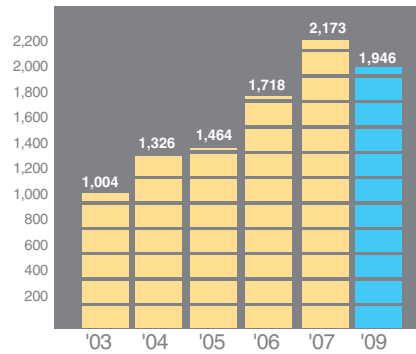
Cash flows (used in) / from operating activities	(950.34)	(275.44)	541.70	110.48	257.36	(160.42)
Cash flows used in investing activities	(189.41)	77.28	(106.84)	(2.86)	(109.99)	(46.34)
Cash flows from financing activities	(301.34)	123.31	(134.94)	74.03	(77.54)	(28.51)
Net (decrease) / increase in cash and cash equivalents	(1,441.09)	(580.49)	299.92	329.50	69.83	(109.44)

Financial Highlights contd...

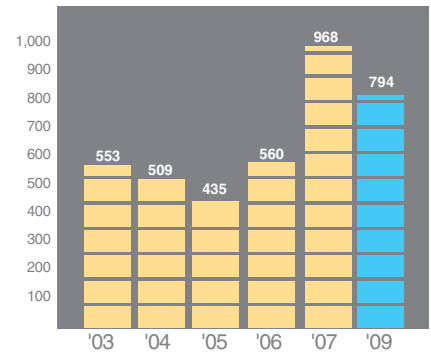
Net Sales



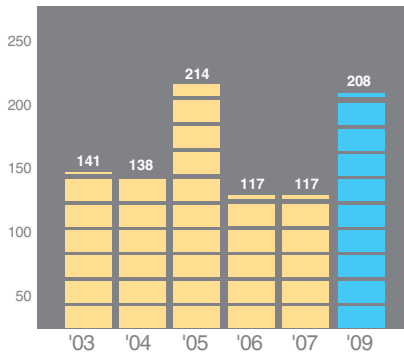
Total Shareholder's Equity



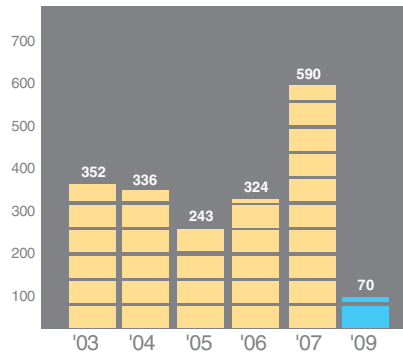
Operating Profit



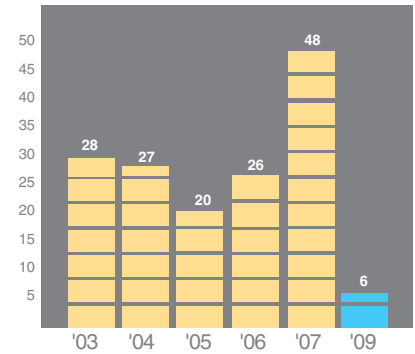
Capital Expenditure



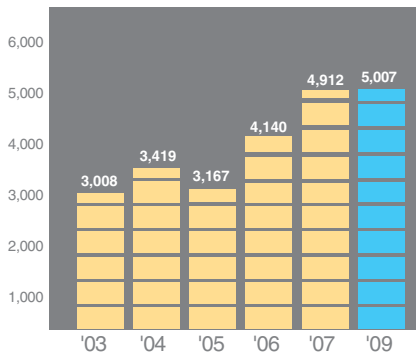
Profit After Tax



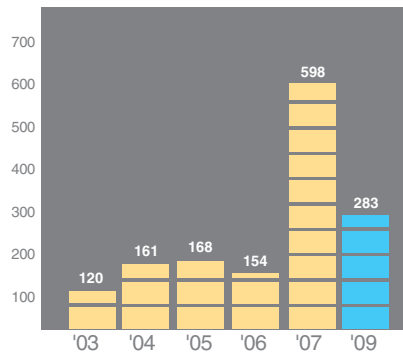
Earnings Per Share



Total Assets

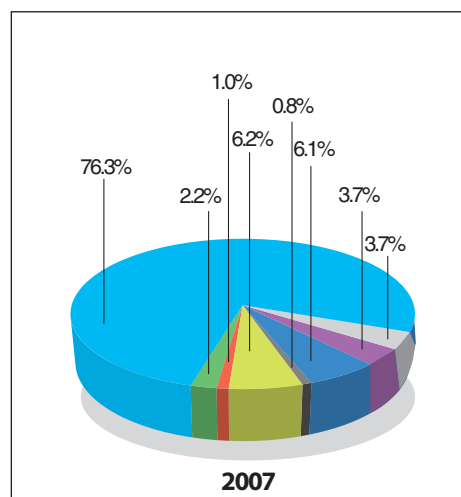
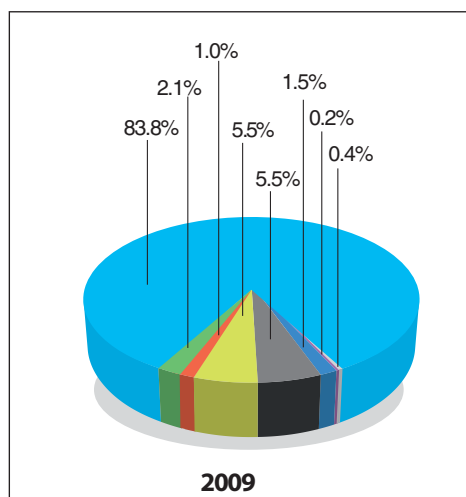


Share Price (Closing)



Statement of value addition and its distribution

	2009		2007	
	Rs. in million	%	Rs. in million	%
Value Addition				
Sales revenue	12,283	98.6	7,930	99.3
Other operating income	170	1.4	58	0.7
Total revenue	12,453	100.0	7,988	100.0
Value Distribution				
Cost of sales	10,437	83.8	6,097	76.3
Distribution expenses	259	2.1	175	2.2
Administration & other operating expenses	131	1.0	78	1.0
Employees remuneration	688	5.5	499	6.2
Finance Cost	679	5.5	63	0.8
Income tax, sales tax, excise duty and workers' fund payments to government	189	1.5	486	6.1
Dividend to shareholders	22	0.2	298	3.7
Profit retained for reinvestment and future growth	48	0.4	292	3.7
	12,453	100.0	7,988	100.0



- Cost of sales
- Distribution expenses
- Employees remuneration
- Income tax, sales tax, excise duty and workers' fund payments to government
- Profit retained for reinvestment and future growth
- Administration & other operating expenses
- Finance Cost
- Dividend to shareholders



Corporate Social Responsibility

Seeking harmony between
Technology, Society and Environment

CSR philosophy and its endorsement

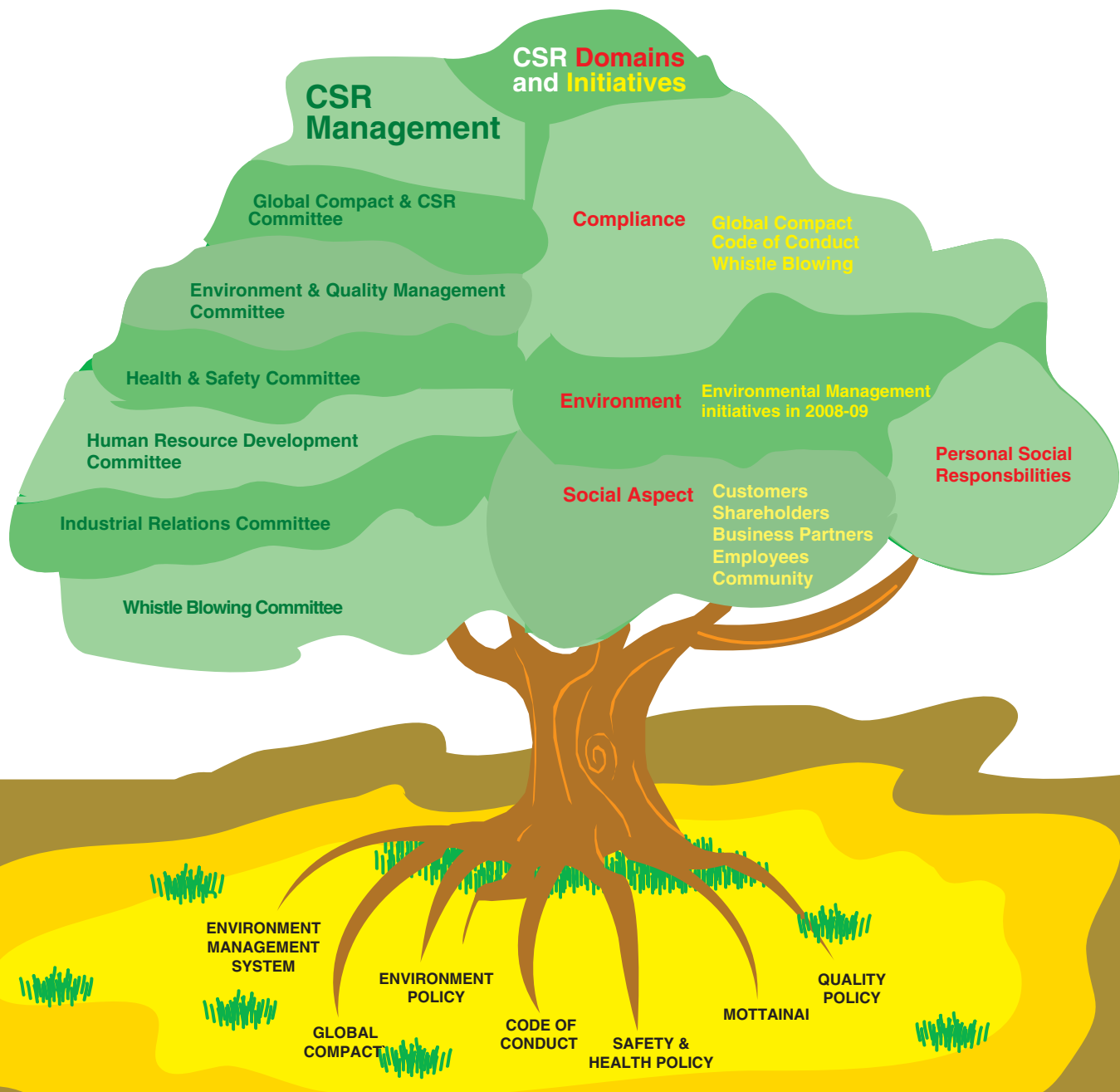
We do not consider Corporate Social Responsibility (CSR) to be a special activity, but rather as an element of management itself for determining the ideal means for pursuing corporate activities.

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 2008, 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 2008-09 as well as our fundamentals and guiding principles from which our CSR strategies grow & gain strength.

Hinopak's CSR accomplishments during the period 2008-09 have been summarized in the following pages.



Compliance

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.



Global Compact (GC) and Hinopak Motors Limited

The Global Compact is a voluntary initiative that seeks to advance universal principles on human rights, labour, environment and anti-corruption through the active engagement of the corporate community, in cooperation with civil society and representatives of organized labour. Hinopak feels honored to be one of the 52 participating business organizations from all over Pakistan. Our Director & Board Advisor, HR, PMD & CSR, Mr. Fasihul Karim Siddiqi, represented Pakistan at the Ministerial Dialogue Meeting with business leaders on the occasion of the High Level Segment of 14th UN Commission of Sustainable Development on 10th May, 2006 in New York.

Hinopak's Global Compact Compliance Report

This Report demonstrates Hinopak's compliance status with regards to the Ten Global Compact principles in the areas of human rights labour standards and environment.

Human Rights

Global Compact-Principle 1
Businesses are asked to support

and respect the protection of International Human Rights within their sphere of Influence.

Actions

Our support for human rights has been an important focus of our commitment.

- Adopted Code of Conduct (Good Governance and Ethical Practices) on January 2007, and signed by all employees every year.
- Established a Whistle Blowing Mechanism to provide an outlet for registering human rights-related complaints.
- Enclosed gender sensitive policy voluntarily by the company to ensure non-discrimination.

Global Compact-Principle 2

Make sure that their own corporations are not complicit in human rights abuses.

Actions

- No complaint indicating violation of human rights / gender sensitive policy within the enterprise including its supply chain was received.
- Asbestos roofing in our plants was replaced by concrete roof, its height was also increased to improve plant working conditions.
- Office temperature maintained/standardized at 28°C to avoid extreme temperatures.
- Participated in this Year's (2008) IBLF/UNDP World Business and Development Awards as a token of our support to UN's Millennium Development Goals.

Health/Disease Management Awareness Programs being conducted from 2007 to-date with the help of medical professionals and leading hospitals for:

- Diabetes;
- Heart Diseases;
- Dangers of Eating Pan / Gutka (Betel Nut / Chemical- laced Chewable Stuff) causing oral cancer;
- HIV/AIDS;

- Gastro-enteritis;
- Hepatitis B & C;
- Asthma; and
- Medical Camps on Blood, Sugar, Cholesterol Measurements and BMI Tests.

Labour Standards

Global Compact-Principle 3

Businesses are asked to uphold the freedom of association and the effective recognition of the right to collective bargaining.

Actions

Our industrial relations system is based on three cardinal principles;

- Mutual trust and respect,
- Functional transparency and
- Non-interference in union matters have been successfully practiced over the past two decades.

Wage and productivity agreements are negotiated through collective bargaining every two years.

Eleven (11) agreements since 1986 have been reached in record time, i.e. within 4~7 days and concluded with an average of 35 days since 1986 (min. 5 days, max. 52 days) which is a feat in Pakistan's labour-management landscape.

No strike or cessation in work or loss of work hours due to strike or lockout in Hinopak history. Zero litigation cost in the company history.

Global Compact-Principle 4

The elimination of all forms of forced and compulsory labour.

Actions

- We follow ILO conventions on labour, including Article 2 (1) of the ILO Forced Labour Convention, 1930 (C 29) ratified by Pakistan.
- Written job offers to employees.
- Agreement with employees are signed.
- Exit interviews are conducted and shared with top management & departmental heads.

Global Compact-Principle 5

The effective abolition of child labour.

Actions

- Potential employee's age is checked through pre-employment procedure.
- Our vendors are evaluated to verify that no child labour is employed.
- Apprentices are hired & trained to fulfill legal requirements.

Global Compact-Principle 6

The elimination of discrimination in respect of employment and occupation.

Actions

- Adopted Code of Conduct for Gender Justice at the Workplace voluntarily.
- We practice Hino's value of "diversity".

Environment

Global Compact-Principle 7

Businesses are asked to support a precautionary approach to environmental challenges.

Actions

- We highly support a precautionary approach to environmental challenges. Since long before our GC subscription, we have an environmental policy with a motto saying: "To strive for contributing to environment friendly products to our customer satisfaction and support to environmental preservation activities for our employees and community, to the best of our ability".
- We are the first company to get ISO 14001:2001 Certification in the automotive sector in Pakistan, are also the first Hino affiliate worldwide, to be so!
- Regularly plan risk assessment.
- Conduct internal & external audits, self assessments, trainings and awareness programs.

Global Compact-Principle 8

Undertake initiatives to promote greater environmental responsibility.

Actions

- Annual Environmental Management Action Plan is incorporated in our overall key areas.
- Environmental Management Committee guide to accomplish our environmental objectives/initiatives.
- CO₂ Functional Waste - Water Treatment Plants.
- Controlling and monitoring our factory emissions.
- Neighbor's zero complaints rate.
- Observation of environment day / month.
- Proper disposal of hazardous waste.

Global Compact-Principle 9

Encourage the development and diffusion of environment friendly technologies.

Actions

- **Engine Smoke Bench Testing** 100% conducted in-house, all vehicles rolling out of our plants are tested for their smoke emission behavior.
- **Tune-up / Service Camp** Customers and users converge with their vehicles at our tune-up camps where vehicle performance is checked against specifications, especially emission and noise factors.
- **Customer Visit** Regular visits to customers are conducted by our expert after-sales service personnel to ensure customer satisfaction.
- **Locally Produced / Manufactured** CNG buses /vehicles in the country.

Global Compact-Principle 10

Business should work against corruptions in all its forms, including extortion and bribery.

Actions

- **Code of Conduct on Ethical Behavior:** An 11-Point Code calling all employees to observe ethical behavior set by the Company.

Whistle Blowing Procedures & Committee.

A method to report any irregularity was established and communicated to all, looked after by a Whistle Blowing Committee. (No irregularity has been reportedly received by our Whistle Blowing Committee since its inception).

- **Suggestion Scheme.** Suggestion boxes and other avenues used by employees to communicate related concerns are in the form of verbal feedback, e-mails and company intranet.
- New hires are oriented on this Code as well as the UNGC principles. Employees given periodic reminders/awareness sessions.
- Hinopak Motors Environmental & Social Report 2006-07.

Best Corporate Report Award

The Annual Report for 2007 achieved "Best Corporate Report Award" for exemplary practices and corporate reporting, in a competition organized jointly by prime accountancy bodies of the country.

This competition is organized by Institute of Chartered Accountants of Pakistan (ICAP) & Institute of Cost & Management Accountants of Pakistan (ICMAP) to foster better corporate Reporting Culture among organizations.



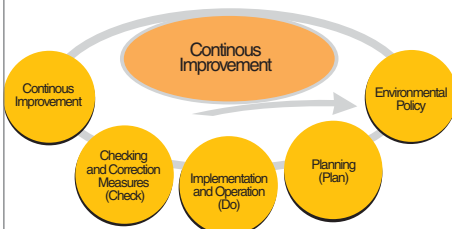
Our GM Finance & IT receiving Best Corporate Report Award for the year 2007

Environmental Management

Hinopak as a market leader has responsibility to protect this beautiful earth for the next generation.

Environmental Management System (EMS)

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 requirements 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 plans and commitment to facing environmental challenges resulting from changing business activities.



Environmental Education

We ensure that personnel whose work has the potential to cause significant environmental impacts are competent on the basis of appropriate education, training or experience. This includes also those personnel working on our behalf i.e. suppliers and contractors. Approximately 80 new employees including workers were given orientation on EMS. This year, orientation was also organized for incoming senior management employees.

Promoting Environmental Audit

We conduct environmental audits on biannual basis to ensure that HPML environmental Management System confirm to the requirements of ISO 14001:2004 standard and

improvements have been made to this system where necessary. Through these audits, we identify the areas where there is room for improvements and take corrective action accordingly.

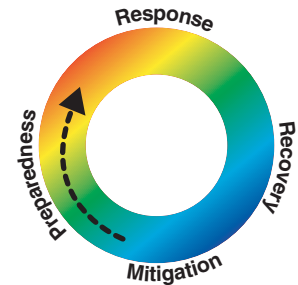
We have a team of qualified Lead Auditors and 7 Internal Auditors who apart from their regular job participate in audit execution as and when required.

In 2008 two internal audits were conducted, in which altogether 21 minor NCRs and observations were highlighted. No major NCR was raised.

Reducing environmental risks

We have a well-defined emergency, preparedness and response management system to identify and reduce risks associated with emergency situations. The main scope of the plan is to minimize injuries to personnel, protect the environment and prevent damage to company assets. Emergency Response Plan (ERP) has been developed to respond to emergencies like Fires, Smoke, Explosions, Spills (Raw Materials and Products) and Medical Emergencies. Different teams are also formulated like Fire-fighting Team, Spill Control Team, Medical Team and Security and Communication Team. We organize ERP trainings for all employees and contractors working in HPML premises.

Surveys are also conducted to identify unsafe practices; similarly effectiveness is checked via evacuation drills. State of the art equipments are installed companywide to ensure proper handling of emergency situations.



Environmental initiatives in 2008

An honest sustainable effort for harmonious coexistence with the earth that nurtures us.

Cleaning activity around the Company

Clean-up activity was held on Saturday 28th June 2008. During the activity, areas around Assembly Operation Plant (AOP), Body Operation Plant (BOP) and S.I.T.E. Model School (SMS) - a government school in vicinity of HPML, were cleaned. The garbage collected and disposed to the land fill sites included

- By the team of our AOP: **2.21 tons.**
- By the team of our BOP: **1.71 tons.**
- By the team of the SMS project & School Students: **0.27 tons.**



Cleaning up activity was conducted in the vicinity outside the Company

This exercise turned out to be a success in sensitizing our employees and school students toward the significance of a cleaner environment and the impact of pollution on earth and in our lives.

1st Position in Flower Show 2009

Over the years Hinopak Motors Limited has won a number of awards for its well maintained gardens that have captured the eyes of many.

Hinopak once again had the privilege of winning the first position in the 58th Flower Show Competition organized by the Horticultural Society of Pakistan on February 26, 2009.



1st Prize Hinopak Head Office & AOP

Screening "An Inconvenient Truth"

To disseminate information regarding global warming a documentary movie, "An Inconvenient Truth", was shown to employees in both English and Urdu during different sessions. This movie presented by former United States Vice President Al Gore, won 'The Best Documentary Movie' in Oscar 2006 Award. The movie depicts the environmental problems especially global warming created by industrial development, and what efforts should be made to save the planet from this irrevocable change. More than 1000 employees watched this movie.

Project Exhibition on Environmental Issues

The month of June 2008 was celebrated as the Environment Month during which two different schools displayed environmental project exhibition in Hinopak.

Global environmental problems, their effect on daily life and their countermeasures were depicted through the posters and projects. It was interesting to note that S.I.T.E. Model School displayed 67% of their posters on Industrial Pollutions, because most of these students reside near the vicinity of factories.



Project Exhibition on Environmental Issues

Tree Plantation

Also in June 2008 a tree plantation activity was inaugurated by Director Production / EMR and a total of 191 trees were planted at Hinopak and S.I.T.E. Model School.

School children and employees were apprised about the importance of tree plantation and its impact towards reducing pollution.



Employees Planting Trees

Environment Auditing

Environment Audit AP-14 was conducted to check and review the EMS performance company wide, and to identify areas for improvement.

Environmental Patrolling

Environmental Patrolling has been started as per the directive from Hino Japan Environmental Division. This is our continuous program for system development.

Employees Survey

Employees survey was conducted to identify the training needs for the non-management staff. This comprehensive exercise was made in which approximately 75% workers were interviewed. The analysis identified area-wise specific training, like handling of hazardous material, energy conservation, etc. This will enable us to provide proper and required training awareness for the respective employees.



Distribution of Eco Bags

Eco Bags were distributed to all employees to promote reduction of plastic bags from their daily routine activities. The employees were also informed about the adverse effect of plastic bags on their health and environment.

Awareness Program

Awareness was given to employees and interested parties by distributing:

- Eco Driving Booklet in both English and Urdu.
- Literature on various environmental issues in Urdu and English.
- A separate Environmental and Social Report for the Year 2007 was also published.

Reducing Environmental Load of Trucks & Buses

We understand that the commercial vehicle industry stands at an 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 tables below elaborate that the level of effluents in the Air & Water released from our Assembly operation and Body Operation plants is 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.

Water Release

Reporting Period: April 2008 - March 2009

Items	Official Regulations	Measurements	*Actual Conditions	
			AOP	BOP
Acidity level pH	6-9	1/m	7.20	7.20
Biological Oxygen demand BOD (mg/l)	80	1/m	38.80	36.50
Chemical Oxygen demand COD (mg/l)	400	1/m	119.10	110.30
Total suspended salts TSS (mg/l)	200	1/m	22.20	18.80
Oil (mg/l)	10	1/m	2.70	2.60
Total dissolved salts TDS (mg/l)	3500	1/m	647.70	641.30

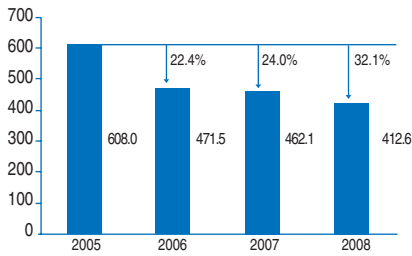
(* Based on average reading)

Air Release

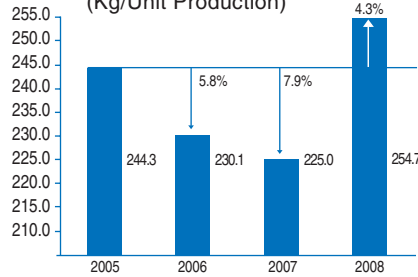
Facilities	Measurement Items	Official Regulations	Measurement	Actual Conditions
				Avg
Assembly Operation Plant (AOP)				
Top Coat Oven (Natural Gas)	NOx	600 mg/Nm ³	1/m	1.50
	SOx	1700 mg/Nm ³	1/m	4.80
ED Oven (Natural Gas)	NOx	600 mg/Nm ³	1/m	2.20
	SOx	1700 mg/Nm ³	1/m	9.00
Boiler (Natural Gas)	NOx	600 mg/Nm ³	1/m	41.00
	SOx	1700 mg/Nm ³	1/m	1.70
Body Operation Plant (BOP)				
Parts Primer Baking Oven	NOx	600 mg/Nm ³	1/m	7.60
	SOx	1700 mg/Nm ³	1/m	9.30
Paint Baking Oven	NOx	600 mg/Nm ³	1/m	17.38
	SOx	1700 mg/Nm ³	1/m	13.20

Assembly Operation Plant

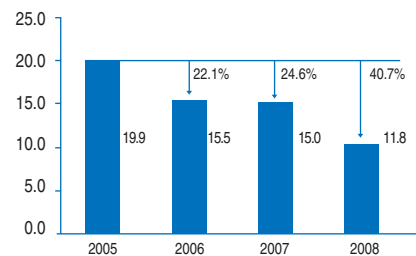
CO₂ Emissions
(Kg-Co₂ / Unit Production)



Material Discarded
(Kg/Unit Production)

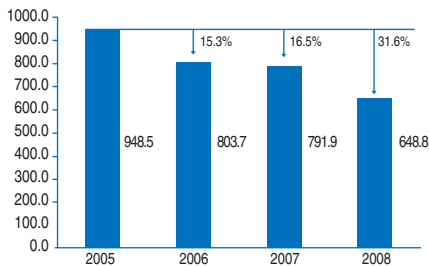


Water Consumption
(m³/Unit Production)

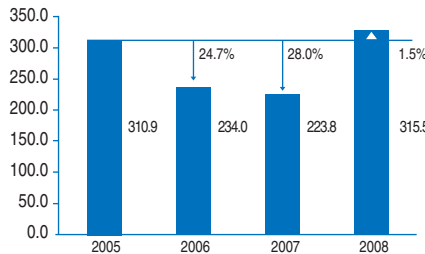


Body Operation Plant

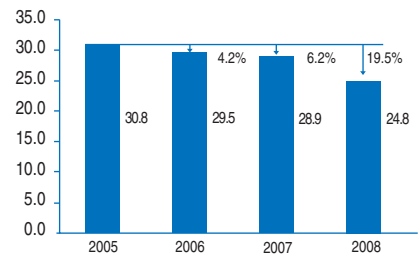
CO₂ Emissions
(Kg-Co₂ / Unit Production)



Material Discarded
(Kg/Unit Production)

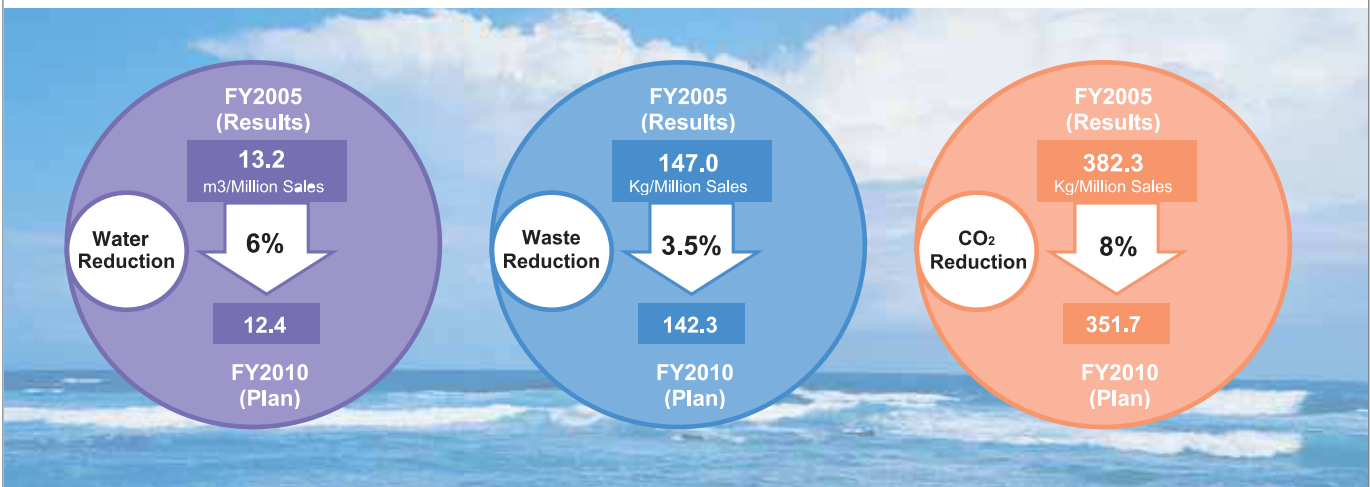


Water Consumption
(m³/Unit Production)



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 have already been established.



Social Aspect

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.

Renovation of S.I.T.E. Model School (SMS)

Our major achievement this year, SMS stands today as a symbol of our CSR, Global Compact and Millennium Development Commitments in the field of education and human resource development.

A Memorandum of Understanding with the City District Government, Karachi (CDGK), Federation of Pakistan Chamber of Commerce and Industries (FPCCI) and Committee for Monitoring Improvement in CDGK Schools (CMIS) in April 2008, saw the completion of the newly renovated /reconstructed SMS buildings in August 2008.

This government school is now a learning centre for more than 800 students, out of which 279 are the new admissions, a 50% improvement since school re-opening and a tangible result of our pledge.

The renovation and repairs of the school was completed through active participation of HPML officers and workforce who made great deal of contribution though cohesive efforts utilizing HPML in house fabrication facilities and valuable workmen and managerial skills.

Under the SMS project following sections/areas were completely renovated or repaired:

- 18 Classrooms (Primary & Secondary);
- Technical Training (rooms, equipment and training);
- Library;
- Science Laboratory for Girls;
- Auditorium;
- Principal's Office & Faculty Room;

- Playground & Recreation Room
- Mosque; and
- Parking Shed.

The project was completed in 2.5 months at a cost of Rs. 7 million and approximately 11000 man hours.

We also joined hands in sorting and reviewing the old reading material at the school's library and provided more than 1,000 new books as our initial token of commitment to help increase the knowledge base.

The school's entrance was given a new look. Sewerage and drainage lines were repaired as part of this work. Our gardeners created a greenbelt, not just enhancing the front look of the school but avoiding garbage and trash accumulation.

SMS students and faculty had been engaged in environmental activities. They participated in our Environment Month in June 2008 through a poster exhibition and clean-up activity.



Class rooms in the past



Newly Renovated Class room



Construction of Hinopak Community Health Centre (HCHC)

In order to provide efficient and effective medical support to the community of S.I.T.E. town, Hinopak established a fully furnished primary health care facility where students of our neighboring school, their family members and the whole locality of S.I.T.E. Town can access medical attention and treatment. We now coordinate with the doctor and dispenser provided by FPCCI-CMIS to ensure that, patients' primary medical needs are properly addressed.



Hinopak Community Health Centre

Educational Visits, Internships / Students' Engagement

We also increased our exposure to the academic sector by allowing regular educational plant visits, resulting to an estimated 300 students-teacher visitors from 14 educational institutions to-date. This year's summer internship program produced 109 reports from 86 (70% technical) students representing 12 colleges & universities, mostly technical.

Motor Vehicle Technicians (MVT) Course

The 25th batch of the Heavy Duty Motor Vehicle Technicians (MVT) course commenced at the Hinopak Training Center from January 5, 2009.

Our Training Centre is affiliated with the Sind Board of Technical Education. More than 500 candidates have registered for the MVT training course since 2002 out of which over 70% have passed out and are serving in the automobile industry and their 3S dealerships in Pakistan & abroad.

Scholarships

Another symbol of industry-education linkage, the "Hinopak Skill Promotion Scholarship" was offered to NED Students. Scholarships have been offered to 10 students of three technologies.

A similar scheme is in consideration for our workers' children.



NED Students availing Scholarships

Donation for Ziarat Earthquake Victims

A donation of Rs.1.6 million was raised by Hinopak for the Ziarat earthquake victims through employer and employee participation. This comprised of 50 winterized tents and approximately 400 packages containing essential food items which were distributed among the earthquake effected families.



Donation for Ziarat Earthquake

A team of Hinopak employees including the representatives of CBA went to the earthquake affected area of Baluchistan and personally administered the dissemination of tents and food items.

Sports

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

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

Hinopak Golf Tournament

A tournament sponsored by Hinopak was held at Arabian Sea Country Club. Golfers from various institutions participated in the tournament.

Hinopak Inter Firm Cricket Tournament

For the last 18 consecutive years, we have been organizing Inter Firm Cricket Trophy, annually played for around three months and participated by cricket teams from 40 to 45 private & public sector enterprises.



Inter Firm Cricket Tournament

2nd Hinopak KHA Hockey Trophy

After the great success of Hinopak Cricket Trophy on the City Circuit, Hinopak also became the proud sponsor of the Karachi Hockey Association Trophy.

We are positive that such events contribute toward developing our country's future players.

Employees

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

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

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

Occupational Health & Safety Trophy

The Employers' Federation of Pakistan (EFP) holds the competition every year among its member organizations to judge which member is contributing more in the promotion of H&S activities.

Hinopak has succeeded to achieve the trophy on the basis of enhanced organized efforts to implement Occupational Safety & Health activities during the year 2008.



Occupational Safety & Health Trophy 2007

The award is a token of appreciation by EFP and credit of success goes to every contributor for the promotion of safety and health in Hinopak including workers, CBA union, members of SHE Committee and Managers.

Excellence Award in Industrial Relations

Hinopak has a long history of exemplary industrial relations for which it has become a role model for other members of the corporate sector.

At Hinopak the management and the CBA have utmost trust on each other. These ideal industrial relation are based on following four principles which are also referred as Hinopak " Pillars of the Industrial Relations"

- Mutual Respect & Trust;
- Transparency in Operations and Communications;
- Positive attitude in labour management relations; and
- Bilateral approach in resolving differences and disputes.



Excellence Award in Industrial Relations

In 2008 Hinopak received the Excellence Award in Industrial Relations in a competition organized by the



Employer's Federation of Pakistan in collaboration with International Labour organization (ILO).

Sports & Health Care Center BOP Plant

After the success of the sports & recreational center at Assembly Operation Plant, a newly built Sports & Health center was inaugurated in 2008 for the benefit of the workers at the Body Operation Plant.

Outbound Training of Managers

22 managers from different departments were provided a unique 4 day outbound adventure and training on leadership in July, 2008 in the forests of Donga Gali. Alongside the physical activities like trekking, climbing, blindfolded rope traverse and cooking. The trainees were imparted valuable advice for developing leadership skills, problem solving techniques besides provided precious feed back on their performance through group discussions.

While communing with nature made them more aware of environment care and protection, stretch activities enabled them to bond with colleagues otherwise difficult to achieve in a classroom or office setting.

Customer

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

Hinopak Motor Limited places utmost emphasis on its Customer First policy to ensure that each and every employee make their best effort to provide products and services that fully incorporate the customer perspective. On this basis the company is endeavoring to enhance customer satisfaction and to nurture relationships built on mutual trust.

Inauguration of the Mobile Training Service

In 2008 Hinopak reached another milestone by becoming the first company in Pakistan to introduce Eco-Drive training to its valued customers at their door steps where in consultancy and useful tips are given to the ultimate users for fuel saving and increasing product life.

This training is provided through our newly built Mobile Field Training Unit built on AK Chassis which is adequately equipped to meet the training requirement of our valued customers.

Free Tune-up Camps

In continuation of our value added service for our customers, 11 free tune-up camps were organized all over Pakistan to mark the world environment day. A ceremony was held at Head office where the Minister of Culture & Tourism Government of Sindh was the chief guest.

Awareness on the importance of tuned engines, fuel efficiency and tips to reduce the maintenance cost was given to our valued customers. Altogether more than 158 Hino vehicles were tuned in 11 Camps.



A Training Session in mobile training unit



Another Training Session in progress



Conference on Leasing and Financing of Hino vehicles

Conference on Leasing and Financing of Hino vehicles

A conference was organized at Hinopak premises in which our valued customers and representatives of financial institutions were invited. The objective was to provide a common platform to discuss the Financial and leasing issues pertaining to the commercial transporters in Pakistan. The management endeavored to highlight concerns of all the stakeholders and how best to support each other in the current economic downturn.

Personal Social Responsibility (PSR)

One people. One vision... make the change, be the change!

With the company CSR initiatives making them proud and inspiring them to go beyond participation, employees contributed their time, money and expertise for community welfare and development. This reinforces the 'people' aspect of our triple-bottom line vision, where we see our employees actively engaged and partnering in meeting our CSR commitment.

Beach Cleaning Activity

A group of 10 highly motivated employees inspired by their CSR experiences at Hinopak joined hands along with their family to clean a portion of Karachi beach on December 25, 2008. The material cost was met by the volunteers on contribution basis while the logistics were provided by the company. The cleaning activity was performed for two hours and approximately 100 Kgs of man made garbage were removed from the beach to be disposed in the land filled sites.



Picking the wrappers from the beach

Road Side Cleaning & Tree Plantation

The news of the beach cleaning activity was disseminated across the company and many new hands joined in to participate in the group's second PSR initiative. The second cleaning activity on February 27, 2009 targeted an area located in the Hinopak vicinity. This time the number of participants increased to



The Garbage being transfered to the land fill site

20. The Local Municipal Administration at SITE was also involved in this cleaning activity wherein following tasks were performed:

- Removal of wall chalking from the Bridge wall;
- Extraction of piles of garbage and mud;
- Levelling of the ground; and
- Plantation of 45 trees.

Cleaning & Tree Plantation

In continuation of the second initiative another cleaning exercise was performed near the S.I.T.E. cleaning activity which was performed in March 30, 2009. 40 trees were provided for the plantation by company. Other expenses of the activity were contributed by the participating employees.

Outlook of PSR Activities

The PSR Initiatives and experience of the participants have been very rewarding in term of personal satisfaction and promoting stronger bonds among volunteering employees.

The PSR team has decided to perform monthly PSR activities and extend this to other areas of the city. The Future PSR strategy also includes working with groups and volunteers of other organizations to ensure a cleaner, healthier & whole lot happier Karachi for all its dwellers.



Removing of wall chalking



Plantation of trees at the road side

Our Guiding CSR Fundamentals

HINOPAK ENVIRONMENTAL POLICY

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

Our motto at Hinopak is:

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

For this, we will set objectives and targets to:

Promote pollution prevention & reduce environmental impacts by proper handling and disposal of waste water, solid waste, hazardous substances & gaseous emissions.

Conserve energy and other resources.

Comply with all the applicable legal and other requirements.

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

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

SAFETY AND HEALTH POLICY

Hinopak Motors Limited is committed to have all its operations safe and protected against all hazards effecting occupational safety and health of its employees.

Our Aim at Hinopak is:

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

To make our process free from accidents and illnesses, gradually.

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

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

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

To develop an adequate investigation system which can help avoiding reoccurrence of accidents.

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

HINOPAK QUALITY POLICY

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

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

- Identification of products and operational needs of customers;
- Building quality features in product design ensuring reliability, maintainability, safety and durability;
- Production of vehicles conforming to Hino Global Standards;
- Diligent Product Support and Customer Service.

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

Statement of compliance with the code of corporate governance for the fifteen months ended March 31, 2009

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 two 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.

The casual vacancy occurred during the year was duly filled up by the Board.

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

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

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

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

During the period an orientation course was arranged by the Board for its directors to appraise them of their duties and responsibilities.

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

The directors' report for this fifteen months period ended March 31, 2009 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 three members, of whom two are non-executive directors including the chairman of the committee.

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

There exists an effective internal audit function within the company.

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

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

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: April 30, 2009

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

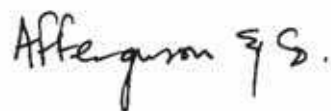
A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11 Chundrigar Road, P.O. BOX 4716
Karachi- 74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 241 5007 / 2427938

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. 37 of the Karachi Stock Exchange and chapter XIII of Lahore Stock Exchange 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 control covers all controls and the effectiveness of such internal controls.

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 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 fifteen months period ended **March 31, 2009**.



A.F. Ferguson & Co.
Chartered Accountants

Karachi

Dated: April 30, 2009



Financial Statements

2008-09 at a Glance

- Change in financial year end - **December 31 to March 31.**
- Ever highest sales revenue - **Rs. 12 billion.**
- Exchange loss of **Rs. 563 million** as a result of Rupee depreciation and Yen appreciation.
- 3rd consecutive **best corporate report award.**
- Contribution to national exchequer **Rs. 878 million.**
- Donation of **Rs. 7 million** for Corporate Social Responsibility.

Key Financial Indicators

Sales volume (units)	3705
Sales revenue (Rs. in million)	12,151
Gross profit (Rs. in million)	1,251
Gross profit margin	10.3%
Profit before taxation (Rs. in million)	116
Profit after taxation (Rs. in million)	70
Profit after taxation margin	0.6%
Earnings per share (Rs.)	5.64
Dividend per share (Rs.)	1.75
Dividend payout	31%
Current ratio	1.34
Capital expenditures (Rs. in million)	208

Auditors' Report to the members

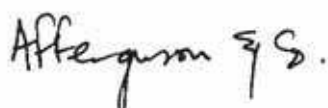
A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
11 Chundrigar Road, P.O. BOX 4716
Karachi- 74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 241 5007 / 2427938

We have audited the annexed balance sheet of Hinopak Motors Limited as at March 31, 2009 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 fifteen months period 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;
 - (ii) the expenditure incurred during the fifteen months period was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the fifteen months period 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, 2009 and of the profit, its cash flows and changes in equity for the fifteen months period 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 that Ordinance.



A.F. Ferguson & Co.
Chartered Accountants

Karachi

Dated: April 30, 2009

Balance Sheet

as at March 31, 2009

		March 31, 2009	December 31, 2007
	Note	Rupees in '000	
SHARE CAPITAL AND RESERVES			
Share Capital	3	124,006	124,006
Reserves	4	1,544,049	1,764,552
		<u>1,668,055</u>	<u>1,888,558</u>
SURPLUS ON REVALUATION OF FIXED ASSETS			
	5	277,490	284,677
NON-CURRENT LIABILITIES			
Long-term security deposits		32,000	32,000
Deferred taxation	6	11,499	33,594
		<u>43,499</u>	<u>65,594</u>
CURRENT LIABILITIES			
Trade and other payables	7	1,617,511	2,439,908
Short-term borrowings	8	1,355,557	105,178
Liability against assets subject to finance lease		-	4,299
Accrued mark-up		44,934	598
Taxation		-	122,719
		<u>3,018,002</u>	<u>2,672,702</u>
CONTINGENCIES AND COMMITMENTS			
	9		
		<u>5,007,046</u>	<u>4,911,531</u>

		March 31, 2009	December 31, 2007
	Note	Rupees in '000	
NON-CURRENT ASSETS			
Property, plant and equipment	10	948,535	887,117
Intangible assets	11	5,499	3,196
Investments	12	-	-
Long-term loans and advances	13	13,094	7,121
Long-term deposits		5,475	6,002
		972,603	903,436
CURRENT ASSETS			
Stores, spares and loose tools	14	33,309	30,605
Stock-in-trade	15	2,398,605	2,533,159
Trade debts	16	1,135,332	816,386
Loans and advances	17	51,886	90,523
Trade deposits and prepayments	18	53,398	96,829
Accrued mark-up		-	2,678
Refunds due from the government	19	149,202	164,817
Other receivables	20	9,135	12,183
Taxation		133,370	-
Cash and bank balances	21	70,206	260,915
		4,034,443	4,008,095
		5,007,046	4,911,531

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


**Managing Director &
Chief Executive**


Chairman

Profit and Loss Account

for the fifteen months period ended March 31, 2009

	Note	Fifteen months period ended March 31,	Year ended December 31,
		2009	2007
		Rupees in '000	
Sales - net	22	12,151,021	7,826,780
Cost of sales	23	(10,899,778)	(6,439,143)
Gross profit		1,251,243	1,387,637
Distribution expenses	23	(399,777)	(268,980)
Administration expenses	23	(206,769)	(140,388)
Other operating income	24	169,610	57,610
Other operating expenses	25	(19,953)	(68,101)
Profit from operations		794,354	967,778
Finance cost	26	(678,526)	(63,168)
Profit before taxation		115,828	904,610
Taxation	27	(45,905)	(314,563)
Profit after taxation		69,923	590,047
Earnings per share	28	Rs. 5.64	Rs. 47.58

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


**Managing Director &
 Chief Executive**


Chairman

Cash Flow Statement

for the fifteen months period ended March 31, 2009

		Fifteen months period ended March 31, 2009	Year ended December 31, 2007
	Note	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	29	(615,743)	876,161
Mark-up paid on short-term borrowings		(57,719)	(23,010)
Return on investments, savings and term deposit accounts		52,658	20,864
Taxes paid		(324,089)	(336,242)
Decrease in long-term deposits		527	2,297
Increase in long-term loans and advances		(5,973)	(366)
Increase in long-term security deposits		-	2,000
Net cash (utilised) / generated from operating activities		(950,339)	541,704
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(207,500)	(117,055)
Proceeds from sale of property, plant and equipment		18,092	10,216
Net cash used in investing activities		(189,408)	(106,839)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in liability against assets subject to finance lease		(4,299)	(5,026)
Short-term loan received		50,682	-
Short-term loan paid		(50,682)	-
Dividend paid		(297,042)	(129,913)
Net cash used in financing activities		(301,341)	(134,939)
Net (decrease) / increase in cash and cash equivalents		(1,441,088)	299,926
Cash and cash equivalents at the beginning of the period		155,737	(144,189)
Cash and cash equivalents at the end of the period	30	(1,285,351)	155,737

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


**Managing Director &
 Chief Executive**


Chairman

Statement of Changes in Equity

for the fifteen months period ended March 31, 2009

	Share Capital	Reserves - Revenue		Total
		General	Unappro- priated profit	
Rupees '000				
Balance at January 1, 2007	124,006	291,000	1,007,847	1,422,853
Dividend for the year 2006 @ Rs. 10.5 per share	-	-	(130,206)	(130,206)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	5,864	5,864
Profit after taxation for the year	-	-	590,047	590,047
Balance at December 31, 2007	124,006	291,000	1,473,552	1,888,558
Dividend for the year 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	124,006	291,000	1,253,049	1,668,055

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



**Managing Director &
Chief Executive**



Chairman

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

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

The company has changed its financial year end from December 31 to March 31 and has prepared these financial statements for the fifteen months period ended on March 31, 2009. The comparative figures given in these financial statements are for the year ended December 31, 2007. The change in financial year has been made by the company to coincide with the financial year of the parent company.

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.

Accounting standards, amendments and interpretations which have been effective

IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is mandatory for the company's accounting periods beginning on or after January 1, 2008. The interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the retirement benefit asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the company's financial statements.

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

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

Following amendments to approved accounting standards and interpretations have been published that are mandatory for the company's accounting periods beginning on the dates mentioned below:

IAS 23 (Amendment) - Borrowing Cost effective from January 1, 2009

Adoption to this amendment will result in change in accounting policy relating to borrowing cost. After this amendment borrowing costs that are directly attributable to the, acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

IFRS 7 'Financial instruments: Disclosures', introduces new disclosures relating to financial instruments. The standard shall be applicable on accounting periods beginning on or after July 1, 2008. Adoption of the standard will only impact the format and extent of disclosures presented in the financial statements.

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. The new standard is applicable on accounting periods beginning on or after January 1, 2009. The management is reviewing the implications on the company's financial statements' presentation.

IAS 1 'Presentation of financial statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in the statement of changes in equity and with non-owners in the comprehensive income statement. The revised standard is applicable on accounting periods beginning on or after January 1, 2009 and it will impact mainly the presentation of the 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 dependant 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, 2009 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 lives.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

Defined contribution plan

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

2.4 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 in 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 Borrowing cost

Borrowing cost is recognised as an expense in the period in which it is incurred.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

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, liability against assets subject to finance lease 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
- Electric installations	5 years
- Office and other equipments	3 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

Gain or loss on disposal or retirement of property, plant and equipment is included in profit and loss account. Maintenance and normal repairs of plant and machinery costing up to approximately Rs. 50,000 and other assets costing up to approximately Rs. 25,000 are charged to profit and loss account as and when incurred.

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 (12) 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 (12) 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 equity.

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.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

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.

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 purpose 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.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

2.24 Accounting estimates and judgments

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

(b) Staff retirement benefits

The company has post retirement benefit obligations, which are determined through actuarial valuations as carried out by independent actuary using various assumptions as disclosed in note 7.2.8 below.

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

	March 31, 2009	December 31, 2007
	Rupees in '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 allotted for consideration paid in cash	62,003	62,003
4,133,520 shares allotted for consideration other than cash - fixed assets	41,335	41,335
<u>2,066,760</u> shares allotted as bonus shares	<u>20,668</u>	<u>20,668</u>
<u>12,400,560</u>	<u>124,006</u>	<u>124,006</u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

- 3.3** At March 31, 2009 and December 31, 2007 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, 2009	December 31, 2007
Rupees in '000	

4. RESERVES - revenue

General reserves	291,000	291,000
Unappropriated profit	1,253,049	1,473,552
	<u>1,544,049</u>	<u>1,764,552</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.

March 31, 2009	December 31, 2007
Rupees in '000	

Opening balance	284,677	290,541
Transferred to unappropriated profit on account of incremental depreciation for the period	(7,187)	(5,864)
Closing balance	<u>277,490</u>	<u>284,677</u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

	March 31, 2009	December 31, 2007
	Rupees in '000	
6. DEFERRED TAXATION		
Credit balances arising in respect of:		
- accelerated tax depreciation allowances	82,215	79,553
- surplus on revaluation of fixed assets	27,516	28,615
	<u>109,731</u>	<u>108,168</u>
Debit balances arising in respect of:		
- provision for stores and stocks obsolescence	(58,086)	(57,890)
- provision for doubtful trade debts, deposits and other receivables	(40,146)	(16,416)
- liability against assets subject to finance lease	-	(268)
	<u>(98,232)</u>	<u>(74,574)</u>
	<u>11,499</u>	<u>33,594</u>
7. TRADE AND OTHER PAYABLES		
Creditors	69,289	177,500
Bills payable to Toyota Tsusho Corporation, Japan – associated company	273,970	893,042
Accrued liabilities	478,580	425,492
Advances from customers	575,468	709,774
Custom duties payable	158,832	112,826
Payable to Hino Motors Ltd. Japan - holding company		
- royalty	7,568	64,024
- technical assistance fee	-	2,434
Employees related obligation - note 7.1	23,629	21,909
Payable to employees' pension fund - note 7.2	945	3,236
Workers' profits participation fund - note 7.3	6,286	-
Workers' welfare fund	6,974	21,287
Excise duty payable	2,659	4,532
Unclaimed dividend	1,964	1,393
Net unrealised loss on foreign currency option contracts - 7.4	4,230	-
Others	7,117	2,459
	<u>1,617,511</u>	<u>2,439,908</u>

- 7.1** 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 fifteen months period ended March 31, 2009

	March 31,		December 31,	
	2009		2007	
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund
	Rupees '000			
7.2 Staff Retirement Benefits				
7.2.1 Movement in asset / (liability)				
Opening balance	224	(3,236)	2,536	1,728
Charge for the period	(4,885)	(8,542)	(2,978)	(7,242)
Payments to the fund	9,686	10,833	666	2,278
Closing balance	5,025	(945)	224	(3,236)
7.2.2 Balance sheet reconciliation as at March 31, 2009				
Fair value of plan assets	73,784	65,290	69,337	70,040
Present value of obligations	(83,592)	(94,797)	(68,920)	(78,546)
Unrecognised actuarial loss / (gain)	14,833	25,952	(193)	2,295
Past service cost - non vested	-	2,610	-	2,975
	5,025	(945)	224	(3,236)
7.2.3 Charge for the period				
Current service cost	4,430	5,773	3,672	3,660
Interest cost	9,998	11,364	5,622	5,848
Expected return on plan assets	(9,695)	(9,405)	(6,316)	(6,140)
Actuarial loss recognised during the period	152	445	-	-
Past service cost - vested	-	365	-	3,874
	4,885	8,542	2,978	7,242
7.2.4 Movement in the present value of obligation				
Opening balance	68,920	78,546	56,221	58,482
Current service cost	4,430	5,773	3,672	3,660
Interest cost	9,998	11,364	5,622	5,848
Actuarial loss	9,350	2,216	4,476	3,810
Benefits paid	(9,106)	(6,077)	(1,071)	(103)
Past service cost - vested	-	365	-	3,874
Past service cost - non vested	-	2,610	-	2,975
Closing balance	83,592	94,797	68,920	78,546

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

	March 31,		December 31,		
	2009		2007		
	Gratuity Fund	Pension Fund	Gratuity Fund	Pension Fund	
	Rupees '000				
7.2.5 Movement in fair value of plan assets					
Opening balance	69,337	70,040	63,165	61,406	
Expected return on plan assets	9,695	9,405	6,316	6,140	
Actuarial (loss) / gain	(5,828)	(18,911)	261	319	
Employer contributions	9,686	10,833	666	2,278	
Benefits paid	(9,106)	(6,077)	(1,071)	(103)	
Closing balance	<u>73,784</u>	<u>65,290</u>	<u>69,337</u>	<u>70,040</u>	
7.2.6 Actual return / (loss) on plan assets	<u>3,867</u>	<u>(9,506)</u>	<u>6,577</u>	<u>6,459</u>	
7.2.7 Plan assets comprise of:					
Equity (%)	13	33	19	43	
Debt (%)	15	53	65	40	
Others (%)	72	14	16	17	
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	
7.2.8 Key actuarial assumptions used					
Expected rate of return on investments (%)	15	15	10	10	
Expected rate of increase in salaries (%)	14	14	9	9	
Discount factor used (%)	15	15	10	10	
Retirement age (years)	60	60	60	60	
7.2.9 Comparison for five years					
	March 31,	December 31,	December 31,	December 31,	December 31,
	2009	2007	2006	2005	2004
	Rupees '000				
Gratuity fund					
Fair value of plan assets	73,784	69,337	63,165	53,665	50,835
Present value of defined benefit obligation	(83,592)	(68,920)	(56,221)	(43,922)	(35,900)
(Deficit) / surplus	<u>(9,808)</u>	<u>417</u>	<u>6,944</u>	<u>9,743</u>	<u>14,935</u>
Experience adjustment					
Actuarial loss on obligations	9,350	4,476	6,521	603	2,978
Actuarial loss / (gain) on plan assets	5,828	(261)	(1,828)	593	3,523
Pension fund					
Fair value of plan assets	65,290	70,040	61,406	48,511	34,545
Present value of defined benefit obligation	(94,797)	(78,546)	(58,482)	(48,712)	(39,433)
(Deficit) / surplus	<u>(29,507)</u>	<u>(8,506)</u>	<u>2,924</u>	<u>(201)</u>	<u>(4,888)</u>
Experience adjustment					
Actuarial loss on obligations	2,216	3,810	2,145	1,747	2,025
Actuarial loss / (gain) on plan assets	(18,911)	(319)	(3,542)	(4,098)	(528)

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

7.2.10 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.

7.2.11 Based on actuary's advice, the amount of expected contribution to gratuity and pension funds in 2009-10 will be Rs. 7.32 million and Rs. 12.40 million respectively.

	March 31, 2009	December 31, 2007
	Rupees in '000	
7.3 Workers' Profits Participation Fund		
Opening (asset) / liability	(1,287)	27,520
Allocation for the period	6,390	48,713
	<u>5,103</u>	<u>76,233</u>
Interest on funds utilised in company's business	-	1,633
	<u>5,103</u>	<u>77,866</u>
Amounts received from / (paid to) the Fund	1,183	(79,153)
Closing liability / (asset)	<u>6,286</u>	<u>(1,287)</u>

7.4 This represents unrealised loss on foreign currency option contracts entered into by the company with various banks to hedge foreign currency exposure. The option contracts have maturity upto three months. The aggregate notional value and fair value of these contracts as at March 31, 2009 amounted to Rs. 292 million and Rs. 288 million respectively.

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.1.78 billion (December 31, 2007: Rs. 810 million) of which the amount remaining unutilised at the year end was Rs. 424 million (December 31, 2007: Rs. 705 million). The rates of mark-up are based on KIBOR and range from 12.14% per annum to 18.02% per annum (December 31, 2007: 10.35% per annum to 10.77% per annum). The purchase prices are payable by November 30, 2009.

The facilities for opening the letters of credit and guarantees as at March 31, 2009 amounted to Rs. 5.32 billion (December 31, 2007: Rs. 4.08 billion) of which the amount remaining unutilised at the period end was Rs. 3.26 billion (December 31, 2007: Rs. 1.35 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, 2009 the company has received provisional refunds of Rs. 516.16 million (December 31, 2007: Rs. 180.78 million) from the sales tax authorities against bank guarantees.

9.2 Commitments for capital expenditures as at March 31, 2009 amounted to Rs. 16.89 million (December 31, 2007: Rs. 58.82 million).

		March 31, 2009	December 31, 2007
		Rupees in '000	
10. PROPERTY, PLANT AND EQUIPMENT	Note		
Operating assets	10.1	937,240	884,341
Capital work-in-progress		11,295	2,776
		<u>948,535</u>	<u>887,117</u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

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									
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>
2007									
Year ended December 31									
Opening net book value	252,458	254,284	246,998	4,083	47,053	6,793	25,764	19,228	856,661
Additions	-	1,775	70,338	1,045	32,178	-	2,006	10,835	118,177
Disposals - at NBV	-	(3,566)	(134)	-	(4,493)	(830)	(4)	(11)	(9,038)
Depreciation / amortisation charge for the year	(4,476)	(7,878)	(36,677)	(721)	(10,734)	(2,428)	(8,423)	(10,122)	(81,459)
Closing net book value	<u>247,982</u>	<u>244,615</u>	<u>280,525</u>	<u>4,407</u>	<u>64,004</u>	<u>3,535</u>	<u>19,343</u>	<u>19,930</u>	<u>884,341</u>
At December 31									
Cost	294,451	310,974	452,549	10,552	98,102	16,176	56,849	78,738	1,318,391
Accumulated depreciation / amortisation	(46,469)	(66,359)	(167,753)	(6,145)	(34,098)	(12,641)	(37,506)	(58,808)	(429,779)
Provision for impairment	-	-	(4,271)	-	-	-	-	-	(4,271)
Net book value	<u>247,982</u>	<u>244,615</u>	<u>280,525</u>	<u>4,407</u>	<u>64,004</u>	<u>3,535</u>	<u>19,343</u>	<u>19,930</u>	<u>884,341</u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

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					
Scrap of buildings on leasehold land	10,500	2,625	7,875	3,084	Tender	Mr. Taj Muhammad M-II-E-74, Block C, Street No. 6, Jinnah Road, Shershah, Karachi
Vehicle	609	548	61	265	Company policy	Mr. Abid Iqbal - Executive
"	849	750	99	313	"	Mr. Zafar Iqbal - Employee
"	469	203	266	306	"	Mr. M. A. Rahman - Employee
"	555	278	277	351	"	Mr. Shahb Anwar - Executive
"	969	646	323	637	"	Mr. Muhammad Zaman Khan Executive
"	469	78	391	429	"	Mr. Ahmad Rizwan Qureshi Employee
"	879	425	454	627	"	Mr. S. Rahmatullah - Executive
"	969	371	598	698	"	Mr. Ahmad Rauf - Executive
"	344	75	269	306	Negotiation	K.Z.Catering Service 3-A, 4/1, Nazimabad, Karachi
"	600	140	460	544	"	— do —
Plant and machinery	170	74	96	9	Tender	M/S Suleman Alladina & Co. Shop No. 3, Abigal Street, Off Nishtar Road, Karachi
"	1,257	147	1,110	1,100	"	M/S Crisis Management (Pvt.) Ltd C-1, S.I.T.E., Manghopir Road, Karachi-75700
Electrical Installations	552	295	257	78	"	M/S Khalid & Sons, Lahore

March 31, 2009 December 31, 2007

11. INTANGIBLE ASSETS - Computer Softwares

Rupees in '000

Opening balance

Cost	12,185	8,214
Accumulated amortisation	(8,989)	(7,500)
Net book value	3,196	714

Fifteen months period ended March 31, 2009

Opening net book value	3,196	714
Additions	6,629	3,971
Amortisation	(4,326)	(1,489)
Closing net book value	5,499	3,196

Closing balance

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

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

	March 31, 2009	December 31, 2007
	Rupees in '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	<u>(5,500)</u>	<u>(5,500)</u>
	<u>-</u>	<u>-</u>
12.1	This represents cost of 500,000 (December 31, 2007: 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 (December 31, 2007: 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.	
13. LONG-TERM LOANS AND ADVANCES – considered good		
Loans and advances to:		
- executives	7,701	2,720
- other employees	10,979	9,064
	<u>18,680</u>	<u>11,784</u>
Less: Recoverable within one year - note 17	<u>(5,586)</u>	<u>(4,663)</u>
	<u>13,094</u>	<u>7,121</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 two to five years. These are secured against employees' retirement fund balances.	
13.2 Reconciliation of carrying amount of loans and advances to executives:		
Opening balances	2,720	2,080
Add: Disbursements	9,876	4,004
	<u>12,596</u>	<u>6,084</u>
Less: Repayments	<u>(4,895)</u>	<u>(3,364)</u>
Closing balances	<u>7,701</u>	<u>2,720</u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

- 13.3** The maximum aggregate amount of loans and advances due from executives at the end of any month, during the period was Rs. 8.78 million (December 31, 2007: Rs. 6.1 million).

	March 31, 2009	December 31, 2007
Rupees in '000		
14. STORES, SPARES AND LOOSE TOOLS		
Stores	18,903	17,419
Spares	9,893	7,585
Loose tools	10,435	8,240
	<u>39,231</u>	<u>33,244</u>
Less: Provision for obsolescence	(5,922)	(2,639)
	<u>33,309</u>	<u>30,605</u>
15. STOCK-IN-TRADE		
Raw Materials and components [including in transit Rs. 117 million (December 31, 2007: Rs. 265 million)]	1,859,168	1,703,069
Less: Provision for obsolescence	(77,970)	(68,267)
	<u>1,781,198</u>	<u>1,634,802</u>
Work-in-process	9,576	64,627
Finished goods - note 15.1	528,659	810,068
Less: Provision for obsolescence	(38,902)	(58,044)
	<u>489,757</u>	<u>752,024</u>
Trading stock - Spare parts [including in transit Rs. 12 million (December 31, 2007: Rs. 15 million)]	161,238	118,154
Less: Provision for obsolescence	(43,164)	(36,448)
	<u>118,074</u>	<u>81,706</u>
	<u>2,398,605</u>	<u>2,533,159</u>

- 15.1** Finished goods include stocks held with company's authorised dealers amounting to Rs. 54.57 million (December 31, 2007: Rs. 102.66 million).

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

	March 31, 2009	December 31, 2007
	Rupees in '000	
16. TRADE DEBTS		
Considered good - unsecured		
Related parties:		
- Indus Motor Company Limited	4,526	14,738
- Orix Leasing Pakistan Limited	-	2,375
Others	<u>1,130,806</u>	<u>799,273</u>
	<u>1,135,332</u>	<u>816,386</u>
Considered doubtful		
Others	<u>87,930</u>	<u>29,026</u>
	<u>1,223,262</u>	<u>845,412</u>
Less: Provision for doubtful debts	<u>(87,930)</u>	<u>(29,026)</u>
	<u>1,135,332</u>	<u>816,386</u>
17. LOANS AND ADVANCES		
Considered good		
Current maturity of long term loans and advances to:		
- executives	2,327	2,152
- other employees	<u>3,259</u>	<u>2,511</u>
	5,586	4,663
Advances to:		
- executives	3,955	4,521
- other employees	16,274	16,067
- suppliers	<u>26,071</u>	<u>65,272</u>
	<u>46,300</u>	<u>85,860</u>
	<u>51,886</u>	<u>90,523</u>
18. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Trade deposits	41,978	94,840
Prepayments	3,670	1,989
Margin against imports letters of credit	<u>7,750</u>	<u>-</u>
	53,398	96,829
Considered doubtful		
Trade deposits	<u>21,536</u>	<u>15,350</u>
	<u>74,934</u>	<u>112,179</u>
Less: Provision for doubtful deposits	<u>(21,536)</u>	<u>(15,350)</u>
	<u>53,398</u>	<u>96,829</u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

	March 31, 2009	December 31, 2007
Rupees in '000		
19. REFUNDS DUE FROM THE GOVERNMENT		
Sales tax		
Considered good	149,202	164,817
Considered doubtful	5,239	2,527
	<u>154,441</u>	<u>167,344</u>
Less: Provision for doubtful refundable	(5,239)	(2,527)
	<u>149,202</u>	<u>164,817</u>
20. OTHER RECEIVABLES		
Receivable from related parties - considered good		
Toyota Tsusho Corporation, Japan	2,551	1,148
Employees' Gratuity Fund - note 7.2	5,025	224
Workers' Profits Participation Fund - note 7.3	-	1,287
Employees' Provident Fund	-	350
Others - considered good		
Insurance claim receivable	-	3,393
Net unrealised gain on foreign exchange forward contracts	-	4,562
Others	1,559	1,219
	<u>9,135</u>	<u>12,183</u>
21. CASH AND BANK BALANCES		
Balances with banks:		
- on current accounts	3,527	52,514
- on PLS savings accounts	66,679	156,377
- on term deposit accounts	-	52,000
Cash in hand	-	24
	<u>70,206</u>	<u>260,915</u>

21.1 At March 31, 2009 the rates of mark-up on savings accounts range from 5% to 9.5% per annum (December 31, 2007: 0.25% to 10.5% per annum).

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

	Fifteen months period ended March 31,	Year ended December 31,
	2009	2007
	Rupees in '000	
22. SALES		
Manufactured goods		
Gross sales	12,283,569	7,989,977
Less: Commission and discounts	284,214	196,751
Sales tax and excise duty	94,552	84,450
Sales returns	6,734	2,875
	<u>11,898,069</u>	<u>7,705,901</u>
Trading goods		
Gross sales	347,154	169,210
Less: Commission and discounts	56,273	29,338
Sales tax	37,529	18,876
Sales returns	400	117
	<u>252,952</u>	<u>120,879</u>
	<u><u>12,151,021</u></u>	<u><u>7,826,780</u></u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

23. OPERATING COST

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	Fifteen months period ended	Year ended	Fifteen months period ended	Year ended	Fifteen months period ended	Year ended	Fifteen months period ended	Year ended
	March 31, 2009	December 31, 2007	March 31, 2009	December 31, 2007	March 31, 2009	December 31, 2007	March 31, 2009	December 31, 2007
	Rupees '000							
Raw materials consumed	9,546,150	5,933,569	-	-	-	-	9,546,150	5,933,569
Stores and spares consumed	3,269	6,863	-	-	12	9	3,281	6,872
Staff costs - Note 23.2	462,324	342,288	141,039	94,242	84,982	62,208	688,345	498,738
Staff training	3,636	1,357	1,056	634	858	741	5,550	2,732
Depreciation and amortisation	95,834	63,790	10,361	5,728	18,063	13,430	124,258	82,948
Fixed assets charged off	7,135	8,326	1,009	251	2,191	2,386	10,335	10,963
Rent, rates and taxes	18,113	11,111	1,182	903	100	-	19,395	12,014
Insurance	1,622	1,395	1,226	722	1,270	1,129	4,118	3,246
Vehicle running and maintenance expenses	12,825	8,979	12,905	9,174	9,541	5,860	35,271	24,013
Fuel and power	36,512	27,555	2,047	1,188	10,334	6,301	48,893	35,044
Travelling and entertainment	7,638	6,389	20,880	15,654	8,172	4,753	36,690	26,796
Repairs and maintenance	46,631	38,987	2,333	3,364	14,385	10,797	63,349	53,148
Printing, stationery and office supplies	4,414	2,554	6,332	4,101	3,141	1,940	13,887	8,595
Communication	2,927	1,728	3,966	3,153	2,135	2,097	9,028	6,978
Technical assistance fee	2,642	2,499	-	-	-	-	2,642	2,499
Royalty	61,442	67,919	-	-	-	-	61,442	67,919
Research and development	2,215	3,417	-	42	-	-	2,215	3,459
Legal and professional charges	-	-	-	-	18,169	7,613	18,169	7,613
Auditors' remuneration - Note 23.3	-	-	-	-	2,200	1,630	2,200	1,630
Security and maintenance	-	-	-	-	28,772	16,428	28,772	16,428
Outward freight and handling	-	-	870	919	-	-	870	919
Advertising and sales promotion	-	-	33,504	32,766	-	-	33,504	32,766
Product maintenance charges	-	-	71,292	48,440	-	-	71,292	48,440
Warranty services	-	-	16,825	27,695	-	-	16,825	27,695
Provision for doubtful trade debts	-	-	58,904	7,746	-	-	58,904	7,746
Provision for doubtful receivables	-	-	8,898	7,910	-	-	8,898	7,910
Other expenses	6,546	5,673	5,148	4,348	2,444	3,066	14,138	13,087
	10,321,875	6,534,399	399,777	268,980	206,769	140,388	10,928,421	6,943,767
Opening stock of work in process	64,627	6,342						
	10,386,502	6,540,741						
Closing stock of work in process	(9,576)	(64,627)						
Cost of goods manufactured	10,376,926	6,476,114						
Opening stock of finished goods	752,024	590,102						
Closing stock of finished goods	(489,757)	(752,024)						
	10,639,193	6,314,192						
Trading goods								
Opening stock	81,706	70,134						
Purchases	296,953	136,523						
	378,659	206,657						
Closing stock	(118,074)	(81,706)						
	260,585	124,951						
	10,899,778	6,439,143						

23.1 Cost of sales includes charge for stores and stocks obsolescence of Rs. 0.56 million (December 31, 2007: Rs. 38.84 million).

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

23.2 Staff costs

	COST OF SALES		DISTRIBUTION EXPENSES		ADMINISTRATION EXPENSES		TOTAL	
	Fifteen months period ended March 31, 2009	Year ended December 31, 2007	Fifteen months period ended March 31, 2009	Year ended December 31, 2007	Fifteen months period ended March 31, 2009	Year ended December 31, 2007	Fifteen months period ended March 31, 2009	Year ended December 31, 2007
	Rupees '000							
Salaries, wages, allowances and staff welfare	448,269	331,612	135,634	90,823	82,361	60,095	666,264	482,530
Charge for defined benefit plans	8,546	6,846	3,295	2,095	1,586	1,279	13,427	10,220
Charge for defined contribution plan	5,509	3,830	2,110	1,324	1,035	834	8,654	5,988
	<u>462,324</u>	<u>342,288</u>	<u>141,039</u>	<u>94,242</u>	<u>84,982</u>	<u>62,208</u>	<u>688,345</u>	<u>498,738</u>

	Fifteen months period ended March 31, 2009	Year ended December 31, 2007
	2009	2007
	Rupees in '000	

23.3 Auditors' Remuneration

Audit fee	1,075	750
Fee for limited review of half yearly financial statements and other certifications	925	700
Out of pocket expenses	200	180
	<u>2,200</u>	<u>1,630</u>

24. OTHER OPERATING INCOME

Income from financial assets		
Return on PLS savings accounts	18,163	10,698
Return on bank term deposits	31,817	10,002
	<u>49,980</u>	<u>20,700</u>
Income from non-financial assets		
Gain on disposal of operating fixed assets	-	1,178
Others		
Scrap sales	66,541	28,076
Commission from associated company	40,692	935
Liabilities no longer required written back	8,098	4,177
Others	4,299	2,544
	<u>169,610</u>	<u>57,610</u>

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

	Fifteen months period ended March 31,	Year ended December 31,
	2009	2007
	Rupees in '000	
25. OTHER OPERATING EXPENSES		
Donations - note 25.1	7,164	91
Workers' profits participation fund - note 7.3	6,390	48,713
Workers' welfare fund	4,970	19,297
Loss on disposal of property, plant and equipment	1,429	-
	<u>19,953</u>	<u>68,101</u>
25.1	None of the directors or their spouses had any interest in the donees.	
26. FINANCE COST		
Mark-up on short-term borrowings	102,055	23,112
Exchange loss	562,961	31,283
Bank charges	12,458	6,595
Finance lease charges	1,052	545
Interest on workers' profits participation fund	-	1,633
	<u>678,526</u>	<u>63,168</u>
27. TAXATION		
Current - for the period	68,000	333,000
- for prior year	-	(3,361)
Deferred	<u>(22,095)</u>	<u>(15,076)</u>
	<u>45,905</u>	<u>314,563</u>
27.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>115,828</u>	<u>904,610</u>
Tax calculated at the rate of 35%	40,540	316,614
Effect of final tax regime	4,986	2,939
Tax effect of other than temporary differences	379	(1,629)
Reversal of prior years' tax provision	-	(3,361)
Tax charge for the year	<u>45,905</u>	<u>314,563</u>
28. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>69,923</u>	590,047
Number of ordinary shares (in '000s) issued and subscribed at the end of the period	<u>12,401</u>	12,401
Earnings per share	<u>Rs. 5.64</u>	Rs. 47.58
28.1	A diluted earnings per share has not been presented as the company does not have any convertible instruments in issue as at December 31, 2007 and March 31, 2009 which would have any effect on the earnings per share if the option to convert exercised.	

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

Fifteen months period ended March 31,	Year ended December 31,
2009	2007

Rupees in '000

29. CASH GENERATED FROM OPERATIONS

Profit before taxation	115,828	904,610
Add / (Less): Adjustments for non cash charges and other items		
Depreciation and amortisation	124,258	82,948
Loss / (Gain) on sale of property, plant and equipment	1,429	(1,178)
Mark-up on short-term borrowings	102,055	23,112
Return on PLS savings accounts	(18,163)	(10,698)
Return on bank term deposits	(31,817)	(10,002)
	177,762	84,182
Profit before working capital changes	293,590	988,792
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(2,704)	(4,690)
Stock-in-trade	134,554	(151,873)
Trade debts	(318,946)	(313,160)
Loans and advances	38,637	1,801
Trade deposits and prepayments	43,431	(38,186)
Refunds due from the government	15,615	(96,848)
Other receivables	3,048	(3,147)
	(86,365)	(606,103)
(Decrease) / Increase in current liabilities - trade and other payables	(822,968)	493,472
	(909,333)	(112,631)
	(615,743)	876,161

30. CASH AND CASH EQUIVALENTS

Cash and bank balances	70,206	260,915
Running finance under mark-up arrangements	(1,355,557)	(105,178)
	(1,285,351)	155,737

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

31. 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	
	Fifteen months period ended March 31, 2009	Year ended December 31, 2007	Fifteen months period ended March 31, 2009	Year ended December 31, 2007	Fifteen months period ended March 31, 2009	Year ended December 31, 2007
	Rupees '000					
Managerial remuneration and allowances	5,733	3,860	18,681	12,767	44,197	42,291
Bonus	3,104	993	7,398	9,009	18,727	14,170
Retirement benefits	-	-	821	879	4,515	2,615
Rent and utilities	2,731	1,906	6,510	5,777	16,264	9,341
Leave passage	504	-	984	1,033	2,106	1,612
Club expenses	29	23	126	106	339	267
Medical expenses	144	101	434	394	2,493	1,460
	<u>12,245</u>	<u>6,883</u>	<u>34,954</u>	<u>29,965</u>	<u>88,641</u>	<u>71,756</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>25</u>	<u>21</u>

31.1 Consultancy fee paid to the Chairman during the period aggregating to Rs. 3.69 million (December 31, 2007: Rs. 2.50 million). Further, Chairman is provided with free use of company maintained car.

31.2 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.

32. PLANT CAPACITY AND PRODUCTION	Fifteen months period ended March 31, 2009	Year ended December 31, 2007
	Units	
Plant capacity (single shift without overtime)		
- Chassis	<u>7,500</u>	<u>6,000</u>
- Bodies	<u>2,250</u>	<u>1,800</u>
Actual production		
- Chassis	<u>5,128</u>	<u>4,152</u>
- Bodies	<u>2,258</u>	<u>1,747</u>

32.1 Low chassis production during the period was consequent to low market demand.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

33. RELATED PARTY DISCLOSURES

Disclosure of transactions between the company and related parties:		Fifteen months period ended March 31,	Year ended December 31,
Relationship	Nature of transaction	2009	2007
Rupees in '000			
i. Holding company	- Purchase of goods	197,656	89,840
	- Royalty charge	61,442	67,919
	- Dividend paid	176,584	77,255
	- Technical assistance fee	2,642	2,499
ii. Associated companies	- Purchase of goods	6,287,007	3,267,225
	- Purchase of services	315	1,281
	- Sale of goods	471,058	321,833
	- Purchase of property, plant and equipment	27,106	54,752
	- Commission earned	40,692	935
	- Dividend paid	88,292	38,628
iii. Staff retirement funds	- Payments to retirement benefit plans	37,493	9,282

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

33.2 Details of compensation to key management personnel comprising of Managing Director and Directors are disclosed in note 31 above.

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

34. 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						
Financial assets							
Loans and advances	-	-	-	5,586	13,094	18,680	18,680
Deposits	-	-	-	41,978	5,475	47,453	47,453
Trade debts	-	-	-	1,135,332	-	1,135,332	1,135,332
Other receivables	-	-	-	9,135	-	9,135	9,135
Cash and bank balances	66,679	-	66,679	3,527	-	3,527	70,206
March 31, 2009	66,679	-	66,679	1,195,558	18,569	1,214,127	1,280,806
December 31, 2007	208,377	-	208,377	975,646	13,123	988,769	1,197,146
Financial liabilities							
Long-term security deposits	-	-	-	-	32,000	32,000	32,000
Trade and other payables	-	-	-	1,042,043	-	1,042,043	1,042,043
Short-term borrowings	1,355,557	-	1,355,557	-	-	-	1,355,557
Accrued Mark-up	-	-	-	44,934	-	44,934	44,934
March 31, 2009	1,355,557	-	1,355,557	1,086,977	32,000	1,118,977	2,474,534
December 31, 2007	109,477	-	109,477	1,564,483	32,000	1,596,483	1,705,960

(i) Interest / Mark-up 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, 2009 the company's interest bearing financial liabilities of Rs. 1.36 billion represents 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.

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised if counterparts failed to perform as contracted. Out of the total financial assets of Rs. 1.28 billion (December 31, 2007: Rs. 1.20 billion), the major balance that is subject to credit risk is trade debts of Rs. 1.14 billion (December 31, 2007: Rs. 816 million). The company believes that it is not materially exposed to credit risk as major part of these receivables comprises of receivable from government agencies. In case of other customers, company usually obtains post dated cheques.

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

Notes to and Forming Part of the Financial Statements

for the fifteen months period ended March 31, 2009

(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.

(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, 2009 payable exposed to foreign exchange risk is of Rs. 282 million (December 31, 2007: Rs. 960 million). The company manages foreign currency risk arising on import related activity usually by obtaining foreign currency forward and option contracts.

(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.

35. 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 for other stakeholders.

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.

36. DIVIDEND

The Board of Directors in their meeting held on April 30, 2009 proposed a cash dividend of Rs. 1.75 per share (December 31, 2007: Rs. 24 per share) amounting to Rs. 21.70 million (December 31, 2007: Rs. 297.61 million).

37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by the Directors on April 30, 2009.



**Managing Director &
Chief Executive**

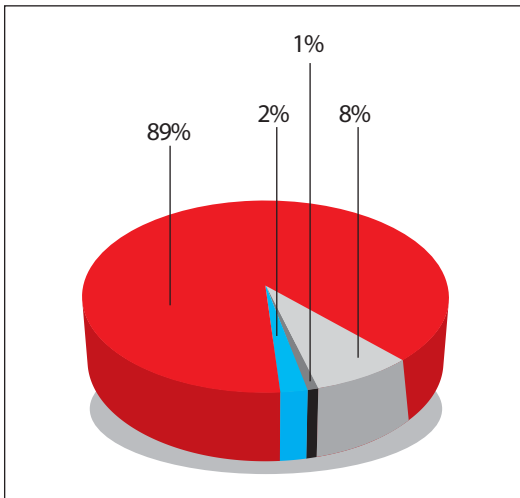

Chairman

Pattern of shareholding

as at March 31, 2009

No. of Shareholders	Shareholders		No. of Shares Held
	From	To	
238	1	100	10,744
555	101	500	84,280
30	501	1,000	22,117
20	1,001	5,000	40,740
1	5,001	10,000	10,000
3	10,001	30,000	46,700
3	30,001	60,000	115,660
4	60,001	3,700,000	4,712,654
1	3,700,001	7,400,000	7,357,665
855			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	6	1,049,041	8.46
Insurance Companies	4	108,460	0.87
Joint Stock Companies	13	11,182	0.09
Individuals and others	829	194,379	1.57
	855	12,400,560	100.00



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

Pattern of shareholding - additional information

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	1,033,821
Directors and Executives		
- Mr. Fasihul Karim Siddiqi	1	120
- Mr. Muhammad Owais M. 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 Jaweed	1	120
- Mr. Syed Rahmatullah	1	120
- Mr. M. Zaman Khan	1	120
Banks, Development Finance Institutions, Non - Banking Finance Institution, Insurance Companies, Modarabas and Mutual Funds		
- New Jubilee Insurance Company Limited	1	42,160
- New Jubilee Life Insurance Co. Ltd.	1	33,300
- Premier Insurance Limited	1	19,800
- State Life Insurance Corporation of Pakistan	1	13,200
Shareholders Holding 10% or More Voting Interest		
- Hino Motors Limited, Japan	1	7,357,665
- Toyota Tsusho Corporation, Japan	1	3,678,833

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 24th 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 Friday, May 29, 2009 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 fifteen months period ended March 31, 2009, together with the Reports of the Directors and Auditors.
- (2) To approve final cash dividend @ 17.5 % (or Rs. 1.75 per share) on the ordinary shares of the Company as recommended by the Directors.
- (3) To appoint Auditors for the ensuing year and fix their remuneration.
- (4) Any other business with the permission of the Chair

By order of the Board

GUL ABBAS
Company Secretary

Karachi:
May 05, 2009

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 May 23, 2009 to May 29, 2009 (both days inclusive) for the purpose of Annual General Meeting and to determine entitlement of cash dividend. No transfer will be accepted for registration during this period.
- iii) The Shareholders are requested to intimate any changes in their addresses to: The Company Secretary, Hinopak Motors Limited, D-2, S.I.T.E., Manghopir Road, P.O. Box 10714, Karachi-75700, 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.

Proxy Form

I/We _____ of _____
being a Shareholder of HINOPAK MOTORS LIMITED and holding _____ Ordinary Shares as per Register Folio No. _____ or "CDC" Participant's I.D. No. _____ A/c No. _____ hereby appoint Mr / Ms _____ of _____ or failing him/her Mr / Ms _____ of _____ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on Friday, May 29, 2009 and at any adjournment thereof.

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

Executant's Computerised National Identity Card Number (CNIC) or Passport Number	
<p>_____ First Witness Signature</p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>	<p>_____ Second Witness Signature</p> <p>_____ Name in Block letters and Address</p> <p>_____ Computerised National Identity Card Number or Passport Number of Witness</p>

Proxy's Signature

Proxy's CNIC Number or Passport Number

Proxy's Signature

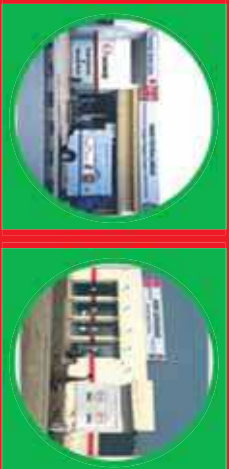
Proxy's CNIC Number or Passport Number

NOTES:

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

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

Developing & Strengthening Service Network..... Countrywide



**Facilitating Customer
Access to Service Facilities**
A Network comprising of approx. **2000**
trained personnel serving at various locations
countrywide.



HINO, The Brand for Global Customers !



Hinopak Motors Limited

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

UAN: 111-25-25-25

Website: www.hinopak.com