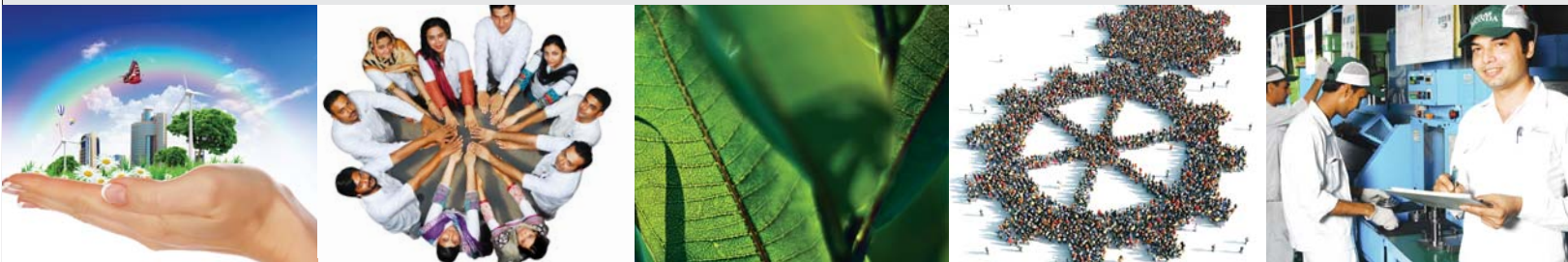




## Annual Report 2012



## THE EDGE

### The edge that touches the extra mile

Riding the leadership position in the industry has come from our utmost commitment to our standards.

It has given us an edge at every stage of our operations, from manufacturing to customer support. With everyone making encouraging progress in their given fields, Atlas Honda keeps cruising far ahead of its competition.



Organisation  
development  
through  
*self development*



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# Vision

Market leader in the motorcycle industry as a global competitive centre of production and exports.

# Mission

A dynamic growth oriented company through market leadership, excellent in quality and service and maximizing export, ensuring attractive returns to equity holders, rewarding associates according to their ability and performance, fostering a network of engineers and researchers ensuring unique contribution to the development of the industry, customer satisfaction and protection of the environment by producing emission friendly green products as a good corporate citizen fulfilling its social responsibilities in all respects.

## Customers

---

Our Customers are the reason and the source of our business. It is our joint aim with our dealers to ensure that the customers enjoy the highest level of satisfaction from use of Honda motorcycles.

## Quality

---

To ensure that our products and services meet the set standards of excellence.

## Local Manufacturing

---

To be the industry leader in indigenization of motorcycle parts.

## Technology

---

To develop and maintain distinct business advantages through continuous induction of improved hard and soft technologies.

## Shareholders

---

To ensure health and viability of business and thus safeguarding shareholders' interest by maximizing profit. Payment of regular satisfactory dividends and adding value to the shares.

## Employees

---

To enhance and continuously update each member's capabilities and education and to provide an environment which encourages practical expression of the individual potential in goal directed team efforts and compensate them attractively according to their abilities and performance.

## Corporate Citizen

---

To comply with all Government laws, rules and regulations and to maintain a high standard of ethics in all operations and to act as a responsible member of the society.





## Quality Policy

- Commitment to provide high quality motorcycles and parts.
- Right work in first attempt and on time.
- Maintain and continuously improve quality.
- Training of manpower and acquisition of latest technology.
- Safe, clean and healthy environment.
- Market leadership and prosperity for all.

## Board of Directors

---

Yusuf H. Shirazi  
Chairman

Hisao Kobayashi  
Director

Koji Takamatsu  
Director

Nurul Hoda  
Director

Sanaullah Qureshi  
Director

Sherali Mundrawala  
Director

Shigeki Takane  
Director

Saquib H. Shirazi  
Chief Executive Officer

Rashid Amin  
Company Secretary

## Audit Committee

---

Sanaullah Qureshi  
Chairman

Sherali Mundrawala  
Member

Nurul Hoda  
Member

Zaheer Ul Haq  
Head of Internal Audit

Rashid Amin  
Secretary

## Human Resource & Remuneration Committee

---

Sanaullah Qureshi  
Chairman

Sherali Mundrawala  
Member

Saquib H. Shirazi  
Member

Razi Ur Rehman  
Secretary

## Management Committee

---

Saquib H. Shirazi  
Chief Executive Officer

Nurul Hoda  
Vice President Marketing

Hisao Kobayashi  
Vice President Technical

Suhail Ahmed  
Chief Financial Officer

Muhammad Khalid Aziz  
General Manager Plants

Sultan Ahmed  
General Manager Quality Assurance

Koji Takamatsu  
General Manager Research & Development

Mushtaq Alam  
General Manager Information Technology

Javed Afghani  
General Manager Marketing

Razi Ur Rehman  
General Manager Human Resources,  
Administration & Corporate Affairs

Khawaja Shujauddin  
General Manager Planning & Commercial

Shakeel Mirza  
General Manager Supply Chain

Afaq Ahmed  
General Manager Research,  
Development & Projects

## Auditors

---

Hameed Chaudhri & Co.  
Chartered Accountants

## Legal Advisors

---

Mohsin Tayebaly & Co.  
Agha Faisal - Barrister at Law

## Tax Advisor

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Ernst & Young Ford Rhodes Sidat Hyder,  
Chartered Accountants

## Shares Registrar

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Hameed Majeed Associates (Pvt.) Limited  
H. M. House, 7-Bank Square,  
Shahrah-e-Quaid-e-Azam, Lahore  
Tel: (92-42) 37235081-82  
Fax: (92-42) 37358817



## Bankers

Allied Bank Limited  
 Bank Al Habib Limited  
 Barclays Bank PLC Pakistan  
 Deutsche Bank AG  
 Faysal Bank Limited  
 Habib Bank Limited  
 MCB Bank Limited  
 National Bank of Pakistan  
 NIB Bank Limited  
 Soneri Bank Limited  
 Standard Chartered Bank (Pakistan) Limited  
 The Bank of Tokyo-Mitsubishi UFJ Limited  
 United Bank Limited

## Registered Office

1-McLeod Road, Lahore-54000  
 Tel: (92-42) 37225015-17, 37233515-17  
 Fax: (92-42) 37233518, 37351119  
 E-mail: ahl@atlas.com.pk  
 Website: www.atlashonda.com.pk

## Factories

F-36, Estate Avenue, S.I.T.E., Karachi-75730  
 Tel: (92-21) 32575561-65  
 Fax: (92-21) 32563758  
  
 26-27 KM, Lahore-Sheikhupura Road,  
 Sheikhupura-39321  
 Tel: (92-56) 3406501-8  
 Fax: (92-56) 3406009

## Branch Offices

Azmat Wasti Road, Multan  
 Tel: (92-61) 4540054, 4571989, 4572898  
 Fax: (92-61) 4541690  
  
 60-Bank Road, Saddar, Rawalpindi  
 Tel: (92-51) 5120494-6  
 Fax: (92-51) 5120497  
  
 4B, Zamindara Colony, Rahim Yar Khan  
 Tel: (92-68) 5888809

## Show Room

West View Building, Preedy Street, Saddar,  
 Karachi  
 Tel: (92-21) 32720833, 32727607

## Spare Parts Division

D-181/A, S.I.T.E, Karachi-75730  
 Tel: (92-21) 32576690

## Warranty & Training Centres

7-Pak Chambers, West Wharf Road,  
 Karachi  
 Tel: (92-21) 32310142  
  
 28 Mozang Road, Lahore  
 Tel: (92-42) 36375360, 36303366  
  
 Azmat Wasti Road, Multan  
 Tel: (92-61) 4540028



# Board of Directors

## **Yusuf H. Shirazi**

### **Chairman**

---

Mr. Shirazi is a Law graduate (LLB) with BA (Hons) and JD (Diploma in Journalism) from Punjab University and AMP Harvard. He served in the financial services of the Central Superior Services of Pakistan for eight years. He is the author of five books including “**Aid or Trade**” adjudged by the Writers Guild as the best book of the year and continues to be a columnist, particularly on economy.

Mr. Shirazi is the Chairman of Atlas Group, which, among others, has joint ventures with Honda, GS Yuasa and MAN. He has been the President of Karachi Chamber of Commerce and Industry for two terms. He has been the founder member of Karachi Stock Exchange, Lahore Stock Exchange and International Chamber of Commerce and Industry. He has been on the Board of Harvard Business School Alumni Association and is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has been a visiting faculty member at National Defense University, Navy War College and National School of Public Policy. He has been on the Board of Governors of LUMS, GIK and FC College (Chartered University) and Pakistan Institute of Management. Previously, he also served, among others, on the Board of Fauji Foundation Institute of Management and Computer Sciences (FFIMCS) and Institute of Space Technology - Space & Upper Atmosphere Research Commission (SUPARCO).

## **Sherali Mundrawala**

### **Director (Non-Executive)**

---

Mr. Sherali Mundrawala is one of the founder members of United Bank Limited. He has over 50 years experience to his credit in the financial and manufacturing sectors. He has served as an independent director on the Board of Atlas Honda Limited for over 35 years. Besides this, he has substantial experience as a Board member of various listed and unlisted companies.

## **Sanaullah Qureshi**

### **Director (Non-Executive)**

---

Mr. Sanaullah Qureshi qualified as a Chartered Accountant from Scotland and joined ICI Pakistan Limited in 1962. He worked in different capacities as General Manager and Director-in-charge of Finance, Human Resources and various other businesses of ICI. He retired as the Deputy Chairman of ICI in 1993. Mr. Qureshi joined as CEO of Forbes Forbes Campbell & Co. Limited, an old established Group dealing in shipping, trading and manufacturing. He retired from Forbes in 1995 and is now acting in advisory capacity with Captain-PQ Chemicals Industries Limited. He is the former President of Management Association of Pakistan. He holds directorship in Linde Pakistan Limited (formerly known as BOC Pakistan Limited) and MYK Associates (Private) Limited. He has been on the Board of Atlas Honda Limited since February 2001.

## **Shigeki Takane**

### **Director (Non-Executive)**

---

Mr. Shigeki Takane has been associated with Honda Motor Company Limited for 31 years. He started his career in Finance Division. Afterwards, he was stationed in Thailand, Belgium, Germany and China in different capacities. After gaining worldwide business experience, he went back to Japan again as Tax Office General Manager. Currently, he is acting as a Director of Asian Honda Motor Company Limited in Thailand. He was appointed as member of the Board of Atlas Honda Limited in March 2012.

## **Nurul Hoda**

### **Director (Executive)**

---

Mr. Nurul Hoda is associated with Atlas Honda Limited since 1975 and has over 35 years of experience of motorcycle industry. He is a graduate from N.E.D. University in mechanical engineering and M.B.A. from Institute of Business Administration. He has also attended Management Development Program from Harvard Business School. He has served in various capacities in production and marketing departments of Atlas Honda Limited. He is Vice President Marketing and a member of the Board of Atlas Honda Limited since February 2003. He is also a member of the Board of Arabian Sea Country Club since October 2010.

## **Hisao Kobayashi**

### **Director (Executive)**

---

Mr. Hisao Kobayashi was acting as Head of Automobile Product Planning Office, Japan before being appointed to Pakistan. He was stationed in U.S.A. for Motorcycle Production Planning & Logistics, then assigned at Taiwan as Automobile Marketing and Product Planning Manager. Later on, he was appointed as the Managing Director of Honda ICVS Singapore. He has diversified knowledge of Honda products and has experience of working in different cultures and with Honda Partners. He is Vice President Technical and a member of the Board of Atlas Honda Limited since June 2010.

## **Koji Takamatsu**

### **Director (Executive)**

---

Mr. Koji Takamatsu was Head of the Quality Assurance Division at Honda Kumamoto Factory before he was appointed to Pakistan in 2008. He has expertise in engine quality. His knowledge in this field is very unique and vital for Atlas Honda Limited. He has been General Manager, Research & Development and a member of the Board of Atlas Honda Limited since February 2009.

## **Saqib H. Shirazi**

### **Chief Executive Officer**

---

Mr. Saquib H. Shirazi has been the Chief Executive Officer of Atlas Honda Limited for the last eleven years. He graduated from the Wharton School of Finance, before completing his Masters from the Harvard Business School. He has worked with the Bank of Tokyo - Mitsubishi UFJ Limited in Japan and is the former CEO of Atlas Investment Bank Limited. At present, he is serving as a member on the Board of Pakistan Petroleum Limited, Pakistan Cables Limited and Cherat Cement Limited. Previously, he has been on the Boards of National Refinery Limited, Sui Southern Gas Company Limited, PERAC and the Privatization Commission of Pakistan. He has also been on the Board of Harvard Business School's Global Alumni and served as President for the year from 2006 to 2008. He has been on the Board of Atlas Honda Limited since November 2000.

# Shareholders' Information

## Registered Office

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1-McLeod Road, Lahore-54000  
Tel: (92-42) 37225015-17, 37233515-17  
Fax: (92-42) 37233518, 37351119

## Exchange Listing

---

Atlas Honda Limited is listed on Karachi Stock Exchange (Guarantee) Limited (KSE) and Lahore Stock Exchange (Guarantee) Limited (LSE).

## Stock Symbol

---

The stock code for dealing in equity shares of Atlas Honda Limited at KSE and LSE is AT LH.

## Listing Fees

---

The annual listing fees for the financial year 2012-13 have been paid to the KSE, LSE and Central Depository Company of Pakistan Limited within the prescribed time limit.

## Statutory Compliance

---

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all relevant particulars / information as required under the Companies Ordinance, 1984 and allied rules, the listing requirements and any other relevant laws, rules and regulations prescribed by the Securities and Exchange Commission of Pakistan (SECP).

## Annual General Meeting

---

Date: June 27, 2012

Time: 11:00 A.M.

Venue: Registered Office at  
1-McLeod Road, Lahore

## Dividend Announcement

---

The Board of Directors of the Company has proposed a final cash dividend of Rs. 6.5 per share (65%) and Bonus shares @ 15% (three bonus shares for every twenty shares held) for the year ended March 31, 2012, subject to approval by the shareholders of the Company at the Annual General Meeting.

Dividend paid for the year ended March 31, 2011 was cash dividend of Rs. 6.5 per share (65%) and bonus shares @ 15% (three bonus shares for every twenty shares held).

## Dates of Book Closure

---

The register of members and shares transfer books of the Company will remain closed from June 19, 2012 to June 27, 2012 (both days inclusive).

## Date of Dividend Payment

---

The payment of dividend, upon approval by the shareholders at the forthcoming Annual General Meeting, will be made on or after June 27, 2012.

Last year, the Company had dispatched the cash dividend and bonus shares on July 4, 2011 after approval from the shareholders was obtained at the 47th Annual General Meeting held on June 23, 2011.

## Payment of Dividend

---

Cash dividend is paid through dividend warrants addressed to the shareholders whose names appear in the register of members at the date of book closure. Shareholders are requested to deposit these warrants into their bank accounts.

The shareholders are informed that SECP through S.R.O. 779 (1) 2011 dated August 18, 2011 has made it mandatory that the dividend warrants issued by the issuer should bear Computerized National Identity Card Numbers (CNIC) of the registered shareholders, except in the case of minor(s) and corporate shareholders. The shareholders are, therefore, requested to provide by mail or fax, photocopy of their CNIC and, in case of a foreigner copy of Passport, unless it has already been provided.

## Share Transfer System

---

Share transfers received by the Company's Shares Registrar are registered within 30 days from the date of receipt, provided the documents are complete in all respects.

## Annual General Meeting

---

Pursuant to section 158 of the Companies Ordinance, 1984, the Company holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all shareholders at least 21 days before the meeting and is also advertised in at least one English and Urdu newspaper having circulation in the province in which the KSE and LSE are situated.



## Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a General Meeting of the Company can appoint another member as his / her proxy to attend and vote on his / her behalf. Every notice calling a General Meeting of the Company contains a statement that a shareholder entitled to attend and vote is also entitled to appoint a proxy, who him / herself ought to be a member of the Company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the Registered Office of the Company / Shares Registrar not less than 48 hours before the meeting.

## Website of the Company

The Company is operating website [www.atlashonda.com.pk](http://www.atlashonda.com.pk) containing updated information regarding the Company. The website contains the financial results together with corporate profile, the Atlas group philosophy, details of Company's products and other relevant information.

## Market Price Data

The following table shows the month wise share price of the Company that prevailed during the financial years 2011-12 and 2010-11 in the KSE and LSE:

Months	KSE			
	High	Low	High	Low
	2011-12		2010-11	
April	153.93	138.11	172.50	143.00
May	150.50	140.00	170.88	138.16
June	160.00	112.10	154.00	110.00
July	131.00	115.00	127.99	112.00
August	127.40	110.50	122.00	92.00
September	125.50	108.00	107.64	92.50
October	120.90	115.10	122.51	94.00
November	127.00	116.21	108.00	96.00
December	127.90	116.00	128.90	104.52
January	123.00	117.50	143.80	118.74
February	137.75	118.00	141.50	120.30
March	149.00	133.75	144.00	127.00

## Change of Address / E-mail Address

All registered shareholders should send information of changes in addresses and e-mail address, if any, to:

### Shares Registrar

Hameed Majeed Associates (Pvt.) Limited  
H.M. House, 7-Bank Square,  
Shahrah-e-Quaid-e-Azam, Lahore  
Tel : (92-42) 37235081-82  
Fax : (92-42) 37358817

## 1960s

**1962**  
Atlas Autos Limited is incorporated as a public company.

Technical Collaboration Agreement is signed between Atlas Autos Limited and Honda Motor Company Limited, Japan. Mr. Siochiro Honda, the founder of Honda Motor Company Limited, graces the historical occasion and the journey of association with Honda begins.



## 1970s

**1972**  
Mr. Zulfikar Ali Bhutto, then President of Pakistan, visits the plant.

**1975**  
Rapid acceleration in localization of imported components takes place despite anomalies in custom duty and taxes.

**1976**  
Restriction on imported components is lifted, and Company utilizes its full capacity of 18,000 units for the first time.

## 1980s

**1981**  
The Company achieves 98% turnover from sales of locally assembled motorcycles.

**1982**  
Panjdarya Limited commences commercial production at its Sheikhpura plant.

**1983**  
First major capacity expansion undertaken by the Company is completed at a cost of Rs.132 million.

**1983**  
Japanese investment mission and Ambassador of Japan visit the plant.



## 1990s

**1990**  
Merger of Panjdarya Limited into Atlas Autos Limited takes place.

Investment of Rs. 120 million is made for localization of certain precision parts and enhancement of production capacity.

**1991**  
Name of the Company is changed to Atlas Honda Limited.

## 2000-06

**2000**  
Company is ranked among top ten employers by Employer's Federation of Pakistan.

**2003**  
The Company crosses the 100,000 units barrier by selling 117,209 units.

The Company receives the 'Best Corporate Report' Award in the engineering sector from the Joint Committee of ICAP and ICMAP. Further, the Company also receives KSE Top 25 Companies Award.



## 2007-11

**2007**  
The Company introduces SSP (Smart Sales Points) in its distribution network for remote areas of Pakistan.

Company hosts the 15th NHC Asia-Oceania Bloc Quality Circles Convention, the first to be hosted in Pakistan.

SAP, the leading ERP system in the world, is implemented in the Company.

**1965**

Atlas Autos Limited becomes the first two wheeler company in Pakistan to get listed on stock exchange.

Commercial production commences with sanctioned annual capacity of 6,000 units.



**1966**

The first gas operated paint shop of Pakistan was designed and operated by the Company.

**1969**

An in-house engineering workshop is set up in Karachi and Company's dream of developing a completely localized product takes its first step.

**1978**

Company sends its engineers and dealers to Japan for attending training courses for the first time.

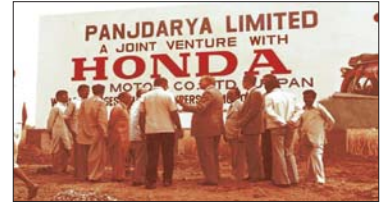
**1979**

Company incurs cost of Rs. 10 million for modernizing its manufacturing environment in order to bring it in line with international standards.

**1979**

Panjdarya Limited, an associated company, is incorporated with its plant facility at Sheikhpura for increasing product distribution in Punjab. Technical assistance agreement is also signed with Honda Motor Company Limited, Japan.

The Company organizes and sponsors the first training seminars on motorcycle technology in Pakistan.



**1983**

New CD 70 Econopower Model is launched immediately after the expansion and becomes an instant hit.

**1985**

The Company crosses the localization level of 50%.

**1986**

The Company organizes the first ever vendor conference.

**1987**

Engine parts manufacturing plant is installed with an investment of Rs. 73 million.



**1988**

Honda Motor Company Limited, Japan acquires 10% shares in Atlas Autos Limited.

**1991**

Plant for manufacturing engine parts of CG 125 is installed with an investment of Rs. 100 million.

CG 125 model is launched immediately and becomes a success.

**1992**

New CD 70 model is introduced with latest ignition technology.

**1995**

Company makes its first exports to Bangladesh, Nepal, Sri Lanka, Middle East and Central Asia.



**1998**

New CD 70 and CG 125 models are launched.



**1999**

The Company is awarded ISO 9002 certification for both of its plants at Karachi and Sheikhpura.

**2004**

Company makes its greatest ever investment of Rs. 1.1 billion for major capacity expansion. Further, CD 100 is also launched by the Company which is positively received by the market.

The Company once again receives 'Best Corporate Report' Award in the engineering sector from the Joint Committee of ICAP and ICMAP.



**2006**

The Company achieves the localization level of more than 90%.

CG 125 Deluxe is launched and makes immediate impact in urban and semi-urban markets.

**2009**

The new model of CD 100 Euro II is launched. Also, the Company receives KSE Top 25 Companies Award for the second time.



Company acquires ISO 14001-2004 Environment certification.

**2010**

The Company launches CG 125 Deluxe Euro II model



**2010**

The Company receives 'Best Corporate Report' Award from Joint Committee of ICAP and ICMAP and also receives Merit Certificate from SAFA (South Asian Federation of Accountants).

**2011**

The Company once again is awarded the Merit Certificate by SAFA for the Annual Report.

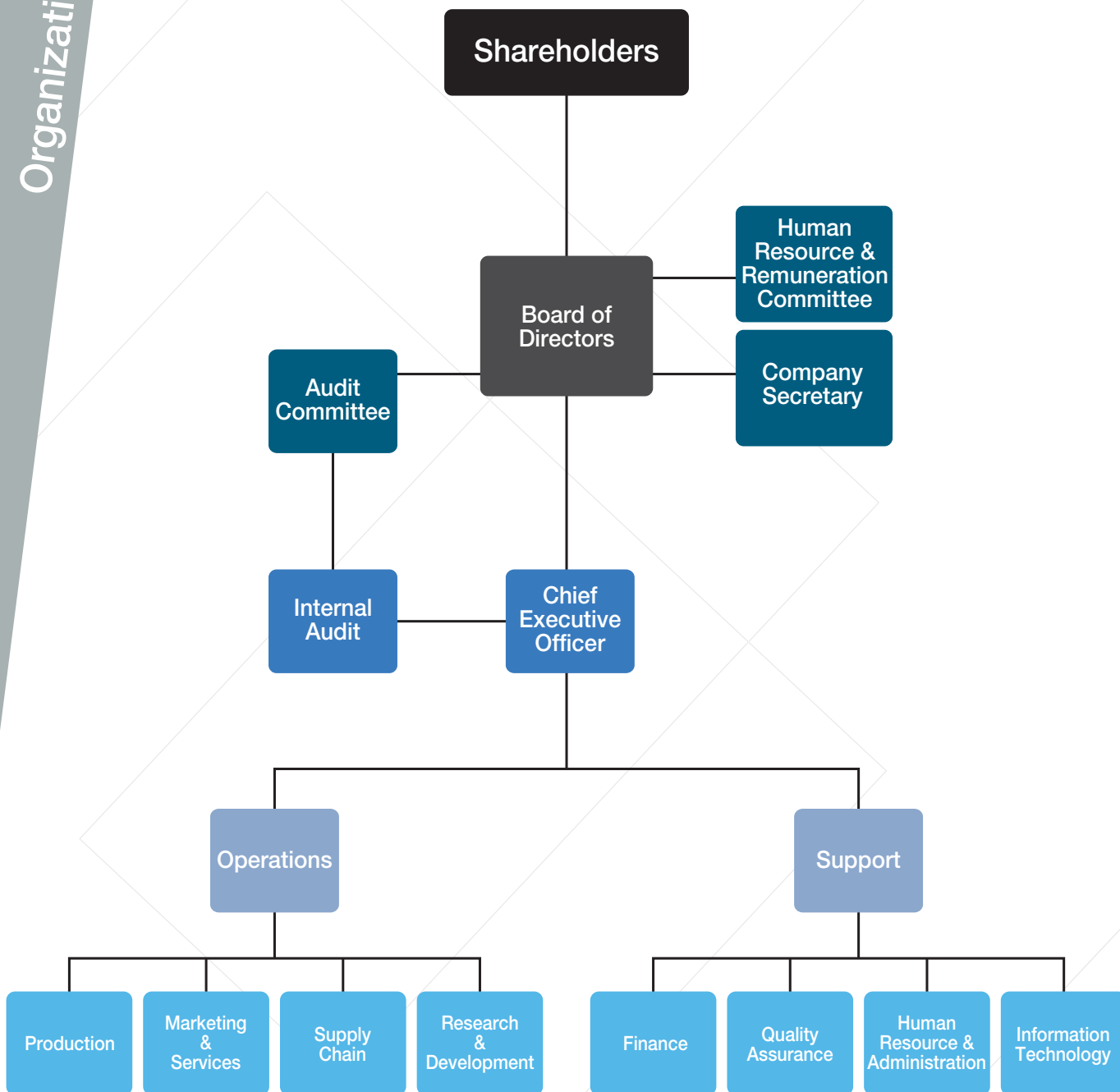
The Company crosses the 500,000 units barrier by selling 544,331 units.

## Calendar of Major Events



Month	Event	Details
April 2011	Ala Mayar Vendors' Convention for the year 2010-11	The event was held at Sheikhpura and Karachi plants with the purpose of reprising the focus on quality.
April 2011	The meeting of the Board of Directors for the financial year ended March 31, 2011.	The meeting was held on April 27th for approval of the audited annual results.
April 2011	Dealers' Convention	The Convention was attended in large numbers by dealers for discussing the market situation and future actions plans.
June 2011	Annual General Meeting of the Company	The Annual General Meeting of the Company was held on June 23, 2011 at the Registered Office for approval of annual audited financial statements, appointment of auditors, cash dividend and issuance of bonus shares.
July 2011	Fire fighting drills	Rescue 1122 unit conducted fire fighting drills at Company's Sheikhpura facility for educating staff in dealing with possible emergencies.
July 2011	Annual picnic for the year 2010-11	Annual picnic of Company's staff was organized at Kalri lake.
July 2011	The meeting of the Board of Directors for the three months period ended June 30, 2011.	The meeting was held for approval of the unaudited first quarter financial results.
September 2011	Flood relief activities	Teams comprising of Company's staff distributed food and ration among the flood victims of lower Sindh.
October 2011	Pakistan Autoparts Show 2011-12	The Company actively participated in the Annual Pakistan Autoparts Show 2011-12 held at Expo Centre in Lahore from October 24th to 26th. The event was well attended by various stakeholders of automobile industry and general public.
November 2011	The meeting of the Board of Directors for the half year ended September 30, 2011.	The meeting was held for approval of the half yearly financial results reviewed by the auditors.
January 1, 2012	The meeting of the Board of Directors for the nine months period ended December 31, 2011.	The meeting was held for approval of the unaudited third quarter financial results.
January 1, 2012	Atlas Honda Limited on Facebook	The Company's profile page was launched on Facebook with specific focus on CG 125 Deluxe.
February 2012	Visit of Chairman Honda Motor Company Limited, Japan	Mr. Kondo, Chairman, Honda Motor Company Limited, Japan visited the Company.
March 2012	Visit of President Honda Trading Company Japan and Thailand	President of Honda Trading Company Japan and Thailand visited the Company.
March 2012	Completion of Atlas IBA diploma course for second batch	Atlas IBA diploma course for second batch was completed which was attended by twenty employees.

Organization Chart





# Notice of 48th Annual General Meeting

Notice is hereby given that the Forty Eighth Annual General Meeting of the members of Atlas Honda Limited will be held on Wednesday June 27, 2012, at 11:00 A.M., at the Registered Office, 1-McLeod Road, Lahore, to transact the following businesses after recitation of the Holy Quran:

## Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on June 23, 2011.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended March 31, 2012, together with the Directors' and Auditors' reports thereon.
3. To appoint auditors and fix their remuneration for the year ending March 31, 2013. The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To consider and approve the final cash dividend of Rs. 6.5 per share i.e. 65% for the year ended March 31, 2012 as recommended by the Board of Directors.

## Special Business

5. To consider and approve the bonus shares issue @ 15% (three bonus shares for every twenty shares held) for the year ended March 31, 2012 as recommended by the Board of Directors.

To consider and if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions:

- (i) **RESOLVED** "that a sum of Rs. 107,902,550/- be capitalized out of the Company's profit available for appropriation for issuing 10,790,255 fully paid ordinary shares of Rs. 10/- each as bonus shares, to be allotted to those shareholders whose names stand in the register of members at the close of the business on June 18, 2012, in the proportion of three bonus shares for every twenty shares held by the members. The said shares shall rank pari passu with the existing shares of the Company as regard to the future dividend and all other respects."
- (ii) **FURTHER RESOLVED** "that all the fractional Bonus Shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares so combined in the stock market and pay the proceeds from sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 2001."

A statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this notice of meeting.

## Other Business

6. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Rashid Amin  
Company Secretary

Karachi: June 5, 2012



## **NOTES:**

1. The share transfer books of the Company will remain closed from June 19, 2012 to June 27, 2012 (both days inclusive).
2. A member entitled to attend and vote at this Annual General Meeting is entitled to appoint another member, as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office or Shares Registrar of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of Central Depository Company of Pakistan Limited (CDC), entitled to attend and vote at this Annual General Meeting must bring the Computerized National Identity Card (CNIC) or Passport along with his / her CDC account number to prove his / her identity and in case of Proxy, must enclose an attested copy of the CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. The members are requested to notify the Company immediately of the change in their addresses, if any.
5. Members are requested to provide by mail or fax, photocopy of their CNIC and, in case of foreigner copy of Passport, unless it has already been provided and e-mail address to enable the Company to comply with the relevant laws.
6. For the convenience of the members, a Proxy Application Form is attached at end of this report.

## **STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984**

This statement is annexed to the Notice of the Forty Eighth Annual General Meeting of Atlas Honda Limited to be held on June 27, 2012 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

## **ITEM NO. 5 OF THE AGENDA**

The Board of Directors has recommended to the members of the Company to approve issue of fully paid bonus shares @ 15% for the year ended March 31, 2012 and thereby capitalize a sum of Rs.107,902,550/-

Directors are interested in the business only to the extent of their entitlement of bonus shares as shareholders.

# Chairman's Review



***“For Atlas Honda Limited, 2011-12 was another year of Success and Growth. The Company made significant progress on a number of critical fronts and delivered record results once again. By focusing on strong operational performance, product quality, social responsibility and prudent financial management, the Company continued to deliver reliable and stable returns to investors while launching significant expansion projects that solidify the Company’s platform for future growth”.***

I am pleased to present the 48th Annual Report of the Company for the year ended March 31, 2012.

## Economy

The economy has been under pressure in recent years. However, it has shown resilience and is expected to grow by 3.5% to 4.0% in FY12. This is on the back of a reasonable performance of service and agriculture sectors. The inflationary pressures subsidized to some extent as the CPI registered an increase of 10.8% on year on year basis. In line with lower inflation numbers, State Bank of Pakistan reduced policy rate by 200 basis points to 12 percent in order to revive private sector investment. Foreign reserves remained relatively stable at USD 16.51 billion despite payments to International Monetary Fund. Remittances remained the cornerstone of reserves' stability as inward flows exceeded USD 10 billion, helped cushion the outflows. On the revenue front, FBR was able to collect Rs. 1,266 billion in 9M FY12, an increase of 25% on year on year basis.

On the other hand, external side depicts a bleak outlook on the back of rising current account deficit. Trade deficit increased to USD 10.5 billion in the first half of FY12 as imports, primarily driven by high oil price, outpaced exports. These imbalances on the external front and absence of investment inflows pushed the local currency to a record low level. Further, the provisional estimates of fiscal deficit suggest the likely breach of the targeted deficit for FY12. As a result, the government is relying on the domestic banking system to finance fiscal gap, thus, crowding out the private sector lending.

## Agriculture

The agriculture sector's performance was less than expected with a repeat of floods which inundated a significant portion of country's southern region. Further, rising costs of energy and fertilizers, together with the lower prices for major crops eroded liquidity of the farmers. However, productivity gains due to the increase in area under cultivation of major kharif crops (cotton, rice, sugarcane) allowed agriculture sector to post a slight growth of 1.2% over the last year.

## Large Scale Manufacturing

Large Scale Manufacturing (LSM) managed to post growth of 2.3% which is reflective of the lower base of last year. Overall, consumer goods industries performed well and contributed positively to the index. This was due to high workers' remittances, improved agriculture output and fiscal support. However, worsening energy crisis continued to plague production activities.

## Automobile Industry

The year 2011-12 was yet another challenging year for the automobile industry. The earthquake in Japan followed by unprecedented floods in Thailand, fading economic conditions and continuous depreciation of Pak Rupee, put enormous pressure on reviving automobile industry. The signs of recovery which had started last year continued during the year and registered a growth of 11.3%. This was on the back of increase in auto financing and reduction in indirect taxes. As a major contributor to national exchequer and a catalyst of technology development and employment generation, the automobile industry is calling for sanguine policies to resolve issues like tariff rationalization, under invoicing, mis-declaration in auto part imports and consultation with Original Equipment Manufacturer (OEM) on regional trade agreements for maintaining confidence of investors.

## The Two Wheeler Industry

The two wheeler industry maintained a growth momentum carried from last year and marked an increase of 10.3%. The major demand of two wheelers comes from rural areas, thus healthy cash flows of the previous two years sustained momentum of increasing demand of motorcycles. According to an estimate, Rs. 1 trillion has trickled down from urban economies to rural areas over the last three years. Further, hike in prices of four wheelers and continued uncertainty in the transportation sector has contributed to increasing demand for two wheelers. However, recent slowdown in agriculture sector has mitigated the increase in demand to some extent.

## The Company

Year 2011-12 has been a good year for the Company, as sales, operating income and profits surpassing all previous heights.

## Marketing Focus

### Motorcycle Segment

The **70cc segment** continues to constitute the largest chunk of motorcycle industry and is steadily growing every year. With its immensely popular brand CD70, the Company is the market leader in this category. In FY 2011-12, Company consolidated its position further on the back of strong rural reach and registered growth of 11.1%. During the year, Company introduced marketing campaign based on "**DUGNI WARRANTY LUSH STYLE**" to further enhance customer confidence and loyalty for Honda motorcycles.

In **100cc segment**, field and promotional activities remained the focal point based on customer satisfaction enhancement. Accordingly, extensive Econo run, test rides and training of general mechanics were conducted.

The **125cc segment** continues to grow steadily. The Company's strong offerings in this segment give it a commanding position in the market. CG125 upholds top position and remains dominant in the market. **Honda Deluxe CG-125** has created its own niche market and is steadily gaining popularity among the youngsters in the premium market. With the increase in youth population, urbanization and continuous inflow of foreign remittances, it is expected that demand in 125cc segment will remain buoyant in the years ahead.

### Spare Parts Segment

The Company perceives great market potential in spare parts sales on account of rapidly growing number of motorcycles on the road. However, low quality, smuggled and counterfeit parts are a major threat to the organized sector. The Company remained proactive to increase customer awareness of genuine parts and plans to step up efforts in future. In spite of such challenges, spare parts sales were recorded at Rs. 2.6 billion.

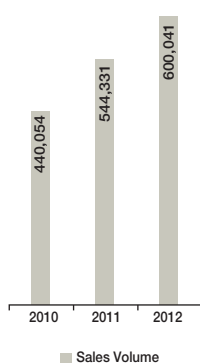
## Financial Scorecard

The Company's financial results were in line with its strategic plans - delivering stable sales growth, improve operational leverage and a better bottom line.

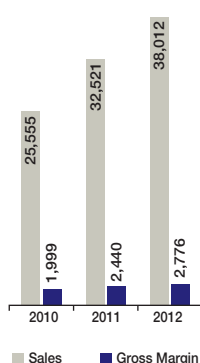
### Sales and Gross Margin

The Company registered 16.9% growth in sales over the last year and recorded an all time high sales figure of Rs. 38 billion. This positive top line growth is attributable to volume increase and improved sales mix. However, gross margin remained under pressure and was recorded at 7.3% against 7.5% of last year. This was due to rising material prices, depreciation of Pak Rupee, continued high inflation and significant rise in energy cost. The key challenge is to improve this over the course of next year.

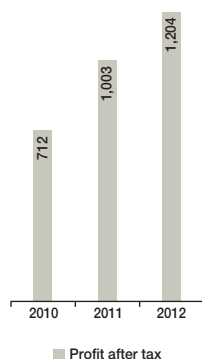
Sales Volume  
(in units)



Sales & Gross Margin  
(Rs. in million)



### Profit After Tax (Rs. in million)



### Operating Expenses

The Company is focused on controlling its operating overheads. Distribution and administrative expenses for the year were Rs. 1.3 billion, an increase of 15.6%. However, as a percentage of sales, it has reduced from 3.5% to 3.4%. The increase in absolute terms mainly represents spending on advertising and promotional activities for driving business growth, expansion in dealership network and effects of inflation.

### Other Income net of Financial Charges and Other Expenses

Other income, net of financial charges and other expenses, was Rs. 146 million, which is an encouraging 51.2% higher than the corresponding year. This was achieved through better treasury management and early repayment of borrowings.

### Profitability

The Company registered highest ever net profit before tax of Rs. 1.6 billion. Net profit after tax increased to Rs. 1.2 billion from Rs. 1.0 billion, an increase of 20.1% over last year. This translates into Earnings per Share (EPS) of Rs. 16.74 as against Rs. 13.94 (restated) of last year.

### Debt Structure

As on March 31, 2012, the Company has no outstanding borrowings and I take pride to inform you that your Company has achieved "DEBT FREE" status by completely repaying its borrowings during the year.

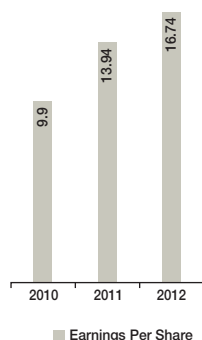
### Cash Flows and Capital Expenditure

The free cash flows from operations during the year stood at Rs. 2.2 billion. The same have been deployed in capital assets, repayment of debt and dividends payout during the year. Investments made in capital assets mainly represent expansion of production facilities and balancing, modernization and replacement of existing manufacturing facilities.

### Contribution to National Exchequer

During the year, the Company contributed an amount of Rs. 7.7 billion to the government and its agencies on account of various taxes and levies. The Atlas Group, of which the Company is a constituent member, contributed Rs. 21 billion in all towards the national exchequer. This makes Atlas Group one of the biggest tax payers in the country with 2% of government's total revenue.

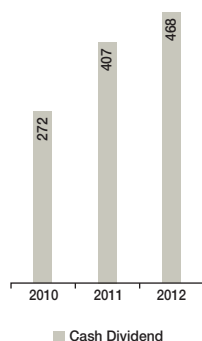
### Earnings Per Share - Restated (Rs. Per Share)



### Dividend Policy

Over the years, the Company has consistently followed a policy of paying healthy dividends by considering the cash generating capacities, the expected capital requirements of the business and strategic considerations. For 2011-12, the Board of Directors is pleased to propose cash dividend of Rs. 6.5 per share and bonus shares issue @ 15% (i.e. 3 bonus shares for every 20 shares held). This amounts to Rs. 575.48 million, the highest ever in the Company's history.

### Cash Dividend (Rs. in million)



### Production Excellence

Meeting growing sales demand was a key concern during the year. The challenge was addressed by optimizing plant production and installing capacity expansion projects not only internally but across the supply chain. Also, production of lower value-added parts was outsourced. The newly created space allowed machines to be used for critical operations and accommodated a better product mix. At the same time, the supply chain team impressed upon vendors the need to build flexibilities into their operations. These initiatives produced results and by year end overall production capacity went up, allowing the Company to produce over 600,000 units in a year.

The control of in-plant manufacturing costs was another focus area. Controlling energy cost was of utmost importance as Company was severely hit by the non-availability of natural gas and hike in energy cost. In this regard, Company has taken measures for diversification of power sources and initiated plans for arranging alternate sources of energy.

## Business Process Re-engineering

To increase productivity and reduce the cost pressure, a number of Kaizen activities together with machinery modifications were made, some of which are listed below:

The Company has developed state of art paint shop with completely indigenous design. The shop is now working on 40% higher efficiency than the conventional spray booth paint shops.	The innovative B2B system with vendors and dealers was further strengthened. Currently, 508 dealers and 150 vendors are connected online with our factories through this application.
Resourcing of cutting oil in Hi-tech area reduced 35% oil consumption.	Refurbishment of six case bottom dies through CAD/CAM.
Inhouse manufacturing of stamping dies for clutch plates.	Resourcing of various cutting tools like hob cutters, taps and cutting inserts to keep the tooling cost within target.

## Award

It gives me pleasure to inform you that the Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) awarded merit certificate for "Best Sustainability Report" to the Company's Annual Report of 2010.



Mr. Nurul Hoda receiving the merit certificate

## Looking Forward Statement

Under the prevailing circumstances, the outlook for 2012 remains challenging. The risk to macroeconomic stability stems from the external account and the continued fiscal weakness. The government must work together with all its stakeholders to take decisive actions on broadening revenue mobilization, restructuring of public sector enterprises and providing a solution to the worsening energy crisis. On the other hand, government should target early realization of planned foreign financial inflows to mitigate uncertainty at external account. Agriculture, a core contributor of revival with a 25% share in the economy, will remain the nucleus of economic growth. Reasonable support prices, improved acreage in major crops and timely financial support by government to farmers will assist in moving the economic cycle at a faster pace, thus strengthening two wheeler demand in rural areas. However, depreciating Pak Rupee and political uncertainty in the wake of imminent parliamentary elections will keep a check on the progress of the two wheeler market. Despite this, your Company believes that the two wheeler industry will continue to be an active and growing field in the consumption based, developing economy of Pakistan.

The Company has been exhibiting strong performance against challenges over the years, be it vulnerability of increased competition, rise in raw material prices or fluctuating exchange rate. Operational excellence and management skills have positioned the Company for sustainable growth to meet challenges ahead. Being socially responsible, financially viable and operationally smart will remain the key objectives of the Company. Following the principles of "The Atlas Way" will help the Company to maintain its number one position in the years ahead.

کے گیسوئے تابدار کو اور بھی تابدار کر  
(Let's work better and better)

## Acknowledgment

I heartily applaud the Japanese nation for their marvelous efforts in recovering from a series of natural calamities. The Atlas Group is proud of its partnership with Honda Motor Company Limited and would like to acknowledge their continued support and cooperation in maintaining high standards of excellence. I would like to thank our valued customers, the management team and the Board of Directors for their guidance and Mr. Saquib H. Shirazi - C.E.O. for his leadership. I would also like to acknowledge the continued support of all stakeholders - Bankers, Dealers, Vendors, Associates and Shareholders for helping build Atlas Honda Limited into a unique company in the two wheeler industry.



Yusuf H. Shirazi

Date: April 30, 2012



# Critical Performance Measures

<b>Sales</b> (No. of units)			▲
2012	600,041	10%	
2011	544,331		

<b>Sales</b> (Rs. in million)			▲
2012	38,012	17%	
2011	32,521		

<b>Gross Profit</b> (Rs. in million)			▲
2012	2,776	14%	
2011	2,440		

<b>Gross Profit</b> (% of sales)			▼
2012	7.3%	3%	
2011	7.5%		

<b>Profit before Tax</b> (Rs. in million)			▲
2012	1,620	15%	
2011	1,410		

<b>Profit before Tax</b> (% of sales)			▬
2012	4.3%	0%	
2011	4.3%		

<b>Profit after Tax</b> (Rs. in million)			▲
2012	1,204	20%	
2011	1,003		

<b>Profit after Tax</b> (% of sales)			▲
2012	3.2%	3%	
2011	3.1%		

Comparative has been restated

<b>Earnings Per Share</b> (Rupees)			▲
2012	16.7	20%	
2011	13.9		

Based on year end market value

<b>Market Price Per Share</b> (Rupees)			▲
2012	142.2	0.3%	
2011	141.7		

<b>Break up Value Per Share</b> (Rupees)			▲
2012	75.3	2%	
2011	73.9		

Proposed for current year

<b>Cash Dividend</b> (Rs. in million)			▲
2012	468	15%	
2011	407		

<b>Capital Expenditure</b> (Rs. in million)			▲
2012	1,232	121%	
2011	557		

<b>Debt to Equity</b> (%)			▲
2012	-	100%	
2011	2		

<b>Cash Generated from Operating Activities</b> (Rs. in million)			▼
2012	1,721	20%	
2011	2,148		

<b>Dealership Network</b> (No. of dealers)			▲
2012	580	23%	
2011	470		

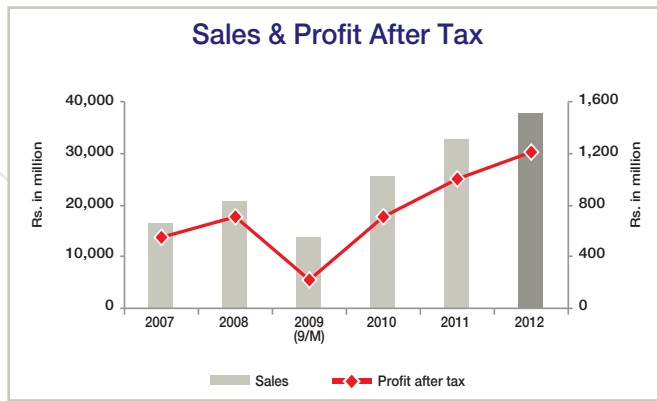
<b>Wealth Distributed</b> (Rs. in million)			▲
2012	44,532	16%	
2011	38,479		

<b>Current Ratio</b> (Times)			▬
2012	1.5	0%	
2011	1.5		



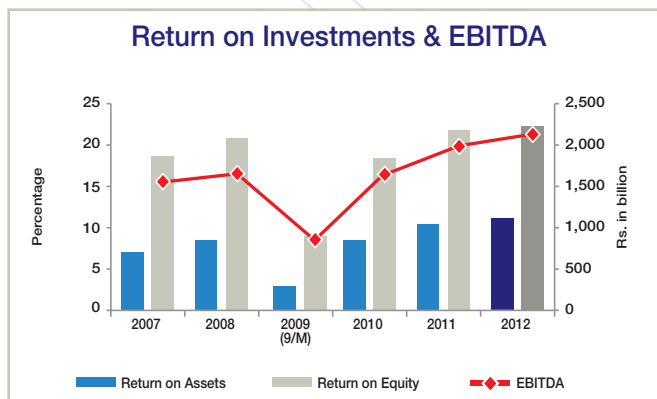


Particulars		2012	2011	2010	2009	2008	2007
		(Nine Months)					
<b>Profitability Ratios</b>							
Gross profit margin	%	7.3	7.5	7.8	7.0	7.5	9.4
Profit before tax margin	%	4.3	4.3	4.2	2.6	4.8	4.8
Net profit margin	%	3.2	3.1	2.8	1.6	3.4	3.3
Return on capital employed	%	32.3	32.2	26.7	14.1	24.6	20.9
Return on equity - before tax	%	29.9	30.5	27.7	14.2	29.5	27.0
Return on equity - after tax	%	22.2	21.7	18.3	9.0	20.7	18.6
Return on assets	%	11.0	10.4	8.4	3.0	8.3	7.0
Earnings before interest, tax, depreciation and amortization (EBITDA)	Rs. in million	2,122.6	1,977.3	1,627.2	849.8	1,631.0	1,537.2
EBITDA margin	%	5.6	6.1	6.4	6.2	7.8	9.3
<b>Equity Ratios</b>							
Cash dividend per share (declared)	Rs.	6.5	6.5	5.0	3.0	6.5	6.0
Stock dividend per share (bonus shares declared for the year)	Rs.	1.5	1.5	1.5	1.5	-	1.5
Bonus shares declared for the year	No. in '000	10,790	9,383	8,159	7,095	-	6,169
Earnings per share	Rs.	16.74	16.03	13.10	4.75	14.9	11.7
Price earning ratio	Times	8.5	8.8	10.9	18.7	14.1	13.5
Market price per share as at year end	Rs.	142.2	141.8	142.5	88.8	210.0	158.0
Market price per share for the year							
- maximum value	Rs.	160.0	172.5	154.2	211.8	237.0	248.9
- minimum value	Rs.	108.0	92.0	56.9	87.4	138.5	108.1
Break up value per share	Rs.	75.3	73.9	71.6	70.2	72.0	62.9
Dividend yield	%	5.6	5.6	4.6	5.1	3.1	4.7
Dividend cover	Times	2.1	2.0	2.0	1.1	2.3	1.6
Dividend pay out	%	47.8	49.9	49.6	94.8	43.7	55.7
Plough back ratio	%	52.2	50.1	50.4	5.2	56.3	44.3
Weighted average cost of debt	%	-	14.0	13.1	15.6	10.7	11.0
Cost of equity	%	11.8	11.3	9.2	5.3	7.1	8.5
<b>Efficiency Ratios</b>							
Assets turnover	Times	3.5	3.4	3.0	1.8	2.4	2.1
Fixed assets turnover	Times	9.6	10.0	7.9	4.0	6.1	4.6
Inventory turnover	Times	14.04	12.9	11.9	5.8	8.5	7.6
Debtors turnover	Times	63.5	81.0	57.3	42.9	51.2	58.9
Creditors turnover	Times	7.3	7.1	7.6	4.8	6.0	5.4
Capital employed turnover	Times	7.0	7.0	5.8	3.7	5.1	4.1
<b>Operating Cycle</b>							
Period of inventory holding	Days	26	28	31	48	43	48
Period of collection from debtors	Days	6	5	5	7	6	6
Period of payments to creditors	Days	(50)	(51)	(48)	(76)	(61)	(68)
Operating cycle	Days	(18)	(18)	(12)	(21)	(12)	(14)
<b>Liquidity / Leverage Ratios</b>							
Current ratio	Times	1.5	1.5	1.5	1.3	1.3	1.3
Quick ratio	Times	0.9	0.9	0.9	0.6	0.8	0.7
Debt to equity / financial leverage ratio	Times	-	0.02	0.2	0.2	0.3	0.5
Total liabilities to equity	Times	1.02	1.1	1.2	1.3	1.6	1.7
Interest cover	Times	427.9	18.4	12.0	2.4	5.0	3.1
Operating leverage ratio	%	52.8	98.6	139.9	158.3	36.1	217.3
Cash to current liabilities	Times	0.4	0.5	0.5	0.2	0.1	0.3
Cash flow from operations to sales	%	4.5	6.6	6.9	1.5	4.0	10.7

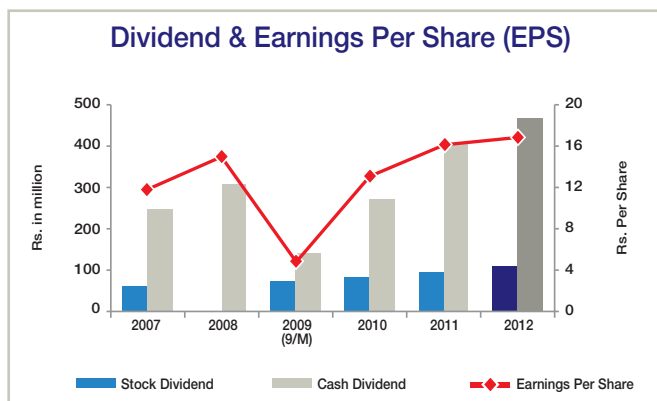


**Accelerated Sales:**  
The Company believes in instilling the mindset of creating value across the Company. As a result, net sales showed CAGR of 15% over the period of six years.

**Higher Net Income:**  
Despite effects of devaluation of Pak Rupee and continuous inflation, the Company has delivered CAGR of 14% over the period of six years.

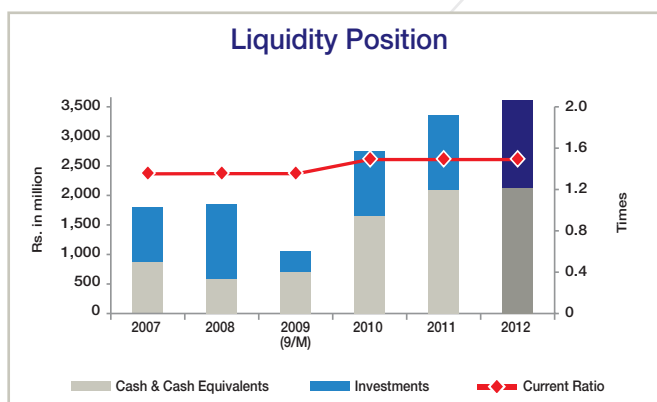


**Expanded Investment Returns:**  
Return on equity rose to 22% due to steady income growth. Return on assets rose to 11% despite significant increase in assets base on account of capacity expansion.

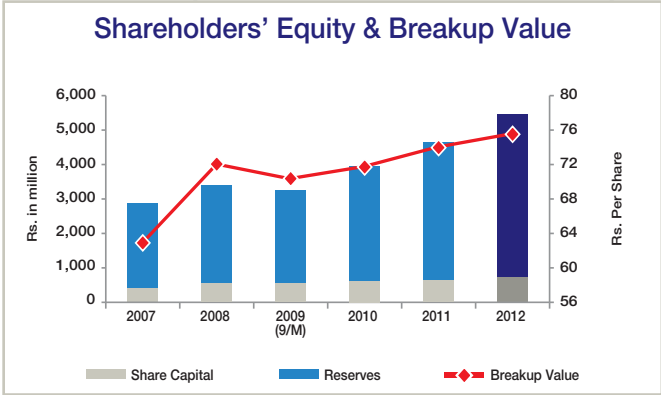


**Dividend:**  
The Company is following the policy of paying high dividends by considering the cash generating capacities, the expected capital expenditure and strategic considerations.

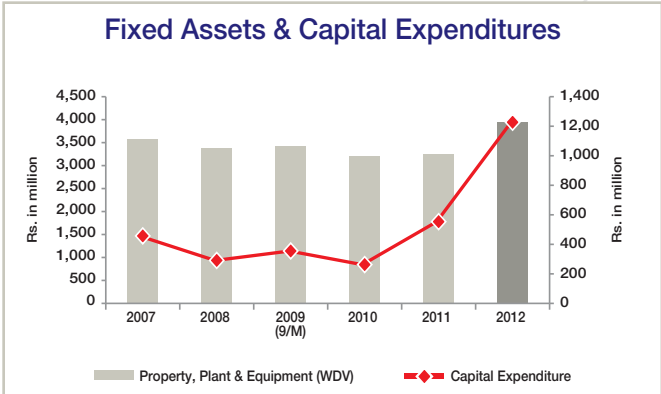
**EPS:**  
Over the years, the Company is focused on maintaining steady growth in EPS. This year, Company has again delivered the record EPS of Rs. 16.74.



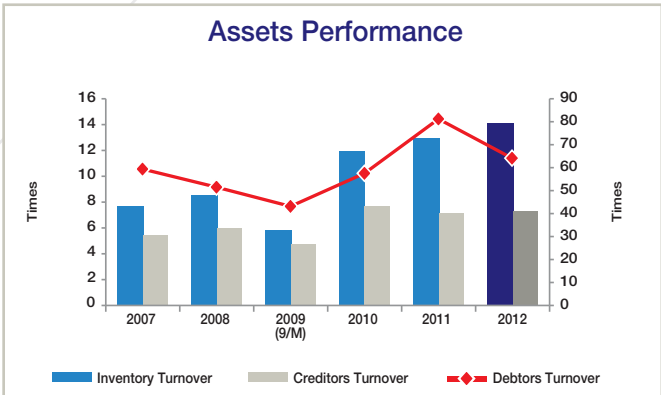
**Strong Liquidity Position:**  
The Company remains focused on generating cash flows from operations and deploy it into capital assets, investments and dividends.



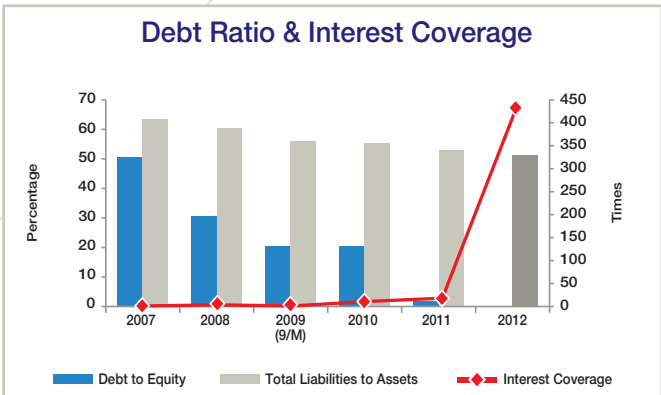
**Improved Financial Soundness:**  
The Company has set the goal for improving financial soundness by consolidating its shareholders equity. The goal was eclipsed by achieving the record Shareholders equity which stood at Rs. 5.420 billion with CAGR of 14%.



**Increased Investments:**  
From 2007 to 2012, the Company has made gross investments of Rs. 3.1 billion for capacity expansion of its production facilities and BMR of existing facilities. These investments have laid the foundations of growth over the medium and long terms.



**Assets Performance:**  
The Company has always sought to efficiently use the various components of working capital cycle. It has been able to effectively control the receivable and inventories, enabling it to continue its operations on negative operating cycle.



**Debt Free Status:**  
The Company actively reshaped its balance sheet approach and worked to reduce interest bearing liabilities to improve its balance sheet. The outcome in 2012 was achievement of "DEBT FREE STATUS".

# Analysis of the Financial Statements

## Balance Sheet

Particulars	2012	2011	2010	2009	2008	2007
	-----Rupees in '000 -----					
<b>Assets</b>						
<b>Non Current Assets</b>						
Property, plant and equipment	3,941,610	3,259,193	3,224,897	3,412,901	3,376,605	3,566,931
Intangible asset	6,419	7,137	8,053	16,601	14,813	24,324
Long term investments	-	-	-	-	-	51,761
Long term loans and advances	20,420	22,403	18,810	14,359	14,043	12,943
Long term deposits and prepayments	15,728	10,765	11,336	8,964	13,503	15,900
<b>Total Non current assets</b>	<b>3,984,177</b>	<b>3,299,498</b>	<b>3,263,096</b>	<b>3,452,825</b>	<b>3,418,964</b>	<b>3,671,859</b>
<b>Current Assets</b>						
Stores, spares and loose tools	348,639	325,891	322,592	428,188	417,564	407,730
Stock in trade	2,161,328	2,003,029	1,664,297	1,792,036	1,862,069	1,580,925
Trade debts	598,265	401,435	445,689	320,180	407,354	282,249
Loans and advances	33,152	33,525	40,485	37,646	39,354	20,553
Trade deposits and prepayments	44,832	36,936	39,079	64,637	223,229	5,075
Short term investments	1,460,580	1,338,474	1,088,996	455,816	1,377,300	864,989
Accrued mark-up / interest	4,348	8,517	4,513	520	812	90
Other receivables	15,338	15,075	11,566	101,071	169,838	45,543
Taxation - net	160,604	68,050	-	91,308	-	138,179
Bank balances	2,149,154	2,090,800	1,641,963	636,426	504,138	919,623
<b>Total Current Assets</b>	<b>6,976,240</b>	<b>6,321,732</b>	<b>5,259,180</b>	<b>3,927,828</b>	<b>5,001,658</b>	<b>4,264,956</b>
<b>Total Assets</b>	<b>10,960,417</b>	<b>9,621,230</b>	<b>8,522,276</b>	<b>7,380,653</b>	<b>8,420,622</b>	<b>7,936,815</b>
<b>Equity and Liabilities</b>						
<b>Share Capital and Reserves</b>						
Share capital	719,350	625,522	543,932	472,985	472,985	411,291
Reserves	4,700,584	3,996,892	3,347,892	2,848,277	2,931,184	2,564,530
<b>Total Share Capital and Reserves</b>	<b>5,419,934</b>	<b>4,622,414</b>	<b>3,891,824</b>	<b>3,321,262</b>	<b>3,404,169</b>	<b>2,975,821</b>
<b>Non Current Liabilities</b>						
Long term borrowings	-	-	512,500	375,000	697,517	1,109,267
Deferred liabilities	730,315	649,354	600,015	575,862	571,004	559,487
<b>Total Non Current Liabilities</b>	<b>730,315</b>	<b>649,354</b>	<b>1,112,515</b>	<b>950,862</b>	<b>1,268,521</b>	<b>1,668,754</b>
<b>Current Liabilities</b>						
Trade and other payables	4,810,168	4,255,584	3,109,999	2,646,221	3,247,381	2,769,376
Accrued mark-up / interest	-	6,378	37,384	72,328	49,829	57,035
Short term finances	-	-	-	-	-	-
Current portion of long term liabilities	-	87,500	362,500	389,980	436,751	465,829
Provision for taxation	-	-	8,054	-	13,971	-
<b>Total Current Liabilities</b>	<b>4,810,168</b>	<b>4,349,462</b>	<b>3,517,937</b>	<b>3,108,529</b>	<b>3,747,932</b>	<b>3,292,240</b>
<b>Total Equity and Liabilities</b>	<b>10,960,417</b>	<b>9,621,230</b>	<b>8,522,276</b>	<b>7,380,653</b>	<b>8,420,622</b>	<b>7,936,815</b>

# Analysis of the Financial Statements

## Balance Sheet

Particulars	Vertical Analysis						Horizontal Analysis					
	2012	2011	2010	2009	2008	2007	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006
	%	%	%	%	%	%	%	%	%	%	%	%
<b>Assets</b>												
<b>Non Current Assets</b>												
Property, plant and equipment	36.0	33.9	37.8	46.3	40.1	44.9	20.9	1.1	-5.5	1.1	-5.3	-0.9
Intangible asset	0.1	0.1	0.1	0.2	0.2	0.3	-10.1	-11.4	-51.5	12.1	-39.1	-16.4
Long term investments	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	-100.0	100.0
Long term loans and advances	0.2	0.2	0.2	0.2	0.2	0.2	-8.9	19.1	31.0	2.3	8.5	-24.3
Long term deposits and prepayments	0.1	0.1	0.1	0.1	0.2	0.2	46.1	-5.0	26.5	-33.6	-15.1	44.2
<b>Total Non current assets</b>	<b>36.4</b>	<b>34.3</b>	<b>38.2</b>	<b>46.8</b>	<b>40.7</b>	<b>46.3</b>	<b>20.8</b>	<b>1.1</b>	<b>-5.5</b>	<b>1.0</b>	<b>-6.9</b>	<b>0.4</b>
<b>Current Assets</b>												
Stores, spares and loose tools	3.2	3.4	3.8	5.8	5.0	5.1	7.0	1.0	-24.7	2.5	2.4	7.5
Stock in trade	19.7	20.8	19.5	24.4	22.1	19.9	7.9	20.4	-7.1	-3.8	17.8	-18.4
Trade debts	5.5	4.2	5.2	4.3	4.7	3.6	49.0	-9.9	39.2	-21.4	44.3	0.6
Loans and advances	0.3	0.3	0.5	0.5	0.5	0.3	-1.1	-17.2	7.5	-4.3	91.5	-60.0
Trade deposits and prepayments	0.4	0.4	0.5	0.9	2.7	0.1	21.4	-5.5	-39.5	-71.0	4298.6	69.3
Short term investments	13.3	13.9	12.8	6.2	16.4	10.9	9.1	22.9	138.9	-66.9	59.2	164.3
Accrued mark-up / interest	0.0	0.1	0.1	0.0	0.0	0.0	-48.9	88.7	767.9	-36.0	802.2	-83.4
Other receivables	0.1	0.2	0.1	1.3	1.9	0.6	1.7	30.3	-88.6	-40.5	272.9	19.6
Taxation - net	1.5	0.7	0.0	1.2	0.0	1.7	136.0	100.0	-100.0	100.0	-100.0	55.4
Bank balances	19.6	21.7	19.3	8.6	6.0	11.5	2.8	27.3	158.0	26.2	-45.2	34.8
<b>Total Current Assets</b>	<b>63.6</b>	<b>65.7</b>	<b>61.8</b>	<b>53.2</b>	<b>59.3</b>	<b>53.7</b>	<b>10.4</b>	<b>20.2</b>	<b>33.9</b>	<b>-21.5</b>	<b>17.3</b>	<b>12.6</b>
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>13.9</b>	<b>12.9</b>	<b>15.5</b>	<b>-12.4</b>	<b>6.1</b>	<b>6.6</b>
<b>Equity and Liabilities</b>												
<b>Share Capital and Reserves</b>												
Share capital	6.6	6.5	6.4	6.4	5.6	5.2	15.0	15.0	15.0	0.0	15.0	15.0
Reserves	42.9	41.6	39.3	38.6	34.8	32.3	17.6	19.4	17.5	-2.8	14.3	13.9
<b>Total Share Capital and Reserves</b>	<b>49.5</b>	<b>48.1</b>	<b>45.7</b>	<b>45.0</b>	<b>40.4</b>	<b>37.5</b>	<b>17.3</b>	<b>18.8</b>	<b>17.2</b>	<b>-2.4</b>	<b>14.4</b>	<b>14.1</b>
<b>Non Current Liabilities</b>												
Long term borrowings	0.0	0.0	6.0	5.1	8.3	14.0	0.0	-100.0	36.7	-46.2	-37.1	-30.2
Deferred liabilities	6.6	6.7	7.0	7.8	6.8	7.0	12.5	8.2	4.2	0.9	2.1	33.3
<b>Total Non Current Liabilities</b>	<b>6.6</b>	<b>6.7</b>	<b>13.0</b>	<b>12.9</b>	<b>15.1</b>	<b>21.0</b>	<b>12.5</b>	<b>-41.6</b>	<b>17.0</b>	<b>-25.0</b>	<b>-24.0</b>	<b>-17.0</b>
<b>Current Liabilities</b>												
Trade and other payables	43.9	44.2	36.5	35.8	38.5	34.9	13.0	36.8	17.5	-18.5	17.3	18.0
Accrued mark-up / interest	0.0	0.1	0.4	1.0	0.6	0.7	-100.0	-82.9	-48.3	45.2	-12.6	-17.4
Short term finances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
Current portion of long term liabilities	0.0	0.9	4.3	5.3	5.2	5.9	-100.0	-75.9	-7.0	-10.7	-6.2	26.3
Provision for taxation	0.0	0.0	0.1	0.0	0.2	0.0	0.0	-100.0	100.0	-100.0	100.0	0.0
<b>Total Current Liabilities</b>	<b>43.9</b>	<b>45.2</b>	<b>41.3</b>	<b>42.1</b>	<b>44.5</b>	<b>41.5</b>	<b>10.6</b>	<b>23.6</b>	<b>13.2</b>	<b>-17.1</b>	<b>13.8</b>	<b>16.5</b>
<b>Total Equity and Liabilities</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>13.9</b>	<b>12.9</b>	<b>15.5</b>	<b>-12.4</b>	<b>6.1</b>	<b>6.6</b>



# Analysis of the Financial Statements

## Profit and Loss Account and Cash Flow Statement

Particulars	2012	2011	2010	2009	2008	2007
	(Nine Months)					
	----- (Rupees in '000) -----					
<b>Profit and Loss Account</b>						
Sales	38,011,857	32,521,399	25,554,772	13,747,820	20,855,535	16,608,413
Cost of sales	(35,235,893)	(30,080,978)	(23,555,842)	(12,782,165)	(19,298,994)	(15,044,640)
<b>Gross Profit</b>	<b>2,775,964</b>	<b>2,440,421</b>	<b>1,998,930</b>	<b>965,655</b>	<b>1,556,541</b>	<b>1,563,773</b>
Distribution cost	(965,883)	(815,463)	(690,794)	(271,346)	(267,483)	(371,569)
Administrative expenses	(335,654)	(310,742)	(264,739)	(165,648)	(227,759)	(209,261)
Other operating income	274,453	299,337	239,047	89,744	263,870	150,681
Other operating expenses	(117,162)	(109,597)	(92,600)	(13,849)	(68,878)	(60,772)
<b>Profit from operations</b>	<b>1,631,718</b>	<b>1,503,956</b>	<b>1,189,844</b>	<b>604,556</b>	<b>1,256,291</b>	<b>1,072,852</b>
Finance cost	(11,717)	(93,475)	(112,613)	(251,777)	(252,091)	(269,337)
<b>Net profit before taxation</b>	<b>1,620,001</b>	<b>1,410,481</b>	<b>1,077,231</b>	<b>352,779</b>	<b>1,004,200</b>	<b>803,515</b>
Taxation	(415,892)	(407,925)	(364,773)	(128,246)	(301,191)	(249,924)
<b>Net profit after taxation</b>	<b>1,204,109</b>	<b>1,002,556</b>	<b>712,458</b>	<b>224,533</b>	<b>703,009</b>	<b>553,591</b>
<b>Cash Flow Statement</b>						
Cash flows from operating activities	1,720,597	2,147,882	1,768,263	200,587	842,189	1,780,564
Cash flows from investing activities	(1,171,217)	(642,540)	(730,915)	607,037	(572,029)	(923,751)
Cash flows from financing activities	(491,026)	(1,056,505)	(31,811)	(675,336)	(685,645)	(619,278)
Net increase / (decrease) in cash and cash equivalents	58,354	448,837	1,005,537	132,288	(415,485)	237,535

# Analysis of the Financial Statements

## Profit and Loss Account and Cash Flow Statement

Particulars	Vertical Analysis						Horizontal Analysis					
	2012	2011	2010	2009	2008	2007	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006
	%	%	%	%	%	%	%	%	%	%	%	%
<b>Profit and Loss Account</b>												
Sales	100.0	100.0	100.0	100.0	100.0	100.0	16.9	27.3	85.9	-34.1	25.6	-4.7
Cost of sales	-92.7	-92.5	-92.2	-93.0	-92.5	-90.6	17.1	27.7	84.3	-33.8	28.3	-4.7
<b>Gross Profit</b>	<b>7.3</b>	<b>7.5</b>	<b>7.8</b>	<b>7.0</b>	<b>7.5</b>	<b>9.4</b>	<b>13.7</b>	<b>22.1</b>	<b>107.0</b>	<b>-38.0</b>	<b>-0.5</b>	<b>-4.0</b>
Distribution cost	-2.5	-2.5	-2.7	-2.0	-1.3	-2.2	18.4	18.0	154.6	1.4	-28.0	8.3
Administrative expenses	-0.9	-1.0	-1.0	-1.2	-1.1	-1.3	8.0	17.4	59.8	-27.3	8.8	13.0
Other operating income	0.7	0.9	0.9	0.7	1.3	0.9	-8.3	25.2	166.4	-66.0	75.1	-12.9
Other operating expenses	-0.3	-0.3	-0.4	-0.1	-0.3	-0.4	6.9	18.4	568.6	-79.9	13.3	-19.8
<b>Profit from operations</b>	<b>4.3</b>	<b>4.6</b>	<b>4.7</b>	<b>4.4</b>	<b>6.0</b>	<b>6.5</b>	<b>8.5</b>	<b>26.4</b>	<b>96.8</b>	<b>-51.9</b>	<b>17.1</b>	<b>-10.5</b>
Finance cost	0.0	-0.3	-0.4	-1.8	-1.2	-1.6	-87.5	-17.0	-55.3	-0.1	-6.4	77.7
<b>Net profit before taxation</b>	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>	<b>2.6</b>	<b>4.8</b>	<b>4.8</b>	<b>14.9</b>	<b>30.9</b>	<b>205.4</b>	<b>-64.9</b>	<b>25.0</b>	<b>-23.3</b>
Taxation	-1.1	-1.3	-1.4	-0.9	-1.4	-1.5	2.0	11.8	184.4	-57.4	20.5	-32.5
<b>Net profit after taxation</b>	<b>3.2</b>	<b>3.1</b>	<b>2.8</b>	<b>1.6</b>	<b>3.4</b>	<b>3.3</b>	<b>20.1</b>	<b>40.7</b>	<b>217.3</b>	<b>-68.1</b>	<b>27.0</b>	<b>-18.2</b>

### Cash Flow Statement

Cash flows from operating activities	2948.6	478.5	175.9	151.6	-202.7	749.6	-19.9	21.5	781.5	-76.2	-52.7	227
Cash flows from investing activities	-2007.1	-143.1	-72.7	458.9	137.7	-388.9	182.3	-12.1	-220.4	-206.1	-38.1	-52.9
Cash flows from financing activities	-841.5	-235.4	-3.2	-510.5	165.0	-260.7	-53.5	3221.2	-95.3	-1.5	10.7	-192.6
Net increase / (decrease) in cash and cash equivalents	100.0	100.0	100.0	100.0	100.0	100.0	-87.0	-55.4	660.1	-131.8	-274.9	-131.7

The Directors of your Company take pleasure in presenting their report together with the Company's annual audited financial statements for the year ended March 31, 2012. The Director's report, prepared under section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance, will be put forward to the members at the Forty Eighth Annual General Meeting of the Company to be held on June 27, 2012.

## Operating Results

The operating results of the Company for the year ended March 31, 2012 under review are summarized as follows:

	Year ended March 31, 2012 ----- (Rupees in '000) -----	Year ended March 31, 2011 ----- (Rupees in '000) -----
Profit before taxation	1,620,001	1,410,481
Taxation		
Current year	388,532	405,478
Adjustment of prior years	(29,052)	(15,372)
Deferred	56,412	17,819
	415,892	407,925
Profit after taxation	<u>1,204,109</u>	<u>1,002,556</u>

## Subsequent Appropriations

The Directors have recommended a final cash dividend of Rs. 6.5 (2011: Rs. 6.5) per share along with a 15% (2011: 15%) bonus issue. Accordingly, the following appropriations have been made:

	Year ended March 31, 2012 ----- (Rupees in '000) -----	Year ended March 31, 2011 ----- (Rupees in '000) -----
Profit available for appropriation	1,218,466	1,374,774
Appropriations:		
Transfer to General Reserve	630,000	860,000
Cash Dividend 65% (2011: 65%)	467,578	406,589
Bonus shares 15% (2011: 15%)	107,903	93,828
	1,205,481	1,360,417
Unappropriated profit carried forward	<u>12,985</u>	<u>14,357</u>

## Earnings Per Share

The basic and diluted earnings per share after tax is Rs. 16.74 (2011: Rs.13.94).

## Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the nature of business, performance of the Company for the year ended March 31, 2012, explanation of significant deviations from last year, future prospects and uncertainties. The Directors endorse the contents of the Chairman Review.

## Board of Directors

The Board is comprised of five Executive and three Non-Executive Directors. All the Non-Executive Directors are independent from the management. The Directors of the Company were elected in Extraordinary General Meeting of the Company held on March 21, 2011.

During the year, Mr. Takashi Nagai resigned from the Board of the Company. Mr. Shigeki Takane was nominated by Honda Motor Company Limited, Japan and thus appointed to fill in the casual vacancy.

During the year, five Board meetings and four Audit committee meetings were held. The attendance of the directors and the number of their directorships in listed companies, including Atlas Honda Limited is as follows:

S. No.	Director	Directorships	Number of Attendance	
			Board of Directors	Audit Committee
1	Mr. Yusuf H. Shirazi	5	5	N/A
2	Mr. Saquib H. Shirazi	4	5	N/A
3	Mr. Sherali Mundrawala	1	5	4
4	Mr. Sanallah Qureshi	2	5	4
5	Mr. Nurul Hoda	1	5	4
6	Mr. Hisao Kobayashi	1	4	N/A
7	Mr. Koji Takamatsu	1	-	N/A
8	Mr. Takashi Nagai (resigned w.e.f. March 14, 2012)	1	-	N/A
9	Mr. Shigeki Takane (appointed in place of Mr. Takashi Nagai)	1	-	N/A

## Auditors

The present auditors M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Audit Committee of the Company has recommended their re-appointment as auditors of the Company for the year 2012-13.

## Material Changes

There have been no material changes since March 31, 2012 to the date of this report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

## Pattern of Shareholding

The pattern of shareholding of the Company is annexed to this report.

## Communication

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984. The Company also has a web site [www.atlashonda.com.pk](http://www.atlashonda.com.pk), which contains up to date information of the Company's activities.

## Human Resource Management

Human resource planning and management is one of the most important focus point at the highest management level. The Company has a Human Resource and Remuneration Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending improvements in Company's human resource policies and procedures and their periodic review. The details of Company's human resource policies are presented in the 'Sustainability Report' which is a part of this Annual Report.

## Corporate Social Responsibility

The Company has detailed plans for socially responsible activities that are conducted throughout the year covering energy conservation, environment / consumer protection measures, industrial relations, occupational health and safety, business ethics, national cause donation and rural development etc. The details of the activities that the Company has undertaken as part of its Corporate Social Responsibility (CSR) are presented in the 'Sustainability Report' which is a part of this Annual Report.

## Statement of Value Addition and its Distribution and Risk Management

Company's 'statement of value addition and its distribution' and 'risk management' are annexed to this report.

## Corporate and Financial Reporting Framework

The Directors confirm under clause (xix) of the Code of Corporate Governance that:

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting 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. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and to bring improvements in the system.
- There is no doubt about the Company's ability to continue as a going concern.
- A summary of key operating and financial data of the Company is annexed.
- Information about taxes and levies is given in the respective notes to the financial statements.
- The Company operates a contributory Provident Fund for all employees and funded defined benefit Gratuity schemes for its management and non-management employees. The value of their investments as at March 31, 2012 are as follows:
  - Provident Fund Rs. 680.6 million
  - Gratuity Fund
    - ◇ Management Staff Rs. 150.6 million
    - ◇ Non-Management Staff Rs. 44.8 million

## Obituary

The Board of Directors felt profound grief on the demise of Mr. Majeed Chaudhri, Partner of Hameed Chaudhri & Co., Chartered Accountants, who died on April 23, 2012. Mr. Majeed's professional guidance and expert knowledge will be remembered forever. May Allah rest his soul in peace and comfort, Ameen.



On behalf of the Board of Directors

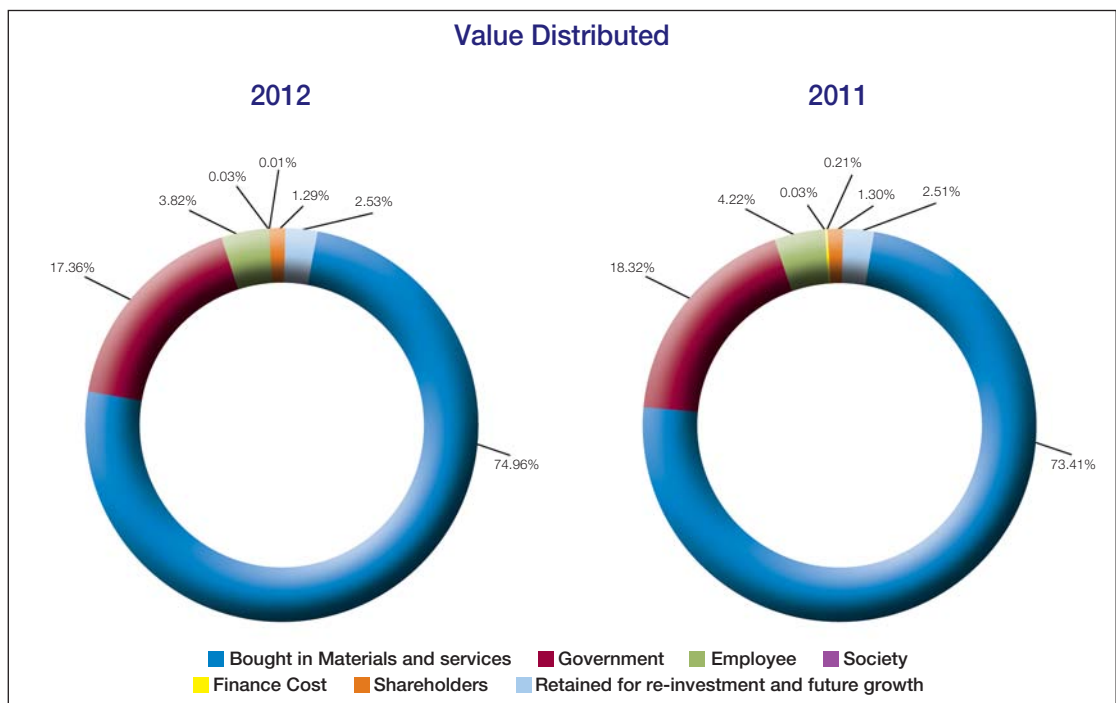
A handwritten signature in black ink, appearing to read 'Saquib Shirazi'.

Saquib H. Shirazi  
Chief Executive Officer

Karachi: April 30, 2012



	Year ended March 31			
	2012		2011	
	Rs. in '000	%	Rs. in '000	%
<b>Value Addition</b>				
Net sales including Sales Tax and Special Exise Duty	44,257,451	99.38%	38,179,443	99.22%
Other operating income	274,453	0.62%	299,337	0.78%
	<b>44,531,904</b>	<b>100.00%</b>	<b>38,478,780</b>	<b>100.00%</b>
<b>Value Distribution</b>				
<b>Bought in Materials and Services</b>	33,380,932	74.96%	28,247,617	73.41%
<b>To Government</b>				
Income Tax, Sales Tax, Custom and Excise Duties, Workers Welfare Funds, EOBI, Social Security and Local Taxes	7,729,907	17.36%	7,050,506	18.32%
<b>To Employees</b>				
Remuneration and benefits	1,702,229	3.82%	1,623,501	4.22%
<b>To Society</b>				
Donations	14,205	0.03%	10,898	0.03%
<b>To Providers of Capital</b>				
Financial charges to providers of finance	3,795	0.01%	80,416	0.21%
Dividend to the shareholders	575,481	1.29%	500,417	1.30%
<b>Retained for re-investment and future growth</b>	1,125,355	2.53%	965,425	2.51%
	<b>44,531,904</b>	<b>100.00%</b>	<b>38,478,780</b>	<b>100.00%</b>



**Company Approach**

Businesses are always exposed to the variety of risks and uncertainties. A risk is either derived from external events which may affect the entire market or a specific industry, or results from certain internal factors within the organization. It is vital to avoid these risks through vigilant and effective risk management policies and procedures. Accordingly, Atlas Honda Limited has also adopted a framework that combats the risks that the Company faces and identifies possible counter measures which would reduce / eliminate the impact of those risks.

With keeping all stakeholders in view, the Company has developed a set of objectives whose implementation is ensured by adopting certain strategies and action plans. However, market situation, socio-political factors, economic policies, statutory regulations, ecology, rise in material prices, devaluation of local currency and other factors combine together to pose threat to the business continuity and implemented strategies. In order to mitigate these threats / risks, Company has implemented counter measures which act as protection against the risks the Company is subject to. The Company not only identifies the risks but also continually monitors and evaluates them to address any changes in related impacts. The Company views the risks it is subject to into the following four categories:

- Strategic Risks** - These risks are related to Company's business environment.
- Operational Risks** - These risks are related to Company's internal operations and daily affairs.
- Hazard Risks** - These risks are the product of external factors which can lead to undesirable events.
- Financial Risks** - These risks are linked with financial matters.

**Principles of Risk Management**

The Company has adopted the following principles and believes that risk management should:

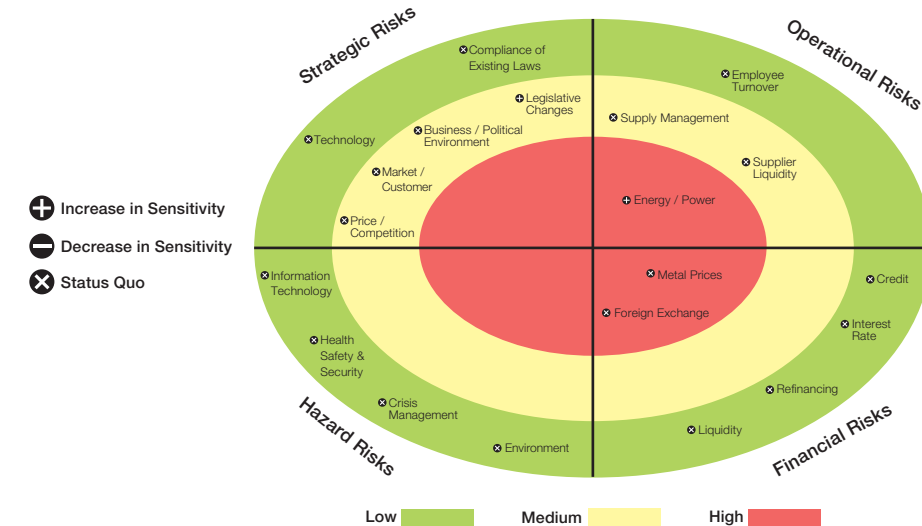
- Be approved, systematic and structured
- Fulfil predefined Board objectives
- Be transparent
- Be an integral part of organizational processes
- Be part of decision making at every level
- Explicitly address uncertainty and assumptions
- Be dynamic, iterative and responsive to change
- Be capable of continual improvement and enhancement
- Be continually or periodically re-assessed
- Create value for all stakeholders

**Risk Assessment and Reporting**

The Board of Directors through Management decide and give guidelines on strategic matters. The Business units are responsible for achieving their strategic goals and for mitigating and covering all their risks. The risk management function is part of the Company's treasury, which reports to the CEO. It reviews the business risk profile, prepares the risk management policy and schemes, consultation with relevant business units for covering the risks and cooperates in the implementation of risk mitigation procedures with business units. The Board Audit Committee also reviews and assesses the adequacy of risk management for its effectiveness in mitigating the risks. Further, the Board of Directors has also endorsed risk management policy.

**Sensitivity of Risk Categories**

The diagram below shows changes in the sensitivity of risk categories that occurred during the year:



Objectives	Strategies	Risks / Threats	Sensitivity	Counter measures to risks	Achievement of the year
<b>Market</b>					
To remain market leader in two-wheeler industry.	Availability of model line up as per customer needs and choice.  Enhance customer confidence through quality leadership.  To make product readily available.	<b>Strategic risk</b> Continued competition in 70cc category may pose a challenge to the Company's stronghold in this segment.		The Company maintains a wide range of products by offering four models to its customers (CD 70, CD 100, CG 125 and CG 125 Deluxe).  The Company provides best and unparalleled after sale services to its customers.  2 years' warranty is provided on all engine parts to the customers.  Company's products have the most lucrative 2nd hand market, therefore extracting the optimum resale value for used motorcycles.  Company operates largest dealership network throughout Pakistan.	Company achieved sales of 600,041 units this year, a growth of 10% from last year.
<b>Socio-Political Situation</b>					
To operate in a stable market with least volatility and low occurrence of unforeseen variables.	To recommend appropriate measures to the government on different forums for the protection and growth of the industry.	<b>Strategic risks</b> Adverse law and order situation in the country.  Compliance of new and existing laws, rules and regulations.  Low entry barriers for new entrants through legislative changes.		The Company operates two manufacturing plants, one at Karachi and the other at Sheikhpura. One plant operates at extra shifts to fulfil demand if the other plant is facing disruptions due to deteriorating law and order situation.  The management team ensures compliance with all applicable laws, rules and regulations on regular basis.  Company actively participates at different forums for rationalization of tariffs and availability of level playing field for every participant.	Company achieved production of 600,215 units this year, a growth of 10% from last year.
<b>Technology</b>					
To produce the best and highest quality product that meets international standards of fuel efficiency, comfort and reliability.	To operate with the latest available technology which is relevant to the market.	<b>Strategic risk</b> Technological shift may render production process obsolete and cost inefficient.		The Company remains proactive and minimizes the risk of technological obsolescence through balancing, modernization and continuous upgradation of its production facilities.  New models are launched and modifications are made in existing models in order to align the product with the latest standards.	Adequate expenditure was incurred this year on improvement in plant and machinery. For details, please refer note 6 of the financial statements.
<b>Operations</b>					
To ensure continuity of operations without any disruptions in supply and minimizing idle time.	The ordering, delivery and production plans are regularly monitored by the Supply Chain department to ensure uninterrupted supply.  Adequate levels of safety stocks are kept to fulfil demand in cases of unexpected emergencies.	<b>Operational risks</b> Suppliers of the Company may not be able to supply the required items due to their financial difficulties or deterioration in quality standards.  The shortage of energy and power may cause disruption in operations. Further, hike in energy prices may escalate cost.  <b>Hazard risk</b> The operations may be disrupted due to data loss.  Operations may be disrupted due to any unforeseen natural disaster.		Company have contracts in place with its suppliers. Continuous assessment of business with each supplier is performed to monitor their operational feasibility and financial position. The Company also conducts quality audits of suppliers and recommends improvements for enhancing quality. Also, the Company has widen its range of suppliers for key components in order to mitigate the risk of having a sole supplier for a particular item. A step forward has been taken by creating online B2B link with vendors to bring real-time operational efficiency.  Company's operations are based on usage of alternative energy sources. Further, Company has also initiated plans for evaluating more low cost options for energy.  The Company operates disaster recovery site and has business continuity plan in place for uninterrupted operations.  Extractions / evacuation drills are conducted regularly and trainings are given to the personnel for crisis management.	Achieved un-interrupted production throughout the year.
<b>Human Resource</b>					
To recruit the best available people and ensure their adequate training in order to maintain quality in work.	Effective human resource policies are in place. Implementation of these policies is ensured by the Human Resource Department.  Hiring is done on merit basis and adequate retirement benefits are available to employees.	<b>Operational risk</b> Attrition of manpower- qualified and competent staff may not be available in sufficient numbers.  Operations can be subject to fraudulent activities.		Well structured procedures for recruitment, training, compensation, periodic appraisals and succession planning have been implemented to ensure staff retention.  Appropriate internal controls and best governance practices are in place to prevent and detect fraudulent activities. Further, an effective internal audit function is also in place.  Local and foreign trainings are organized for staff to improve their understanding of business ethics and their roles within the Company.	For details of benefits given to employees during the year, please refer respective notes to the financial statements.  Trainings of the personnel conducted this year: 80 (attended by 748 employees)
<b>Health and Safety</b>					
To ensure health and safety of the employees in workplace.	Company has a documented Health Safety policy which is implemented at each location where Company's business is being conducted, including suppliers' premises.	<b>Hazard risks</b> Accidents can take place which can cause serious injuries to employees.  There could be elements in the working environment which may be hazardous to human health.		Company has created a working environment and culture where safety is top priority. It is mandatory for each employee to go through the Company's safety awareness programme and periodic safety trainings / drills. Any incidents that take place are properly recorded and measures are taken to avoid their repetition.  Medical and health insurance policies for all employees are in place.	Safety drills conducted during the year: 86  No major accidents occurred during the year, a testament to the effectiveness of Company's safety policies.
<b>Environment</b>					
To ensure environment friendly product and production processes.	Company has a defined policy for protecting the environment from its operations and to minimize the affects of hazardous emissions to the atmosphere.	<b>Hazard risks</b> The wastes that result from Company's operations may be disposed in an inappropriate way.  The production facilities may emit hazardous gases in excess of the prescribed limits.		Appropriate waste management is ensured through reuse and recycling of used items, therefore reducing the quantities that are disposed off in the environment.  Exhaust emissions are controlled and kept below prescribed limits at all times through load management of generators, use of energy savers, proper drainage of used oil and optimum utilization of organic compounds like paints, cleaning supplies etc.	Achievements in respect of environment protection are detailed in the section of "Environment" in the Sustainability Report.
<b>Finance</b>					
To maintain a strong financial position of the Company and produce financial performance which is reflective of Company's scale of operations, availability of resources and efforts of employees.	To maintain profitability and return levels that are expected by the shareholders.  To ensure working capital management and availability of adequate resources for discharge of liabilities.  To maintain most appropriate capital structure.	<b>Financial risks</b> Increase in material prices may increase input costs.  Devaluation of Pak Rupee against foreign currencies may adversely affect the Company's financial performance.  Company may not be able to realize its assets and therefore, may not be left with adequate resources to discharge its obligations.		Agreements are in place with the suppliers to counter the short term fluctuations in material prices.  Company continuously monitors foreign exchange exposure through Treasury Committee. Derivative instruments and forward cover, if permitted by SBP, are used for hedging foreign currency risk.  Credit is only given on sales to Government departments, Defence institutions and certain customers who maintain a good history of timely payments. Excess funds are invested in well reputed mutual funds and banks.  Sufficient credit lines and financial arrangements are available to the Company for utilization in case if the operations don't generate sufficient cash.	Financial risk management is detailed in Note 37 to the financial statements.





# Sustainability Report

Welcome to Atlas Honda Limited's 2012 Sustainability Report. This is the first formal sustainability report published by Atlas Honda Limited (the Company). This sustainability report is a review of continually evolving efforts to make the Company more sustainable environmentally, socially and economically.

This report highlights the most material issues facing the Company today. These include climate change, mobility, human rights and vehicle safety.

The Company hopes that you will find this report useful in illuminating the Company's progress in journey towards sustainability.



# Introduction

Atlas Honda Limited (the Company) wants future generations to enjoy the riding experiences and to deliver joy by preserving and renewing its brand for the future.

The Company recognizes that corporations today need to be more resourceful and responsible with respect to environmental and social impacts. For its operations, the Company seeks to go beyond environmental compliance to take actions that reduce energy and water consumption, waste generation and related greenhouse gas (GHG) emissions associated with its manufacturing facilities.

The Company is taking a number of steps to prepare for the transition to a lower-carbon economy. Innovation, driven by sustainability based change imperatives, will create exciting opportunities for the Company and its products and customers.

# About this Report

The Company aims to contribute to the sustainable development of society through its full range of business activities in addition to increasing value through its products and services. In order to share its activities, the Company publishes this Sustainability Report, which presents its Corporate Social Responsibility (CSR) related philosophy and activities. The Company believes that sharing this information broadly with stakeholders increases the transparency of its actions, as well as gives it an opportunity to improve its activities by incorporating external feedback, thereby contributing to the development of society.

## Principles of the Report

This Report was written as an initiative to comply with G3 guidelines of the Global Reporting Initiative (GRI). A primary goal of this Report is to communicate important information related to the sustainability of the Company. The Company has divided its framework in six core areas: Environment, Customers, Vendors, People, Society, and Governance.

## Scope and Reporting period

This Report is based on data for the year ended March 31, 2012 which the Company defines from April 1, 2011 to March 31, 2012. The data is disclosed on a yearly basis and the Report is circulated to shareholders and published on website: [www.atlashonda.com.pk](http://www.atlashonda.com.pk)

In 2011, the Company published its last print edition in conjunction with Directors' Report of Annual Report 2011. This year, the Company is disclosing Sustainability Report separately in Annual Report 2012.

The scope of this Report covers the activities of the Company and is intended to cover the sustainability issues it believes are most material to it. The Company defines these issues as those that receive high scores on three criteria:

- Having significant current or potential impact on the Company;
- Of significant concern to stakeholders and
- Matters over which the Company has a reasonable degree of control.

## Report Preparation Process

Preliminary data gathering was conducted to improve the reliability of the Report's contents and materiality analysis was performed for targeting internal and external stakeholders. The results were reported to the management and a briefing was held for managers from related departments. The contents of the Report submitted by departments were reviewed by the management and then duly approved by the Board of Directors.

## Contact us

The Company encourages feedback on its Sustainability Report. Any comments on the Report or would like to know more about sustainability strategy and program, please e-mail us at: [ah1.suggestions@atlashonda.com.pk](mailto:ah1.suggestions@atlashonda.com.pk)



## I have long believed that environmental sustainability is an important issue facing businesses in the 21st century.

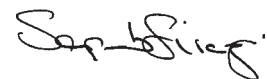
The Pakistani motorcycle market has been growing over the last decade. This sounds like good news for an automaker, however, issues like congestion, air quality and the explosive growth of Pakistan's urban centers could put the brakes on that growth. We need better and smarter mobility solutions that integrate various forms of public and private transport to help people gain the benefits of mobility while minimizing environmental and social impacts.

Business is a vital part of the success of most nations. A well-run business can contribute to society in many ways: providing jobs, creating robust supply chains, revitalizing communities, innovating solutions for some of our toughest challenges, contributing tax income and delivering shareholder returns that enable further investment. In fact, companies that can successfully and simultaneously balance the short and long term interests of the multiple constituents they serve can do the most good. They can, indeed, change the world for the better.

By fulfilling the vision for social responsibility and communicating effectively with stakeholders of the Company, including customers, dealers, suppliers, associates, shareholders, investors, and local communities, it is our intention to help bring about a sustainable society.

We are not perfect but by focusing on matters where we can make the biggest difference, I am confident we will be on the right path. For example, urbanization, congestion, high fuel prices and other trends are putting safe and affordable transportation out of reach for many people in Pakistan. The Company is determined to ensure that its technology and resources can create affordable and economical mobility solutions for the Pakistani users and seeks solutions that by design, benefit the business and the society. As a team, we must work for outcomes that are sustainable and scalable. We aim to share our progress and setbacks along the way. We are proud of what we have already accomplished and look forward to help customers and communities become more mobile every day.

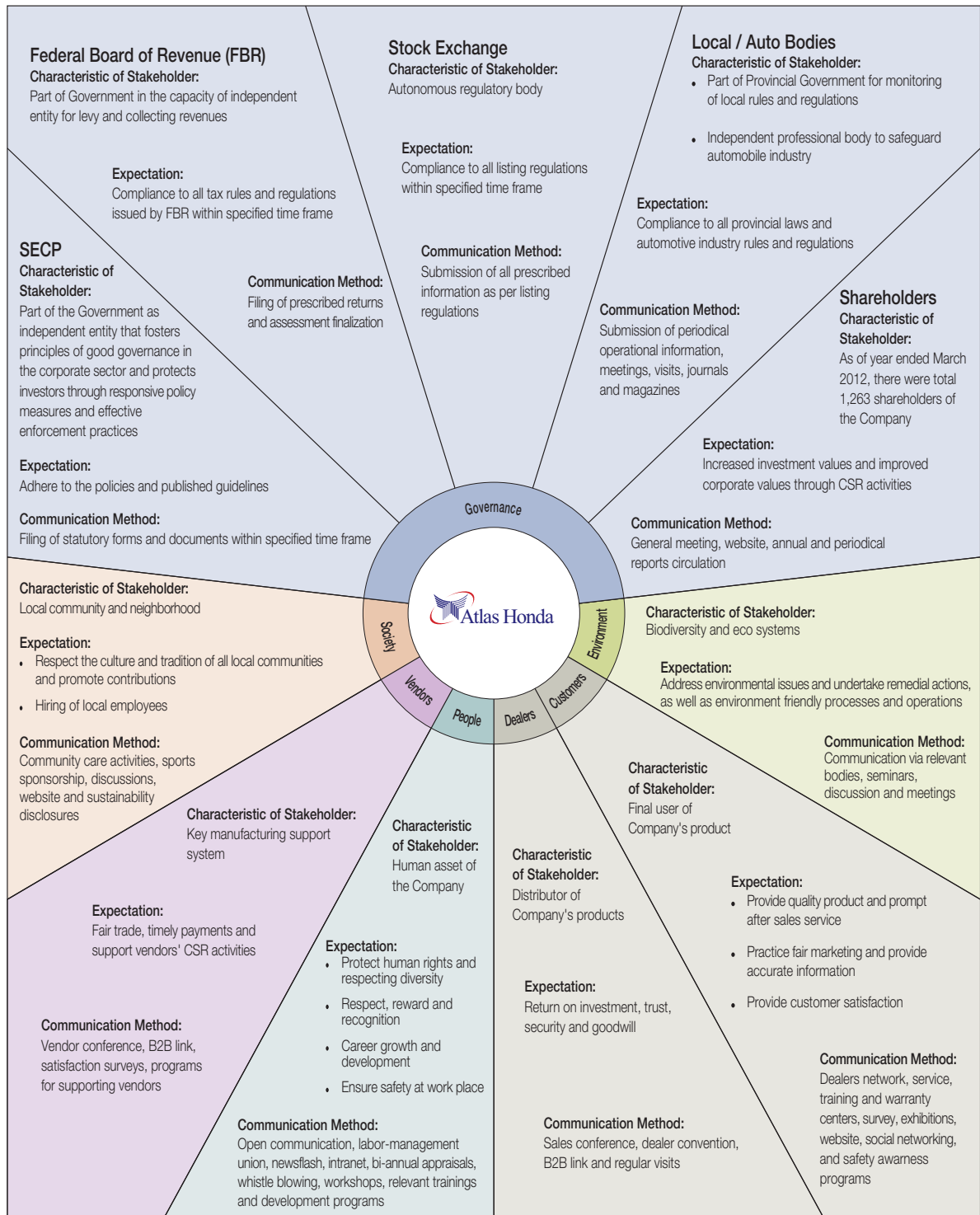
Our progress in addressing climate change, mobility and other material sustainability issues is summarized in the following Report. I believe that our approach to sustainability will be an important factor in both short term financial performance and the Company's long term success. I hope that what you read in this Report demonstrates that we are on the right track.



Saquib H. Shirazi  
Chief Executive Officer

Karachi: April 30, 2012

The Company's stakeholders not only include its People, Customers, Vendors but also Regulatory Bodies, Communities in which it operates and Society at large. The Company maintains close relationship with stakeholders throughout all aspects of its business. The Company is actively communicating with stakeholders to add value and develop sustainable management. Furthermore, the Company endeavors to contribute towards improvement in the quality of life for all humanity.



## Our commitment to operating in a responsible and sustainable manner sits at the heart of the Company business strategy.

The Company's approach to CSR is in accordance with its Group's philosophy which is based on the "ATLAS WAY". It enumerates the principles of "ATLAS CULTURE" and "ATLAS SYSTEMS". In accordance with the "ATLAS WAY", the Company has developed a framework which contributes to the creation of value for all its stakeholders in line with its vision, mission and strategic objectives to provide "THE EDGE" to the Company.

The framework helps Company to systematically establish sustainability criteria in every area, among its target processes and along the entire value chain. Accordingly, the Company is pursuing a range of corporate activities in order to create new value and fulfill its commitment to the future while cultivating the freedom of associates to seek out a better way. A willingness to rise to the challenges of the future and a spirit of collaborative creativity is at the core of its emphasis.

By resolutely pursuing these directions, fulfilling our social responsibility and communicating effectively with all Company's stakeholders, it is our intention to help to improve sustainability in the society. The Company's sustainability framework commits it to deliver more sustainable products and solutions to customers.

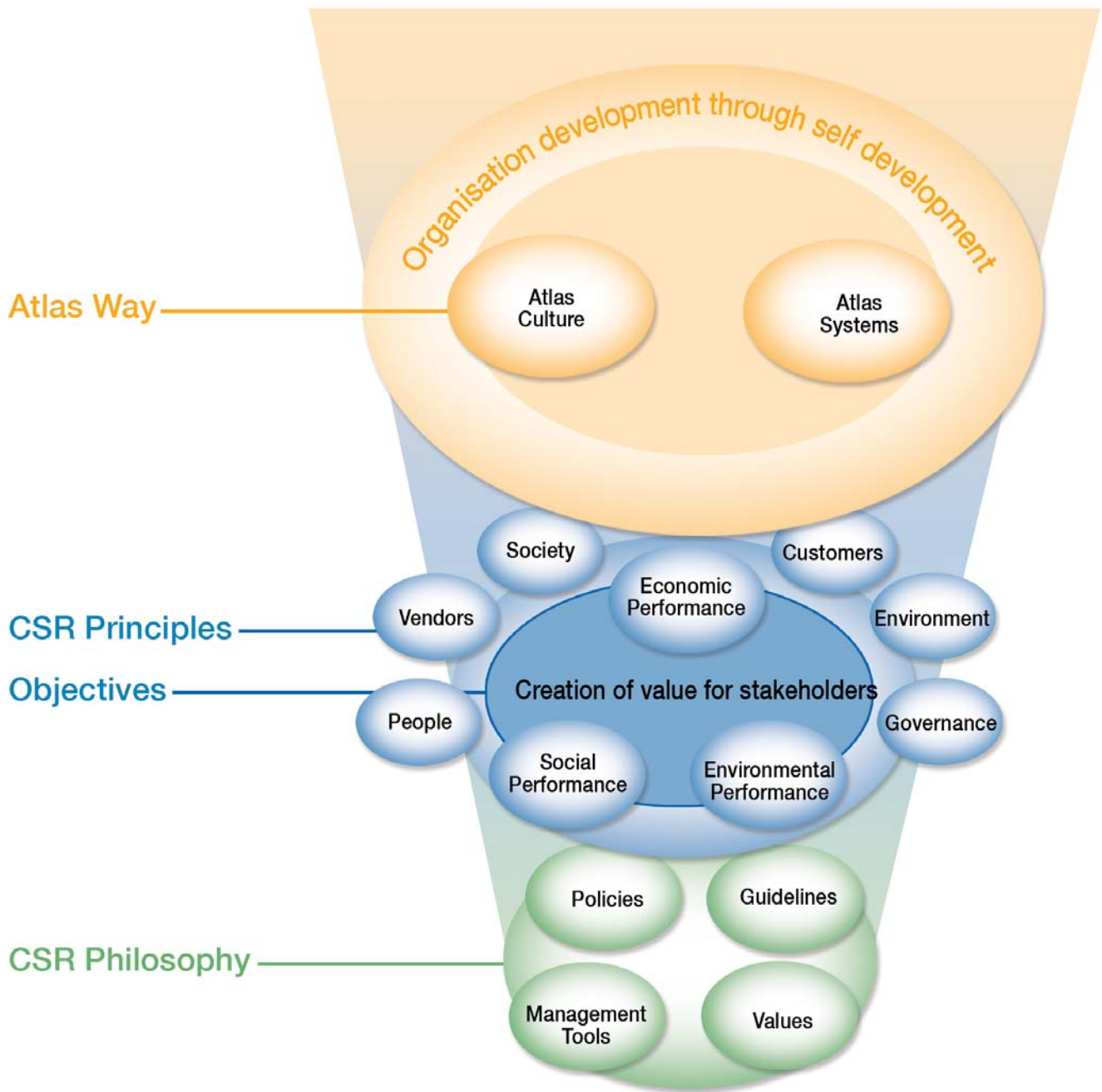
The Company's CSR principles are focused on six key areas: People, Vendors, Society, Governance, Customers and Environment. These principles define the way we do business. These are supported by a suite of policies, guidance and management tools. These principles also commit the Company to consider and take responsibility for the longer term economic, social and environmental implications of its decisions and to work in partnership with stakeholders across the automotive value chain to maximize its positive impacts. They also commit the Company to be accountable for ethical conduct, sustainable performance, an ongoing engagement with stakeholders and assessments of how its business impacts society.

### Atlas Culture

- Corporate governance
- Respect, recognition and reward
- Value of time
- Recruitment and career advancement based on integrity, merit, experience and skills
- Education and training of staff and descendants
- Self reliance
- Leading by example
- Humility and excellence
- Living within one's means, saving for the future and donating for good cause
- To be happy and healthy

### Atlas Systems

- Management by Objectives (MBO) to align activities towards agreed company goals
- Implementing 7S vision (Strategy, Structure, System, Style, Staff, Skills and Shared values) for the company
- Inducting and retaining competent and skilled staff - right man for the right job
- Using BCG model for strategic direction
- Creating values through implementations of internal controls (SOPs and policy manuals)
- Management development to produce performers, organization builders and strategists
- Active participation in management meetings for continuous performance improvements
- Ensuring accuracy and control of information / data through efficient MIS
- Judicious sharing of profitability between employee bonuses, dividend payout and profit retention



As sustainability becomes more firmly established throughout the organization, the Company is working to strengthen its external networks as well as its communication with relevant stakeholder groups. By participating in numerous conferences, projects and networks, the Company is pushing forward the establishment of a set of overall principles for sustainable development in business and society. Among the projects we are involved in is the UN Global Compact.

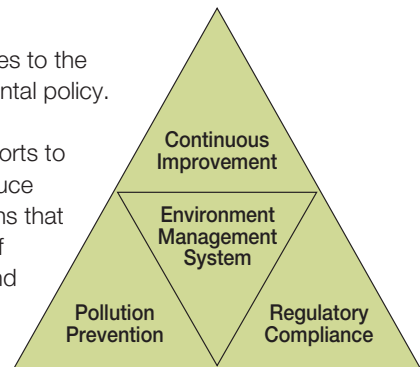


# Environment

The Motorcycle of the future must be created under sustainable conditions. Our production plants, therefore, reflects the values that are the hallmarks of our products. The primary concern of all operations is to protect the environment. We, therefore, make sure that energy and resources are used efficiently and develop strategies for further reducing emissions during production.

The Company aims to become an environmentally harmonious enterprise that contributes to the development of green society in all its business activities by committing to its environmental policy.

Its employees, partners, customers and suppliers are committed to participate in the efforts to protect the world's ecosystem for future generations. Together, they are working to reduce environmental impacts by engaging all stakeholders and providing products and solutions that help to reduce environmental impacts. These efforts help us to meet the expectations of stakeholders and it also makes good business sense, often reducing operating costs and business risks.



## Environmental Policy:

Reduce and prevent	Reduce and prevent the generation of waste and pollution in our production system
Promote energy conservation	Establish management program to promote energy conservation and reduce waste
Compliance	Comply with requirements of environmental legislation and local regulations as a responsible corporate citizen
Promote protection knowledge	Promote relevant environmental protection knowledge and activities through education and training
Extend improvement activities	Initiate and extend environmental improvement activities from the Company itself to its business partners including parts manufacturers, general suppliers and dealers



*“After materials are carried into the factory, nothing but products should be carried out from it.”*

The Company responds comprehensively to environmental issues by analyzing and prioritizing the core issues which are critical to a supplier of mobility products. Following are the focus areas of Company's environmental policy:

#### **Material**

The Company incorporates sustainability criteria into its research, the procurement of raw materials and the development of new formula and applications. Materials that have a high impact on the environment are monitored in persuasion of its environmental policy.

#### **Energy**

As a responsible corporate citizen and aligned with global imperatives, the Company is promoting the use of energy efficient products, awareness about reducing energy use in operations and producing electricity from cheaper sources. Benefits include mitigating rapidly rising costs of fuel, shortage of electricity, organizational resilience and the associated need to reduce GHG emissions.

#### **Water**

The Company is committed to reduce water usage by measuring, monitoring and managing its water use as standard business practice. The Company is proactively implementing initiatives that conserve water or mitigate the effects of its use for business operations. The Company recognizes that water is an increasingly scarce and critical global resource. Although none of its operations are particularly water intensive, the Company is committed to more efficient water consumption through reduced use, increased recycling and water harvesting initiatives.

#### **Biodiversity**

Biodiversity is the foundation for human health. The conservation and sustainable use of biodiversity can provide significant benefits to health, food security and livelihood sustainability. The Company pays a strong attention to biodiversity and makes sure that its operations do not affect the biodiversity. All the emissions are exhausted high above the buildings, emissions levels are monitored every year, waste like paint sludge, metallic chips are disposed off in an environment friendly way and the treated water is then drained to sewerage. Due to these activities the area around the plant is rich in biodiversity with plenty of green fields and more than 100 trees have been maintained.

#### **Gaseous Emissions, Effluent and Solid Waste**

The Company has implemented a wide range of energy reduction initiatives to reduce GHG emissions. Emissions identified by the Company include carbon dioxide, nitrous oxide and methane from combustion of petrol and diesel in vehicles, machines and equipments. There are no other significant ozone depleting substances as emission sources in the Company operations.

All effluent emanated from operations of the Company is treated through wastewater treatment plant prior to discharge into municipal systems. Solid hazardous waste is disposed off through Environmental Protection Agency legitimate contractors at certified waste disposal facilities.

#### **Products and Services**

The Company recognizes the environmental impact of its products and is committed to provide products and solutions that foster environmental stewardship. The Company works with its suppliers and partners to produce environment friendly motorcycles. In this regard, the Company has taken a leap forward by complying with EURO II standards for its product. Further, Green Dealership program is promoted for providing better services to its customers.

#### **Environment Management System (EMS)**

The Company aims for continual improvement of the EMS through employee trainings, consultation and by identifying environmental aspects and their impacts. It also performs regular reviews and internal audits of the EMS.

#### **Compliance of Environmental Legislation**

The Company is committed to comply with national environmental legislation applicable to Company's products, operations and services.

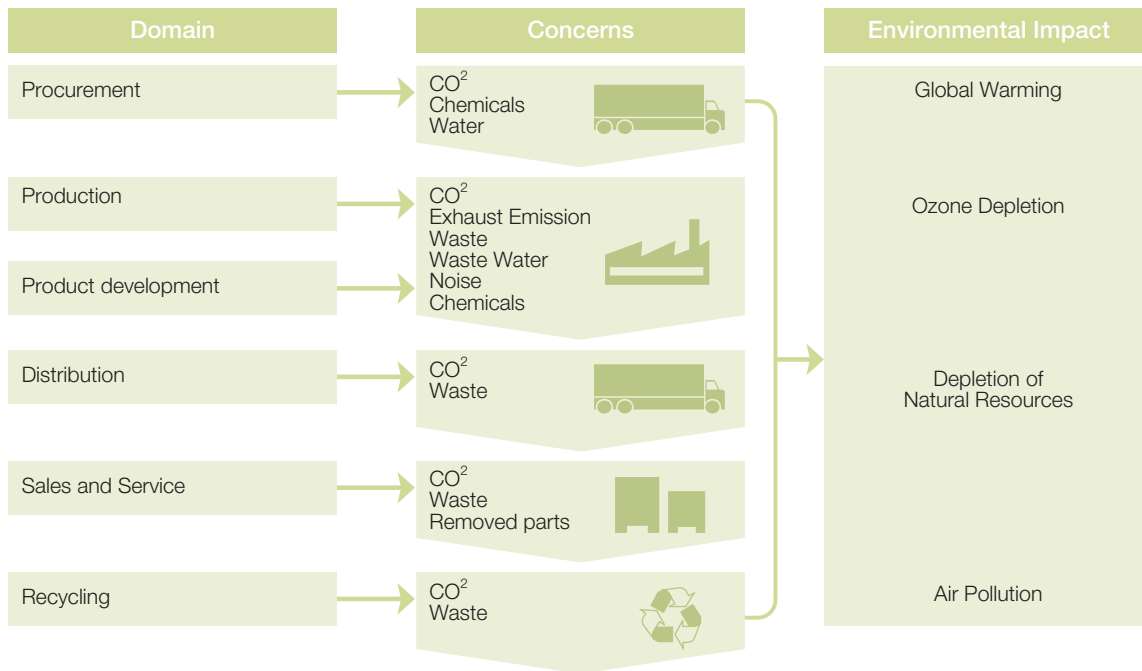
#### **Environmental Audit**

The Company is an ISO 14001:2004 certified by SGS Pakistan and fulfills the requirements of this international standard.

#### **Environmental Impacts Resulting from Business Activities**

Companies can be compared to a living organism in the natural environment. They provide society with products and services, range of resources and energy while performing their activities, they also generate a variety of waste. The Company has made

steady efforts to reduce waste and make various other improvements. Its efforts are currently focused on CO<sup>2</sup> emissions reduction, management of hazardous chemical substances and activities to support recycle-oriented society.



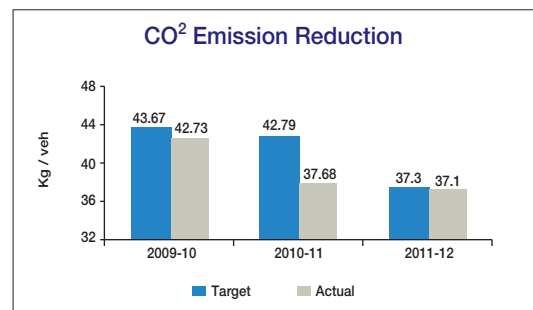
In order to achieve the above stated objective, the Company has taken following steps to reduce the impact of its business activities on environment:

### Green Factories

#### a) Reducing Carbon Footprint

In order to reduce CO<sup>2</sup> emission, following activities were carried out:

- 1) Electricity Load Management: The Company shifted 800 KW load from Electricity supply to Gas Generators for less CO<sup>2</sup> emissions.
- 2) Design change of fresh air units: Design of pulley of fresh air units has been changed which resulted in saving of 5 KW of energy per day and a better working environment.
- 3) Air Leakage survey: To optimize the usage of compressor, air Leakage survey was conducted and leakages in 20 areas / locations were identified. After repairing of leakages, energy saving of 100 KW/h per day was achieved.
- 4) Energy Conservation: In this activity, associates were educated and motivated to shut off unnecessary lights resulting in saving of approximately 30 KW of energy per day.



#### b) VOC elimination

Last year, the Company implemented electrostatic painting in its new paint shop. During the year, the Company implemented this system in its old paint shop as well. This resulted in reduction of VOC emission and will increase efficiency in use of paint. This reduced VOC emission from 130gm/m to 115gm/m.



Electrostatic painting in new paint shop

## Green Procurement

Vendors are being encouraged to use environment friendly materials for their production. In this regard, Company has shifted 61% of its parts from hexavalent materials to tetravalent materials for plating.

## Green Dealers

To beef up its approach to the environmental protection, the Company has supported and educated dealers about the “Green Dealership” concept. It introduced the following initiatives to “Green Dealers” as a means of protecting the environment:

### a) Exhaust Smoke System

The testing of motorcycles at dealers’ premises centres create smoke which pollutes the shop and the environment. Now environment friendly Exhaust Smoke System is introduced to reduce / eliminate the smoke in service area of the shop.

### b) Parts Washing Bench

To improve the quality of environment at dealers’ premises, parts cleaning benches were introduced, which resulted in reduction of oil waste and safety of the mechanics from splashes of oil.

## Reducing Waste and Promoting Concept of 4R's in Atlas Honda Limited

The Company’s approach to manage waste is geared around the principles of Reduce, Reuse, Recycle and Responsible disposal. The Company present goal is to achieve zero waste. To achieve this goal, different activities were done throughout the year. Some of these are reuse of scrap tools, steel sheets and steel cases recovered from imported materials.

## Water

An activity was conducted to repair / replace nozzles of cooling towers that resulted in saving of 0.1 M<sup>3</sup>/day. Also, waste water from Paint Shop is being treated by R.O plant and is now being used in toilets which results in saving of 10 M<sup>3</sup>/day. Likewise waste water is used for gardening purpose.

## Recycle Packing Material

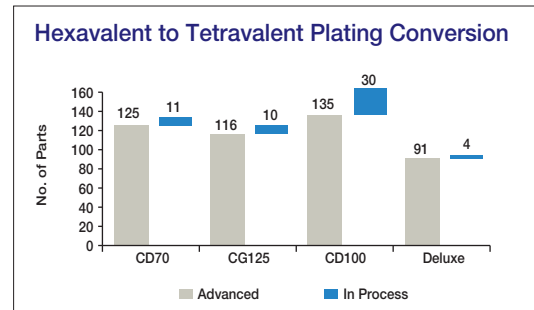
Incoming parts are received in plastic bags, card boxes, and bubble paper. 44,000 kg of packing have been recycled and reused for shipment of parts to other facilities, resulting in cost saving of Rs. 1.9 million per year.

## Reduce Soil Contamination from Oil

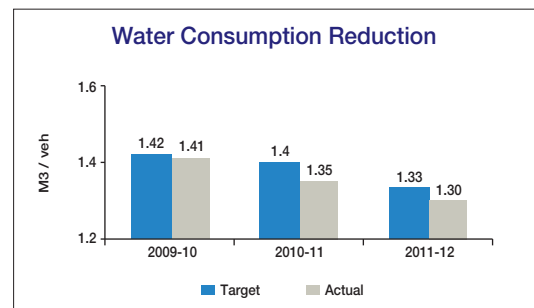
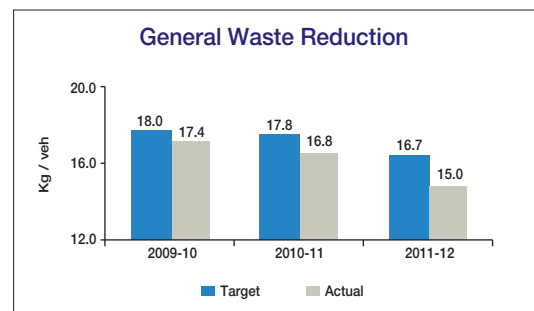
Waste (grinding sludge and phosphate sludge) containing oil was stored in scrap yard which resulted in soil contamination due to presence of oil. Now the area is paved and drain pits have been made to recover the waste oil and reducing the soil contamination.

## Recycle Garden Waste

Garden waste is not thrown in landfills but used as organic fertilizer by composite process.



Parts washing bench





# Customers

We approach our customers with openness and a keen sense of their individual wishes and requirements

The Company's main focus is its customers. Their requirement and preferences are its prime concern. Every step of the way, from purchases to after sales service, the Company strives to maintain the trust and enhance their satisfaction. The Company in collaboration with its dealers is working tirelessly to exceed the expectations of the customers by focusing on 5S - Sales, Service, Spare Parts, Second hand & Safety. The Company values its dealers and end users by abiding the following principles:

## Principles:

Product quality	Enriching lives through excellent product quality
Product attributes	Provide stylish design, reliability and environment friendly products
Service level	Maximum customer care by applying 5S strategy (sales, service, spare parts, second hand, safety)
Brand slogan	I will only buy Honda - میں تے بہنڈا ای کے ساں

## Product Knowledge

The Company's service operations staff educates the customers by visiting at the dealer's premises regarding the product and maintenance procedures. This helps customers in valuing and enjoying the product to its full potential.

## Check Up Camps

The Company organizes motorcycle checkup camps all over Pakistan. These camps are established with an overriding objective of ensuring satisfied Honda customers. The technical staff of the Company and dealers participate in these camps. They advise customers regarding the status and performance of their motorcycles free of cost.

During 2011-12, 28 camps were set up in different towns spread across all provinces of Pakistan. These camps were attended by approximately 1,447 dealers who shared their knowledge with motorcycle users.

## Visits of Mechanics to the Company's Plants

Mechanics are the first point of contact with the customers. Therefore, it is important that they have good knowledge about the Company and its operations, quality control measures and importance of using genuine replacement parts at the plants. To reinforce their knowledge regarding Company's product, its efficiency, performance and reliability, onsite visits were arranged at the Sheikupura Plant.



## Annual Convention

Dealers communicate directly on behalf of the Company with customers. In order to facilitate dealers to let our customers experience the joy of Buying, the Company organizes dealer conventions. These conventions provide the Company with firsthand knowledge of customer feedback. The Company takes pride that the relationship with many of its dealers has entered in the third generation. This shows long term commitment and satisfaction level of dealers.

## Dealer Family Day

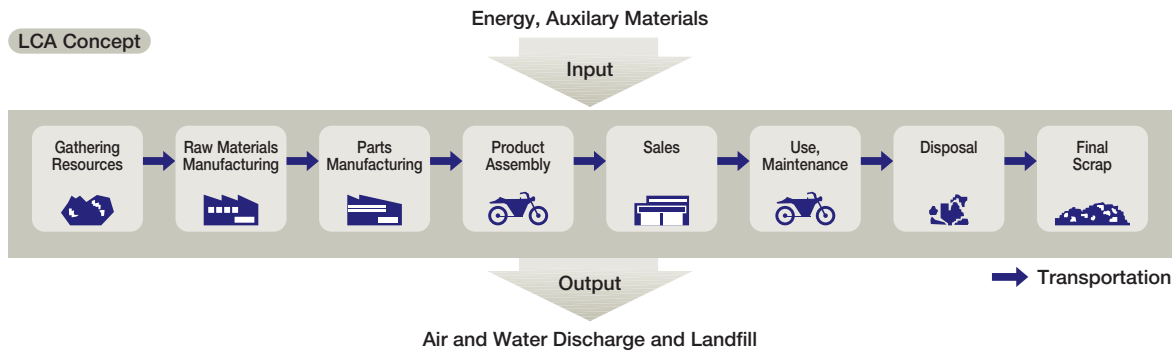
Social activities and outings are a great motivating factor. For this purpose, the Company organizes several "Dealers' Family Day". The Dealers enjoyed time with their families and celebrated their association with the Company.



## Product Responsibility

### Life cycle stages in which health and safety impacts of products and services are assessed

Life Cycle Assessment (LCA) is a tool that allows the Company to fully analyze and understand the impacts that occurs in the life of the product from manufacturing to disposal. The Company products are used by more than 4 million people across Pakistan. The materials use in the products are not of a nature that may cause harm to the customers. However, it recognizes LCA as a critical tool for understanding the impact of its products and operations on the environment. Using LCA, the Company is working to minimize the impacts of its products on environment virtually in every aspect of its business.



## Providing Opportunities for Learning Traffic Safety Nationwide

The customers using the Company's products are exposed to the risk of road injury if they do not possess safe riding skills. In order to realize its objective of safety for everyone, the Company is working on both active and passive safety initiatives for motorcycles. The Company promotes safe driving skills and awareness among its customers and society at large. To put this into practice, the Company is pursuing nationwide safety training education and programs. It will continue to pursue product safety and traffic safety education, leveraging the synergetic benefits of both to contribute to a safer mobile society.



## Product Labeling and Information

Although there are no legal requirements regarding the information that must be shown on the Company's products, as a proactive measure, the Company voluntarily Eco labels its products to Euro II specifications. Moreover, the Company on its own initiative labels the product in a manner that makes motorcycle riding safe and efficient.

## Adherence to Laws, Standards and Voluntary Codes for Communication

The Company is committed to the generally agreed ethical codes for marketing its products. When preparing marketing communication and advertising material, the legislative and regulatory compliance of the content is always checked and confirmed before publication. The Company ensures that advertisements must be clear and simple, using language as close as possible to the one normally used by people in communicating with each other.

## Fines and Sanctions

There have been no incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship.



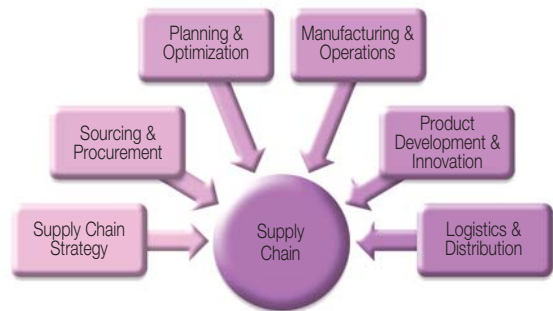


# Vendors

Our long term vision is for our industry as a whole to converge on a set of common expectations for the supply chain and then work together with suppliers to ensure that these expectations are met. We have taken a series of steps in that direction, beginning with defining our own expectations for suppliers.

When a company expands upstream or downstream, it aims to capture a higher percentage of supply chain value. In recessionary times, access to working capital financing is both scarce and expensive. Companies that have large procurement costs are highly exposed in these scenarios. Procurement is, therefore, one of the key strategic areas for generating competitive advantage and creating value.

Vendor management at the Company is aimed to align all functions and processes whether they are internal or outsourced, in a way that capitalizes the Company's strengths and available of future opportunities.



## Principles

A well executed supply chain system results in value creation for the organization. The Company's supply chain is focused on reducing operational costs and maximizing efficiencies. Accordingly, following principles are followed by the Company:

Agility	Agile supply chain is market sensitive, which means that the supply chain is flexible and capable of identifying and responding to market uncertainties
Adaptability	Adaptability means to cope up with the turbulence arising from various environmental changes, economic, political and law and order situation of the country. Adaptable positioning of the Company is not sufficient; therefore the Company synchronizes the complete supply chain network
Alignment	Alignment is the most critical element for supply chain excellence. It begins with the creation of a common vision and shared with supply chain partners. The Company pursues alignment between: <ul style="list-style-type: none"> <li>a) Supply and demand</li> <li>b) Company and vendors</li> </ul>



*"If we do not change our direction, we are likely to end up where we are headed."*

## Evaluation of Vendors

Performance evaluation of vendors at the Company has been designed to measure operational performance, evaluate improved effectiveness and examine strategic alignment. Vendor's appraisal is done on the basis of Quality, Cost, Delivery and Reliability (QCDR).

Quality	- all vendors meet the quality standards of Honda Japan and the Company.
Cost	- should be sourced at optimal cost without compromising quality
Delivery	- on time deliveries as per production plan
Reliability	- maintain B2B system for monitoring inventory levels

## B2B Implementation

The Company has created an electronic link with vendors for bilateral data exchange and respond to vendor's issues promptly. B2B, an internet based vendor portal was launched last year which is now implemented at 150 vendors. This portal ensures flow of accurate and up to date information between the Company and vendors. The use of this portal has improved communication and efficiency between the Company and vendors.

## Vendors' Recognition

A successful initiative launched about two decades ago is the "Ala Mayar", which inculcates a drive amongst the vendors to excel at what they do. This is an annual event which gives opportunities to the vendors to share their improvements and subsequently be rewarded for their efforts. Ala Mayar encourages the formation of quality circles among the vendors. The circles are selected on the basis of improvement in quality, productivity, cost efficiency and safety at work.

The 21st Ala Mayar conventions were held at both plants in Sheikhpura and Karachi. The event was chaired by the CEO - Mr. Saquib H. Shirazi. Vendors were ranked and prizes awarded on the basis of approved criteria.

## Vendor Conference

The Company has a practice of holding vendor conferences. These conferences are held to review the achievements of the previous year, map targets and identify challenges for coming years. In these conferences, vendors also share their experiences of working with the Company.

## Relational Exchange for Individual and Common Goals

Effective relational exchange management drives towards value added partnerships or strategic alliances. This helps in development of common goals for all stakeholders. Accordingly, integrating the vendors is a critical piece of supply chain strategy. The Company is continuously integrating existing resources by encouraging the vendors to make extensive refurbishments exclusively for the Company. In 2011-12, more than Rs. 1.5 billion was invested by different vendors. Following are some of the investments made by the vendor during the year:





# People

Our business model is built on creating a working culture where all our employees share responsibility for the delivery of our business goals.

Talent is the lifeblood of any organization and the Company views employees as its highest priority resource. It strives to attract diverse talent and foster an environment where employees are developed with skills and knowledge and valued for their performance. The Company also ensures maximum care for health, safety and security of its people. The Company's human resource principles are distillation of the values and beliefs held in common by all employees, a key aspect of "ATLAS CULTURE", where personal development and Company growth are mutually reinforcing.

## Principles

Human Resource Development	Hire and train employees who will maintain the leadership status of the Company in two wheeler market
Evaluation and Reward	3R policy in action - Respect, Recognition and Reward
Health, Safety and Security	Health, safety and security policy is monitored by EHS&S Committee
Diversity and Integrity	Ensure no discrimination on the basis of gender and ethnicity. People are selected on merit and rewarded on performance
Labor / Management Relation	Effective Collective Bargaining Agent (CBA) in action to protect labor rights
Human Rights	Adhere equal opportunity policies and endorse the United Nation's Declaration of Human Rights
Balancing Work and Social life	Encourage personnel to reevaluate their working habits to balance work and family life

## Human Resource Development

People are a key component in an organization. This is appropriately acknowledged by the Company where the candidates are recruited on merit and proper training is provided for enhancing their skills. Trainings are offered on the basis of training need assessment (TNA) analysis. The Company offered middle and top management development programs for continued learning with themes including leadership, career development, workforce motivation, ethics, health, safety and security issues.



Batch II Diploma Holders with Chairman and IBA faculty

Following are some of the highlights of training and development activities undertaken during 2011-2012:

- Atlas IBA Diploma Program - A group of 20 associates successfully completed courses in four modules at Institute of Business Administration (IBA) Karachi. The program is aimed to develop young staff having potential as the future leaders.
- Japanese experts delivered technical training sessions for transfer of functional skills to local team and senior management by sharing their expertise and conducted in-house sessions like "Financial Wisdom for Non-Financial Managers" workshop.





# Society

**Our community engagement and social investments are shaped by our belief that business should help in the generation of both economic and social capital for society.**

Companies are experiencing transformation of attitudes and values and are emerging as social change in society. Upon the backdrop of this change, the Company promises to add value in society and it has become core to its purpose and business strategy through the following guiding principles:

## Principles

Roles & responsibilities	Fulfilling roles and responsibilities as a good corporate citizen and maintain well-being of society
Effective utilization of resources	Effective utilization of management resources to advance community fellowship
Meaningful actions	Striving for meaningful actions with a constant awareness of our objectives and effectiveness
Encourage volunteerism and individual initiative	Supporting and nurturing participation in community fellowship by all who work in the Company
Proactive information	Proactive information disclosure, internally and externally

For the implementation of these principles, the Company is focused on the areas of education, health, safety, humanitarian relief and community development, as it is uniquely positioned to make measurable social and human impacts in line with its mission, geographic focus and core competencies.

Keeping in view the above, following activities were carried out in 2011-12:

## Health

For a community to survive and prosper, good health is a dire need. In 2011-2012, the Company initiated a drive towards creating awareness and improvement of health care of the villagers within and around Sheikhpura district. Hepatitis testing activities and blood screening tests were done. The results pre-empted treatment for patients who tested positive for hepatitis and blood group identification cards were issued to the respective people who had their blood groups checked so that in case of any mishap, the card would reveal the blood group of the person. Over 6,000 people benefitted from this initiative.

To curtail the spread of Dengue Virus, awareness programs were held by the Company in affiliation with City District Government, Faisalabad to help eradicate this epidemic. A rally was held in Lahore to reinforce this effort which was supported by over 8,000 people from different walks of life.



*"That each day I may walk unceasingly on the banks of my water, that my soul may repose on the branches of the trees which I planted."*

## Safety

The Company aspires to reduce the innumerable accidents that occur on road due to inadequate knowledge of civic sense and safety. The Company supports this drive with creating awareness on road safety, promotes riding skills and imparts knowledge on rescue operations through the following initiatives:

- About 724 lectures were delivered on road safety and interactive sessions with about 18,000 students of different schools and colleges were conducted to promote the concept of safe riding. MOU's were also signed with Technical Education and Vocational Training Authority, Punjab Education Foundation and Educational Coordination Forum which operates under the Memon Institute of Teachers Training.
- This was followed by training of approximately 800 people from the Motorway police, Rescue 1122 and various public and private institutions on safe riding skills. Lectures on emergency preparedness were delivered in collaboration with Rescue 1122, together with fire fighting drills and first aid training was also imparted to about 218 associates.

## Education

In Pakistan, the adult literacy levels are very low. It is a common fact that education plays a pivotal role in improving society and community at large. The Company strives to work hard in this field by offering support to TCF School funded by Atlas Foundation. The school was upgraded from primary to secondary, thereby, permitting community children to avail higher education. Further, annual internship program gave 95 students an opportunity to have practical and relevant industrial exposure in line with their qualifications.



Students at SOS village

The Company maintains mechanic training centre at SOS Village in Karachi, where needy students are provided technical training, so that they can earn their livelihood. This year, the Company trained students for general mechanic skills.

## Green Pakistan

The aim behind the propagation of "Green Pakistan" was not only to conserve our natural resources but to cause their proliferation by human effort.

The Company carried out the following activities:

- A vegetable garden in a school at Orangi town was established involving 350 students with our motto of "Grow you own food".
- Worked with Sargam Academy in Karachi to set up a rooftop garden.
- Developed a green belt along the canal in Faisalabad in affiliation with City District Government.
- Sheikhpura plant won the First Prize in the 154<sup>th</sup> Spring flower show at Jashan-e-Bahar 2012 Lahore.
- Participated in a flower show held at Sea-view Karachi, where 20,000 people visited the event and enjoyed the floral display.

## Humanity

### Disaster Relief

Unprecedented rainfall which occurred during August 2011 severely affected the southern districts of Sindh Province. The Company responded immediately by mobilizing its resources to start relief activities in the affected areas. Employees of the Company voluntarily got involved in the activities of purchasing, packing, transportation, delivery and distribution of relief goods to the victims in the villages of Sindh.

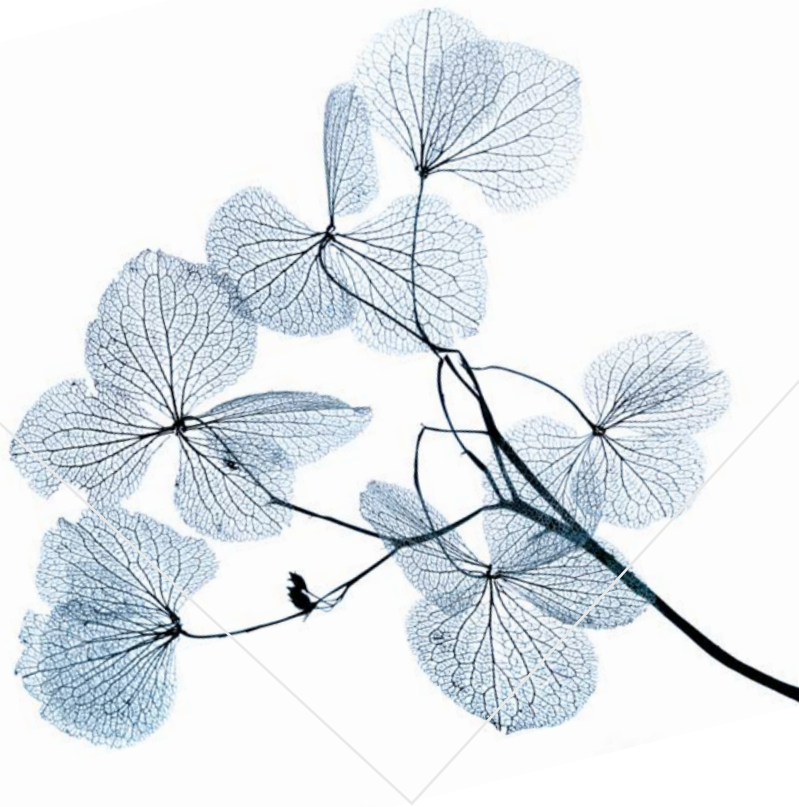
### Donations

Philanthropic efforts through donations to Atlas Foundation are an important way to support a range of activities for improvement of health and education. A policy approved by the Board of Directors commits to donate 1% of preceding year's profit before tax each year to an approved charitable institution under Section 61 of Income Tax Ordinance, 2001.



# Governance

Sound governance and management systems enable a company to operate in a transparent and accountable way. They provide effective oversight and help a company translate its aspirations into action while operating to high ethical standards.



The Company is determined to align the governance and strategic planning to the long-term stakeholder's interest. Through good governance, the Company is able to attract best resources which are utilized to get the output which is a pride for all the stakeholders.

The Company supports the ten principles of the United Nations Global Compact with respect to human rights, labor, environment, and anti-corruption. Further, the Company is a member of Pakistan Business Council (PBC) and Overseas Investment Chamber of Commerce and Industry (OICCI) which are advocating promotion of a healthy environment for investment and industrial development. PBC and OICCI take up all the matters faced by the industry which require support from the Government.

## The Corporate Governance Principles

### Business Principles:

- Compliance with business principles is essential element.
- The Board of Directors is responsible for ensuring that principles are communicated to and understood and observed by all employees.
- Compliance with the code is subject to review by the Board and supported by the Audit committee. The Board expects employees to bring to their attention or to the senior management any breach of these principles.
- Operations are in accordance with principles of good governance.

### Honesty, Integrity and Openness:

- Conduct operations with honesty, integrity and openness and with respect for human rights and interests of the employees
- Respect the legitimate interests of all those with whom it has relationship
- Compliance with laws, rules and regulations of Pakistan
- Creating working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of the Company
- Equal opportunity employer
- Safe and healthy working conditions for all employees
- Restriction of any form of forced, compulsory and child labour
- Provide branded products and services and offering value in terms of price and quality
- Products and services are properly labeled, advertised and communicated
- Supply of timely, regular and reliable information to all shareholders
- At the time of joining, the employees are given training about the anti-corruption policies of the company



- Employees are not permitted to use their jobs to solicit, to demand, accept, obtain or be promised advantages.
- Bribes or other payments which are intended to influence a business decision or compromise independent judgment are strictly prohibited
- All funds, assets, receipts and disbursements must be properly recorded in the system
- The business and ethics committee continuously monitors the Company to ensure that the Company and its employees are not part of any corrupt business practices
- Due to continued efforts, no incident of corruption has been reported yet.

**Relations with stakeholders**

- Committed to establish mutually beneficial relations with its suppliers, customers and business partners

**Corporate Social Responsibility**

- Strives to be a trusted corporate citizen and fulfill its responsibilities to the society and communities

**Environmental**

- Continuous improvement in the management of environmental impact
- Works in partnership with others to promote environmental issues and disseminate good practices

**Innovation**

- Innovations to meet consumer needs and respects the concerns of consumers and society
- Works on the basis of sound research and applying high quality standards

**Competition**

- Believes in fair competition and supports compliance of relevant competition laws
- Employees will conduct operations in accordance with the principles of fair competition

**The Corporate Governance Practices**

The Company's concept of compliance does not only include adherence of laws and regulations, but also observance of corporate ethics and internal rules. Based on this approach, the Company established the governance guidelines. These guidelines place the highest priority on compliance for conduct in all corporate activities. These guidelines include:

- To act with integrity, fairness and transparency.
- To comply with legal, regulatory and licensing requirement.
- The investment criteria takes account of economic return, environmental impact, social consequence and human rights.

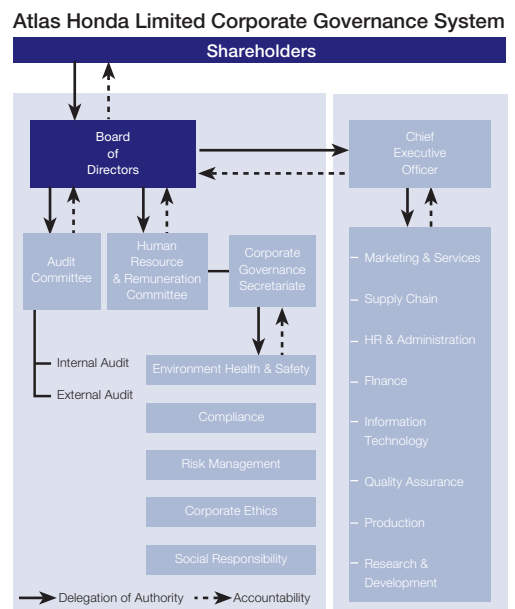
The Board of Directors of Atlas Honda Limited is committed to the principles of Good Corporate Governance. The stakeholders expect that the Company is managed and supervised responsibly and proper internal controls and risk management policy and procedures are in place for efficient and effective operations of the Company, safeguarding of assets, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards.

**Board of Directors:**

The Board, which is independent of management, gives strategic direction to the company management and scrutinizes the performance of the management against the given directions. The Board has constituted various committees for day to day administration. The remuneration of the Directors and those charged with governance is not linked with the organizational performance

The Board is responsible for the system of corporate governance and is ultimately accountable for the Company's activities, strategy, risk management and financial performance. The Board has the authority and is accountable to shareholders, for ensuring that the Company's matters are appropriately managed and it achieves the strategic objectives it sets. The Board discharges those responsibilities through an annual program of meetings which includes the approval of overall budgetary planning and business strategy. The Board reviews the internal controls and risk management policies and approves governance structure.

To assist the Board in performing its duties, the Company's management provides the operational and financial information pertaining to the Company, the impact of economy on its operations, the available opportunities, the threats faced by the Company and the counter measures to combat the threats. The agenda is sent to the Board and its sub-committees at least seven days



before the meeting. Further, the highlights and forecasts are presented to the Board on quarterly basis. The Board exercises its professional judgment in seeking professional advice from professionals and experts and ensures that all the necessary information is available and all aspects have been analyzed before any key decision is made.

In the Company, the roles and responsibilities of Chairman and CEO are separate to ensure the appropriate balance of power and continued accountability. Their responsibilities are listed below:

### **Roles and responsibilities of Chairman**

The Chairman's role is primarily to guide long-term strategic planning for the Company including:

- Presiding over the Board and ensuring that all relevant information has been made available to the members of the Board of the Company.
- Defining the philosophy and objectives of the Company.
- Safeguarding shareholders' interest in the Company.
- Responsible for building the Company's image nationally and globally.
- Chairman shall ensure that minutes of meetings of the Board of Directors are appropriately recorded and circulated to directors and officers entitled to attend Board meetings.
- Major spokesman of the Company, responsible for liaison with the senior most levels of Federal and Provincial Government.
- Overseeing the company's macro approaches and public relations in the broadest sense, including its relations with public organization and other companies.
- Commitments and de-commitment of strategic investments.

### **Roles and responsibilities of CEO**

The CEO is responsible for all matters pertaining to the operation of the Company. He has the following responsibilities:

- Under the overall direction of the Board of Directors
  - To plan and formulate strategic policies in respect of the Company.
  - To be responsible for the implementation of such policies.
  - To be responsible for relations with government departments, trade associations and other external bodies, for the Company.
  - To ensure achievement of agreed profitability targets.
- To ensure that the Company operates efficiently and achieves agreed productivity and other targets.
- To ensure that the chain of command in the Company is clear to facilitate the maintenance of discipline; the remits of all managers clearly define their functions to ensure accountability;
  - To fix selling prices and operate credit and discount policies.
  - To prepare for the approval of the Board of Directors annual forecasts of plans for production, sales, profit, revenue and capital expenditure, manpower numbers which fit into the long term business objectives and the overall strategic direction of the Company.
  - To ensure that necessary coordination exists between factories and various functions of the Company and between various departments of the factories to achieve smooth and effective operations.
  - Maintain a regular review of duties and functions of his staff to ensure that there is no duplications of efforts in office methods and procedures and that all operations are carried out efficiently and economically.
  - Ensure that technical information is made to his Company under Technical Service or Royalty Agreements is used solely in the manufacture of approved products and the staff of his Company regarding such information maintains strict secrecy.
- To ensure that his Company interests and assets are properly protected and maintained also that all the required government obligations and compliances are met.
- To maintain the close liaison with the Government, customers, all suppliers and all sales offices.
- To chalk out personnel policies for achieving high professional standards, overall progress / betterment of the Company as a whole and meeting peculiar needs of the Company.
- To ensure that a proper succession plan for all levels in the Company remains available and is constantly updated.
- To pay all Government dues on or before due dates and obtain all refunds due from the Government.
- To ensure proper functioning of the Management Committee of the Company of which he will be the chairman.
- To prepare and present personally to the Board of Directors following reports / details:
  - Annual business plan, cash flow projections forecasts and long term plans.
  - Budgets including capital, manpower and overhead budgets along with variance analysis.
  - Quarterly operating results of the Company in terms of its operating divisions and segments.
  - Promulgations or amendment of the law, rule or regulation, enforcement of an accounting standards and such other matters as may affect the company.
- Reviewing performance against budget / targets, revenue and capital expenditure, profits, other administration, commercial, personnel and other matters of importance to the Company.

- To ensure welfare and training of all company staff in accordance with the Company policy and Government regulations that are applicable from time to time.
- To always keep the line of communication open with the competitors for taking joint actions for mutual benefits.
- To be responsible for publicity of company products consistent with the Company image and with a view to maximizing sales.
- To ensure that open, progressive, and game free atmosphere is created among employees giving them a sense of participation and providing them with an incentive for each one to give his best and to recognize that he is a partner with the Company in its fundamental job of serving the customer who is the sole source of profit, growth and opportunity for the Company and its employee. Every employee is treated equally as an individual regardless of his designation, advancement is on merit and each employee is helped to develop pride of performance in his job through continuous study and training so as to form a team in which all levels of employees work together with common goals to strengthen the position of the Company.

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes performance of the business, accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

### Functional Committees

To ensure objective control, the Board and the Management have established a number of committees to oversee key areas of the Company's operations. Each committee has written terms of reference which have been approved by the Board. The following is a summary roles and composition of each committee:

Committee	Roles and Responsibilities	Number of members	Frequency of meeting
<b>Reporting to Board of Directors</b>			
Audit Committee	<ul style="list-style-type: none"> <li>- Oversight of financial reporting and accounting</li> <li>- Oversight of external auditor</li> <li>- Oversight of regulatory compliance</li> <li>- Monitoring the effectiveness of the internal control process and the internal audit</li> <li>- Oversight of risk management</li> </ul>	Three	Quarterly
Human Resource & Remuneration Committee	<ul style="list-style-type: none"> <li>- Recommending human resource management policies to the Board</li> <li>- Recommending to the Board about selection, evaluation, compensation and succession planning of CEO, VP, CFO, Company Secretary and Head of Internal Audit</li> <li>- Consideration and approval of recommendations of for key management positions who report directly to CEO and VP</li> </ul>	Three	Twice a year
<b>Reporting to Chief Executive Officer</b>			
Management Committee	<ul style="list-style-type: none"> <li>- Reviewing and forwarding long term plans, capital and expense budget, development and stewardship of business plans</li> <li>- Maintaining healthy environment</li> <li>- Providing advice to CEO in normal course of business</li> </ul>	Thirteen	Monthly
Business Ethics Committee	<ul style="list-style-type: none"> <li>- Effective communication and reinforcement of ethical values and best practices in the business</li> <li>- Ensuring compliance with 3R principles (Respect, Reward and Recognition)</li> </ul>	Nine	Twice a year
Treasury Committee	<ul style="list-style-type: none"> <li>- Oversight of day to day matters</li> <li>- Approval of short term investment decisions</li> <li>- Ensuring subsequent approval of the decisions of the Board</li> </ul>	Three	Monthly
Risk Management Committee	<ul style="list-style-type: none"> <li>- All risks are defined and mitigated on a timely basis in accordance with the well structured risk management process</li> </ul>	Three	Monthly
Environment, Health, Safety and Security Committee	<ul style="list-style-type: none"> <li>- Ensures compliance with applicable Environmental, Health, Safety and Security laws and regulations</li> </ul>	Six	Monthly
Social Responsibility Committee	<ul style="list-style-type: none"> <li>- Ensures compliance with Social Performance Governance Framework</li> </ul>	Five	Quarterly

# Independent Assurance Statement to the Board of Directors and Stakeholders

**Atlas Honda Limited (the Company) commissioned United Registrar of Systems Limited (URS) to provide independent assurance of the Sustainability Sections of the Atlas Honda Limited Annual Report 2012 (the Report).**

The Report presents the Company's sustainability performance during the period 1 April 2011 to 31 March 2012. The Company was responsible for the preparation of the Report and this statement represents the assurance provider's independent opinion. URS's responsibility in performing its assurance activities is to the Company's Board of Directors alone and in accordance with the terms of reference agreed with them.

## **Scope, Assurance Level and Limitations**

The level of assurance provided is moderate, as defined by the scope and methodology described in this assurance statement. The assurance covers the whole of the Report and focuses on systems and activities of the Company during the reporting period, with the following exception:

- The scope of work did not involve physical verification of financial, environmental, social or broader economic performance data.
- Only the corporate office was visited as part of this assurance engagement. Our work did not include an onsite inspection of any of the Company's manufacturing assets.

## **Assurance Methodology**

The assurance engagement was undertaken in May 2012, and involved:

- Interviews with key functional managers to better understand how the Company is addressing key sustainability challenges and how sustainability is integrated within the organisation.
- A review of the stakeholder engagement activities undertaken by the Company during the reporting period and how the results of this engagement inform the Company's sustainability strategy and continuous performance improvement.
- A review of the Company's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures.
- Interviews with key personnel responsible for collating and writing various parts of the Report to substantiate the reliability of selected claims.
- A review of the Report for any significant anomalies, particularly in relation to claims as well as trends in data.

## **Reference Standards**

URS has performed this assurance against guidelines contained within the Global Reporting Initiative (GRI) G3 standards and principles. Best Practice standards like ISO 14001 and OHSAS 18001 for environmental and safety management have also been referred to.

## Our Competency

The Company assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner. The project included personnel with expertise in environmental, social and economic performance measurement across a range of industry sectors. URS is a global leader in providing Sustainability Assurance services, having undertaken a number of assurance engagements for Pakistan's most responsible corporations over the past five years.

## Our conclusions

Based on the scope of our review our conclusions are outlined below:

### Inclusivity

Has the Company been engaging with stakeholders across the business to develop its approach to sustainability?

- We are not aware of any key stakeholder groups that have been excluded from dialogue.
- We are not aware of any matters that would lead us to conclude that the Company has not applied the inclusivity principle in developing its approach to sustainability.

### Materiality

Has the Company provided a balanced representation of material issues concerning the Company's sustainability performance?

- With the exception of the subject area listed below, we are not aware of any material aspects concerning the Company's sustainability performance which have been excluded from the Report.
- We consider that the Company could have covered the following subject area in more depth in the Report:
- Disclosure of future environmental performance targets.
- Nothing has come to our attention that causes us to believe that the Company management has not applied its processes for determining material issues to be included in the Report.

### Responsiveness

Has the Company responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that the Company has not applied the responsiveness principle in considering the matters to be reported.

### Completeness and accuracy of Performance Information

How complete and accurate is the HSE, community investment, environmental performance and governance data in the Report?

- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from group-wide systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

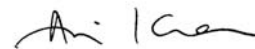
### How plausible are the statements and claims within the Report?

We have reviewed information or explanation on selected statements on the Company's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

### The Way Forward

It was found that the report appropriately addresses the Company's environmental, social and economic material issues. URS and the Company have discussed and mapped out certain improvements with regard to data management and reporting processes.

On behalf of the assurance team



Ali Khan  
CEO, URS Pakistan



18th May 2012



# G3 Content Index

Profile Disclosures	Description	Cross-reference / Direct answer
	<b>Standard Disclosures Part I</b>	
<b>1</b>	<b>Strategy and Analysis</b>	
1.1	Statement from the most senior decision-maker of the organisation on Sustainability	Sustainability Report - CEO message
1.2	Description of key impacts, risks and opportunities	Director's Report - Risk Management
<b>2</b>	<b>Organisational Profile</b>	
2.1	Name of the organization.	Cover page
2.2	Primary brands, products, and/or services.	Chairman's Review
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	Company Overview - a) Company Information b) Organization Chart
2.4	Location of organization's headquarters/ head office. Information	Company Overview - Company
2.5	Number & names of countries where the organization operates.	The Company operates its business through Pakistan
2.6	Nature of ownership and legal form.	a) Company Overview - Shareholder's Information b) Others - Pattern of Shareholding
2.7	Markets served by the organisation (geographic breakdown, sectors and types of customers/beneficiaries).	a) Chairman's Review b) Financial Statements - Notes to the Financial Statements
2.8	Scale of the reporting organization	Financial Highlights
2.9	Significant changes during the reporting period.	a) Chairman's Review b) Director's Report
2.10	Awards received in the reporting period.	Chairman's Review
<b>3</b>	<b>Report Parameters</b>	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Sustainability Report - About this Report
3.2	Date of most recent previous report (if any).	Sustainability Report - Cover page
3.3	Reporting cycle (annual, biennial, etc.)	Annual
3.4	Contact point for questions regarding the report or its contents.	Sustainability Report - About this Report
3.5	Process for defining report content.(determining materiality, users of the report etc)	Sustainability Report - About this Report
3.6	Boundary of the report (e.g., countries, divisions, etc)	Sustainability Report - About this Report
3.7	State any specific limitations on the scope or boundary of the report	Sustainability Report - About this Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, etc.	Not Applicable
3.9	Data measurement techniques and the bases of calculations, including assumptions.	Sustainability Report - About this Report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	Not Applicable
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods.	Not Applicable
3.12	Table identifying the location of the Standard Disclosures in the report. (Index)	This Table
3.13	Policy and current practice with regard to seeking external assurance for the report.	Sustainability Report - Independent Assurance Statement to Board of Directors and Stakeholders

Profile Disclosures	Description	Cross-reference / Direct answer
4	<b>Governance, Commitments, and Engagement</b>	
4.1	Governance structure of the organization.	Sustainability Report - Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Company Overview - Board of Directors
4.3	State the number of members of the governing body that are independent and/or non-executive members.	Company Overview - Board of Directors
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Sustainability Report - Governance
4.5	Linkage between compensation of those charged with Governance and the organization's overall performance	Compensation is linked to individual performance and company performance
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided. Compliance with the Code of Corporate	a) Financial Statements - Statement of Governance b) Sustainability Report - Governance
4.7	Process for determining the qualifications and expertise of those charged with governance.	Company Overview - Board of Directors
4.8	Internally developed mission statements, code of conduct, etc and their status of implementation.	a) Company Overview - Vision and Mission Statements b) Company Overview - Strategic Goals c) Sustainability framework
4.9	Procedures of those charged with governance for overseeing the identification and management of economic, environmental, and social performance,	Sustainability Report - Approach to Sustainability
4.10	Processes for evaluating the performance of those charged with governance, with respect to economic, environmental, and social performance.	Sustainability Report - Approach to Sustainability
4.11	Explanation of whether and how the precautionary approach is addressed by the organization.	a) Sustainability Report - Approach to Sustainability b) Directors Report - Risk Management
4.12	Subscription of the organisation to externally developed economic, environmental, and social charters, principles, or other initiatives.	Sustainability Report - Approach to Sustainability
4.13	Organisation's membership in associations and national or international advocacy organisations.	UNGC, OICCI, MAP, KCC,PBC, PAMA
4.14	List of stakeholder groups engaged by the organisation	Sustainability Report - Stakeholders' Engagement
4.15	Basis of identification and selection of stakeholders with whom to engage	Sustainability Report - Stakeholders' Engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Report - Stakeholders' Engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Sustainability Report - Stakeholders' Engagement
	<b>Standard Disclosures Part II - Management Approach Disclosures</b>	
1	<b>Environment</b>	
1.1	Materials	Sustainability Report - Environment
1.2	Energy	Sustainability Report - Environment
1.3	Water	Sustainability Report - Environment
1.4	Biodiversity	Sustainability Report - Environment
1.5	Emissions, effluents and waste	Sustainability Report - Environment
1.6	Products and services	Sustainability Report - Environment
2	<b>Social</b>	
2.1	Labor practices & decent work	Sustainability Report - People
2.2	Human rights	Sustainability Report - People
2.3	Society	Sustainability Report - Society
2.4	Product Responsibility	Sustainability Report - Customers

Performance Indicator	Description	Cross-reference / Direct answer
<b>Standard Disclosures Part III - Performance Indicators</b>		
<b>Economic Performance</b>		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	Directors' Report - Statement of Value Addition and its Distribution
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Directors' Report - Risk Management
EC3	Defined benefit plan obligations' coverage.	Financial Statements - Notes to the Financial Statements
EC4	Significant financial assistance received from the government	None
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Sustainability Report - Vendors
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Sustainability Report - People
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Sustainability Report - Society
<b>Environment</b>		
EN2	Materials used that are recycled input materials	Sustainability Report - Environment
EN5	Energy saved due to conservation and efficiency improvements	Sustainability Report - Environment
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	a) Chairman's Review b) Sustainability Report - Environment
EN8	Total water withdrawal by source	Sustainability Report - Environment
EN16	Other relevant indirect greenhouse gas emissions	Sustainability Report - Environment
EN17	Emissions of ozone-depleting substances	Sustainability Report - Environment
EN23	Total number and volume of significant spills	None
EN26	Initiatives to mitigate environmental impacts of products and services.	Sustainability Report - Environment
EN27	Percentage of products sold and their packaging materials that are reclaimed. (recycled / reused)	Sustainability Report - Environment (partly reported)
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None
<b>Social - Labor Practice and Decent work</b>		
LA4	Employees covered by collective bargaining agreements	Sustainability Report - People
LA8	Education, training, & counseling, programs. Significant fines and sanctions due to con-compliance with Labor Laws	Sustainability Report - People None
<b>Social - Human Rights</b>		
HR4	Total number of incidents of discrimination and corrective actions taken	None
HR5	Operations in which freedom of association and collective bargaining may be at risk, and necessary remedial actions taken in this regard.	Sustainability Report - People
HR6	Operations in which there is a risk of child labor, and remedial actions taken this regard.	Sustainability Report - People
HR7	Operations in which there is a risk of forced & compulsory labor, and remedial actions in this regard Significant fines and sanctions due to non-compliance with Human Rights Laws.	Sustainability Report - People None

Profile Disclosures	Description	Cross-reference / Direct answer
	<b>Social - Society</b>	
SO1	Programs & practices assessing & managing the impacts of operations on community.	Sustainability Report - Society
SO2	Percentage and total number of business units analysed for risks related to corruption.	The Company analysed 100% of its business units for risk related to corruption. Also, refer Sustainability Report - Governance
SO3	Percentage of employees trained in organisation's anti-corruption policies	The Company trained 100% of its employees for anti-corruption policies. Also, refer Sustainability Report - Governance
SO4	Actions taken in response to incidents of corruption	No Incident during the reporting period was Identified
SO5	Public policy positions and participation in public policy development and lobbying	Sustainability Report - Governance
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly	None
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None
	<b>Social - Product Responsibility</b>	
PR1	Life cycle stages in which health and safety impacts of products are assessed.	Sustainability Report - Customer
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Sustainability Report - Customer
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Sustainability Report - Customer
	Programs for adherence to laws and standards related to marketing communications.	Sustainability Report - Customer
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Report - Customer
PR6	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None
PR7	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None



# Financial Statements

Statement of Compliance with the Code of Corporate Governance

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

Auditors' Report to the Members

Balance Sheet

Profit and Loss Account

Cash Flow Statement

Statement of Changes in Equity

Notes to the Financial Statements





# Statement of Compliance with the Code of Corporate Governance

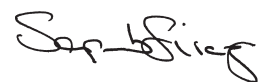
This statement is being presented to comply with the Code of Corporate Governance (the Code) in the Listing Regulations of Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Atlas Honda Limited (the Company) has applied the principles contained in the Code in the following manner:

- The Company encourages the representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes three non-executive directors.
- The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- Directors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary, their spouses and minor children have not transacted in the shares of the Company during the year.
- 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 Development Finance Institution (DFI) or an Non-Banking Finance Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
- One casual vacancy occurred on the Board during the year which was promptly filled by the directors.
- Executive directors of the Company are not in excess of 75% of total number of directors on the Board.
- The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
- The Board has developed vision and mission statements, 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 other terms and conditions of employment of the Chief Executive Officer (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 during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings to all the directors. The minutes of the meetings were appropriately recorded and circulated.
- The Company arranges orientation courses / meetings for its directors.
- All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.
- There were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year. However, all these appointments including their remuneration and other terms and conditions of employment have been approved by the Board in preceding years.
- The Directors' Report for the year ended March 31, 2012 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 for the year ended March 31, 2012 were duly endorsed by CEO and CFO before approval of the Board.
- The directors, CEO, executives, their spouses and minor children 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 already formed an Audit Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the committee.
- The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final financial results of the Company, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
- The related party transactions were placed before the Audit Committee and have been reviewed and approved by the Board of Directors.
- The statutory auditors of the Company have confirmed that they have been given satisfactory rating under the quality control review program 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except those which are 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 also been complied with.

On behalf of the Board of Directors



Saquib H. Shirazi  
Chief Executive Officer

Karachi: April 30, 2012



# HAMEED CHAUDHRI & CO.

## CHARTERED ACCOUNTANTS

## Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

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 Atlas Honda Limited, ("the Company") to comply with Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited, 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 of Corporate Governance.

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 are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval, related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended March 31, 2012.

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

Karachi: April 30, 2012  
Engagement partner: Muhammad Ali

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**LAHORE:**

HM House, 7-Bank Square.  
Tel : 37235084-87 Fax : 042-37235083  
E-mail : lhr@hccpk.com  
URL : www.hccpk.com

**KARACHI:**

Karachi Chambers, Hasrat Mohani Road.  
Tel : 32411474, 32412754, 32424826  
Fax : 021-32424835 E-mail : khi@hccpk.com  
URL : www.hccpk.com





# HAMEED CHAUDHRI & CO.

## CHARTERED ACCOUNTANTS

### Auditors' Report to the Members

We have audited the annexed balance sheet of Atlas Honda Limited ("the Company") as at March 31, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at March 31, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*Hameed Chaudhri & Co.*

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

Karachi: April 30, 2012  
Engagement partner: Muhammad Ali

---

**LAHORE:**

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Tel : 37235084-87 Fax : 042-37235083  
E-mail : lhr@hccpk.com  
URL : www.hccpk.com

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# Balance Sheet

## As at March 31, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	3,941,610	3,259,193
Intangible assets	7	6,419	7,137
Long-term investments	8	-	-
Long-term loans and advances	9	20,420	22,403
Long-term deposits		15,728	10,765
		<hr/>	<hr/>
		3,984,177	3,299,498
<b>Current Assets</b>			
Stores, spares and loose tools	10	348,639	325,891
Stock-in-trade	11	2,161,328	2,003,029
Trade debts	12	598,265	401,435
Loans and advances	13	33,152	33,525
Trade deposits and prepayments	14	44,832	36,936
Short-term investments	15	1,460,580	1,338,474
Accrued mark-up / interest		4,348	8,517
Other receivables	16	15,338	15,075
Taxation - net		160,604	68,050
Bank balances	17	2,149,154	2,090,800
		<hr/>	<hr/>
		6,976,240	6,321,732
		<hr/>	<hr/>
		10,960,417	9,621,230
		<hr/> <hr/>	<hr/> <hr/>



# Balance Sheet


## As at March 31, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	18	719,350	625,522
Reserves	19	4,700,584	3,996,892
		<hr/>	<hr/>
		5,419,934	4,622,414
<b>Non-Current Liabilities</b>			
Deferred liabilities	20	730,315	649,354
<b>Current Liabilities</b>			
Trade and other payables	21	4,810,168	4,255,584
Accrued mark-up / interest	22	-	6,378
Current portion of long-term borrowings	23	-	87,500
		<hr/>	<hr/>
		4,810,168	4,349,462
<b>Contingencies and Commitments</b>			
	25		
		<hr/>	<hr/>
		10,960,417	9,621,230
		<hr/>	<hr/>

The annexed notes 1 to 44 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Saquib H. Shirazi**  
Chief Executive Officer



**Sherali Mundrawala**  
Director

# Profit and Loss Account

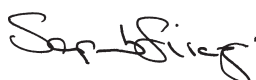
## For the Year Ended March 31, 2012

	Note	2012 ----- (Rupees in '000) -----	2011 -----
Sales	26	38,011,857	32,521,399
Cost of sales	27	(35,235,893)	(30,080,978)
<b>Gross profit</b>		2,775,964	2,440,421
Distribution cost	28	(965,883)	(815,463)
Administrative expenses	29	(335,654)	(310,742)
Other operating income	30	274,453	299,337
Other operating expenses	31	(117,162)	(109,597)
<b>Profit from operations</b>		1,631,718	1,503,956
Finance cost	32	(11,717)	(93,475)
<b>Profit before taxation</b>		1,620,001	1,410,481
Taxation	33	(415,892)	(407,925)
<b>Profit after taxation</b>		1,204,109	1,002,556
Other comprehensive income		-	-
<b>Total comprehensive income</b>		1,204,109	1,002,556
		----- Rupees -----	----- Restated -----
<b>Earnings per share - basic and diluted</b>	34	16.74	13.94

The annexed notes 1 to 44 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Saquib H. Shirazi**  
Chief Executive Officer



**Sherali Mundrawala**  
Director

# Cash Flow Statement

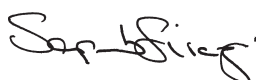
## For the Year Ended March 31, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
<b>Cash Flows from Operating Activities</b>			
Cash generated from operations	35	2,218,766	2,697,813
Mark-up / interest paid		(10,173)	(111,422)
Income tax paid		(452,034)	(466,210)
Contributions made to gratuity funds		(22,156)	(19,183)
Compensated absences paid		(8,012)	(8,779)
Mark-up / interest received		96,878	138,522
Workers' profit participation fund paid		(75,668)	(57,853)
Workers' welfare fund paid		(24,024)	(21,984)
Long-term loans and advances - net		1,983	(3,593)
Long-term deposits - net		(4,963)	571
<b>Net cash generated from operating activities</b>		<b>1,720,597</b>	<b>2,147,882</b>
<b>Cash Flows from Investing Activities</b>			
Fixed capital expenditure		(1,232,022)	(557,189)
Investments acquired		(395,000)	(1,442,646)
Sale proceeds from disposal of operating fixed assets		52,666	51,266
Sale proceeds from disposal of investments		403,139	1,306,029
<b>Net cash used in investing activities</b>		<b>(1,171,217)</b>	<b>(642,540)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of long-term borrowings		(87,500)	(787,500)
Dividend paid		(403,526)	(269,005)
<b>Net cash used in financing activities</b>		<b>(491,026)</b>	<b>(1,056,505)</b>
<b>Net increase in cash and cash equivalents</b>		<b>58,354</b>	<b>448,837</b>
Cash and cash equivalents - at beginning of the year		2,090,800	1,641,963
<b>Cash and cash equivalents - at end of the year</b>	17	<b>2,149,154</b>	<b>2,090,800</b>

The annexed notes 1 to 44 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Saquib H. Shirazi**  
Chief Executive Officer



**Sherali Mundrawala**  
Director

# Statement of Changes in Equity

## For the Year Ended March 31, 2012

	Capital Reserves			Revenue Reserves		Total
	Share Capital	Share Premium	Gain on Sale of Land	General Reserve	Unappropriated Profit	
----- (Rupees in '000) -----						
<b>Balance as at April 1, 2010</b>	543,932	39,953	165	2,582,000	725,774	3,891,824
<b>Transactions with owners</b>						
Final cash dividend for the year ended March 31, 2010 at the rate of Rs. 5 per share	-	-	-	-	(271,966)	(271,966)
Bonus shares issued during the year in ratio of 3 shares for every 20 shares held	81,590	-	-	-	(81,590)	-
	81,590	-	-	-	(353,556)	(271,966)
Total comprehensive income for the year	-	-	-	-	1,002,556	1,002,556
<b>Balance as at March 31, 2011</b>	625,522	39,953	165	2,582,000	1,374,774	4,622,414
Transfer to general reserve	-	-	-	860,000	(860,000)	-
<b>Transactions with owners</b>						
Final cash dividend for the year ended March 31, 2011 at the rate of Rs. 6.50 per share	-	-	-	-	(406,589)	(406,589)
Bonus shares issued during the year in ratio of 3 shares for every 20 shares held	93,828	-	-	-	(93,828)	-
	93,828	-	-	-	(500,417)	(406,589)
Total comprehensive income for the year	-	-	-	-	1,204,109	1,204,109
<b>Balance as at March 31, 2012</b>	<u>719,350</u>	<u>39,953</u>	<u>165</u>	<u>3,442,000</u>	<u>1,218,466</u>	<u>5,419,934</u>

The annexed notes 1 to 44 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Saquib H. Shirazi**  
Chief Executive Officer



**Sherali Mundrawala**  
Director

# Notes to the Financial Statements

## For the Year Ended March 31, 2012

### 1. Legal Status and Operations

Atlas Honda Limited (the Company) was incorporated as a public limited company on October 16, 1962 under the Companies Act, 1913, now Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore stock exchanges of Pakistan. The registered office is located at 1 - McLeod Road, Lahore. The Company is principally engaged in progressive manufacturing and marketing of motorcycles and spare parts. The manufacturing and assembling facilities of the Company are located at Karachi and Sheikhpura, with branch offices, warranty and training centres and other offices are located at Karachi, Multan, Lahore, Rahim Yar Khan and Rawalpindi.

### 2. Basis of Preparation

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified by the provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ from the requirements of the approved accounting standards, the Ordinance and the said directives have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for short-term investments, which are carried at fair value and liability towards defined benefit plans which is carried at present value.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded off to the nearest thousand, unless otherwise stated.

### 3. Standards, Interpretations and Amendments to Published Approved Accounting Standards

#### 3.1 Amended standards that are effective in the current year and are relevant to the Company

The following amendments to the approved accounting standards are mandatory for the periods beginning on or after April 1, 2011 and are relevant to the Company:

- (a) IFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with the financial instruments. The amendment has only resulted in additional disclosures with respect to financial instruments which have been duly incorporated in these financial statements.
- (b) IAS 34 (Amendment), 'Interim Financial Reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around (a) the circumstances likely to affect fair values of financial instruments and their classification, (b) transfers of financial instruments between different levels of the fair value hierarchy, (c) changes in classification of financial assets and (d) changes in contingent liabilities and assets. The amendment pertains to interim reporting and was duly incorporated in the Company's quarterly condensed interim financial information(s) previously presented during the financial year.

#### 3.2 New accounting standards, amendments to approved accounting standards and interpretations that are effective for the year but are not relevant to the Company

There are other new standards, amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after April 1, 2011, however, they are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore, have not been detailed in these financial statements.



### 3.3 New accounting standards, amendments to approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

The following new standards, amendments to approved accounting standards and interpretations are not effective for the periods beginning on or after April 1, 2011 and have not been early adopted by the Company:

- (a) IFRS 7 (Amendments), 'Financial Instruments: Disclosures':
- (i) (Effective for the periods beginning on or after July 1, 2011). The amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment will only affect the disclosures in the Company's financial statements.
  - (ii) (Effective for the periods beginning on or after January 1, 2013). The amendments contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is only expected to result in additional disclosures and will not impact the Company's financial results.
- (b) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after January 1, 2015). This is the first standard issued as part of a wider project to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (a) amortized cost and (b) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not significantly affect the Company's financial assets.
- (c) IFRS 13, 'Fair Value Measurement' (effective for the periods beginning on or after January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It is unlikely that this standard will have a significant affect on the Company's financial statements.
- (d) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after July 1, 2012). The main change resulting from these amendments is a requirement for the entities to group items presented in 'other comprehensive income' on the basis of whether they can be potentially reclassified to profit and loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of other comprehensive income, the amendments are not expected to have an affect on the Company's financial statements.
- (e) IAS 19 (Amendments), 'Employee Benefits' (effective for the periods beginning on or after January 1, 2013). The amendments (a) eliminate the 'corridor method' for recognizing actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognized immediately, (b) streamline the presentation of changes in assets and liabilities arising from defined benefit plans by reclassifying their presentation in other comprehensive income and (c) enhance disclosure requirements for providing better information about the characteristics of the defined benefit plans and the risks that entities are exposed to through participation in these plans. The Company is yet to assess the full impact of these amendments.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are not yet effective, however they are currently not considered to be relevant to the Company and therefore have not been detailed in these financial statements.

## 4. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### 4.1 Property, plant and equipment

#### Owned assets

The Company has adopted the cost model for its property, plant and equipment. Operating fixed assets except for freehold land are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any. Cost includes expenditure that is directly attributable to acquisition of the asset, including any incurred borrowing costs. The cost of a self constructed asset includes cost of materials, labour and other overheads that are directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling and removing the asset and restoring the site on which it is located. Items of property, plant and equipment individually costing Rs. 25,000 or less are charged to the profit and loss account as and when purchased.

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for its intended use.

Where major components of a single item of owned operating fixed assets have different useful lives, they are accounted for in the books of account as separate items.

Subsequent costs including major renewals and improvements are included in the carrying amount of the asset or are recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized at the time of replacement. Normal repair and maintenance and day-to-day servicing are charged to the profit and loss account as and when incurred.

Depreciation is charged to the profit and loss account using reducing balance method except for dies and jigs, office equipment, computers and accessories, furniture and fixtures and service equipment, without considering extra shifts. Depreciation on dies and jigs, office equipment, computers and accessories, furniture and fixtures and service equipment is charged to the profit and loss account using straight line method. Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The depreciation methods, useful lives and residual values of items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change or adjustment in depreciation methods, useful lives and residual values is accounted for as a change in accounting estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and is applied prospectively in the financial statements by adjusting the depreciation charge for the period in which the change has been made and for future periods.

Disposal of an asset is recognized when significant risk and rewards, incidental to the ownership of the asset, have been transferred to the buyer. Gains and losses on disposals are determined by comparing the carrying amount of the asset with the realized sales proceeds and are recognized in the profit and loss account.

#### **Leased assets**

Lease that substantially transfers all the risks and rewards, incidental to the ownership of an asset to the Company is classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable for owned assets.

## **4.2 Intangible assets**

These are stated at cost less accumulated amortization and impairment losses, if any and represent cost of software licenses, SAP implementation and support cost and license fee of certain components that are being manufactured by the Company under technology transfer arrangements.

Costs associated with maintaining the asset are charged to the profit and loss account as and when incurred, however, costs that are directly attributable to the identifiable asset and have probable economic benefits exceeding one year, are recognized as intangible asset. Direct costs include purchase cost of the asset, salaries and other service benefits of staff deployed towards development of the asset and other related overheads. Expenditures incurred in respect of design, construction and testing of an intangible asset are also added to the carrying amount of that asset.

Expenditure which enhances or extends the performance of the asset beyond its original specifications is recognized as a capital improvement and added to the original cost of the asset. Cost associated with maintaining computer softwares are charged to the profit and loss account.

All intangible assets are estimated to have definite useful lives and are amortized from the month the asset is acquired, made available for use or extended support cost is incurred, using the straight line method over a period of 2 to 5 years.

## **4.3 Impairment of non-financial assets**

The carrying amounts of the Company's non financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previously recognized impairment losses. If any circumstances exist, the recoverable amount of each such asset is estimated and impairment loss is recognized in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment losses had been recognized previously.

## 4.4 Financial instruments

### 4.4.1 Financial assets

#### (i) Classification

The Company classifies its financial assets in the following categories: (a) at fair value through profit or loss, (b) loans and receivables, (c) held to maturity and (d) available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Financial assets at fair value through profit or loss

These are held for trading financial assets. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

##### (b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities outstanding for more than 12 months as at the reporting date, in which case, they are classified as non-current assets.

##### (c) Held to maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity in respect of which the Company has positive intent and ability to hold till maturity. There were no held to maturity investments as at balance sheet date.

##### (d) Available-for-sale financial assets

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless they mature or management intends to dispose them within 12 months of the reporting date.

#### (ii) Recognition

Regular purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Company commits to purchase or sell the asset. All financial assets are initially recognized at fair value plus transaction costs except for those financial assets which are designated as 'financial assets at fair value through profit or loss'. 'Financial assets at fair value through profit or loss' are initially recognized at fair value and transaction costs are charged to the profit and loss account. Financial assets are derecognized when the right to receive cash flows from such assets has expired or have been transferred and the Company has transferred substantially all risks and rewards, incidental to the ownership of such financial assets.

Dividend income from 'financial assets at fair value through profit or loss' and 'available-for-sale financial assets' is recognized in the profit and loss account when the Company's right to receive payments is established. Interest income from all financial assets is calculated using the effective interest rate method and is recognized in the profit and loss account when it is accrued.

Equity instruments that do not have a quoted market price in an active market and whose fair values can not be reliably measured or determined, are stated at cost.

#### (iii) Measurement

'Financial assets at fair value through profit or loss' and 'available for sale financial assets' are subsequently measured at fair value whereas 'held to maturity financial assets' and 'loans and receivables' are subsequently measured at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are recognized in the profit and loss account in the period in which they arise.

Changes in fair value of the 'available-for-sale financial assets' are recognized in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the cumulative fair value adjustments recognized in other comprehensive income till the time of disposal or impairment, are charged to the profit and loss account.

#### (iv) Impairment

The Company assesses at the end of each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognized in the profit and loss account for the amount by which the assets' carrying amounts exceed their respective recoverable amounts. Impairment losses of equity instruments, once recognised are not reversed through profit and loss account.

#### 4.4.2 Financial liabilities

These are initially recognized at cost, which is the fair value of consideration expected to be paid. All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the obliging instrument / contract.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and recognition of a new liability and difference in respective carrying amounts is recognized in the profit and loss account.

#### 4.4.3 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

#### 4.4.4 Derivative financial instruments and hedging activities

The Company designates derivative financial instruments as either cash flow hedge or fair value hedge.

##### (a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect the profit and loss account.

##### (b) Fair value hedge and other non-trading derivatives

Fair value hedge represents a hedge of the fair value of a recognized asset, liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as a fair value hedge is recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly is categorized as 'financial asset at fair value through profit or loss'.

#### 4.5 Stores, spares and loose tools

Stores, spares and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on weighted average cost. Items-in-transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amounts of stores, spares and loose tools on an on-going basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment is also made for slow moving items.

#### 4.6 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost of raw materials and components represents invoice values plus other charges incurred thereon. Cost of inventory is based on weighted average cost. Cost in relation to work-in-process and finished goods represent direct cost of raw materials, wages and appropriate manufacturing overheads. Goods-in-transit are valued at cost accumulated up to the balance sheet date.

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

The Company reviews the carrying amount of stock-in-trade on an on-going basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

#### **4.7 Trade debts and other receivables**

Trade debts are initially recognized at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

#### **4.8 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of balances with banks and cheques in hand.

#### **4.9 Borrowings**

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest rate method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings as interest expense.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the balance sheet date.

#### **4.10 Retirement and other service benefits**

##### **Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contribution to a defined contribution plan is recognised as an employee service benefit expense in the profit and loss account when it is due.

The Company operates defined contribution plan for its permanent employees, excluding ex-patriates, through either one of the following ways:

- a recognized provident fund; or
- voluntary pension schemes managed by Atlas Asset Management Company Limited, a related party, under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Fund and Atlas Pension Islamic Fund.

The option rests with the employees to opt for either of the two above mentioned defined contribution plans.

Equal monthly contributions at the rate of 11% of the basic salary are made to the fund / scheme both by the Company and the employees. The fund is a separate legal entity and its assets are being held separately under the control of its trustees.

##### **Defined benefit plan**

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in current and prior periods. Such benefit is discounted to determine its present value.

The Company has established separate funded gratuity schemes for its management and non management staff who complete qualifying period of service. Contributions under the schemes are made on the basis of actuarial valuation and are charged to the profit and loss account. The valuations of both schemes are carried-out annually by an independent expert, using the "Projected Unit Credit Method" with the latest valuation being carried out as on March 31, 2012.



The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized transitional liability, unrecognized actuarial gains and losses and unrecognized past service costs, if any, as reduced by the fair value of the plan assets.

Cumulative net unrecognized actuarial gains and losses at the end of the previous year, which exceed 10% of the greater of present value of the defined benefit obligation and fair value of plan assets, are amortized in the profit and loss account over the remaining average service life of the employees over which they are expected to receive benefits. Actuarial gains on curtailment are recognized immediately once the certainty of recovery is established.

#### **Compensated absences**

Employees' entitlement to annual leave is recognized when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### **4.11 Trade and other payables**

Liabilities for trade and other payables are carried at cost, which is the fair value of consideration to be paid in future for goods and services, whether or not billed to the Company.

#### **4.12 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### **4.13 Obligation under finance lease**

Total outstanding obligation under the lease arrangements less finance cost attributable to future periods is presented as liability. Finance cost under the lease arrangements is distributed over the lease term so as to produce a constant periodic rate of finance cost on the balance of principal liability outstanding at the end of each period.

#### **4.14 Warranty**

The Company recognizes the estimated liability to repair or replace damaged parts of products still under warranty at the balance sheet date on the basis of historical claim information. The Company offers 2 years' warranty on all engine spare parts and six months warranty on all other spare parts of its motorcycles. The ratio of warranty claims filed during the year to previous year's sales is taken into account for determining the estimated liability.

#### **4.15 Operating leases / Ijarah**

Operating leases / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases / Ijarah. Payments made during the year are charged to the profit and loss account on a straight line basis over the period of the lease / Ijarah.

#### **4.16 Taxation**

##### **Current and prior year**

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the reporting date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

##### **Deferred**

Deferred tax is recognized using the balance sheet liability method on all taxable temporary differences between the carrying amounts of assets and liabilities used for the financial reporting purposes and the respective amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the profit and loss account, except in case where the item to which the deferred tax asset or liability pertains, is recorded in other comprehensive income or equity. In such a case, the corresponding deferred tax is also recognized in other comprehensive income or equity.

#### **4.17 Foreign currency translations**

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are taken to profit and loss account.

#### **4.18 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, commissions, sales returns and trade discounts. Revenue from different sources is recognized on the following basis:

- Revenue from sales of motorcycles and spare parts is recognized when goods are dispatched and invoiced to customers.
- Interest income on deposits with banks and other financial assets is recognized on accrual basis.
- Dividend income is recognized when the Company's right to receive dividend has been established.

#### **4.19 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are added to the cost of that asset until such time that the asset is substantially ready for its intended use. A qualifying asset is a non-current asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

#### **4.20 Research and development costs**

Research and development costs are charged to the profit and loss account as and when incurred.

#### **4.21 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by weighted average numbers of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### **4.22 Segment reporting**

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment, however, certain information, as required by the approved accounting standards, is presented in note 36 to these financial statements.

#### **4.23 Dividend and appropriations to reserves**

Dividend and other appropriations to reserves are recognized in the period in which they are approved by the shareholders.

## 5. Critical Accounting Estimates and Judgments

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and underlying assumptions. It also requires management to exercise its judgment in the process of applying Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results, however, the differences are not expected to be significant and hence will not affect the true and fair presentation of the financial statements.

The estimated and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods. The estimates and assumptions that involve high degree of judgment or complexity and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### 5.1 Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of the asset is made if indicators of impairment are identified.

### 5.2 Intangible assets

The Company reviews the rates of amortization, useful lives and values of intangible assets for indicators of impairment. Any change in the estimate of future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge.

### 5.3 Stores, spares and loose tools and stock-in-trade

The Company estimates the net realizable values of stores, spares and loose tools and stock-in-trade to assess any diminution in the respective carrying values.

### 5.4 Investments at fair value through profit or loss

The Company has determined fair values of its short-term investments by using quotations from the active market. These estimates are subjective in nature and involve some uncertainties and matters of judgments.

### 5.5 Taxation

In making the estimate for income taxes payable, the Company looks at the applicable law and decisions of appellate authorities on certain issues in the past.

### 5.6 Staff retirement benefit obligations

The present values of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amounts of these obligations. The present values of these obligations and underline assumptions are disclosed in note 21.6.

	Note	2012 ----- (Rupees in '000) -----	2011 -----
<b>6. Property, Plant and Equipment</b>			
Operating fixed assets	6.1	3,758,282	3,256,040
Capital work-in-progress	6.4	183,328	3,153
		<u>3,941,610</u>	<u>3,259,193</u>

## 6.1 Operating fixed assets

	OWNED													TOTAL	
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Plant and machinery	Dies and jigs	Factory equipment	Office equipment	Computers and accessories	Furniture and fixtures	Fixture and equipment	Electric and gas fittings	Vehicles		Service equipment
----- (Rupees in '000) -----															
<b>As at April 1, 2010</b>															
Cost	5,112	34,132	351,233	82,469	4,103,853	1,023,572	147,078	16,975	103,770	15,137	1,300	188,277	163,917	389	6,237,214
Accumulated depreciation	-	(7,960)	(140,099)	(36,808)	(1,771,061)	(741,077)	(85,919)	(14,656)	(71,083)	(12,608)	(1,300)	(121,346)	(72,242)	(389)	(3,076,548)
Book value	5,112	26,172	211,134	45,661	2,332,792	282,495	61,159	2,319	32,687	2,529	-	66,931	91,675	-	3,160,666
<b>Year ended March 31, 2011</b>															
Additions	-	-	8,231	7,487	275,713	205,185	6,690	1,967	14,272	1,506	-	22,716	68,934	-	612,701
Disposals															
- cost	-	-	-	(1,262)	(39,310)	(114,860)	(3,144)	(147)	(680)	-	-	(1,942)	(29,388)	-	(190,733)
- accumulated depreciation	-	-	-	624	17,343	102,124	1,047	145	186	-	-	977	14,246	-	136,692
	-	-	-	(638)	(21,967)	(12,736)	(2,097)	(2)	(494)	-	-	(965)	(15,142)	-	(54,041)
Depreciation charge for the year	-	(514)	(21,354)	(5,349)	(251,325)	(133,264)	(6,350)	(841)	(11,462)	(1,307)	-	(7,295)	(24,225)	-	(463,286)
<b>Book value as at March 31, 2011</b>	5,112	25,658	198,011	47,161	2,335,213	341,680	59,402	3,443	35,003	2,728	-	81,387	121,242	-	3,256,040
<b>Year ended March 31, 2012</b>															
Additions	-	-	20,056	5,433	680,015	151,147	32,552	2,195	5,755	12,345	-	72,294	68,727	-	1,050,519
Disposals (note 6.3)															
- cost	-	-	-	(2,242)	(73,891)	(58,972)	(265)	(120)	(5,119)	(40)	-	(120)	(46,735)	-	(187,504)
- accumulated depreciation	-	-	-	1,659	44,693	58,972	183	120	5,092	40	-	109	25,131	-	135,999
	-	-	-	(583)	(29,198)	-	(82)	-	(27)	-	-	(11)	(21,604)	-	(51,505)
Written off															
- cost	-	-	-	-	-	-	-	(65)	-	(1,475)	-	(70)	-	-	(1,610)
- accumulated depreciation	-	-	-	-	-	-	-	29	-	1,475	-	61	-	-	1,565
Depreciation charge for the year (note 6.2)	-	(514)	(20,155)	(4,863)	(255,339)	(154,927)	(7,418)	(1,166)	(13,011)	(1,579)	-	(10,437)	(27,318)	-	(496,727)
<b>Book value as at March 31, 2012</b>	5,112	25,144	197,912	47,148	2,730,691	337,900	84,454	4,436	27,720	13,494	-	143,224	141,047	-	3,758,282
<b>As at March 31, 2011</b>															
Cost	5,112	34,132	359,464	88,694	4,340,256	1,113,897	150,624	18,795	117,362	16,643	1,300	209,051	203,463	389	6,659,182
Accumulated depreciation	-	(8,474)	(161,453)	(41,533)	(2,005,043)	(772,217)	(91,222)	(15,352)	(82,359)	(13,915)	(1,300)	(127,664)	(82,221)	(389)	(3,403,142)
Book value	5,112	25,658	198,011	47,161	2,335,213	341,680	59,402	3,443	35,003	2,728	-	81,387	121,242	-	3,256,040
<b>As at March 31, 2012</b>															
Cost	5,112	34,132	379,520	91,885	4,946,380	1,206,072	182,911	20,805	117,998	27,473	1,300	281,155	225,455	389	7,520,587
Accumulated depreciation	-	(8,988)	(181,608)	(44,737)	(2,215,689)	(868,172)	(98,457)	(16,369)	(90,278)	(13,979)	(1,300)	(137,931)	(84,408)	(389)	(3,762,305)
Book value	5,112	25,144	197,912	47,148	2,730,691	337,900	84,454	4,436	27,720	13,494	-	143,224	141,047	-	3,758,282
<b>Depreciation rate (%)</b>	-	1.79	10	10	10	25	10	20	25	20	20	10	20	20	

Note **2012** **2011**  
----- (Rupees in '000) -----

## 6.2 Allocation of depreciation charge for the year

Depreciation charge has been allocated as follows:

Cost of sales	27	466,905	438,264
Administrative expenses	29	29,822	25,022
		496,727	463,286

### 6.3 Disposal of operating fixed assets

The details of operating fixed assets disposed during the year are as follows:

Assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	----- (Rupees in '000) -----						
<b>Assets having book value exceeding Rs. 50,000 each</b>							
<b>Buildings on leasehold land</b>							
Old office premises	2,242	1,659	583	185	(398)	Scrap	Mr. M. Siddiq Awan, N-P 12/47, Muhammad Shah Street, Jodria Bazar, Karachi
<b>Plant and machinery</b>							
Barrel machines and pre-treatment tank	2,265	1,506	759	766	7	Negotiation	Atlas Engineering Limited, a related party, 15th Mile, National Highway, Karachi
Baking oven	685	357	328	380	52	Scrap	National Trade Council, III - F 6/5, Nazimabad, Karachi
Potting machine	47,296	24,046	23,250	26,000	2,750	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, SITE II, Super Highway, Karachi
Mig Plant Xd 350	155	84	71	5	(66)	Scrap	Khursheed, Feroz Park, Sui Gas Road, Lahore
Mig Plant Xd 350	310	168	142	11	(131)	Scrap	Khursheed, Feroz Park, Sui Gas Road, Lahore
LPDC Shot Blast Machine	378	223	155	20	(135)	Scrap	ST Traders, 1-1 New Malik Park, Baghat Pura, Lahore
Machining Centre 1A	13,400	11,820	1,580	705	(875)	Scrap	ST Traders, 1-1 New Malik Park, Baghat Pura, Lahore
LPDC Machine Furnace	6,489	3,834	2,655	821	(1,834)	Scrap	ST Traders, 1-1 New Malik Park, Baghat Pura, Lahore
	70,978	42,038	28,940	28,708	(232)		
<b>Factory equipment</b>							
Tube well turbine	265	183	82	45	(37)	Negotiation	Asghar Ali Tubewell Services, Dil Muhammad Road, Steel Market, Lahore
<b>Vehicles</b>							
	60	9	51	51	-	Company policy	Mr. Tauseef Ur Rehman ( Ex-employee)
	61	3	58	58	-	Company policy	Mr. Faraz Fazal ( Ex-employee)
	62	8	54	54	-	Company policy	Mr. Amjad Hussain (Ex-employee)
	63	4	59	59	-	Company policy	Mr. Khalid Jamil (Ex-employee)
	70	8	62	62	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	66	15	51	51	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	68	8	60	60	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	83	11	72	72	-	Company policy	Mr. Fareed Saeed (Employee)
	86	6	80	80	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	100	20	80	80	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	81	20	61	61	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	83	21	62	62	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	83	16	67	67	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi



Assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	----- (Rupees in '000) -----						
Vehicles	79	19	60	60	-	Company policy	Mr. Abid Hussain (Employee)
	79	17	62	62	-	Company policy	Mr. Najam Ul Hasssan (Employee)
	81	16	65	65	-	Company policy	Mr. Ashraf Ali (Employee)
	81	13	68	68	-	Company policy	Mr. Pervaiz (Employee)
	83	8	75	75	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	83	5	78	78	-	Company policy	Mr. Bukhtiar Ahmad (Employee)
	86	32	54	54	-	Company policy	Mr. M. Ayyaz (Employee)
	104	14	90	90	-	Company policy	Mr. Muhammad Ilyas (Employee)
	104	17	87	87	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	106	12	94	94	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	106	12	94	94	-	Insurance claim	Atlas Insurance Limited, a related party Federation House, Karachi
	923	628	295	295	-	Company policy	Mr. Izhar Ahmed (Employee)
	923	568	355	366	11	Company policy	Mr. Faisal Iqbal (Employee)
	951	542	409	409	-	Company policy	Shirazi Trading Company (Pvt.) Ltd., a related party, 8th Floor, Adamjee House, I.I. Chundrigar Road, Karachi
	1,343	473	870	870	-	Company policy	Mr. Kashif Yasin (Employee)
	923	617	306	306	-	Company policy	Mr. Shaukat Alam (Employee)
	1,343	408	935	935	-	Company policy	Mr. Tariq Haider Khan (Employee)
	1,343	304	1,039	1,039	-	Company policy	Atlas Battery Ltd., a related party, D-181, Central Avenue, SITE, Karachi
	1,385	185	1,200	1,200	-	Company policy	Atlas Battery Ltd., a related party, D-181, Central Avenue, SITE, Karachi
	876	526	350	350	-	Company policy	Mr. Tahir Naseem (Employee)
	883	606	277	277	-	Company policy	Mr. Rashid Amin (Employee)
	1,385	345	1,040	1,040	-	Company policy	Mr. Naeem Ahmad (Ex-employee)
	830	550	280	280	-	Company policy	Mr. Arshad Ali Abid (Employee)
	830	533	297	297	-	Company policy	Mr. Zia Ul Hassan Khan (Employee)
	830	533	297	297	-	Company policy	Mr. Rashad Rashid (Employee)
	830	550	280	280	-	Company policy	Mr. Sarfraz Mufti (Employee)
	830	515	315	297	(18)	Company policy	Mr. Inayatullah (Employee)
	883	585	298	298	-	Company policy	Mr. M. Asim (Employee)
	1,476	968	508	508	-	Company policy	Atlas Battery Ltd., a related party, D-181, Central Avenue, SITE, Karachi
	1,346	898	448	448	-	Company policy	Mr. Suhail Ahmed (Employee)
	1,346	880	466	466	-	Company policy	Mr. Amir Ali Bawa (Employee)
	1,492	907	585	585	-	Company policy	Mr. Nurul Huda (Employee)
	904	251	653	653	-	Company policy	Atlas Battery Ltd., a related party, D-181, Central Avenue, SITE, Karachi
	1,042	678	364	364	-	Company policy	Mr. Ainus Salkeen (Employee)
	1,345	827	518	518	-	Company policy	Mr. Khalid Aziz (Employee)
	1,017	681	336	336	-	Company policy	Mr. M. Zaman (Employee)
	1,075	713	362	362	-	Company policy	Mr. Zaheer Ul Haq (Employee)
	2,785	1,825	960	960	-	Company policy	Atlas Battery Ltd., a related party, D-181, Central Avenue, SITE, Karachi
	499	333	166	166	-	Company policy	Mr. V.A. Khalid (Employee)
	660	299	361	361	-	Company policy	Mr. Kazman (Employee)
	512	321	191	191	-	Company policy	Mr. Zia Ul Islam (Employee)

Assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	----- (Rupees in '000) -----						
<b>Vehicles</b>	455	149	306	306	-	Company policy	Mr. Ahsan Younas (Employee)
	650	244	406	406	-	Company policy	Mr. Naeem Mohsin (Employee)
	645	227	418	418	-	Company policy	Mr. Wadood Ahmad Butt (Employee)
	395	259	136	136	-	Company policy	Mr. Mushtaq Hussain (Employee)
	390	265	125	125	-	Company policy	Mr. Mohammad Shahid (Employee)
	390	255	135	135	-	Company policy	Mr. Peter Fernandis (Employee)
	408	242	166	166	-	Company policy	Mr. Kashif Aqil (Employee)
	408	222	186	186	-	Company policy	Mr. Sabir Islam (Ex-employee)
	550	72	478	478	-	Company policy	Mr. Fahad (Ex-employee)
	408	242	166	166	-	Company policy	Mr. Mohammad Faheem (Ex-employee)
	403	257	146	146	-	Company policy	Mr. Yawar Naqvi (Ex-employee)
	398	260	138	138	-	Company policy	Mr. Maqsood Ul Hassan (Employee)
	403	269	134	134	-	Company policy	Mr. Ahmad Hassan (Employee)
	398	258	140	135	(5)	Company policy	Mr. Mumtaz Hassan (Employee)
	403	264	139	139	-	Company policy	Mr. Shahbaz Ahmed (Employee)
	517	170	347	347	-	Company policy	Mr. Rashid Minhas (Employee)
	406	237	169	169	-	Company policy	Mr. Raja Mohsin Ghafoor (Employee)
	396	317	79	373	294	Negotiation	Mr. Intekhab Ahmed Khan, H. No. A/115, Block-1, Liaqatabad, Karachi
	834	747	87	668	581	Negotiation	Mr. M. Mansha, H 26/2, Street 10, Gari Shahoo, Lahore
	43,625	23,319	20,306	21,169	863		
Various assets having book value upto Rs. 50,000 each	70,394	68,800	1,594	2,559	965	Negotiation / Company policy	Various
<b>2012</b>	<b>187,504</b>	<b>135,999</b>	<b>51,505</b>	<b>52,666</b>	<b>1,161</b>		
2011	190,733	136,692	54,041	51,266	(2,775)		

**2012**                      **2011**  
----- (Rupees in '000) -----

#### 6.4 Capital work-in-progress

Building on freehold land	4,129	-
Building on leasehold land	84,074	-
Plant and machinery	31,710	2,119
Factory equipment	15,271	951
Office equipment	1,967	-
Furniture and fixtures	3,994	-
Electric and gas fittings	40,053	83
Vehicles (note 6.5)	2,130	-
	183,328	3,153

#### 6.5 Represent advances made to Honda Atlas Cars (Pakistan) Limited - a related party.

	Software licenses	SAP implementation and support cost	License fee	Total
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----- (Rupees in '000) -----

## 7. Intangible Assets

### As at April 1, 2010

Cost	37,988	38,041	-	76,029
Accumulated amortization	(33,282)	(34,694)	-	(67,976)
Book value	4,706	3,347	-	8,053

### Year ended March 31, 2011

Additions	350	-	5,216	5,566
Amortization charge for the year (note 27)	(4,823)	(1,572)	(87)	(6,482)
Book value	233	1,775	5,129	7,137

### Year ended March 31, 2012

Additions	1,328	-	-	1,328
Amortization charge for the year	(541)	(462)	(1,043)	(2,046)
Book value	1,020	1,313	4,086	6,419

### As at March 31, 2011

Cost	38,338	38,041	5,216	81,595
Accumulated amortization	(38,105)	(36,266)	(87)	(74,458)
Book value	233	1,775	5,129	7,137

### As at March 31, 2012

Cost	39,666	38,041	5,216	82,923
Accumulated amortization	(38,646)	(36,728)	(1,130)	(76,504)
Book value	1,020	1,313	4,086	6,419

### Amortization rate (%)

	50	20	20	
--	----	----	----	--

2012  
----- (Rupees in '000) -----

## 8. Long-Term Investments - Available for Sale

### Unquoted

#### Arabian Sea Country Club Limited

200,000 ordinary shares of Rs.10 each, at cost

2,000 2,000

Less: Impairment in the value of investment

2,000 2,000

#### Automotive Testing & Training Centre (Private) Limited

50,000 ordinary shares of Rs.10 each, at cost

500 500

Less: Impairment in the value of investment

500 500

- -

- -

	Note	2012 ----- (Rupees in '000) -----	2011
<b>9. Long Term Loans and Advances - Considered Good</b>			
Due from:			
- executives	9.2 and 9.3	7,370	7,295
- non-executives		38,686	39,428
		46,056	46,723
Less: recoverable within one year and grouped under current assets	13		
- executives		6,045	5,505
- non-executives		19,591	18,815
		25,636	24,320
		20,420	22,403

**9.1** These represent interest free loans and advances provided to employees and executives as per the terms of employment. Loans aggregating to Rs. 30,872 thousand (2011: Rs. 32,381 thousand) are provided for purchase of motorcycles and are repayable in forty eight equal monthly instalments. These are secured against respective motorcycles and employees' vested retirement benefits. Advances are unsecured and are repayable in eighteen equal monthly instalments.

	2012 ----- (Rupees in '000) -----	2011
<b>9.2 Reconciliation of carrying amount of loans and advances to executives</b>		
Balance at beginning of the year	7,295	3,800
Add: Disbursements	8,854	10,104
	16,149	13,904
Less: Repayments	8,779	6,609
Balance at end of the year	7,370	7,295

**9.3** The maximum aggregate amount due from executives at the end of any month during the year was Rs.6,968 thousand (2011: Rs.7,063 thousand).

	Note	2012 ----- (Rupees in '000) -----	2011
<b>10. Stores, Spares and Loose Tools</b>			
Consumable stores		78,748	72,456
Maintenance spares		131,680	125,080
Loose tools		180,827	175,955
In-transit		11,532	-
		402,787	373,491
Less: Provision for slow moving stores, spares and loose tools	11.2	54,148	47,600
		348,639	325,891

	Note	2012 ----- (Rupees in '000) -----	2011
<b>11. Stock-in-Trade</b>			
Raw materials and components			
- in hand		1,536,770	1,475,814
- held with vendors	11.1	170,061	176,758
		<u>1,706,831</u>	<u>1,652,572</u>
Work-in-process		11,113	10,112
Finished goods			
- motorcycles		43,893	29,746
- spare parts		220,180	170,088
		<u>264,073</u>	<u>199,834</u>
In-transit		184,436	141,331
		<u>2,166,453</u>	<u>2,003,849</u>
Less: Provision for slow moving stocks	11.2	5,125	820
		<u><u>2,161,328</u></u>	<u><u>2,003,029</u></u>

11.1 Includes inventory valuing Rs. 8,317 thousand (2011: Nil) held with Atlas Engineering Limited - a related party.

	2012	2011	2012	2011
	----- (Rupees in '000) -----			
	Stores, spares and loose tools		Stock-in-trade	
<b>11.2 Provision for slow moving inventory</b>				
Balance at beginning of the year	47,600	53,298	820	7,491
Add: Provision for the year	6,548	8,680	4,305	-
Less: Reversal of provision for inventory disposed off / consumed	-	14,378	-	6,671
Balance at end of the year	<u>54,148</u>	<u>47,600</u>	<u>5,125</u>	<u>820</u>

11.3 Stock-in-trade and trade debts upto a maximum amount of Rs. 4,058,000 thousand (2011: Rs. 4,058,000 thousand) are under hypothecation of commercial banks as security for short-term finance facilities (note 24).

	Note	2012 ----- (Rupees in '000) -----	2011
<b>12. Trade Debts - Considered Good</b>			
Export - secured	12.1	16,210	19,704
Local - unsecured		582,055	381,731
		<u>598,265</u>	<u>401,435</u>

12.1 These are secured against letters of credit issued by customers in favour of the Company.



- 12.2 The banks have lien on export bills / contracts upto a maximum of Rs. 400,000 thousand (2011: Rs. 400,000 thousand) against foreign currency finance facilities (note 24).

	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----			
<b>13. Loans and Advances - Unsecured and Considered Good</b>						
Loans to employees other than executives		477	392			
Advances to:						
- employees for incurring business expenses		236	373			
- suppliers, contractors and others		6,803	8,440			
		<u>7,516</u>	<u>9,205</u>			
Current portion of long-term loans and advances	9					
- executives		6,045	5,505			
- non-executives		19,591	18,815			
		<u>25,636</u>	<u>24,320</u>			
		<u>33,152</u>	<u>33,525</u>			
<b>14. Trade Deposits and Prepayments</b>						
Trade deposits - unsecured and considered good		2,081	1,888			
Prepayments		42,751	35,048			
		<u>44,832</u>	<u>36,936</u>			
<b>15. Short-Term Investments - at Fair Value through Profit or Loss</b>						
		2012 ----- Number of units -----	2011 ----- Number of units -----			
		668,767	732,498	Atlas Income Fund	343,733	377,837
		113,904	103,346	Atlas Islamic Income Fund	58,600	52,965
		874,106	333,951	Atlas Money Market Fund	440,821	172,413
		<u>1,656,777</u>	<u>1,169,795</u>		<u>843,154</u>	<u>603,215</u>
				<b>Others</b>		
		5,262,868	24,325,009	ABL Income Fund	52,745	243,469
		649,925	1,059,711	First Habib Income Fund	66,506	109,013
		3,648,648	1,668,159	Lakson Money Market Fund	364,964	166,876
		5,865,230	5,327,030	NIT Government Bond Fund	63,446	57,630
		5,712,759	5,173,196	NIT Income Fund	63,480	56,293
		-	644,490	PICIC Income Fund	-	64,659
		-	310,170	JS Cash Fund	-	31,724
		61,005	54,332	HBL Money Market Fund	6,285	5,595
		<u>21,200,435</u>	<u>38,562,097</u>		<u>617,426</u>	<u>735,259</u>
		<u>22,857,212</u>	<u>39,731,892</u>		<u>1,460,580</u>	<u>1,338,474</u>

	Note	2012 ----- (Rupees in '000) -----	2011
<b>16. Other Receivables - Unsecured</b>			
<b>Considered good</b>			
Duty drawback receivable		15,005	14,595
Others		333	480
		<u>15,338</u>	<u>15,075</u>
<b>Considered doubtful</b>		-	615
		<u>15,338</u>	<u>15,690</u>
Less: Provision for doubtful receivables		-	615
		<u>15,338</u>	<u>15,075</u>

### 17. Bank Balances

Balances with banks on:			
- current accounts		538,076	441,084
- savings deposit accounts	17.1	1,411,078	828,791
- term deposit receipts	17.2	200,000	800,000
		<u>2,149,154</u>	<u>2,069,875</u>
Cheques in hand		-	20,925
		<u>2,149,154</u>	<u>2,090,800</u>

17.1 These carry mark-up at the rates ranging from 10% to 11% (2011: 7.5% to 10%) per annum.

17.2 These have maturity dates ranging from 7 to 14 days (2011: 7 to 30 days) from respective dates of acquisition and carry mark-up at the rates ranging from 11.09% to 11.12% (2011: 10% to 13%) per annum.

	2012 ----- (Rupees in '000) -----	2011
<b>18. Share Capital</b>		
<b>Number of shares</b>		
2012	2011	
<u>100,000,000</u>	<u>100,000,000</u>	
6,352,748	6,352,748	<b>Authorized capital</b>
65,322,988	55,940,158	Ordinary shares of Rs.10 each
259,300	259,300	<u>1,000,000</u>
<u>71,935,036</u>	<u>62,552,206</u>	
		<b>Issued, subscribed and paid-up capital</b>
		Ordinary shares of Rs.10 each, fully paid in cash
		63,528
		Ordinary shares of Rs.10 each, issued as fully paid bonus shares
		653,229
		Ordinary shares of Rs.10 each, issued for consideration other than cash
		2,593
		<u>719,350</u>
		<u>625,522</u>

### 18.1 Movement in share capital during the year

	2012 ----- Number of shares -----	2011
62,552,206	54,393,223	Balance at beginning of the year
9,382,830	8,158,983	Issued ordinary shares of Rs.10 each as fully paid bonus shares
<u>71,935,036</u>	<u>62,552,206</u>	Balance at end of the year
		625,522
		543,932
		93,828
		81,590
		<u>719,350</u>
		<u>625,522</u>

	Note	2012	2011
		----- Number of shares -----	
<b>18.2 Ordinary shares held by the related parties at the reporting date are as follows:</b>			
Atlas Insurance Limited		2,039,464	1,773,447
Honda Motor Company Limited, Japan		25,177,263	21,893,273
Shirazi Investments (Private) Limited		17,576,250	15,283,696
Shirazi Capital (Private) Limited		17,641,541	15,340,471
		<u>62,434,518</u>	<u>54,290,887</u>
		----- (Rupees in '000) -----	
		2012	2011
<b>19. Reserves</b>			
<b>Capital reserves</b>			
Share premium		39,953	39,953
Gain on sale of land		165	165
		<u>40,118</u>	<u>40,118</u>
<b>Revenue reserves</b>			
General reserve		3,442,000	2,582,000
Unappropriated profit		1,218,466	1,374,774
		<u>4,660,466</u>	<u>3,956,774</u>
		<u>4,700,584</u>	<u>3,996,892</u>
<b>20. Deferred Liabilities</b>			
Compensated absences	20.1	153,878	129,329
Deferred taxation - net	20.2	576,437	520,025
		<u>730,315</u>	<u>649,354</u>
<b>20.1 Compensated absences</b>			
Balance at beginning of the year		129,329	97,809
Add: Provision for the year		32,561	40,299
		<u>161,890</u>	<u>138,108</u>
Less: Payments made during the year		8,012	8,779
Balance at end of the year		<u>153,878</u>	<u>129,329</u>
<b>20.2 Deferred taxation - net</b>			
This is composed of the following:			
Taxable difference arising in respect of accelerated tax depreciation and amortization		686,609	595,186
Deductible differences arising in respect of:			
- provision for slow moving inventory		20,223	16,659
- provision for doubtful receivables		-	212
- provision for compensated absences		52,390	44,495
- provision for warranty obligations		7,048	6,311
- provision for gratuity		8,707	7,484
- minimum tax recoverable against normal tax charge in future years		21,804	-
		<u>110,172</u>	<u>75,161</u>
		<u>576,437</u>	<u>520,025</u>

	Note	2012 ----- (Rupees in '000) -----	2011
<b>21. Trade and Other Payables</b>			
Creditors	21.1	2,813,264	1,631,719
Accrued liabilities		576,311	637,810
Royalty payable	21.2	449,084	414,789
Warranty obligations	21.3	20,657	18,344
Advances from customers		591,401	1,334,611
Retention money		3,840	1,152
Special excise duty payable		-	15,136
Sales tax payable - net		175,873	46,843
Workers' profit participation fund	21.4	87,135	75,668
Workers' welfare fund	21.5	32,967	28,654
Payable to staff retirement benefit funds - gratuity	21.6	25,522	21,752
Unclaimed dividend		19,343	16,280
Other liabilities	21.7	14,771	12,826
		<u>4,810,168</u>	<u>4,255,584</u>

**21.1** Includes Rs. 285,050 thousand (2011: Nil) pertaining to related parties.

**21.2** Includes Rs. 444,973 thousand (2011: Rs. 410,898 thousand) due to Honda Motor Company Limited, Japan - a related party.

	2012 ----- (Rupees in '000) -----	2011
<b>21.3 Warranty obligations</b>		
Balance at beginning of the year	18,344	15,525
Add: Provision for the year	16,003	12,619
	<u>34,347</u>	<u>28,144</u>
Less: Payments made / provision reversed during the year	13,690	9,800
Balance at end of the year	<u>20,657</u>	<u>18,344</u>
<b>21.4 Workers' profit participation fund</b>		
Balance at beginning of the year	75,668	57,853
Add: Allocation for the year	86,755	75,406
Add: Interest on funds utilized in Company's business	380	262
	<u>162,803</u>	<u>133,521</u>
Less: Payments made during the year	75,668	57,853
Balance at end of the year	<u>87,135</u>	<u>75,668</u>
<b>21.5 Workers' welfare fund</b>		
Balance at beginning of the year	28,654	25,581
Add: Charge for the year	32,967	28,654
Less: Adjustment for prior year	(4,630)	(3,597)
	<u>28,337</u>	<u>25,057</u>
	<u>56,991</u>	<u>50,638</u>
Less: Payments made during the year	24,024	21,984
Balance at end of the year	<u>32,967</u>	<u>28,654</u>

21.6 The Company's obligation as per the latest actuarial valuation and other related details in respect of defined benefit gratuity plans are as follows:

	Management		Non-management		Total	
	2012	2011	2012	2011	2012	2011
----- (Rupees in '000) -----						
<b>21.6.1 Reconciliation of obligation as at year end</b>						
Present value of defined benefit obligation	235,852	198,185	28,619	25,865	264,471	224,050
Fair value of plan assets	(150,630)	(117,405)	(44,807)	(35,146)	(195,437)	(152,551)
Payable to related parties in respect of transferees	6,689	5,159	-	-	6,689	5,159
Unrecognized actuarial (loss) / gain	(65,720)	(63,783)	15,519	8,877	(50,201)	(54,906)
Liability / (asset) at end of the year	26,191	22,156	(669)	(404)	25,522	21,752
<b>21.6.2 Movement in liability</b>						
Balance at beginning of the year	22,156	18,372	(404)	811	21,752	19,183
Charge / (income) for the year	26,191	22,156	(265)	(404)	25,926	21,752
Contributions made during the year	(22,156)	(18,372)	-	(811)	(22,156)	(19,183)
Balance at end of the year	26,191	22,156	(669)	(404)	25,522	21,752
<b>21.6.3 Movement in the present value of defined benefit obligation</b>						
Balance at beginning of the year	198,185	163,286	25,865	26,963	224,050	190,249
Current service cost	10,521	10,279	982	960	11,503	11,239
Interest cost	28,909	20,638	3,682	3,392	32,591	24,030
Benefits paid during the year	(3,189)	(6,605)	(2,119)	(2,026)	(5,308)	(8,631)
Actuarial loss / (gain)	2,955	18,533	209	(7,935)	3,164	10,598
(Payable to) / receivable from related parties in respect of transferees	(1,529)	(7,946)	-	4,511	(1,529)	(3,435)
Balance at end of the year	235,852	198,185	28,619	25,865	264,471	224,050
<b>21.6.4 Movement in the fair value of plan assets</b>						
Balance at beginning of the year	117,405	89,804	35,146	39,276	152,551	129,080
Expected return on plan assets	16,170	10,562	4,393	4,300	20,563	14,862
Contributions made during the year	22,156	18,372	-	811	22,156	19,183
Benefits paid during the year	(3,189)	(6,605)	(2,119)	(2,026)	(5,308)	(8,631)
Actuarial (loss) / gain	(1,912)	3,340	7,387	(7,215)	5,475	(3,875)
Receivable from related parties in respect of transferees	-	1,932	-	-	-	1,932
Balance at end of the year	150,630	117,405	44,807	35,146	195,437	152,551
<b>21.6.5 Plan assets</b>						
Fixed income instruments	20,918	22,390	29,025	26,654	49,943	49,044
Mutual funds' units	128,907	94,989	15,776	7,587	144,683	102,576
Others	805	26	6	905	811	931
	150,630	117,405	44,807	35,146	195,437	152,551

**21.6.6 Comparison of historical information of five years**

	March 31 2012	March 31 2011	March 31 2010	March 31 2009	June 30 2008
----- (Rupees in '000) -----					
Present value of defined benefit obligation	264,471	224,050	190,249	153,230	130,346
Fair value of plan assets	195,437	152,551	129,080	102,546	101,788
Deficit	69,034	71,499	61,169	50,684	28,558
Experience adjustment on obligation loss	3,164	18,336	12,183	11,675	2,258
Experience adjustment on plan assets gain / (loss)	5,475	4,804	7,013	(8,284)	(1,797)



	Management		Non-management		Total	
	2012	2011	2012	2011	2012	2011

----- (Rupees in '000) -----

#### 21.6.7 Charge / (income) for the year

Current service cost	10,521	10,279	982	960	11,503	11,239
Interest cost	28,909	20,638	3,682	3,392	32,591	24,030
Expected return on plan assets	(16,170)	(10,562)	(4,393)	(4,300)	(20,563)	(14,862)
Recognized actuarial loss / (gain)	2,931	1,801	(536)	(456)	2,395	1,345
	<u>26,191</u>	<u>22,156</u>	<u>(265)</u>	<u>(404)</u>	<u>25,926</u>	<u>21,752</u>

#### 21.6.8 Principal actuarial assumptions used in valuation

Discount rate (per annum)	13%	14.5%	13%	14.5%
Future salary increase (per annum)	12%	13.5%	12%	13.5%
Return on plan assets (per annum)	13%	14.5%	13%	14.5%
Retirement age (years)	60	60	60	60

#### 21.6.9 Actual return on plan assets

	<u>14,258</u>	<u>12,717</u>	<u>4,082</u>	<u>6,948</u>
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**21.6.10** The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yield as at the reporting date. Expected returns on equity investments are based on long-term real rates experienced in the stock market.

**21.6.11** Expected charge and income for the year ending March 31, 2013 amounts to Rs. 26,371 thousand and Rs. 2,099 thousand for management and non-management gratuity plans respectively.

**21.7** Other liabilities include vehicle deposits under the Company's vehicle policy aggregating to Rs. 6,561 thousand (2011: Rs. 6,455 thousand).

2012                      2011  
----- (Rupees in '000) -----

## 22. Accrued Mark-up / Interest

Mark-up / interest accrued on:

- long-term borrowings	-	6,142
- short-term finances	-	236
	<u>-</u>	<u>6,378</u>

## 23. Current Portion of Long-Term Borrowings

During the year, the Company has repaid borrowings of Rs. 87,500 thousand (2011: Rs. 787,500 thousand), out of which, current portion aggregates to Rs. 87,500 thousand (2011: Rs. 275,000 thousand). The discharge of liability also includes Rs. 50,000 thousand (2011: Rs. 400,000 thousand) on account of early repayment. As at March 31, 2012, there are no borrowings outstanding towards the Company.

## 24. Short-Term Finances

Short-term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs. 2,865,000 thousand (2011: Rs. 2,865,000 thousand) and are secured against pari passu hypothecation charge over the Company's stock-in-trade and trade debts to extent of Rs. 4,058,000 thousand (2011: Rs. 4,058,000 thousand). These finance facilities carry mark-up at the rates ranging from 12.41% to 14.79% (2011: 12.84% to 14.71%) per annum. These facilities are expiring on various dates by December 31, 2012. The mark-up on these facilities is payable on quarterly basis.

Facilities for opening letters of credit and bank guarantees as at March 31, 2012 aggregated to Rs. 3,560,000 thousand (2011: Rs. 3,560,000 thousand) out of which amount that remained unutilized at year end was Rs. 2,702,307 thousand (2011: Rs. 2,236,161 thousand). These finance facilities are also secured against pari passu joint hypothecation charge on stock-in-trade and trade debts.

Foreign currency finance and export re-finance facilities aggregating to Rs. 400,000 thousand (2011: Rs. 400,000 thousand) are also available to the Company from various commercial banks.

## 25. Contingencies and Commitments

### 25.1 Contingencies

**25.1.1** Various cases have been filed against the Company by some former employees for reinstatement of service and are pending in different courts of Pakistan. The management is confident that outcome of these cases will be in favour of the Company and hence no provision is made in these financial statements.

**25.1.2** The Commissioner Inland Revenue (Appeals), during the preceding financial year, has passed an order pertaining to Tax Year 2008 and maintained certain disallowances and additions of expenses. The Company, being aggrieved, has filed an appeal with the Appellate Tribunal Inland Revenue against the above-mentioned order, which is pending adjudication. In the opinion of the Company's Tax Consultant, favourable outcome is expected, therefore no provision has been made in these financial statements.

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
<b>25.2 Outstanding bank guarantees</b>	70,740	66,178

Guarantees are issued by commercial banks to Collector of Customs and other Government institutions for imported raw materials and spare parts as part of normal operations.

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
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### 25.3 Commitments

**25.3.1** Commitments in respect of confirmed letters of credit relating to:

Capital expenditure	53,086	29,763
Raw materials and components	733,867	1,227,898
	<u>786,953</u>	<u>1,257,661</u>

**25.3.2** Commitments for capital expenditure other than through letters of credit aggregate to Rs. 69,708 thousand.

**25.3.3** The Company has entered into Ijarah arrangements for electric and gas fittings and vehicles with various banks. Aggregate commitments for these Ijarah arrangements are as follows:

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
Not later than one year	60,867	38,485
Later than one year but not later than five years	93,132	86,644
	<u>153,999</u>	<u>125,129</u>

## 26. Sales - Net

Motorcycles and spare parts		
- local	43,306,348	37,513,159
- export	1,072,277	722,669
	<u>44,378,625</u>	<u>38,235,828</u>
Less:		
- trade discount and commission	121,174	56,385
- sales tax and special excise duty	6,245,594	5,658,044
	<u>6,366,768</u>	<u>5,714,429</u>
	<u>38,011,857</u>	<u>32,521,399</u>

	Note	2012 ----- (Rupees in '000) -----	2011
<b>27. Cost of Sales</b>			
Finished goods at beginning of the year		199,834	147,920
Cost of goods manufactured	27.1	33,365,183	28,646,167
Purchases		1,934,949	1,486,725
		35,300,132	30,132,892
Finished goods at end of the year		(264,073)	(199,834)
		<u>35,235,893</u>	<u>30,080,978</u>
<b>27.1 Cost of goods manufactured</b>			
Work-in-process at beginning of the year		10,112	24,397
Raw materials and components consumed	27.2	28,052,870	24,069,713
Direct labour	27.3	591,043	527,942
Technical director's remuneration		1,786	1,556
Staff salaries, wages and other benefits	27.3	595,974	609,590
Stores consumed		521,807	430,334
Fuel and power		578,047	375,161
Insurance		67,105	57,528
Rent, rates and taxes		41,581	28,695
Ijarah rentals		61,464	46,529
Repair and maintenance		186,347	166,175
Royalty		1,976,443	1,692,153
Technical assistance fee		26,595	18,482
Travelling, conveyance and entertainment		38,750	29,891
Postage and telephone		5,767	5,842
Printing and stationery		7,006	6,068
Vehicle running expenses		19,605	14,537
Depreciation	6.2	466,905	438,264
Canteen		73,274	61,780
Newspapers, magazines and subscriptions		3,928	4,247
Staff training		-	323
Amortization of intangible assets	7	2,046	6,482
Provision for slow moving inventory	11.2	10,853	8,680
Marking fee		35,482	30,544
Other manufacturing expenses		1,506	1,366
		<u>33,376,296</u>	<u>28,656,279</u>
Work-in-process at end of the year		(11,113)	(10,112)
		<u>33,365,183</u>	<u>28,646,167</u>
<b>27.2 Raw materials and components consumed</b>			
Stock at beginning of the year		1,652,572	1,210,874
Purchases	27.4	28,107,129	24,511,411
		29,759,701	25,722,285
Stock at end of the year		(1,706,831)	(1,652,572)
		<u>28,052,870</u>	<u>24,069,713</u>

27.3 Direct labour and salaries, wages and other benefits include Rs. 49,769 thousand (2011: Rs. 44,831 thousand) in respect of staff retirement benefits.

27.4 Purchases include government rebates netted off aggregating to Rs. 22,708 thousand (2011: Rs. 20,577 thousand).

	Note	2012 ----- (Rupees in '000) -----	2011
<b>28. Distribution Cost</b>			
Directors' remuneration		32,173	32,408
Staff salaries and other benefits	28.1	176,263	165,779
Travelling, conveyance and entertainment		57,708	52,547
Vehicle running expenses		14,879	10,188
Rent, rates and taxes		26,297	22,565
Advertisement and sales promotion		276,008	209,929
Repair and maintenance		5,917	3,392
Gas and electricity		5,878	3,940
Freight outward		296,279	249,845
Printing and stationery		3,760	2,316
Postage and telephone		10,866	8,807
First free services charges		49,474	46,000
Insurance		7,303	6,280
Newspapers, magazines and subscriptions		2,741	1,034
Others		337	433
		<u>965,883</u>	<u>815,463</u>

28.1 Salaries and other benefits include Rs.17,681 thousand (2011: Rs.13,163 thousand) in respect of staff retirement benefits.

	Note	2012 ----- (Rupees in '000) -----	2011
<b>29. Administrative Expenses</b>			
Directors' remuneration		19,509	19,251
Directors' meeting fee		100	100
Staff salaries and other benefits	29.1	198,246	191,207
Travelling, conveyance and entertainment		9,907	9,515
Rent, rates and taxes		9,079	8,480
Insurance		5,196	5,084
Repair and maintenance		8,702	6,959
Legal and professional charges		2,653	3,836
Gas and electricity		1,332	2,223
Newspapers, magazines, fees and subscriptions		4,734	2,612
Postage and telephone		2,288	2,207
Printing and stationery		9,550	8,331
Vehicle running expenses		10,812	7,875
Staff training		9,299	6,755
Depreciation	6.2	29,822	25,022
Donation	29.2	14,205	10,898
Others		220	387
		<u>335,654</u>	<u>310,742</u>

29.1 Salaries and other benefits include Rs. 26,625 thousand (2011: Rs. 35,449 thousand) in respect of staff retirement benefits.

29.2 Donation of Rs.14,105 thousand (2011: Rs.10,772 thousand) charged in these financial statements is paid to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi (the Foundation). Mr. Yusuf H. Shirazi, Chairman and Mr. Saquib H. Shirazi, Chief Executive Officer of the Company are trustees of the Foundation.

	Note	2012 ----- (Rupees in '000) -----	2011
<b>30. Other Operating Income</b>			
<b>Income from financial assets</b>			
Mark-up / interest on deposits		92,709	142,526
Gain on sale of investments		11,177	18,281
Net change in fair value of investments at fair value through profit or loss		119,068	94,580
Net exchange gain		1,751	-
		<u>224,705</u>	<u>255,387</u>
<b>Income from other than financial assets</b>			
Commission income		12,818	11,273
Gain on disposal of operating fixed assets	6.3	1,161	-
Scrap sales		32,740	28,573
Others		3,029	4,104
		<u>49,748</u>	<u>43,950</u>
		<u>274,453</u>	<u>299,337</u>
<b>31. Other Operating Expenses</b>			
Auditors' remuneration	31.1	2,025	1,944
Workers' profit participation fund	21.4	86,755	75,406
Workers' welfare fund	21.5	28,337	25,057
Loss on disposal of operating fixed assets		-	2,775
Operating fixed assets written off	6.1	45	-
Net exchange loss		-	4,415
		<u>117,162</u>	<u>109,597</u>
<b>31.1 Auditors' remuneration</b>			
Fee for:			
Annual audit		1,000	1,000
Half yearly review		212	212
Review of Code of Corporate Governance		91	91
Audits of retirement funds and workers' profit participation fund		202	202
Certifications for payment of royalty, technical fee and dividend		441	360
		<u>1,946</u>	<u>1,865</u>
Out-of-pocket expenses		79	79
		<u>2,025</u>	<u>1,944</u>
<b>32. Finance Cost</b>			
Mark-up / interest on:			
- short-term finances		2,014	447
- long-term borrowings		1,781	79,969
		<u>3,795</u>	<u>80,416</u>
Interest on workers' profit participation fund	21.4	380	262
Bank charges		7,542	12,797
		<u>11,717</u>	<u>93,475</u>



	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
<b>33. Taxation</b>		
Current year	388,532	405,478
Adjustments of prior years	(29,052)	(15,372)
Deferred	56,412	17,819
	<u>415,892</u>	<u>407,925</u>
<b>33.1 Relationship between income tax expense and accounting profit</b>		
Profit before taxation		<u>1,410,481</u>
Tax at the applicable income tax rate of 35%		493,668
Effect of tax credits		(41,973)
Effect of exemption from tax on certain income		(39,501)
Effect of income assessed under the final tax regime		5,595
Tax adjustment of prior years		(15,372)
Others		5,508
		<u>407,925</u>
<b>33.2</b>	No numeric tax rate reconciliation for the current year is given in these financial statements, as provision made for the current year mainly represents minimum tax payable under section 113 and final tax deducted under sections 148, 154 and 233 of the Income Tax Ordinance, 2001.	

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
<b>34. Earnings per Share</b>		
Profit after taxation	<u>1,204,109</u>	<u>1,002,556</u>
	<b>----- Number of shares -----</b>	<b>Restated</b>
Weighted average number of ordinary shares in issue during the year	<u>71,935,036</u>	<u>71,935,036</u>
	<b>----- (Rupees in '000) -----</b>	
Basic earnings per share	<u>16.74</u>	<u>13.94</u>
<b>34.1</b>	There is no dilutive effect on the basic earnings per share of the Company. Number of shares in issue and earnings per share for the year ended March 31, 2011 have been restated taking the effect of bonus shares at the rate of 15% issued during the current financial year.	

	Note	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
<b>35. Cash Generated from Operations</b>			
Profit before taxation		1,620,001	1,410,481
<b>Adjustments for non-cash charges and other items</b>			
Depreciation of operating fixed assets		496,727	463,286
Amortization of intangible assets		2,046	6,482
Net change in fair value of investments at fair value through profit or loss		(119,068)	(94,580)
Gain on sale of investments		(11,177)	(18,281)
Mark-up / interest on deposits		(92,709)	(142,526)
Mark-up / interest on short-term finances and long-term borrowings		3,795	80,416
Workers' profit participation fund, inclusive of interest		87,135	75,668
Workers' welfare fund		28,337	25,057
Provision for compensated absences		32,561	40,299
Provision for gratuity		25,926	21,752
(Gain) / loss on disposal of operating fixed assets		(1,161)	2,775
Operating fixed assets written off		45	-
Provision for slow moving inventory		10,853	8,680
Working capital changes	35.1	135,455	818,304
		<u>2,218,766</u>	<u>2,697,813</u>

2012                      2011  
----- (Rupees in '000) -----

### 35.1 Working capital changes

(Increase) / decrease in current assets		
Stores, spares and loose tools	(29,296)	(3,299)
Stock-in-trade	(162,604)	(347,412)
Trade debts	(196,830)	44,254
Loans and advances	373	6,960
Trade deposits and prepayments	(7,896)	2,143
Other receivables	(263)	(3,509)
	(396,516)	(300,863)
Increase in trade and other payables	531,971	1,119,167
	135,455	818,304

### 35.2 Cash flows from operating activities (direct method)

Receipts from customers	37,830,953	32,384,749
Mark-up / interest received	96,878	138,522
Payments to trade suppliers, service providers and employees	(35,615,167)	(29,689,958)
Mark-up / interest paid	(10,173)	(111,422)
Income tax paid	(452,034)	(466,210)
Contributions made to gratuity funds	(22,156)	(19,183)
Compensated absences paid	(8,012)	(8,779)
Workers' profit participation fund paid	(75,668)	(57,853)
Workers' welfare fund paid	(24,024)	(21,984)
	1,720,597	2,147,882

### 36. Information about Company's Products

The Company markets and sells (a) motorcycles and (b) spare parts. Exports are made to Afghanistan and Bangladesh. Net revenues earned from external customers for both the products are as follows:

2012                      2011  
----- (Rupees in '000) -----

Motorcycles		
- local sales	34,392,859	29,795,281
- exports	1,018,263	695,334
	35,411,122	30,490,615
Spare parts		
- local sales	2,578,789	2,004,649
- exports	21,946	26,135
	2,600,735	2,030,784
	38,011,857	32,521,399

All the non-current assets of the Company are based in Pakistan. Sale to any one customer does not exceed 10% of the aggregate revenue of the Company.

### 37. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- market risk (includes foreign currency risk, interest rate risk and other price risk);
- credit risk; and
- liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

### 37.1 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### (a) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on import of raw materials, stores, spares and loose tools, plant and machinery and export sales. The Company's exposure to foreign currency risk at the reporting date is as follows:

	2012		2011	
	Japanese Yen	US Dollar	Japanese Yen	US Dollar
	----- (Amounts in '000) -----			
Trade debts	-	179	-	232
Trade and other payables	(411,700)	(193)	(395,132)	(12)
Net exposure	<u>(411,700)</u>	<u>(14)</u>	<u>(395,132)</u>	<u>220</u>

The following significant exchange rates have been applied:

	2012	2011	2012	2011
	Average Rate		Reporting date rate	
	----- (Rupees) -----			
Japanese Yen to Pak Rupee	1.10	1.00	1.10	1.04
US Dollar to Pak Rupee	87.52	85.40	90.70	85.10

#### Sensitivity Analysis

At the reporting date, if Pak Rupee had strengthened / (weakened) by 5% against Japanese Yen and US Dollar with all other variables held constant, profit before taxation for the year would have increased / (decreased) by the amount shown below, mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2012	2011
	----- (Rupees in '000) -----	
<b>Effect on profit before tax for the year</b>		
Japanese Yen	22,644	20,547
U.S. Dollar	63	(936)
	<u>22,707</u>	<u>19,611</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

#### (b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from deposits with banks. Deposits in bank savings accounts held at variable interest rate expose the Company to cash flow interest rate risk and term deposit receipts issued by the banks to the Company at fixed interest rates give rise to fair value interest rate risk. Significant interest rate risk exposures are primarily managed by a suitable mix of deposits.

At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
<b>Fixed interest rate instruments</b>		
Financial assets (note 17)	200,000	800,000
<b>Variable interest rate instruments</b>		
Financial assets (note 17)	1,411,078	828,791
Financial liabilities	-	(87,500)
	<u>1,411,078</u>	<u>741,291</u>

#### Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not materially affect profit for the year.

#### Sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased / (decreased) profit before tax for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase ----- (Rupees in '000) -----	Decrease ----- (Rupees in '000) -----
<b>As at March 31, 2012</b>		
<b>Cash flow sensitivity - Variable rate instruments</b>	14,111	(14,111)
<b>As at March 31, 2011</b>		
Cash flow sensitivity - Variable rate instruments	7,413	(7,413)

#### (c) Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Company's investments in mutual fund securities amounting to Rs. 1,460,580 thousand (2011: Rs. 1,338,474 thousand) are exposed to other price risk due to changes in Net Asset Value (NAV) of such funds.

A change of 5% in NAV of mutual funds at the reporting date would have increased / (decreased) profit before tax for the year and investments by the amounts shown below.

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
Effect on profit before tax	73,029	66,924
Effect on investments	73,029	66,924

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and investments of the Company.

#### 37.2 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted / fail to discharge an obligation / commitment that they have entered into with the Company. Credit risk arises from deposits with banks, deposits, trade debts, investments, loans and advances, other receivables and interest receivable on deposits with banks. Out of the total financial assets which are aggregating to Rs. 4,277,022 thousand (2011: Rs. 3,899,474 thousand), credit risk is concentrated in trade debts, investments in mutual fund securities and deposits with banks as they constitute 98% (2011: 98%) of the total financial assets.

Significant part of the sales of the Company occurs against advance payments, therefore, trade debts mainly arise from exports and local sales made to Government and Defence institutions. The Company believes that it is not exposed to any specific credit risk in respect of trade debts.

The credit risk on liquid funds maintained with banks and investments in mutual fund securities is limited as such banks and funds enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The carrying amounts of financial assets (category-wise) that represent Company's maximum credit exposure as at the reporting date are as follows:

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
<b>Investments at fair value through profit or loss</b>		
Short term investments	1,460,580	1,338,474
<b>Loans and receivables</b>		
Long-term loans and advances	20,420	22,403
Long-term deposits	15,728	10,765
Trade debts	598,265	401,435
Loans and advances	26,113	24,712
Trade deposits	2,081	1,888
Accrued mark-up / interest	4,348	8,517
Other receivables	333	480
Bank balances	2,149,154	2,090,800
	2,816,442	2,561,000
	4,277,022	3,899,474

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
Pakistan	582,055	381,731
Bangladesh	16,210	19,704
	598,265	401,435

The maximum exposure to credit risk for trade debts by type of counter party as at reporting date is as follows:

	2012 ----- (Rupees in '000) -----	2011 ----- (Rupees in '000) -----
Government departments	23,769	3,675
Defence institutions	532,139	374,202
Others (including exports)	42,357	23,558
	598,265	401,435

The ageing of trade debts at the reporting date is as follows:

Not past due	552,137	305,955
Past due within 30 days	34,706	88,330
Past due beyond 30 days but not later than 60 days	11,422	7,150
	598,265	401,435

The Company gives a credit of 30 days to all of its credit based customers. Based on past experience, the Company believes that no impairment is necessary against amounts past due by 31 days and above as 93% (2011: 94%) of the debts are due from defence institutions and government departments and the remaining amount is due from customers having prompt payment record with the Company.

The credit quality of the Company's bank balances and investments in mutual funds can be assessed with reference to the following external credit ratings:

Banks	Rating Agency	Rating	
		Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Barclays Bank Plc Pakistan	S&P	A1	A
Deutsche Bank AG	S&P	A1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A1+	AA-
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
The Bank of Tokyo-Mitsubishi UFJ Limited	S&P	A+	A1
United Bank Limited	JCR-VIS	A1+	AA+

Mutual funds	Rating agency	Rating	
		Short term	Long term
ABL Income Fund	JCR-VIS	A+(f)	
Atlas Income Fund	PACRA	A+(f)	
Atlas Islamic Income Fund	PACRA	AA-(f)	
Atlas Money Market Fund	PACRA	AA+(f)	
First Habib Income Fund	PACRA	AA-(f)	
HBL Money Market Fund	JCR-VIS	AA(f)	
Lakson Money Market Fund	PACRA	AA(f)	
NIT Government Bond Fund	PACRA	AA(f)	
NIT Income Fund	PACRA	AA-(f)	

### 37.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	2012		
	Carrying amount	Contractual cash flows	Less than 1 year
	----- (Rupees in `000) -----		
Trade and other payables	3,922,792	3,922,792	3,922,792
	<u>3,922,792</u>	<u>3,922,792</u>	<u>3,922,792</u>
	2011		
	Carrying amount	Contractual cash flows	Less than 1 year
	----- (Rupees in `000) -----		
Borrowings	87,500	89,206	89,206
Trade and other payables	2,754,672	2,754,672	2,754,672
Accrued mark-up / interest	6,378	6,378	6,378
	<u>2,848,550</u>	<u>2,850,256</u>	<u>2,850,256</u>



### 37.4 Fair value hierarchy

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the fair value measurement hierarchy:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities:

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices): and

**Level 3:** Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>As at March 31, 2012</b>				
Financial assets at fair value through profit or loss				
- short term investments	1,460,580	-	-	1,460,580
<b>As at March 31, 2011</b>				
Financial assets at fair value through profit or loss				
- short term investments	1,338,474	-	-	1,338,474

### 37.5 Fair value estimation

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

### 38. Capital Risk Management

The Company's objectives, when managing capital, are to safeguard its ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for the other stakeholders. The capital structure of the Company is equity based with no financing through long or short-term borrowings at the reporting date.

### 39. Transactions with Related Parties

Related parties comprise of associated companies, Directors of the Company, key management personnel and staff retirement funds. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 40. Amounts due from and to related parties are shown in respective notes in these financial statements. Details of transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2012	2011
		--- Rupees in '000 ---	
(i) Associates	<b>Sales</b>		
	- goods and services	31,407	19,985
	- operating fixed assets	5,282	1,936
	<b>Purchases</b>		
	- goods and services	5,117,052	5,842,034
	- operating fixed assets	48,473	38,364
	Sale of units in mutual funds	50,000	570,692
	Purchase of units in mutual funds	230,000	618,477
	Royalty	1,804,798	1,544,996
	Export commission	32,068	20,560
	Technical assistance fee	11,848	13,842
	Commission income	12,818	11,273
	Rent	60,959	48,742
	Insurance premium paid	211,293	162,830
	Insurance claims received	6,064	4,715
Reimbursement of expenses - net	57,132	44,517	
Dividend paid	352,891	236,047	
Donation paid	14,105	10,772	
(ii) Staff retirement funds	<b>Contributions paid to</b>		
	- funded gratuity schemes	22,156	19,183
	- provident funds / pension schemes	35,588	31,932

#### 40. Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in these financial statements for remuneration including all other benefits to the Chief Executive Officer, Directors and other executives of the Company are as follows:

	Chief Executive Officer		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	----- (Rupees in '000) -----					
Managerial remuneration	11,424	9,934	18,231	14,643	179,997	153,218
Rent and utilities	5,464	4,751	7,865	7,150	86,085	73,278
Bonus	2,910	5,692	4,052	8,646	44,347	85,059
Retirement benefits	1,093	950	1,573	1,318	17,217	17,843
Medical and other reimbursable expenses	46	-	810	131	8,038	5,012
Total	<u>20,937</u>	<u>21,327</u>	<u>32,531</u>	<u>31,888</u>	<u>335,684</u>	<u>334,410</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>170</u>	<u>119</u>

The Chief Executive Officer, four Directors and two ex-patriate executives are provided with free use of Company maintained cars and telephones at residences. Two Directors and two ex-patriate executives are also provided with furnished accommodation.

#### 40.1 Remuneration to other directors

Aggregate amount charged in the financial statements for meeting fees to two Directors was Rs. 100 thousand (2011: Rs. 100 thousand).

#### 41. Plant Capacity and Actual Production

The production capacity of the plant cannot be determined as this depends upon relative proportion of various types of motorcycles and motorcycle components produced.

#### 42. Non-Adjusting Event after the Balance Sheet Date

The Board of Directors, in their meeting held on April 30, 2012, (i) approved the transfer of Rs. 630,000 thousand from unappropriated profit to general reserve and (ii) proposed a final cash dividend of Rs. 6.5 (2011: Rs.6.5) per share and issue of bonus shares at the rate of 15% (2011: 15%) i.e. three bonus shares for every twenty shares held (2011: 3 bonus shares for every twenty shares held), amounting to Rs. 467,578 and Rs. 107,903 (2011: Rs. 406,589 thousand and Rs. 93,828 thousand) respectively, for the year ended March 31, 2012. These appropriations will be approved by the members in the forthcoming Annual General Meeting to be held on June 27, 2012. These financial statements do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending March 31, 2013.

#### 43. Date of Authorization for Issue

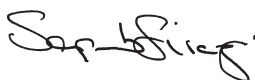
These financial statements were authorized for issue on April 30, 2012 by the Board of Directors of the Company.

#### 44. Corresponding Figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is not material.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

## Pattern of Shareholding As at March 31, 2012

Shareholders' category	Number of shareholders	Number of shares held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>			
Atlas Insurance Limited	1	2,039,464	2.84
Honda Motor Company Limited, Japan	1	25,177,263	35.00
Shirazi Investments (Private) Limited	1	17,576,250	24.43
Shirazi Capital (Private) Limited	1	17,641,541	24.52
	4	62,434,518	86.79
<b>NIT and ICP</b>			
National Bank of Pakistan - Trustee Department	1	216,443	0.30
IDBP (ICP Unit)	1	1,894	0.00
	2	218,337	0.30
<b>Directors, CEO, their Spouses, Minor Children and Associates</b>			
Mr. Yusuf H. Shirazi & Associates	3	3	0.00
Mr. Saquib H. Shirazi (CEO)	1	1	0.00
Mr. Sanauallah Qureshi	1	279	0.00
Mr. Sherahli Mundrawala	1	10,345	0.01
	6	10,628	0.01
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	2	105,305	0.15
General Public	1,211	6,331,101	8.81
Others (see details on page 115)	38	2,835,147	3.94
<b>Total</b>	<b>1,263</b>	<b>71,935,036</b>	<b>100.00</b>

### Shareholders Holding 10% or More Voting Interest

Honda Motor Company Limited, Japan	25,177,263	35.00
Shirazi Investments (Private) Limited	17,576,250	24.43
Shirazi Capital (Private) Limited	17,641,541	24.52

## Pattern of Shareholding

As at March 31, 2012

Number of shareholders	Shareholdings				Total shares held
414	From	1	To	100	12,964
293	From	101	To	500	72,244
121	From	501	To	1,000	88,936
241	From	1,001	To	5,000	541,156
76	From	5,001	To	10,000	533,421
43	From	10,001	To	15,000	533,189
14	From	15,001	To	20,000	254,312
7	From	20,001	To	25,000	155,655
7	From	25,001	To	30,000	191,263
11	From	30,001	To	35,000	351,532
2	From	45,001	To	50,000	96,115
2	From	50,001	To	55,000	104,669
3	From	55,001	To	60,000	169,411
1	From	60,001	To	65,000	63,354
1	From	65,001	To	70,000	67,882
3	From	75,001	To	80,000	235,387
3	From	80,001	To	85,000	254,300
1	From	85,001	To	90,000	88,212
1	From	100,001	To	105,000	100,975
2	From	105,001	To	110,000	214,732
1	From	110,001	To	115,000	112,704
2	From	120,001	To	125,000	247,667
1	From	125,001	To	130,000	129,884
1	From	150,001	To	155,000	152,087
1	From	155,001	To	160,000	158,350
2	From	190,001	To	195,000	383,853
1	From	230,001	To	235,000	230,087
1	From	340,001	To	345,000	342,146
1	From	485,001	To	490,000	487,908
1	From	715,001	To	720,000	715,067
1	From	2,035,001	To	2,040,000	2,039,464
1	From	2,410,001	To	2,415,000	2,411,056
1	From	17,575,001	To	17,580,000	17,576,250
1	From	17,640,001	To	17,645,000	17,641,541
1	From	25,175,001	To	25,180,000	25,177,263
<b>1,263</b>					<b>71,935,036</b>

## Pattern of Shareholding

### As at March 31, 2012

Shareholders' category	Number of shareholders	Number of share held	Percentage
Directors, CEO, their spouses, minor children and associates	6	10,628	0.01
* Associated companies, undertakings and related parties	4	62,434,518	86.79
NIT and ICP	2	218,337	0.30
Banks, development finance institutions, non-banking finance institutions, insurance companies, modarabas and mutual funds	2	105,305	0.15
General public			
Local	1,211	6,331,101	8.81
Foreign	-	-	-
Others			
Corporate Law Authority (Securities and Exchange Commission of Pakistan)	1	1	0.00
Joint stock companies	32	412,496	0.57
Cooperative Society	1	676	0.00
Trustee of Iftikhar Shirazi Family Trust	1	1	0.00
Loads Limited	1	1	0.00
JPMorgan (Suisse) SA	1	2,411,056	3.35
Wasatch Frontier Emerging Small Countries Fund	1	10,916	0.02
	1,263	71,935,036	100.00

Note: Includes the following associated companies:

- \* Atlas Insurance Limited; 2,039,464 shares
- Honda Motor Company Limited, Japan; 25,177,263 shares
- Shirazi Investments (Private) Limited; 17,576,250 shares
- Shirazi Capital (Private) Limited; 17,641,541 shares

# Atlas Group Companies

*Year of Establishment /  
Acquisition\**

---

 Shirazi Investments

1962

---

 Atlas Honda

1962

---

 Atlas Battery

1966

---

 Shirazi Trading

1973

---

 Atlas Insurance

1980\*

---

 Atlas Engineering

1981\*

---

**HONDA** Honda Atlas Cars

1992

---

**HONDA** Honda Atlas Power Product

1997

---

 Atlas Asset Management

2002

---

 Shirazi Capital

2005

---

 Atlas Power

2007

---

 Atlas World Wide

2007

---

 Atlas Venture

2008

---

 Atlas Auto Parts

2011

---



The Company Secretary  
Atlas Honda Limited,  
1-Mcleod Road,  
Lahore-54000

PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being member(s) of Atlas Honda Limited and holder(s) of \_\_\_\_\_  
Ordinary Shares as per Register Folio No. \_\_\_\_\_ and / or CDC Participant  
I.D. No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_ hereby  
appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him / her \_\_\_\_\_  
of \_\_\_\_\_ as my/our Proxy to attend, act and vote for me/us and on my/our  
behalf at the 48th Annual General Meeting of the Company to be held at the Registered Office of the Company at 1-Mcleod  
Road, Lahore, on Wednesday, June 27, 2012 at 11:00 a.m. and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2012  
signed by the Said \_\_\_\_\_ in the presence of

(Witness)

(Signature must agree with the  
specimen signature registered  
with the Company)

Affix Revenue Stamp  Signature
--

**NOTE:**

- Proxies, in order to be effective, must be received at the Company's Registered Office or Shares Registrar not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
- CDC shareholders and their proxies are requested to attach an attested photocopy of their computerised National Identity Card or Passport with this proxy form before submission to the Company.



The Company Secretary  
Atlas Honda Limited  
1 - McLeod Road,  
Lahore - 54000

AFFIX  
POSTAGE

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Fold Here

Fold Here

**Atlas Honda Limited**

1-McLeod Road, Lahore-54000

Ph: (92-42) 37225015-17, 37233515-17

Fax: (92-42) 37233518, 37351119

E-mail: [ahl@atlas.com.pk](mailto:ahl@atlas.com.pk)

Website: [www.atlashonda.com.pk](http://www.atlashonda.com.pk)