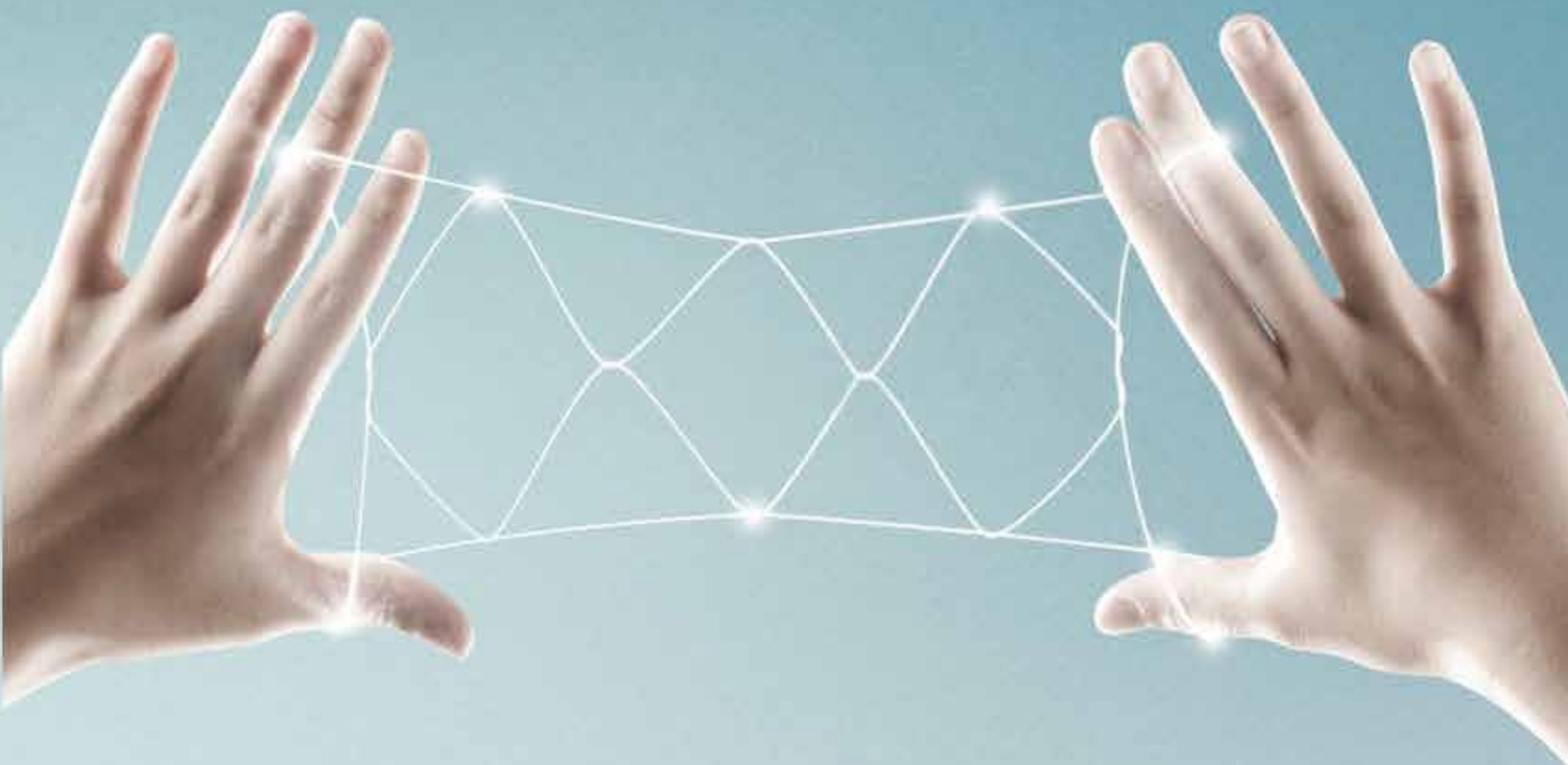




Bridging the Nation Together



Annual Report **2015**



Organisation
development
through
self development



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Vision

Market leader in the motorcycle industry, emerging 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 ensuing 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.



Strategic Goals

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.



About the Company

A journey began five decades ago which revolutionized the two – wheeler industry in Pakistan. It was the beginning of a ride to glory aiming to transform the people's lives by providing simplistic mobility solutions. It embraced the aspiration to define the quality and set the benchmark of performance for others to follow. That spirit drove the chronicles of the nation's largest motorcycle manufacturing company, showcasing the **“Power of Dreams, Generation after Generation.”**

Starting with an initial capital of Rs. 500,000 and 2 associates by his side, Mr. Yusuf H. Shirazi, the Chairman Atlas Honda, set up an investment company in 1962 by the name of “Shirazi Investments (Private) Limited”. This event laid the foundation of the Atlas Group. Utilizing the funds generated by Shirazi Investments (Private) Limited, Mr. Yusuf H. Shirazi signed a technical collaboration agreement with Honda Motor Company Limited (HMC) in 1963 for the production and sales of Honda motorcycles in Pakistan. The company that was formed as a result of this joint venture was called

“Atlas Autos Limited” with its manufacturing facility located in Karachi.

To expand the reach to new markets, Atlas Epak Limited was formed in 1968 with manufacturing facilities based in East Pakistan. However, calamity struck in 1971 as the war in East Pakistan resulted in loss of the sister concern. Despite this massive financial impediment, Atlas Autos remained steadfast and recovered. Later in 1979, another new motorcycle manufacturing plant at Sheikhpura, namely “Panjdarya Limited” was established.

To enhance the technological and production capabilities, a joint venture agreement was entered into in 1988 with HMC. Both Atlas Autos Limited and Panjdarya Limited operated separately until the two were merged in 1991 and “Atlas Honda Limited” (the Company) came into being.

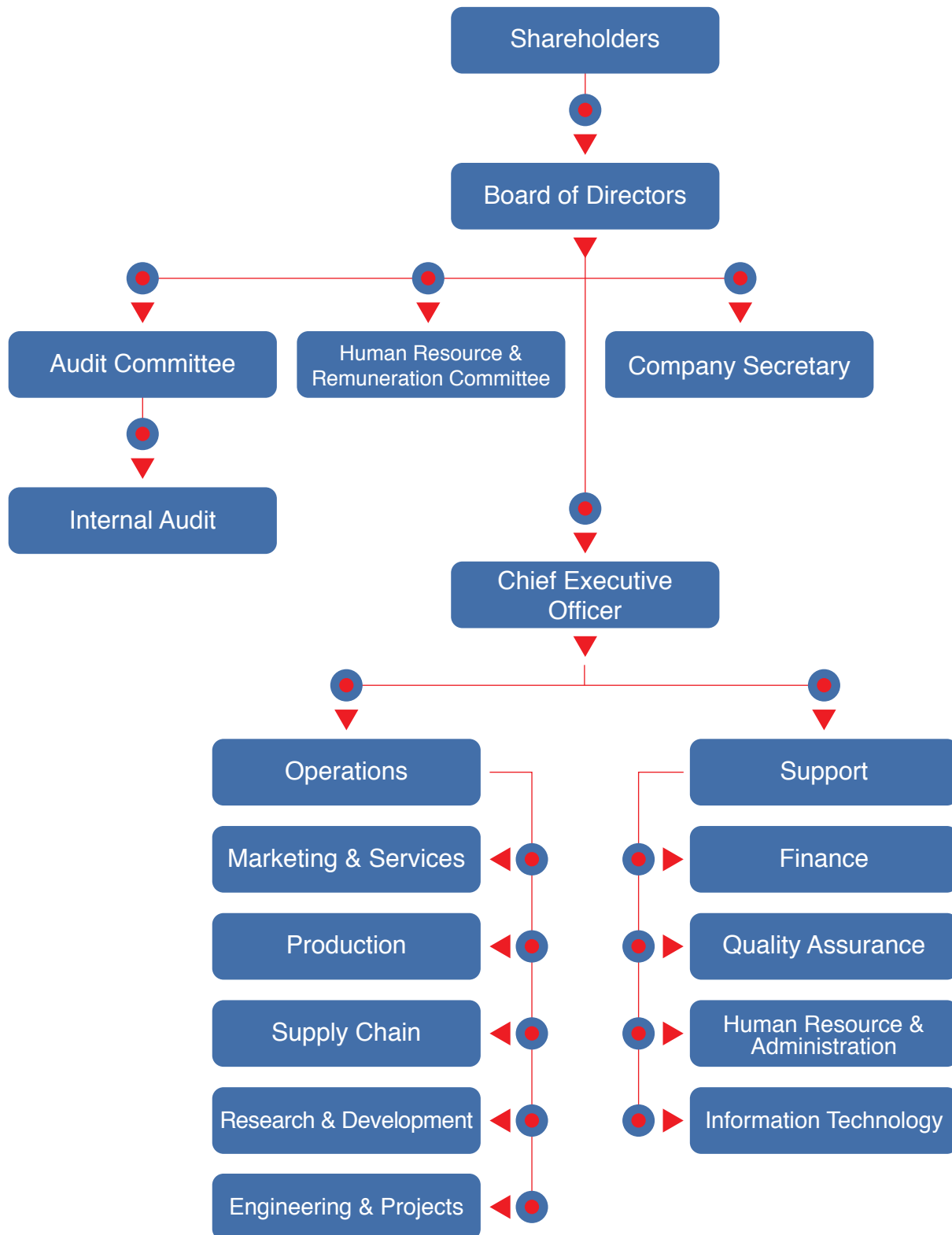
Over the years, the Company has enjoyed tremendous success. With products of highest quality, state of the art

manufacturing facilities, largest dealership network and impeccable after sale service, the Company today is considered the flag bearer of the motorcycle industry in Pakistan and is steadily leaping ahead.

The foundation of the Company's progress over all these years is guided by the belief to achieve growth through strong local roots. The dedication to manufacturing excellence, human resource fostering, focus on indigenization and development of a network of sales and service outlets across the country is being done with the focus on continuing to be the nation's ride. However, in our journey towards making lives better, more commutable and easier, we realize that there may be challenges in the future. But, with its iconic style, performance and value, the Company is well positioned to continue to fulfil its objective of **bridging the nation together.**



Organization Chart



The Glorious Ride 1963-2014

The journey of Pakistan's largest motorcycle company is one to marvel. It is a journey of steadfast devotion and dedication aimed to bridge the distances between millions. Behold a story of how two-wheel transportation emerged into an entity that joined the nation together, under the great banner of Atlas Honda Limited.



1961 - 1970

Atlas Autos Limited is incorporated as public limited company.

First Technical collaboration agreement is signed between Atlas Autos Limited and Honda Motor Company Limited. The historical ceremony takes place in Tokyo, where Mr. Yusuf H. Shirazi and Mr. Soichiro Honda, founder of Honda Motor Company Limited, graces the occasion.

Atlas Autos 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.

The Company launches a series of new models. Honda C 50, C 90, and S 90 gained immense popularity among the customers.

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

1971 - 1980

A new model, S 110 Deluxe is introduced.

The Company launches two of its longest running and most popular production models, the fuel efficient CD 70 and high performance CG 125.

The Company sends its key engineers and dealers to Japan for training courses.

Panjadarya Limited, an associated Company, is incorporated with its plant facility at Sheikupura. Second Technical Assistance agreement is signed with Honda Motor Company Limited.

Relay out, modernization and balancing of manufacturing facility is carried out.

Series of technical seminars on motorcycle technology are held in Pakistan in collaboration with the Association of Technical Scholarships of Japan.

A motorcycle Technical Training Centre is established in Lahore.

1981 - 1990

Panjadarya Limited commences commercial production.

The 2 stroke MB 100 is launched with a memorable advertising campaign.

New CD 70 with econo-power engine is launched.

The Company achieved localization level of 50%.

A Quality Circle Movement, called "Ala Mayar Circle" is started, aiming at improvement in quality control and manufacturing techniques.

The Company organizes the first ever vendor conference.

Engine parts manufacturing plant is installed.

The Company celebrates its 25th year of incorporation.

Honda Motor Company acquires 10% equity in Atlas Autos.

Merger of Panjdarya Limited with Atlas Autos takes place.

1991 - 2000

The name of new merged Company is changed to Atlas Honda Limited.

CG 125 engine parts manufacturing plant is installed at Sheikhpura and new model of CG 125 is launched.

New CD 70 model is introduced with latest ignition technology.

The Company managed to formalize eight technical assistance agreements between Japanese Companies and vendors. Thus, the Company continues to play a key role in transfer of technology and vendor development in Pakistan.

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

The Company received ISO 9002 certification for both Karachi and Sheikhpura plants.

The Company is ranked among the top ten employers.

2001 - 2010

Dealer convention of motorcycle industry was held for the first time in Pakistan.

The new marketing strategy of "5S" Dealership is introduced under which customers can avail the facilities of sales, service, spare parts, second hand motorcycle exchange and special (credit) sales – all under one roof.

The Company achieves localization level of 85%.

The Company crosses the barrier of 100,000 units in 2003.

The new model CD 100 is launched.

The Company extends the capacity at Sheikhpura plant by establishing, state of the art, 500k synchronized Assembly Plant.

The new model CG 125 Deluxe is launched.

Company hosts the 15th NHC Asia-Oceania Bloc Convention.

SAP, the leading ERP system, is implemented.

2011 - 2014

The Company surpasses 90% localization record and crosses the 500,000 units barrier in 2011.

The new model "Pridor" is launched.

The Company becomes the first motorcycle company in Pakistan with all its models are complied with latest emission standards.

The new CD Dream model is launched in 70 cc category having stylish design.

The Company launched CBR 150 and CBR 500, having special features along with its stylish look and power geared by two cylinders.

The Company celebrates 50 years of the nation's ride.

Mrs. Yusuf H. Shirazi inaugurated the Company's 50 years Gallery.

The Company's corporate reporting practices were recognized through various awards by ICAP & ICMAP, SAFA, KSE, ACCA & WWF.

Company Information

Board of Directors

Yusuf H. Shirazi
Chairman

Abid Naqvi
Director

Hikomitsu Takasaki
Director

Jawaid Iqbal Ahmed
Director

Kazuhisa Hirota
Director

Sanaullah Qureshi
Director

Yasutaka Uda
Director

Saqib H. Shirazi
Chief Executive Officer

Umair Mukhtar
Company Secretary

Audit Committee

Sanaullah Qureshi
Chairman

Abid Naqvi
Member

Jawaid Iqbal Ahmed
Member

Syed Tanvir Hyder
Head of Internal Audit

Umair Mukhtar
Secretary

Human Resource & Remuneration Committee

Sanaullah Qureshi
Chairman

Jawaid Iqbal Ahmed
Member

Saqib H. Shirazi
Member

Razi Ur Rehman
Secretary

Management Committee

Saqib H. Shirazi
Chief Executive Officer

Suhail Ahmed
Vice President Marketing

Yasutaka Uda
Vice President Technical

Kashif Yasin
Chief Financial Officer

Muhammad Khalid Aziz
General Manager Plants

Muhammad Qadeer Khan
General Manager Quality Assurance

Hikomitsu Takasaki
General Manager Technical

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

Shakil Mirza
General Manager Supply Chain

Afaq Ahmed
General Manager Research & Development

Muhammad Noman Khan
General Manager Engineering & Projects

Auditors

Hameed Chaudhri & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Agha Faisal - Barrister at Law

Tax Advisor

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

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

Bankers

Allied Bank Limited
Bank Al-Habib Limited
Bank Alfalah Limited
Barclays Bank PLC Pakistan
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited

MCB Bank Limited
Meezan 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 & Customer Care Centres

Azmat Wasti Road, Multan
Tel: (92-61) 4540054, 4571989, 4540028 Fax: (92-61) 4541690

60-Bank Road, Saddar, Rawalpindi
Tel: (92-51) 5120494-6, 5120502
Fax: (92-51) 5120497

House # 7, Atta Road, near Govt. Girls College, Rahimyar Khan.
Tel: (92-68) 5888809, 5883419, 5883417

391, Block D, Latifabad Unit #6, Hyderabad
Tel: (99-22) 3864983-4
Fax: (92-22) 3864983

1st Floor, Meezan Executive Tower, 4- Liaquat Road, Faisalabad
Tel: (92-41) 2541011-7, 2541014

Show Room

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

Warranty & Training Centres

★ 28 Mozang Road, Lahore
Tel: (92-42) 36375360, 36303366

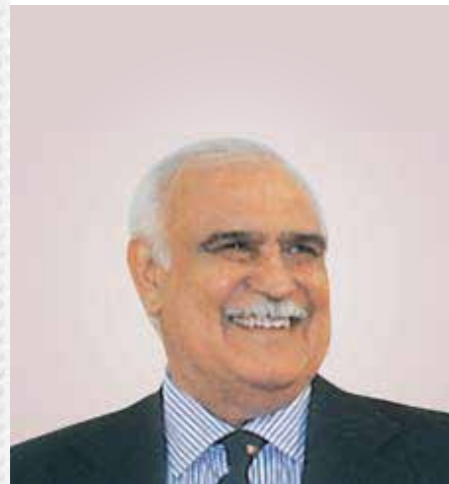
Azmat Wasti Road, Multan
Tel: (92-61) 4540028

★ Customer Care Services are also available at these locations.



Inside view of Sheikhupura plant

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 where he authored 50 reports as to how the businesses are carried and tax assessed. He was an instructor in the Finance Services Academy on Law and Accounts. He is the author of seven 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 matters – socio – politico – economic.

Mr. Shirazi is the Chairman of Atlas Group, which, among others, has joint ventures with Honda, GS Yuasa and MAN to name a few. Mr. Shirazi 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).

Mr. Shirazi has been awarded Sitara-e-Eisaar and Sitara-e-Imtiaz the top Civilian Awards. Sitara-e-Imtiaz conferred by the Government of Pakistan recognizes individuals who have made an "especially meritorious contribution to the security or national interests of Pakistan, world peace, cultural or other significant public endeavors". Sitara-e-Eisaar Award is in recognition of CSR activities in Pakistan. A Distinguished Formanite Award for outstanding achievements as an entrepreneur was awarded by Forman Christian College – University Lahore.

The Government of Japan also acknowledged Mr. Shirazi's contributions to promote economic relationship between the two countries by conferring the Japanese National Award.



Sanallah Qureshi
Director ▲■◆

Mr. Sanallah 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 has since worked in advisory capacity with Captain-PQ Chemicals Industries Limited. He is the former President of Management Association of Pakistan and the Chairman of Gillette Pakistan Limited. He previously held directorship in Linde Pakistan Limited (formerly known as BOC Pakistan Limited), Faysal Bank Limited, SSGCL, Atlas Bank Limited and MYK Associates (Private) Limited. He has been on the Board of Atlas Honda Limited since February 2001.



Jawaid Iqbal Ahmed
Director ▲■◆

Mr. Ahmed is an AMP from Harvard Business School, Boston USA, and IPBM from IMD Lussanne, Switzerland. He is also MBA from IBA Karachi University. He has been working in Atlas Group in various capacities. He has over 49 years of experience in the field of industrial and financial markets of Pakistan. He spearheaded joint venture partnerships of Atlas Group with Honda Japan, JSB Japan, Bank of Tokyo, Asian Development Bank and ING.



Abid Naqvi
Director ▲■✕

Mr. Abid Naqvi is the COO of ACL Capital (Pvt.) Limited, a business development company affiliated with Associated Constructors Ltd. He is also on the Board of Associated Constructors Limited, Alfalah GHP Investment Management Limited and Cherat Packaging Limited. He has worked in the fields of Commercial and Development Banking and Stock Brokerage for a period of over thirty years. He has also worked as CEO of Taurus Securities Limited, a renowned name in the stock brokerage industry. He is a graduate from the University College London, UK in the field of Economics and Finance.



Yasutaka Uda
Director ●

Mr. Yasutaka Uda has vast experience in the automobile industry, having worked with Honda ventures, across the globe. In 2007, he assumed senior management role in the Honda Motor Company Limited, Japan and later on joined Honda South America Limited as the Director. Before taking over his current responsibilities, he was stationed as the Director in the Honda Motorcycle & Scooter India (Private) Limited. He has diversified knowledge of Honda Products and has experience of working in different cultures. He is Vice President – Technical and a member of the Board of Atlas Honda Limited from March 2015.



Kazuhisa Hirota
Director ▲

Mr. Kazuhisa Hirota is General Manager of Finance Division of Honda Motor Company Limited Japan. He is also responsible for the region as General Manager of Regional Operation. He joined Honda in 1987. He has also served at Business Planning Division. He has also served in China at Honda Automobile (China) Company Limited and was in-charge of regional operations of Honda Motor (China) Investment Company Limited.



Hiromitsu Takasaki
Director ●

Mr. Hiromitsu Takasaki has served at Planning Division of Honda Motor Company (HM), Japan before being appointed to Pakistan. Earlier he was stationed in U.S.A. He has started his career from four wheelers in 1989. He is member of the Board of Atlas Honda Limited since January 2014.



Saquib H. Shirazi
Chief Executive Officer ●●


Mr. Saquib H. Shirazi has been the Chief Executive Officer of Atlas Honda Limited for the last fourteen 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.

▲ Non-Executive ● Executive ✕ Independent ■ Member Board Audit Committee ◆ Member Human Resource & Remuneration Committee


Significant events during 2014-15

Q1


Atlas Honda Limited (the Company) acquired shares of Atlas Hitec (Private) Limited, an associated Company, amounting to Rs.190 million. Atlas Hitec is a joint venture between Denso Corporation and Atlas Group, engaged in the manufacturing of electrical components of motorcycle.



The Company and Askari Bank Limited entered into an agreement for providing consumer financing facilities to end consumers.




24th Ala Mayar Vendors Convention, 2014 was organized by the Company.




The Board of Directors (BOD) meeting was held to review and approve audited financial statements for the year ended March 31, 2014.

The new model CG Dream was launched in 125 cc category, having modern look and powerful engine.




Annual General Meeting of shareholders of the Company was held on June 26th, 2014 where distribution of the cash dividend of Rs. 10 per share was approved.




Q2

BOD meeting for the 1st quarter was held for the approval of unaudited first quarter financial results.


Senior Top Executive of the Company attended the Advance Management Program at the Insead Business School.



The Company won 1st position for the "Best Corporate Report" Award in the "Engineering Sector" awarded by the Joint Committee of ICAP and ICMAP.




The Certificate Distribution Ceremony of IBA Diploma Program, a program aimed at development of middle management associates, was held.




Q3


'Technical block', the renovated offices of the Quality Assurance and Research & Development department, was inaugurated at the Karachi plant by the Chairman, Mr. Yusuf H. Shirazi.




Workshop on Financial Wisdom for Non-Finance Managers was arranged.



The Company signed MOUs with leading banks for the availability of Atlas Honda motorcycles on credit.




The Company won the Merit certificate for the "Best Presented Annual Report" Award in "Manufacturing sector" awarded by The South Asian Federation of Accountants (SAFA).




Q4

The Company announced to increase the engine warranty period and first free service to three years and three cards respectively.




BOD meeting for the 3rd quarter was held for the approval of unaudited third quarter financial results.


The Company participated in the Pakistan Auto Show 2015 to exhibit its products and strengthen relationships with customers.



The Company won the "Karachi Stock Exchange Top 25 Companies" Award.



The Company announced to benefit the customers by reducing the prices of its products in 70 cc category.



Shareholders' Information

REGISTERED OFFICE

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

EXCHANGE LISTING

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

STOCK SYMBOL

The stock code for dealing in equity shares of the Company at KSE and LSE is ATLH.

LISTING FEES

The annual listing fees for the financial year 2014-15 have been paid to the KSE and 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 16, 2015
 Time: 11:00 A.M.
 Venue: Registered Office at 1-McLeod Road, Lahore.

FINANCIAL CALENDAR

| | |
|---------------|--|
| April 2015 | Audited annual results for the year ended March 31, 2015 |
| May 2015 | Mailing of annual reports |
| June 2015 | Annual General Meeting |
| July 2015 | Unaudited first quarter financial results |
| November 2015 | Unaudited half year financial results |
| January 2016 | Unaudited third quarter financial results |

DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company has proposed a final cash dividend of Rs. 12 per share (120 %) for the year ended March 31, 2015 subject to approval by the shareholders of the Company at the Annual General Meeting.

Dividend paid for the year ended March 31, 2014 was cash dividend Rs. 10 per share (100%).

DATES OF BOOK CLOSURE

The register of the members and shares transfer books of the Company will remain closed from June 02, 2015 to June 16, 2015 (both days inclusive).

DATE OF DIVIDEND PAYMENT

The payment of dividend, upon declaration by the shareholders at the forthcoming Annual General Meeting, will be made on or after June 16, 2015.

Last year the Company dispatched the cash dividend on June 26, 2014 after approval from the shareholders at the 50th Annual General Meeting.

PAYMENT OF DIVIDEND

Cash dividends are 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 those warrants into their bank accounts.

All the Joint Shareholder(s) are requested to provide the information of their respective shareholding to the share registrar of the Company before the start of book closure to enable the Company to withhold tax at the prescribed rates for Filers / Non-Filers as per Finance Act 2014.

In the light of recent clarification from Federal Board of Revenue, all the shareholders who intends to seek exemption from withholding tax under clause 47B of Part - IV of the Second Schedule of the Income Tax Ordinance, 2001, are requested to provide to the share registrar of the Company the valid Exemption Certificate under section 159(1) of the Income Tax Ordinance, 2001 duly issued by the concerned Commissioner Inland Revenue in order to claim the said exemption.

SHARE TRANSFER SYSTEM

Share transfers received at the Company's Share 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 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 instead of him/her. Every notice calling a General Meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who 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 company/share registrar not less than forty eight hours before the meeting.

WEBSITE OF THE COMPANY

The Company is operating website www.atlashonda.com.pk containing updated information regarding the Company. The website contains the financial results of the Company together with the Company's profile, the Atlas group philosophy and products of the Company.

CHANGE OF ADDRESS / E-MAIL ADDRESS

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

M/s. Hameed Majeed Associates (Pvt.) Limited. H.M. House, 7-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore.

Phone : +92 (42) 37235081-82

Fax : +92 (42) 37358817

MARKET PRICE DATA

The following table shows the month wise share price of the Company that prevailed during the financial years 2014-15 and 2013-14 in the KSE and LSE:

| Months | KSE | | | |
|-----------|---------|--------|---------|--------|
| | High | Low | High | Low |
| | 2014-15 | | 2013-14 | |
| April | 328.00 | 294.00 | 199.68 | 171.00 |
| May | 305.05 | 248.48 | 267.85 | 209.66 |
| June | 276.00 | 214.01 | 285.00 | 180.11 |
| July | 260.10 | 229.00 | 213.98 | 181.00 |
| August | 252.00 | 209.00 | 224.95 | 193.00 |
| September | 328.00 | 242.22 | 208.00 | 191.50 |
| October | 320.00 | 285.41 | 206.88 | 199.00 |
| November | 355.57 | 285.61 | 241.43 | 201.00 |
| December | 343.76 | 300.00 | 275.00 | 239.13 |
| January | 341.25 | 321.00 | 296.00 | 258.02 |
| February | 405.30 | 330.01 | 299.00 | 258.00 |
| March | 380.50 | 311.37 | 299.00 | 276.00 |

| Months | LSE | | | |
|-----------|---------|--------|---------|--------|
| | High | Low | High | Low |
| | 2014-15 | | 2013-14 | |
| April | 322.77 | 298.23 | 199.68 | 176.00 |
| May | 305.05 | 251.00 | 265.11 | 209.66 |
| June | 272.02 | 221.22 | 281.15 | 181.14 |
| July | 252.52 | 229.00 | 208.88 | 183.50 |
| August | 252.00 | 216.87 | 220.07 | 193.00 |
| September | 320.82 | 245.35 | 206.56 | 192.81 |
| October | 309.96 | 288.65 | 205.50 | 200.00 |
| November | 338.64 | 288.63 | 241.43 | 201.25 |
| December | 336.87 | 302.72 | 272.00 | 240.07 |
| January | 336.00 | 325.00 | 286.87 | 258.54 |
| February | 394.09 | 330.36 | 285.09 | 258.01 |
| March | 379.00 | 327.75 | 295.00 | 277.05 |

Chairman's Review

"To ensure its long-term competitiveness, the Company is taking steps towards development of new products, quality improvement and enhancement of customer experience - that will help improve sustainable profitability of its business in the long-term. The Company has steadily progressed in all these areas and is inculcating a culture which is absolutely committed to the highest level of quality standards and to enriching customer delight."

I am pleased to present the 51st Annual Report of the Company for the year ended March 31, 2015.

Economy

The macroeconomic indicators are showing positive signs of stable growth. Inflation was recorded at a decade low level of 5.12%. In line with the low inflation, the central bank reduced discount rate by 200 bps to 8%. This shift to expansionary monetary policy is also due to the satisfactory position on the external front. Strong growth in remittances and receipts from multilateral sources helped foreign exchange reserves to surpass USD 16 billion. It provided stability to Pak Rupee, which further strengthened against the US dollar. However, it contributed to a slowdown in exports, which reduced by 3.3% mainly on account of weak global demand. On the other hand, decline in international commodity prices, including oil, reduced the import bill. Resultantly, the current account deficit improved to 0.7% of GDP, as compared to 1.5% during the same period of preceding year. The equity markets have similarly shown a bullish sentiment throughout the period under review.

On the fiscal front, deficit was contained to 1.2% during the first half of the financial year 2015, against 2.2% in the same period of preceding year. This is due to improved tax collection, restricted energy subsidies and controlled development expenditure. Progress on the external front, supported by an improved balance of payment position, prompted Moody's Investors Service to raise Pakistan's credit rating outlook to 'Positive' from 'Stable'.

Agriculture

The agricultural harvest largely improved in 2014-15. Bumper yields of major Kharif crops were recorded despite heavy rains and floods in Punjab and Upper Sindh. However, the unfavorable trend in the global commodity prices translated into the suppressed end prices for the local farmers. These factors led to constrained agricultural liquidity. However, the increase in support prices of wheat, higher agri credit disbursements and favorable weather conditions for Rabi crops are expected to contribute positively towards the overall agriculture GDP.

Large Scale Manufacturing (LSM)

The LSM index recorded nominal growth of 2.0% during the year. Major contribution came from Iron, Electronics, Chemicals and Leather sectors. Continued power outages, lower commodity prices and weak external demand of textile products contained manufacturing output. However, lower input costs of materials, easier credit conditions and borrowing costs will improve industrial performance.

The Two Wheeler Industry

The two wheeler industry continued to face economic challenges. Low disposable income discouraged households in rural areas from spending on consumer durable products, like motorcycles. In urban markets, political instability and poor law and order situation outweighed the prospects of increase in demand arising from urbanization. Further, availability of credit to end consumer remained limited. These factors translated into stagnant growth of the two wheelers' market. However, low vehicle penetration ratios and changing customer preference towards higher engine segments suggest promising market growth.

The Company

The FY 2014-15 remained a year of extensive efficiency measures and improved profitability for the Company, underpinned by intensified focus towards quality, productivity and cost.

Marketing Focus

Given the subdued demand in domestic markets in the year under review, your Company sold 620,329 units. However, it remained determined to bring momentum in the industry by offering products that meet customer expectations.

The two wheeler industry in Pakistan predominantly comprises of the 70cc category. The major demand for this segment comes from the rural areas. The slowdown in agriculture sector translated in low volumes for this segment. Promotional schemes, increase in credit and other customer based activities were carried out to improve market sentiments.

Your Company, being the market leader, recognizes that it has the additional responsibility to maintain the customers' reach to mobility. Accordingly, the Company intensified its efforts to leverage its internal strengths and capitalized on the stability of Pak Rupee and decline in commodity prices. This provided an opportunity to pass on the benefit to the customers. Accordingly, effective March 22, 2015, the price of the market defining model CD 70 was reduced by 10 percent to Rs.63,500 and CD Dream to Rs.67,500. This initiative was well received by the customers as the initial response has far exceeded the Company's expectations. As a result, the Company is revising its targets for next year in an aggressive manner.

Pridor, the Company's offering in 100cc category, is making positive progress. To generate excitement in the market, the Company enhanced the number and scale of its field events. It reached out to customers through relevant communication and focused promotions, which include econo-runs, free checkup camps and test rides.

With CG 125, the Company continued to lead the premium segment. Refreshed version of the model was launched which posted strong growth of 21%. To further strengthen its leadership in the 125cc segment, the Company launched the new "CG Dream" in May 2014 with the active marketing campaign of "**Meri Dream, Meri Power**". The model found favour with young urban customers as it met the customers' requirement for a modern and attractive product.

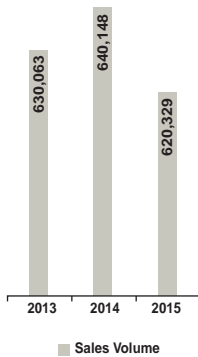
The Spare Parts business registered an impressive growth of 28.8%. The Company was able to enhance sales of "**Atlas Honda Genuine Parts**" through innovative marketing ideas, promoting sales through service workshops and a larger and improved product portfolio. The Company also undertook national campaigns to educate customer about the detrimental effects of using fake parts. These efforts, along with a wider distribution network and improved customer accessibility, helped to increase revenue to over Rs.4.0 billion. However, the influx of illegally sourced spare parts continues to pose a major threat to this business in the organized sector.

Performance Scorecard

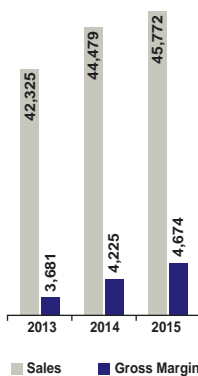
The Company remains committed to deliver on its long term objectives of sustainable growth and value creation. This is being achieved through continued focus on operational excellence, product portfolio diversification, cost reduction and a strong capital structure.

The Company registered total sales of Rs.45.8 billion, a growth of 2.9%. Gross margin for the year ended March 31, 2015 increased from Rs.4.2 billion to Rs.4.7 billion and as a percentage of sales improved from 9.5% to 10.2%. Continued improvement in sales mix, favorable exchange rates, energy management measures and other operational improvement measures contributed to an increase in gross margins. Other income, net of financial charges, also contributed significantly to the bottom line. It crossed Rs.0.5 billion which is an encouraging 29.8% higher than the corresponding year. This was achieved through better treasury management and improved liquidity. As a result, the Company registered the ever highest net profit before tax of Rs.3.2 billion. Net profit after tax increased to Rs.2.4 billion from 2.0 billion, an increase of 17.5% over last year. This translates into Earnings per Share (EPS) of Rs.22.73 as against Rs.19.36 of last year.

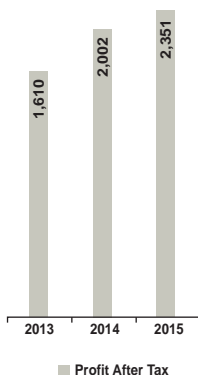
Sales Volume (in units)



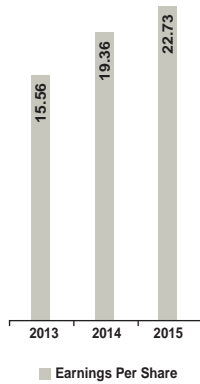
Sales & Gross Margin (Rs. in million)



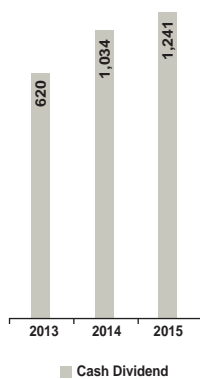
Profit After Tax (Rs. in million)



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



**Cash Dividend
(Rs. in million)**



Atlas Honda Limited has been a debt free Company for the past four years and incurs no borrowing cost. Free cash flow from operations during the year stood at Rs.4.0 billion. The cash has been deployed in capital assets, short term investments and payment of dividend. Additions to capital assets mainly represent expansion of production facilities and balancing, modernization and replacement of existing manufacturing facilities.

During the year, the Company contributed an amount of Rs.9 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.30 billion in all towards the national exchequer. This makes Atlas Group one of the highest tax payers in the Country with 1% of Government total revenue.

Dividend Policy

Over the years, the Company has followed a consistent policy of paying high dividends, keeping in view the cash generating capacities, expected capital needs of business and strategic considerations. For 2014-15, the Board of Directors is pleased to propose cash dividend of Rs.12 per share. This amounts to Rs.1,241 million, which is the highest in the Company's history. Thus, the Company has improved a pay-out ratio of 52.8%.

Manufacturing Excellence

Higher levels of operational excellence were achieved as a result of standardization of core business processes and stronger integration of capabilities. The focus remained on creating additional capacities and refining the flexibility in the Company's value chain. In 2014 - 15, the capacity of Engine and Casting plants were upgraded and improved productivity was achieved in the Assembly plant. It enables the Company to swiftly respond to market demand. Further, the Company's plants were made leaner by outsourcing non-critical processes and operations. The Company also recognizes that development of resources across its supply chain is critical in maintaining its long term competitiveness. Accordingly, it is constantly expanding collaboration with its suppliers for utilizing their expertise and benefitting from increased economies of scale.

As a part of sustainable development initiatives, significant reduction in energy consumption has been achieved through load reduction, effective operation controls and technological up gradations. Importantly, a system for recovering and utilizing waste heat from generators has been installed and is planned to commence its operation from April 2015.

Business Process Re-engineering

The Company recognizes that optimizing its operations is imperative for long-term growth. A number of Kaizen activities were made during the year to achieve this objective:

| | |
|--|--|
| Tooling modification and material resourcing was achieved in Engine plant. | The B2B system was further strengthened through inclusion of additional details. |
| Refurbishment of GDC dies and localization of HPDC and GDC dies was completed. | Electrical load transfer of various shops from generators to other economical sources was conducted. |
| Die casting consumables were resourced and localized. | Cost reduction in F2 Resin paint was achieved in ED Paint area. |

Awards

It gives me great pleasure to inform that the following awards were received by the Company during the year:

- 1st position for Best Corporate Report Award in "Engineering Sector" by the Joint Committee of ICAP and ICMAP,
- KSE Top 25 Companies Award by the Karachi Stock Exchange; and
- Merit certificate for Best Presented Annual Report Award in "Manufacturing sector" by the South Asian Federation of Accountants (SAFA).

Future Outlook

The economy is gradually moving towards a sustainable growth phase owing to improved foreign exchange reserves, rising workers' remittances and controlled fiscal deficit. Going forward, the country's growth potential depends on the need to capitalize on this recent stability. While risk to revenue collection exists amid falling oil prices, it also presents an opportunity for the government to reduce energy subsidies and containing the budgetary deficit. However, successful fiscal consolidation requires continued commitment to long-term reforms, elimination of subsidies and additional taxation measures to improve the tax to GDP ratio. The advent of LNG imports seems to be a step forward to resolve the prevailing energy constraints. Such measures, coupled with steady commodity prices and lower interest rates would also benefit the industrial index. Declining international commodity prices will continue to put pressure on the selling prices of agricultural commodities leaving an adverse effect on liquidity. Supportive government counter-measures are, therefore, imperative. It will help to increase the demand for two wheelers due to its role as the main source of motorized transportation in rural areas.

The Company has once again exhibited strong performance and competitiveness. It is passing through a dynamic period where skills, technologies and scales are being developed and getting built for this decade and the next. The Company's decisive and systematic strategies, structures and culture are all aimed to grow shareholder value sustainably. Underpinned by the guiding principles of "The Atlas Way", the Company will continue to consistently outperform its previous best efforts to provide qualitative long-term growth.

ع خودی کو کر بلند اتنا کہ ہر تقدیر سے پہلے
خدا بندے سے خود پہ چھ بتا یہی رضا کیا ہے

(One achieves what one is determined to achieve)

Acknowledgment

The Atlas Group takes great pride in 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 for the confidence they continue to place in us, the management team for its sincere efforts, the Board of Directors for their guidance and Mr. Saquib H. Shirazi - C.E.O. for his inspiring leadership and all stakeholders - Bankers, Dealers, Vendors, Associates and Shareholders for helping to build Atlas Honda Limited into a unique company.



Yusuf H. Shirazi
Chairman

Date: April 30, 2015

Directors' Report to Shareholders

The Directors of the Company are pleased to present their report together with the fifty first Annual Report of the Company along with Audited Financial Statements for the year ended March 31, 2015.

Operating Results

The operating results of the Company are summarized as follows:

| | Year ended March 31, 2015 | Year ended March 31, 2014 |
|------------------------|--|---------------------------------|
| | ----- (Rupees in '000) ----- | |
| Profit before taxation | 3,243,638 | 2,689,418 |
| Taxation | | |
| Current | 942,357 | 775,761 |
| Prior Years | 13,765 | (43,322) |
| Deferred | (63,375) | (44,581) |
| | 892,747 | 687,858 |
| Profit after taxation | <u>2,350,891</u> | <u>2,001,560</u> |

Dividends and Appropriations

The directors have recommended a final cash dividend of Rs.12 (2014: Rs.10) per share. Accordingly, the appropriation of profit will be as under:

| | Year ended March 31, 2015 | Year ended March 31, 2014 |
|--|--|---------------------------------|
| | ----- (Rupees in '000) ----- | |
| Profit Available for appropriation | 2,832,361 | 2,137,129 |
| Appropriation: | | |
| Transfer to General Reserve | 830,000 | 630,000 |
| Cash Dividend 120% (2014: 100%) | 1,240,879 | 1,034,066 |
| | 2,070,879 | 1,664,066 |
| Un-appropriated profit carried forward | <u>761,482</u> | <u>473,063</u> |

Earnings per Share

The Basic and Diluted earnings per share after tax is Rs.22.73 (2014:Rs.19.36).

Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the nature of business, performance of the Company, explanation of significant deviations from last year, future prospects and uncertainties.

Board of Directors

The Board comprises of one independent director, three executive and four non-executive directors. The directors of the Company were elected in Extra Ordinary General meeting of the Company held on March 20, 2014. During the year Mr. Tariq Amin and Mr. Hisao Kobayashi resigned as Directors and Mr. Jawaid Iqbal Ahmed and Mr. Yasutaka Uda were appointed in their places respectively. The Board places on record its appreciation for the valuable contributions made by the outgoing Directors and welcomes the new Directors.

Meetings of the Board and its Committees in 2014-15

During the year, five meetings of Board of Director (BOD), four meetings of Board Audit Committee (BAC) and one meeting of Human Resource & Remuneration (HR&R) committee were held. The attendance of the directors and the number of their directorships in listed companies, including Atlas Honda Limited (AHL) is as follows:

| Sr. # | Director | Director ship | Status | Committee Members | | Attendance | | |
|-------|------------------------|---------------|------------------------------|-----------------------|-----------------------------|----------------|-----------------------|-----------------------------|
| | | | | Board Audit Committee | HR & Remuneration Committee | Board Meetings | Board Audit Committee | HR & Remuneration Committee |
| 1. | Mr. Yusuf H. Shirazi | 4 | Re-elected on March 20, 2014 | - | - | 5/5 | - | - |
| 2. | Mr. Saquib H. Shirazi | 4 | -do- | - | ✓ | 5/5 | - | 2/2 |
| 3. | Mr. Sanaullah Qureshi | 1 | -do- | ✓ | ✓ | 3/5 | 3/4 | 1/2 |
| 4. | Mr. Hiromitsu Takasaki | 1 | -do- | - | - | 0/5 | - | - |
| 5. | Mr. Kazuhisa Hirota | 2 | Elected on March 20, 2014 | - | - | 0/5 | - | - |
| 6. | Mr. Abid Naqvi | 2 | -do- | ✓ | - | 4/5 | 4/4 | - |
| 7. | Mr. Tariq Amin | 2 | Resigned on Feb 27, 2015 | ✓ | ✓ | 5/5 | 4/4 | 2/2 |
| 8. | Mr. Jawaid Iqbal Ahmed | 2 | Co-opted on March 4, 2015 | ✓ | ✓ | - | - | - |
| 9. | Mr. Hisao Kobayashi | 1 | Resigned on March 31, 2015 | - | - | 3/5 | - | - |
| 10. | Mr. Yasutaka Uda | 1 | Co-opted on March 31, 2015 | - | - | - | - | - |

Auditors

The retiring auditors M/s Hameed Chaudhri & Co. Chartered Accountants, being eligible, offered themselves for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2015 -16.

Material changes

There have been no material changes since March 31, 2015 to date of the 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

The Company focuses on the importance of the communication with the shareholders. The annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984. The activities of the Company are updated on its web site at www.atlashonda.com.pk, on timely basis.

Safeguarding of Records

The Company puts great emphasis for storage and safe custody of its financial records. The Company is using SAP for recording its financial information. Access to electronic documentation has been secured through implementation of a comprehensive password protected authorization matrix in SAP-ERP system.

Business Continuity Plan

As part of Business Continuity Plan, remote disaster recovery sites have been adequately set up for maintaining backup server and data in case our primary server encounters any issues.

Human Resource Management

Human resource planning and management is one of the most important considerations with the senior management. The Company has established 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 the human resource policies and procedures and their periodic review. The details of human resource policies are presented in the 'Sustainability Report' which forms an integral part of this Annual Report.

Corporate Social Responsibility

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base. The report on Corporate Social Responsibilities, including its approach to health and safety, human resources, social, environmental and other related issues are presented in the 'Sustainability Report', which forms a part of this Annual Report.

Statement of Value Addition and its Distribution and Risk Management

The 'Statement of Value Addition and its Distribution' and 'Risk and Opportunity Report' are annexed to this Annual Report.

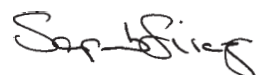
Corporate and Financial reporting framework

The Directors confirm the compliance with Corporate and Financial Reporting Framework of the SECP and Code of Corporate Governance for the following matters:

- 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 preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been duly followed in preparation of the financial statements.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
- 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 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 to this Annual Report.
- Information about taxes and levies is given in notes to the accounts.
- The Company operates a contributory provident fund scheme for all employees and Defined benefit gratuity fund scheme for its management/non-management employees. The value of investments based as at March 31, 2015 are as follows:

| | |
|------------------------|--------------------|
| • Provident Fund | Rs.833.024 million |
| • Gratuity Fund | |
| ➢ Management Staff | Rs.214.977 million |
| ➢ Non-Management Staff | Rs.69.030 million |

On behalf of the Board of Directors



Saquib H. Shirazi
Chief Executive Officer

Karachi: April 30, 2015

Risk and Opportunity Report

Risk Analysis and Internal Control Framework

This report will cover Company's strategy formulation methods, opportunity analysis, risk assessment processes and counter measures thereon. The Company has designed a risk management approach and internal control framework based on its business philosophy and corporate objectives, which is explained step by step below:

A) Strategy formulation

Management has developed a set of objectives that represent stakeholders' expectations and are the lead indicators for determining the success level of the Company. In order to ensure the achievement of the set objectives, management adopts certain strategies. These strategies are approved by the Board of Directors and are subject to change, depending upon any changes in the external business environment or internal organizational factors.

B) Risk assessment

Businesses face numerous uncertainties that can pose potential threats to the objectives of the Company and if not addressed, may culminate in loss. Such uncertainties can arise both from external events as well as internal factors within the organization. The Company analyses four types of risks, based on the information collected from various internal and external sources, which are as follows:



| | |
|--------------------------|--|
| Strategic Risks | These risks are related to the business environment including the industry and are beyond Company's control. |
| Commercial Risks | These risks emanate from commercial substance of the organization and involve decisions which may affect Company's position in the market. |
| Operational Risks | These risks are related to Company's internal operations, administrative procedures and daily affairs. |
| Financial Risks | These risks are related with financial matters including profitability, financing, liquidity and credit. |

Materiality Approach for Risk Assessment

Materiality is defined by the management as a degree of measure significant to the interests of the Company and its stakeholders. Determination of when such degree is achieved is a matter of management's best judgement. A risk is considered material if, in management's view, its occurrence is reasonably be expected to prevent the Company from achieving its key objectives and expectations. All identified risks are measured for their materiality impact and are marked for their relative sensitivity as shown in Risk and Counter Strategy Matrix (RCSM). The more material the risk, the greater focus is concentrated on development and monitoring of its counter strategies.

C) Developing counter measures

Upon identification of risk factors, counter measures are devised to mitigate their impacts. The severity of the risk will determine the criticality of the counter measure and will accordingly set its priority for action. Risks and their related counter strategies are monitored on continuous basis and evaluated for any changes in related impacts.

The relationship between Company's objectives, risks and counter strategies is given in the annexed RCSM.

D) Governance





The Board of Directors is responsible for approving Company's risk management policy. The Board of Directors also provides guidelines on strategic matters and organizational objectives. The business units are responsible for managing risks at operational level. However, the Company-level risk management is the responsibility of the Risk Management Function (RMF) which comprises of the Treasury department. RMF reports its results / findings / observations to the Risk Management Committee. The Committee regularly reviews the business risk profile, risk management policy, risk assessment procedures, related counter strategies and also advice on future actions. The Committee then reports the outcomes of their reviews to the CEO. The Board of Audit Committee also reviews and assesses the adequacy of risk management for its effectiveness in risk mitigation.

E) Opportunity analysis

The Company has adequate processes and procedures in place for identifying potential gaps in the external environment which, if Company has adequate resource, may be exploited as opportunities to improve performance. Based on its analysis, the Company has identified the following opportunities in current economic landscape:

- Healthy agriculture cash flows will increase liquidity in rural areas
- Rising foreign remittances
- Increasing Population and emerging youth segment
- Weak transportation infrastructure

Risk and Counter Strategy Matrix

| Corporate Objective | Risk | Risk Profile |
|---|---|--|
| <p>Industry Competition: To maintain Company's market leadership in two wheeler automotive industry.</p>  | <p>Strategic Risk: There is increasing competition among market participants in the entry level motorcycles segment. Further, new entrants are foreseen in the premium segment.</p> <p>Commercial Risk: Continued inflation and declining prices of agricultural products may affect the purchasing power of customers.</p> | <p>■ ■ ■</p> <p>■ ■ ■</p> |
| <p>Legislative and Legal Environment: To operate in a stable market being compliant with all relevant laws of the Country.</p>  | <p>Strategic Risk: Adverse Law and Order situations.</p> <p>Commercial Risk: Changes and reforms in existing laws & regulations and legal uncertainties.</p> <p>Low entry barriers for new entrants.</p> | <p>■ ■ ■</p> <p>■ ■</p> <p>■ ■ ■</p> |
| <p>Technology: To produce the best and highest quality product that meets international standards of fuel efficiency, comfort and reliability.</p>  | <p>Strategic Risk: Technological shift may render production process obsolete and cost inefficient.</p> | <p>■ ■</p> |
| <p>Operations: To ensure continuity of operations without any disruptions in supply and minimize idle time.</p>  | <p>Operational Risk: The Company relies on third parties for sourcing of utilities.</p> <p>Vendors' operational and financial constraints may affect supply of raw materials and parts used in the manufacturing.</p> <p>Disruption due to data loss from operational failures or natural disasters.</p> | <p>■ ■ ■ ■</p> <p>■ ■ ■</p> <p>■ ■</p> |



| Counter Strategies to Risk | Actual Result |
|--|--|
| <p>The Company have a robust business plan in place to deliver its strategy and ambition to maintain quality products in major segments of motorcycles. The Company places due emphasis on monitoring markets and competitors to be able to understand and pre-empt external dynamics and remain competitive.</p> <p>The Company has six models covering 70CC, 100CC and 125CC segment. It is committed to exacting quality standards by ensuring improved models as per customer preference. Also, it has most lucrative 2nd hand market ensuring optimum resale value for customers.</p> <p>The Company operates the largest dealer network in Pakistan and most efficient after sales services network. These alongwith financial solutions helps boosting customer purchasing power.</p> | <p>Given subdued demand in the market, net sales grew by 3% during financial year 2014-15.</p> <p>The Company has launched new model in 125CC category during the year.</p> <p>The Company introduced 3 years warranty for all engine parts and 3 free services for the first time in Pakistan.</p> <p>The Company has made arrangements with various Banks to promote consumer and dealer financing services at highly competitive prices.</p> |
| <p>In order to avoid the risk of operating disruptions and to fulfill the market demands, the Company operates two production facilities (one at Sheikhpura and other at Karachi).</p> <p>A team of qualified professionals continuously monitors legal developments in relevant spheres, implements, follows up and ensures compliances with the laws, regulations and directives contained in applicable legislation.</p> <p>For the protection of local manufacturers and growth of the two wheeler Automotive industry in Pakistan, the Company actively participates at various Government forums to recommend appropriate measures.</p> | <p>The Company well managed to run both plants with no deviation from existing laws and regulations.</p> <p>No such non-compliances or complaints lodged during the year by the Government and other institutional concerns on the Company as a whole. Also, Company's corporate governance practices were recognized through following awards:</p> <ol style="list-style-type: none"> 1) Best Corporate Report Award by the Joint Committee of ICAP and ICMAP. 2) Top 25 Companies Award by Karachi Stock Exchange. 3) Best presented Annual Report Award by the South Asian Federation of Accountants. |
| <p>The Company has Research & Development Department which regularly monitors any changes in technology and international standards.</p> <p>The Company incurs adequate capital expenditure on balancing, modernization and up gradation of production facilities.</p> | <p>The Company has incurred Capital expenditure of Rs. 1.1 billion during the year for the improvement and maintenance of the production facilities. Details can be referred in the notes to the financial statements.</p> |
| <p>Company's operations are based on usage of alternative sources of utilities.</p> <p>The Company has legal contracts in place with all vendors and continuous assessment of all vendors are made for quality, cost and on time deliveries.</p> <p>More than one supplier are inducted for key components which shares its production and delivery plan on B2B network, and enables the Company to ensure smooth supply of components and raw material for its production processes.</p> <p>A business continuity plan is in place for ensuring uninterrupted operations.</p> | <p>The Company has achieved uninterrupted production during the year with undisrupted supplies from Vendors.</p> |

| Counter Strategies to Risk | Actual Result |
|---|---|
| <p>The Company's Human Resources function has developed policies and procedures to ensure that it remains competitive in the labor market, both in terms of attracting and retaining key personnel.</p> <p>Trainings are organized in order to polish the professional skills of employees and get them ready for the outstanding carrier path.</p> | <p>For details of benefits provided to employees during the year, refer respective notes to the financial statements.</p> <p>No. of persons trained : 1,662 Average hours of training per year per employee : 11 hours</p> |
| <p>Atlas Honda Limited has a documented Health and Safety policy according to which it is mandatory for every employee to go through the Company's safety awareness program.</p> <p>Prompt preventive and corrective measures are taken in case of any accident to avoid recurrences.</p> <p>Regular trainings in accident prevention, accident response, emergency preparedness and the use of protective clothing and equipment are conducted with the aim of ensuring a safe workplace.</p> <p>All employees are provided with medical and health insurances.</p> <p>Extraction and evacuation drills are conducted regularly and staff is frequently trained for crisis management.</p> | <p>No majors accidents occurred during the year at any of the Company's facilities, a testament to the effective Company's safety policies.</p> <p>Numerous safety and extraction drills were conducted during the year.</p> |
| <p>As per the Company's defined policy for the protection of environment from emissions and hazardous discharges, ongoing monitoring and maintenance activities coupled with investment in new technology, efficiency enhancing measures, continuous measurements, follow ups and reporting are carried out to ensure Atlas Honda Limited achieves its emission and discharges goals.</p> <p>Solid hazardous waste is disposed-off through Environmental Protection Agency's legitimate contractors.</p> <p>Recycling is also done, to the maximum extent, where possible.</p> | <p>For achievements in environmental protection, see the section of "Environment" in the Company's sustainability report.</p> |
| <p>Agreements are in place with suppliers to counter short term fluctuations in material prices.</p> <p>Atlas Honda restricts credit to only reputable Government and Defense Institutions which maintain a good history of timely payments.</p> <p>Sufficient credit lines and financial arrangements are available from various banks to the Company in case of any fund shortages.</p> <p>Foreign currency exposures are monitored by the Treasury Committee. Derivatives such as forward covers and currency options are used for hedging against currency devaluation, if required.</p> | <p>For complete disclosure, kindly refer the disclosure on "Financial Risk Management" in notes to the financial statements.</p> |

Notice of 51st Annual General Meeting

Notice is hereby given that the Fifty First Annual General Meeting of the members of Atlas Honda Limited will be held on Tuesday June 16, 2015, at 11:00 A.M., at the registered office 1-McLeod Road, Lahore, to transact the following business matters after recitation of the Holy Quran:

ORDINARY BUSINESS

1. To confirm minutes of the Annual General Meeting held on June 26, 2014.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended March 31, 2015, together with the Directors' and Auditors' reports thereon.
3. To appoint auditors and fix their remuneration for the year ending March 31, 2016. The retiring auditors M/s Hameed Chaudhri & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.
4. To consider and approve the final cash dividend of Rs.12 per share i.e. 120% for the year ended March 31, 2015 as recommended by the Board of Directors.

OTHER BUSINESS

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

By Order of the Board



Umair Mukhtar
Company Secretary

Karachi: May 26, 2015

NOTES:

1. The share transfer books of the Company will remain closed from June 02, 2015 to June 16, 2015 (both days inclusive). The transfers received at Company's share registrar namely M/S Hameed Majeed Associates (Private) Limited, H.M House, 7-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore, Pakistan by the close of business on June 01, 2015 will be considered in time for the purpose of payment of final dividend to the transferees.
2. A member entitled to attend and vote at this Annual General Meeting shall be entitled to appoint another member, as a proxy to attend and vote on his / her behalf. The proxies in order to be effective must be received at the Registered Office or Share 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. The 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, email address and in case of foreigner, copy of passport, unless it has already been provided to enable the Company to comply with the relevant laws.

6. For the convenience of the members a Proxy Application Form is attached with this report.
7. As per the directives by SECP vide its notice number 8(4) SM/CDC 2008 dated April 05, 2013, all shareholders and the Company are encouraged to put in place an effective arrangement for electronic payment of cash dividend. For this purpose, the members are requested to provide duly filled Dividend Mandate forms including Name, Bank Account Number, Bank and respective branch address at the registered address of the Company. The dividend mandate form is available at the Company's website.
8. The Securities and Exchange Commission of Pakistan (SECP) vide SRO 779(I) dated August 18, 2011 and 831(I) dated July 05, 2012, mandates that the dividend warrants should bear CNIC number of the registered member or their authorized person, except in case of minor(s) and corporate members. In this regard, all the individual members, holding physical shares who have not yet provided their CNIC number are requested to immediately submit a copy of their CNIC to Company's share registrar. The members while sending their CNIC must also quote their respective folio number.
9. Pursuant to the provisions of Finance Act, 2014, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies, as under:

| | |
|------------------------------------|-----|
| 'Filer' of Income Tax Return | 10% |
| 'Non - filer' of Income Tax Return | 15% |

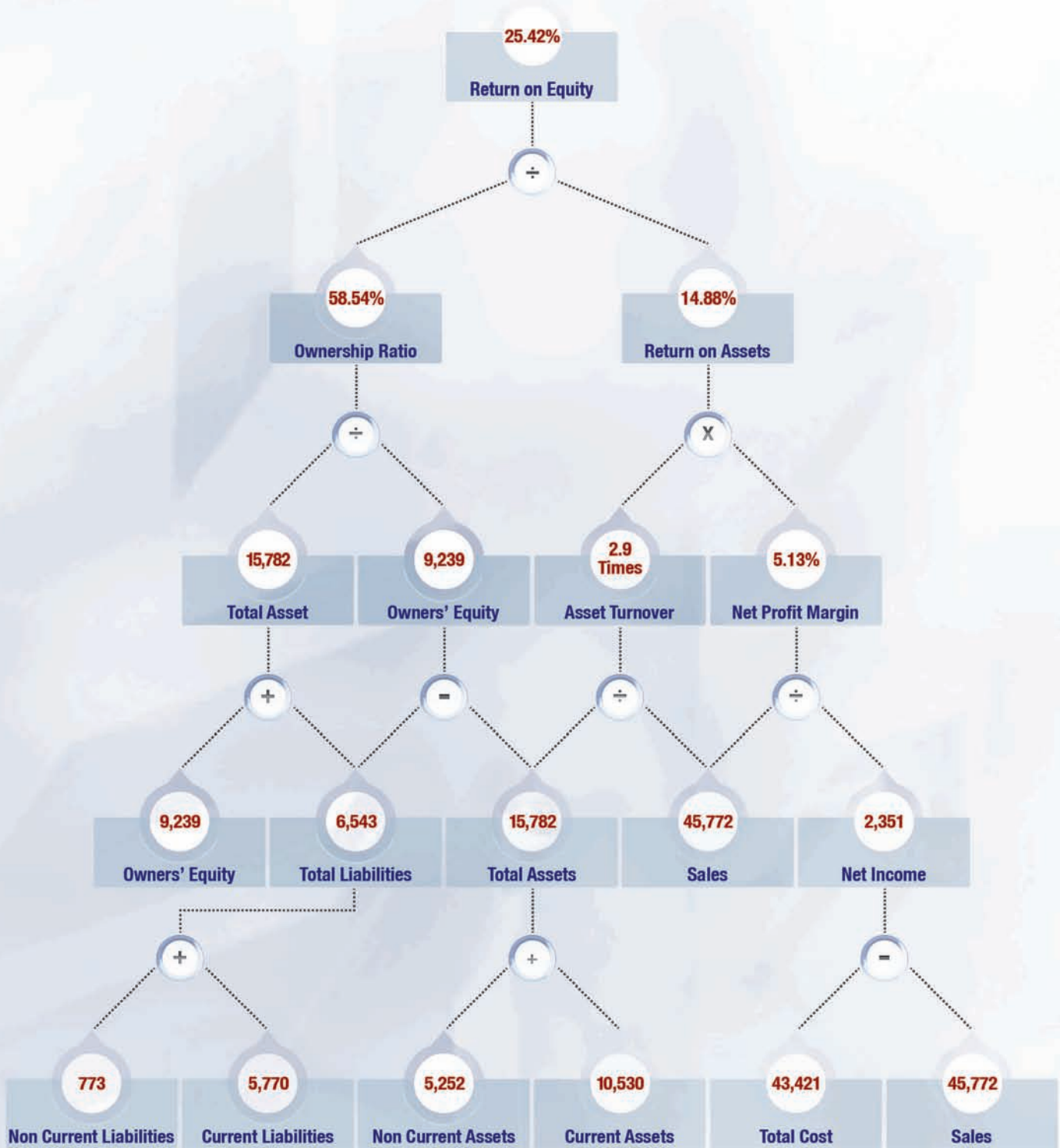
The 'Filer' is defined as a taxpayer whose name appears in the Active Tax-payers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time. To enable the Company to withhold tax @ 10% for filers, all the shareholders whose names are not entered into the ATL are advised to make sure that their names are entered into the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted @ 15% for non-filers.

10. In compliance with the SECP directives vide SRO 787(1)/ 2014 dated September 8, 2014, soft copies of the Annual Report 2015 are being emailed to the members having opted to receive such communication in electronic format. Other members, who wish to receive the Annual Report in electronic form, may file an application as per the format provided on the Company's website. The members who have provided the consent to receive Annual Report through email can subsequently request a hard copy which shall be provided free of cost within seven days. However, the Company shall continue to send hard copy to all other members as per current practice. The members are also requested to intimate any change in their email addresses on a timely manner, to ensure effective communication.

6 Years at a Glance

| Particulars | | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|----------------|---------|---------|---------|---------|---------|---------|
| Profitability Ratios | | | | | | | |
| Gross profit margin | % | 10.2 | 9.5 | 8.7 | 7.3 | 7.5 | 7.8 |
| Profit before tax margin | % | 7.1 | 6.0 | 5.2 | 4.3 | 4.3 | 4.2 |
| Net profit margin | % | 5.1 | 4.5 | 3.8 | 3.2 | 3.1 | 2.8 |
| Return on capital employed | % | 37.9 | 37.2 | 36.9 | 32.3 | 32.2 | 26.7 |
| Return on equity - before tax | % | 35.1 | 34.0 | 33.7 | 29.9 | 30.5 | 27.7 |
| Return on equity - after tax | % | 25.4 | 25.3 | 24.5 | 22.2 | 21.7 | 18.3 |
| Return on assets | % | 14.9 | 13.9 | 13.4 | 11.0 | 10.4 | 8.4 |
| Earnings before interest, tax, depreciation and amortization (EBITDA) | Rs. in million | 3,898.4 | 3,329.2 | 2,831.9 | 2,122.6 | 1,977.3 | 1,627.2 |
| EBITDA margin | % | 8.5 | 7.5 | 6.7 | 5.6 | 6.1 | 6.4 |
| Equity Ratios | | | | | | | |
| Cash dividend per share (declared) | Rs. | 12.0 | 10.0 | 7.5 | 6.5 | 6.5 | 5.0 |
| Stock dividend per share (bonus shares declared for the year) | Rs. | - | - | 2.5 | 1.5 | 1.5 | 1.5 |
| Bonus shares declared for the year | No. in '000 | - | - | 20,681 | 10,790 | 9,383 | 8,159 |
| Earnings per share | Rs. | 22.73 | 19.36 | 19.44 | 16.74 | 16.03 | 13.10 |
| Price earning ratio | Times | 14.6 | 15.1 | 9.9 | 8.5 | 8.8 | 10.9 |
| Market price per share as at year end | Rs. | 335.0 | 292.6 | 191.5 | 142.2 | 141.8 | 142.5 |
| Market price per share for the year | | | | | | | |
| - maximum value | Rs. | 405.3 | 299.0 | 192.0 | 160.0 | 172.5 | 154.2 |
| - minimum value | Rs. | 209.0 | 171.0 | 114.0 | 108.0 | 92.0 | 56.9 |
| Break up value per share | Rs. | 89.3 | 76.5 | 79.3 | 75.3 | 73.9 | 71.6 |
| Dividend yield | % | 3.6 | 3.4 | 5.2 | 5.6 | 5.6 | 4.6 |
| Dividend cover | Times | 1.9 | 1.9 | 1.9 | 2.1 | 2.0 | 2.0 |
| Dividend pay out | % | 52.8 | 51.7 | 51.5 | 47.8 | 49.9 | 49.6 |
| Plough back ratio | % | 47.2 | 48.3 | 48.5 | 52.2 | 50.1 | 50.4 |
| Weighted average cost of debt | % | - | - | - | - | 14.0 | 13.1 |
| Cost of equity | % | 6.8 | 6.6 | 10.1 | 11.8 | 11.3 | 9.2 |
| Efficiency Ratios | | | | | | | |
| Assets turnover | Times | 2.9 | 3.1 | 3.5 | 3.5 | 3.4 | 3.0 |
| Fixed assets turnover | Times | 9.2 | 9.8 | 9.6 | 9.6 | 10.0 | 7.9 |
| Inventory turnover | Times | 19.7 | 16.5 | 15.1 | 14.0 | 12.9 | 11.9 |
| Debtors turnover | Times | 65.0 | 85.5 | 82.2 | 63.5 | 81.0 | 57.3 |
| Creditors turnover | Times | 7.1 | 7.2 | 8.5 | 7.3 | 7.1 | 7.6 |
| Capital employed turnover | Times | 5.0 | 6.2 | 6.5 | 7.0 | 7.0 | 5.8 |
| Operating Cycle | | | | | | | |
| Period of inventory holding | Days | 18 | 22 | 24 | 26 | 28 | 31 |
| Period of collection from debtors | Days | 6 | 4 | 4 | 6 | 5 | 5 |
| Period of payments to creditors | Days | (51) | (51) | (44) | (50) | (51) | (48) |
| Operating cycle | Days | (27) | (25) | (16) | (18) | (18) | (12) |
| Liquidity / Leverage Ratios | | | | | | | |
| Current ratio | Times | 1.8 | 1.7 | 1.6 | 1.5 | 1.5 | 1.5 |
| Quick ratio | Times | 1.5 | 1.3 | 1.1 | 0.9 | 0.9 | 0.9 |
| Debt to equity / financial leverage ratio | Times | - | - | - | - | 0.02 | 0.2 |
| Total liabilities to equity | Times | 0.71 | 0.82 | 0.83 | 1.0 | 1.1 | 1.2 |
| Interest cover | Times | 3,862.5 | 5,651.0 | 2,577.3 | 427.9 | 18.4 | 12.0 |
| Operating leverage ratio | % | 709.0 | 427.9 | 317.2 | 52.8 | 98.6 | 139.9 |
| Cash to current liabilities | Times | 0.6 | 0.5 | 0.6 | 0.4 | 0.5 | 0.5 |
| Cash flow from operations to sales | % | 6.1 | 7.9 | 5.2 | 4.5 | 6.6 | 6.9 |

DuPont Analysis

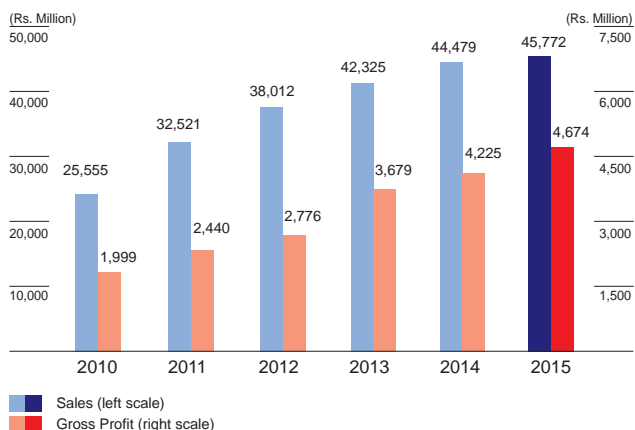


Graphical Presentation

Our performance over the year

The remarkable performance of the Company in the last few years is due to effective management of controllable factors. The performance is measured against key financial indicators. This has allowed the Company to outperform its previous best efforts and maintain its track record of growing sustainably.

Sales and Gross Profit



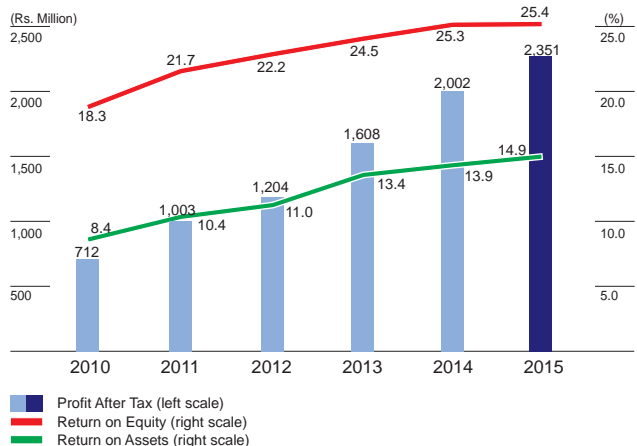
Higher Net Sales +3% up

The Company remains committed to deliver its long term objectives of sustainable growth and value creation. Accordingly, net sales registered growth of 3% over the comparative year. Despite volume down, the positive performance in top line was achieved through continued rationalization of sales mix. It helps the Company in achieving CAGR of 12% over the six year period.

Increasing Gross Income +11% up

Gross income of the Company increased by 11% over the comparative year. Continued improvement in sales mix, favorable exchange rates, energy management measures and other operational improvement measures contributed the increase in gross margins. Resultantly, CAGR has improved to 19% over the years.

Profitability



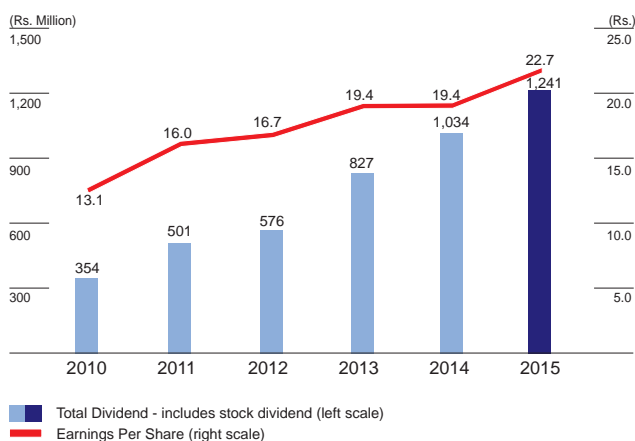
Profit After Tax +17% up

With diligent approach to cost management, optimum sales mix and impressive treasury income, the Company has registered ever highest profit after tax of Rs. 2.4 billion from Rs. 2.0 billion, an increase of 17% over last year. This translates into CAGR of 27%.

Higher return on investments

Steady growth together with optimum equity has enables the Company to maintain the high return on its capital. For 2014-15, Return on Equity recorded at 25.4% and Return on assets rose to 14.9%. This was achieved through steady income growth.

Dividend



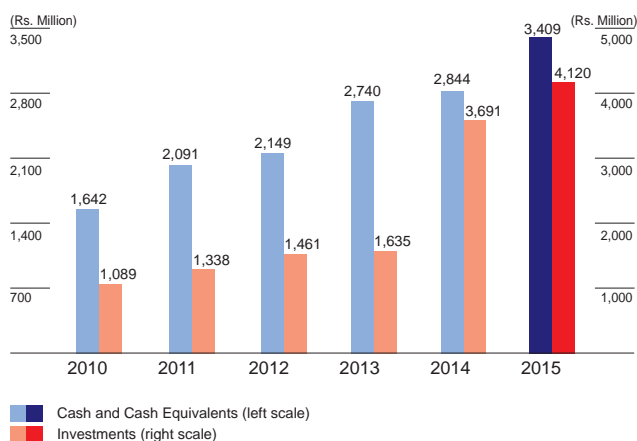
Paying high dividends +20% up

Over the years, the Company has followed a consistent policy of paying high dividends, keeping in view the cash generating capacities, expected capital needs of business and strategic considerations. For 2014-15, the Board of Directors is pleased to propose cash of Rs. 12 per share. This amounts to Rs. 1,241 million, which is the highest in the Company's history. Thus, the Company has improved a pay-out ratio of 53%.

Increasing EPS +17% up

Over the years, the Company is focused on maintaining steady growth in EPS. This year, Company has again delivered the record EPS of Rs. 22.73.

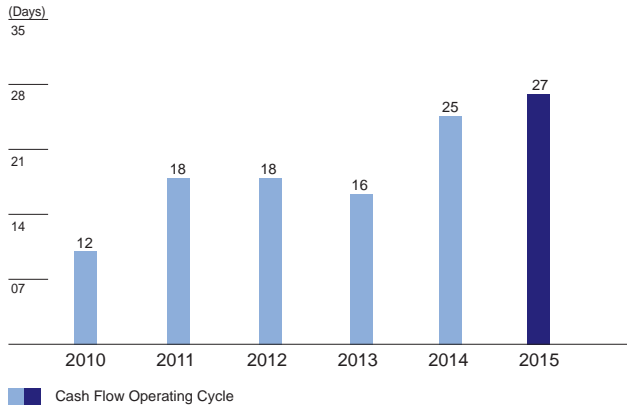
Liquidity Position



Strong Liquidity +15% up

The Company remains focused on generating cash flows from operations and deploy it into capital assets, investments and dividends. The Company's total cash and cash equivalent stood at impressive Rs. 3.4 billion. Whereas total investment in mutual funds consolidated at Rs. 4.1 billion. It helps the Company to earn an impressive treasury income which increased by 29% to Rs. 544 million.

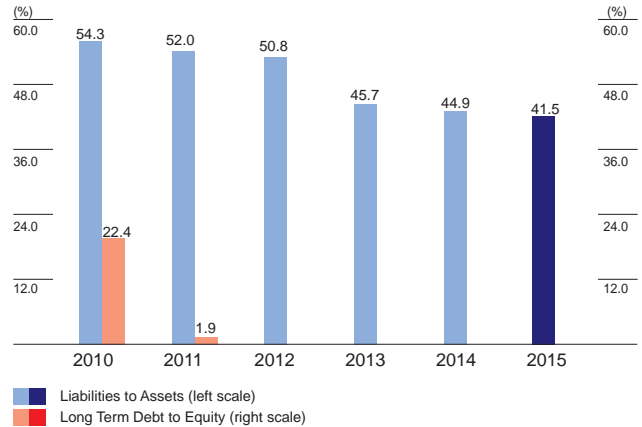
Assets Performance



Working Capital Performance **+8% up**

To drive strong cash flow generation, Atlas Honda Limited is optimizing its balance sheet, specifically by reducing the level of working capital and steady cash flow management. Accordingly, the Company has always sought to efficiently use the various components of working capital cycle. Cash flow operating cycle has followed the same trend of previous years and the Company continue to work on favorable operating cycle. Resultantly, the Company has managed to control the receivables and reduced the inventory turnover. Thereby, the operating cycle has declined by 8% over the previous year.

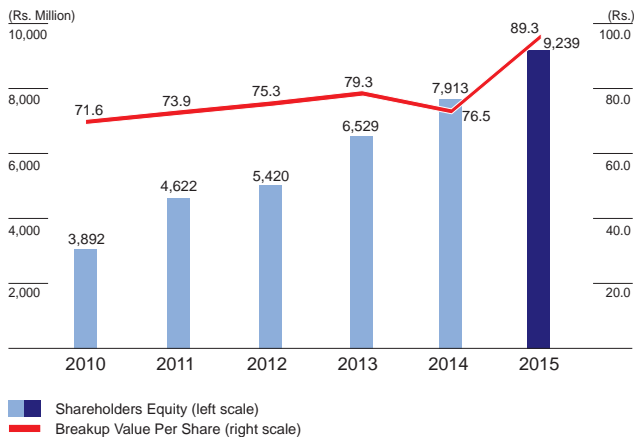
Leverage Ratio



Debt Free Status

The Company actively follows the policy of zero borrowings to reduce interest bearing liabilities to improve its balance sheet. The Company has maintained for consecutive four years its 'Debt Free Status' despite growing working capital requirement and continued investments in capacity expansion. During the current year, the Company has financed all its projects through equity.

Shareholders Equity



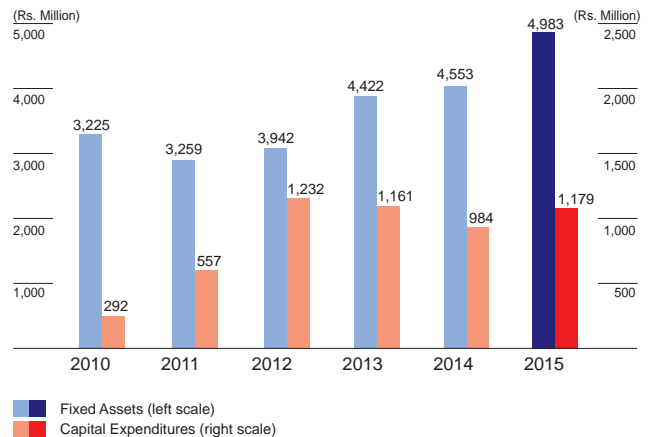
Improved Financial Soundness **+17% up**

The Company has set the goals for improving financial soundness by consolidating its shareholders' equity. The goal was eclipsed by achieving the record shareholders' equity which stood Rs. 9.2 billion with CAGR of 19%.

Breakup Value Per Share **+17% up**

The breakup value per share stood at Rs.89.3. It provides strong and sound financial base that will support, the implementation of growth strategy.

Fixed Assets and Capital Expenditures



Increased Investments **+20% up**

From 2010 to 2015, the Company has made gross investments of Rs.5.4 billion. Additions to capital assets mainly represents expansion of production facilities and balancing, modernization and replacement of existing manufacturing facilities.

Fixed Asset Base **+9% up**

Keeping in view the further prospects, the Company is investing in its production facilities, step by step. Currently, fixed assets stood at Rs.4.9 billion with equity to fixed asset ratio of 1.93 times.

Analysis of the Financial Statements

Balance Sheet

| Particulars | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|---------------------------|-------------------|-------------------|-------------------|------------------|------------------|
| | -----Rupees in '000 ----- | | | | | |
| Assets | | | | | | |
| Non Current Assets | | | | | | |
| Property, plant & equipment | 4,982,552 | 4,552,816 | 4,421,744 | 3,941,610 | 3,259,193 | 3,224,897 |
| Intangible asset | 12,774 | 4,781 | 5,555 | 6,419 | 7,137 | 8,053 |
| Long term investments | 216,283 | - | - | - | - | - |
| Long term loans and advances | 27,198 | 26,396 | 25,583 | 20,420 | 22,403 | 18,810 |
| Long term deposits | 12,986 | 9,632 | 8,399 | 15,728 | 10,765 | 11,336 |
| Total non current assets | 5,251,793 | 4,593,625 | 4,461,281 | 3,984,177 | 3,299,498 | 3,263,096 |
| Current Assets | | | | | | |
| Stores, spares and loose tools | 421,339 | 400,424 | 390,250 | 348,639 | 325,891 | 322,592 |
| Stock in trade | 1,660,529 | 2,042,602 | 2,171,536 | 2,161,328 | 2,003,029 | 1,664,297 |
| Trade debts | 704,597 | 520,321 | 514,742 | 598,265 | 401,435 | 445,689 |
| Loans and advances | 41,235 | 35,305 | 33,253 | 33,152 | 33,525 | 40,485 |
| Trade deposits and prepayments | 59,568 | 50,679 | 47,722 | 44,832 | 36,936 | 39,079 |
| Short term investments | 4,119,696 | 3,691,241 | 1,635,183 | 1,460,580 | 1,338,474 | 1,088,996 |
| Accrued mark-up/ interest | 10,857 | 11,130 | 11,603 | 4,348 | 8,517 | 4,513 |
| Other receivables | 3,674 | 4,666 | 6,302 | 15,338 | 15,075 | 11,566 |
| Taxation - net | 99,185 | - | 2,578 | 160,604 | 68,050 | - |
| Bank balances | 3,409,200 | 2,843,738 | 2,739,988 | 2,149,154 | 2,090,800 | 1,641,963 |
| Total current assets | 10,529,880 | 9,600,106 | 7,553,157 | 6,976,240 | 6,321,732 | 5,259,180 |
| Non Current Assets Classified as Held for Sales | - | 171,459 | - | - | - | - |
| Total assets | 15,781,673 | 14,365,190 | 12,014,438 | 10,960,417 | 9,621,230 | 8,522,276 |
| Equity & Liabilities | | | | | | |
| Equity | | | | | | |
| Share capital | 1,034,066 | 1,034,066 | 827,253 | 719,350 | 625,522 | 543,932 |
| Reserves | 8,204,479 | 6,879,247 | 5,701,924 | 4,700,584 | 3,996,892 | 3,347,892 |
| Total equity | 9,238,545 | 7,913,313 | 6,529,177 | 5,419,934 | 4,622,414 | 3,891,824 |
| Non Current Liabilities | | | | | | |
| Long term borrowings | - | - | - | - | - | 512,500 |
| Deferred liabilities | 773,394 | 829,600 | 866,975 | 730,315 | 649,354 | 600,015 |
| Total non current liabilities | 773,394 | 829,600 | 866,975 | 730,315 | 649,354 | 1,112,515 |
| Current Liabilities | | | | | | |
| Trade and other payables | 5,769,734 | 5,577,694 | 4,587,303 | 4,810,168 | 4,255,584 | 3,109,999 |
| Accrued mark-up / interest | - | - | - | - | 6,378 | 37,384 |
| Current portion of long term borrowings | - | - | - | - | 87,500 | 362,500 |
| Taxation - net | - | 44,583 | - | - | - | 8,054 |
| Total current liabilities | 5,769,734 | 5,622,277 | 4,587,303 | 4,810,168 | 4,349,462 | 3,517,937 |
| Total equity and liabilities | 15,781,673 | 14,365,190 | 12,014,438 | 10,960,417 | 9,621,230 | 8,522,276 |

Analysis of the Financial Statements

Balance Sheet

| Particulars | Vertical Analysis | | | | | | Horizontal Analysis | | | | | |
|--|-------------------|--------------|--------------|--------------|--------------|--------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2015 vs 2014 | 2014 vs 2013 | 2013 vs 2012 | 2012 vs 2011 | 2011 vs 2010 | 2010 vs 2009 |
| | % | % | % | % | % | % | % | % | % | % | % | % |
| Assets | | | | | | | | | | | | |
| Non Current Assets | | | | | | | | | | | | |
| Property, plant & equipment | 31.6 | 31.7 | 36.8 | 36.0 | 33.9 | 37.8 | 9.4 | 3.0 | 12.2 | 20.9 | 1.1 | -5.5 |
| Intangible asset | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 167.2 | -13.9 | -13.5 | -10.1 | -11.4 | -51.5 |
| Long term investments | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long term loans and advances | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 3.0 | 3.2 | 25.3 | -8.9 | 19.1 | 31.0 |
| Long term deposits | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 34.8 | 14.7 | -46.6 | 46.1 | -5.0 | 26.5 |
| Total non current assets | 33.3 | 32.0 | 37.1 | 36.4 | 34.3 | 38.2 | 14.3 | 3.0 | 12.0 | 20.8 | 1.1 | -5.5 |
| Current Assets | | | | | | | | | | | | |
| Stores, spares and loose tools | 2.7 | 2.8 | 3.2 | 3.2 | 3.4 | 3.8 | 5.2 | 2.6 | 11.9 | 7.0 | 1.0 | -24.7 |
| Stock in trade | 10.5 | 14.2 | 18.1 | 19.7 | 20.8 | 19.5 | -18.7 | -5.9 | 0.5 | 7.9 | 20.4 | -7.1 |
| Trade debts | 4.5 | 3.6 | 4.3 | 5.5 | 4.2 | 5.2 | 35.4 | 1.1 | -14.0 | 49.0 | -9.9 | 39.2 |
| Loans and advances | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.5 | 16.8 | 6.2 | 0.3 | -1.1 | -17.2 | 7.5 |
| Trade deposits and prepayments | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 17.5 | 6.2 | 6.4 | 21.4 | -5.5 | -39.5 |
| Short term investments | 26.1 | 25.7 | 13.6 | 13.3 | 13.9 | 12.8 | 11.6 | 125.7 | 12.0 | 9.1 | 22.9 | 138.9 |
| Accrued mark-up/ interest | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | -2.5 | -4.1 | 166.9 | -48.9 | 88.7 | 767.9 |
| Other receivables | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 0.1 | -21.3 | -26.0 | -58.9 | 1.7 | 30.3 | -88.6 |
| Taxation - net | 0.6 | 0.0 | 0.0 | 1.5 | 0.7 | 0.0 | 100.0 | -100.0 | -98.4 | 136.0 | 100.0 | -100.0 |
| Bank balances | 21.6 | 19.8 | 22.8 | 19.6 | 21.7 | 19.3 | 19.9 | 3.8 | 27.5 | 2.8 | 27.3 | 158.0 |
| Total current assets | 66.7 | 66.8 | 62.9 | 63.6 | 65.7 | 61.8 | 9.7 | 27.1 | 8.3 | 10.4 | 20.2 | 33.9 |
| Non Current Assets Classified as Held for Sales | 0.0 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | -100.0 | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total assets | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 9.9 | 19.6 | 9.6 | 13.9 | 12.9 | 15.5 |
| Equity & Liabilities | | | | | | | | | | | | |
| Equity | | | | | | | | | | | | |
| Share capital | 6.6 | 7.2 | 6.9 | 6.6 | 6.5 | 6.4 | 0.0 | 25.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Reserves | 52.0 | 47.9 | 47.7 | 42.9 | 41.6 | 39.3 | 19.3 | 20.0 | 22.0 | 17.6 | 19.4 | 17.5 |
| Total equity | 58.5 | 55.1 | 54.6 | 49.5 | 48.1 | 45.7 | 16.7 | 20.6 | 21.0 | 17.3 | 18.8 | 17.2 |
| Non Current Liabilities | | | | | | | | | | | | |
| Long term borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.0 | 0.0 | 0.0 | 0.0 | 0.0 | -100.0 | 36.7 |
| Deferred liabilities | 4.9 | 5.8 | 7.2 | 6.6 | 6.7 | 7.0 | -6.8 | -4.3 | 18.7 | 12.5 | 8.2 | 4.2 |
| Total non current liabilities | 4.9 | 5.8 | 7.2 | 6.6 | 6.7 | 13.0 | -6.8 | -4.3 | 18.7 | 12.5 | -41.6 | 17.0 |
| Current Liabilities | | | | | | | | | | | | |
| Trade and other payables | 36.6 | 38.8 | 38.2 | 43.9 | 44.2 | 36.5 | 3.4 | 21.6 | -4.6 | 13.0 | 36.8 | 17.5 |
| Accrued mark-up / interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.4 | 0.0 | 0.0 | 0.0 | -100.0 | -82.9 | -48.3 |
| Current portion of long term borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 4.3 | 0.0 | 0.0 | 0.0 | -100.0 | -75.9 | -7.0 |
| Taxation - net | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.1 | -100.0 | 100.0 | 0.0 | 0.0 | -100.0 | 100.0 |
| Total current liabilities | 36.6 | 39.1 | 38.2 | 43.9 | 45.2 | 41.3 | 2.6 | 22.6 | -4.6 | 10.6 | 23.6 | 13.2 |
| Total equity and liabilities | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 9.9 | 19.6 | 9.6 | 13.9 | 12.9 | 15.5 |

Analysis of the Financial Statements

Profit and Loss Account and Cash Flow Statement

| Particulars | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| ----- (Rupees in '000) ----- | | | | | | |
| Profit and Loss Account | | | | | | |
| Sales | 45,772,177 | 44,478,713 | 42,325,242 | 38,011,857 | 32,521,399 | 25,554,772 |
| Cost of sales | (41,098,571) | (40,253,929) | (38,646,049) | (35,235,893) | (30,080,978) | (23,555,842) |
| Gross Profit | 4,673,606 | 4,224,784 | 3,679,193 | 2,775,964 | 2,440,421 | 1,998,930 |
| Sales and marketing expenses | (1,314,231) | (1,293,938) | (1,206,648) | (965,883) | (815,463) | (690,794) |
| Administrative expenses | (432,622) | (430,054) | (387,477) | (335,654) | (310,742) | (264,739) |
| Other income | 543,924 | 420,651 | 322,668 | 274,453 | 299,337 | 239,047 |
| Other operating expenses | (245,132) | (223,989) | (190,453) | (117,162) | (109,597) | (92,600) |
| Share of profit of an Associated Company - net of tax | 26,283 | - | - | - | - | - |
| Profit from operations | 3,251,828 | 2,697,454 | 2,217,283 | 1,631,718 | 1,503,956 | 1,189,844 |
| Finance cost | (8,190) | (8,036) | (9,726) | (11,717) | (93,475) | (112,613) |
| Profit before taxation | 3,243,638 | 2,689,418 | 2,207,557 | 1,620,001 | 1,410,481 | 1,077,231 |
| Taxation | (892,747) | (687,858) | (599,753) | (415,892) | (407,925) | (364,773) |
| Profit after taxation | 2,350,891 | 2,001,560 | 1,607,804 | 1,204,109 | 1,002,556 | 712,458 |
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | 2,808,104 | 3,531,566 | 2,208,740 | 1,720,597 | 2,147,882 | 1,768,263 |
| Cash flow from investing activities | (1,216,243) | (2,813,658) | (1,154,675) | (1,171,217) | (642,540) | (730,915) |
| Cash flow from financing activities | (1,026,399) | (614,158) | (463,231) | (491,026) | (1,056,505) | (31,811) |
| Net increase / (decrease) in cash & cash equivalent | <u>565,462</u> | <u>103,750</u> | <u>590,834</u> | <u>58,354</u> | <u>448,837</u> | <u>1,005,537</u> |

Analysis of the Financial Statements

Profit and Loss Account and Cash Flow Statement

| Particulars | Vertical Analysis | | | | | | Horizontal Analysis | | | | | |
|---|-------------------|------------|------------|------------|------------|------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2015 vs 2014 | 2014 vs 2013 | 2013 vs 2012 | 2012 vs 2011 | 2011 vs 2010 | 2010 vs 2009 |
| | % | % | % | % | % | % | % | % | % | % | % | % |
| Profit and Loss Account | | | | | | | | | | | | |
| Sales | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 2.9 | 5.1 | 11.3 | 16.9 | 27.3 | 85.9 |
| Cost of sales | -89.8 | -90.5 | -91.3 | -92.7 | -92.5 | -92.2 | 2.1 | 4.2 | 9.7 | 17.1 | 27.7 | 84.3 |
| Gross Profit | 10.2 | 9.5 | 8.7 | 7.3 | 7.5 | 7.8 | 10.6 | 14.8 | 32.5 | 13.7 | 22.1 | 107.0 |
| Sales and marketing expenses | -2.9 | -2.9 | -2.9 | -2.5 | -2.5 | -2.7 | 1.6 | 7.3 | 24.9 | 18.4 | 18.0 | 154.6 |
| Administrative expenses | -0.9 | -1.0 | -0.9 | -0.9 | -1.0 | -1.0 | 0.6 | 11.0 | 15.4 | 8.0 | 17.4 | 59.8 |
| Other income | 1.1 | 0.9 | 0.8 | 0.7 | 0.9 | 0.9 | 29.3 | 30.4 | 17.6 | 8.3 | 25.2 | 166.4 |
| Other operating expenses | -0.5 | -0.5 | -0.4 | -0.3 | -0.3 | -0.4 | 9.4 | 17.6 | 62.6 | 6.9 | 18.4 | 568.6 |
| Share of profit of an Associated Company - net of tax | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 100.0 | - | - | - | - | - |
| Profit from operations | 7.1 | 6.0 | 5.2 | 4.3 | 4.6 | 4.7 | 20.6 | 21.7 | 35.9 | 8.5 | 26.4 | 96.8 |
| Finance cost | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -0.4 | 1.9 | -17.4 | -17.0 | 87.5 | -17.0 | -55.3 |
| Profit before taxation | 7.1 | 6.0 | 5.2 | 4.3 | 4.3 | 4.2 | 20.6 | 21.8 | 36.3 | 14.9 | 30.9 | 205.4 |
| Taxation | -2.0 | -1.5 | -1.4 | -1.1 | -1.3 | -1.4 | 29.8 | 14.7 | 44.2 | 2.0 | 11.8 | 184.4 |
| Profit after taxation | 5.1 | 4.5 | 3.8 | 3.2 | 3.1 | 2.8 | 17.5 | 24.5 | 33.5 | 20.1 | 40.7 | 217.3 |

Cash Flow Statement

| | | | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash flows from operating activities | 496.6 | 3403.9 | 373.8 | 2948.6 | 478.5 | 175.9 | -20.5 | 59.9 | 28.4 | -19.9 | 21.5 | 781.5 |
| Cash flow from investing activities | -215.1 | -2711.9 | -195.4 | -2007.1 | -143.1 | -72.7 | -56.8 | 143.7 | -1.4 | 182.3 | -12.1 | -220.4 |
| Cash flow from financing activities | -181.5 | -592.0 | -78.4 | -841.5 | -235.4 | -3.2 | 67.1 | 32.6 | -5.7 | 53.5 | 3221.2 | -95.3 |
| Net increase / (decrease) in cash & cash equivalent | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>445.0</u> | <u>-82.4</u> | <u>912.5</u> | <u>-87.0</u> | <u>-55.4</u> | <u>660.1</u> |

Statement of Value Addition and its Distribution

Year ended March 31

| | % | 2015 | % | 2014 |
|----------------------------------|----------------|-------------------|----------------|-------------------|
| | | Rs. in '000 | | Rs. in '000 |
| Value Created | | | | |
| Net sales including sales tax | 98.98% | 52,885,942 | 99.19% | 51,681,320 |
| Other operating income | 1.02% | 543,924 | 0.81% | 420,651 |
| | 100.00% | 53,429,866 | 100.00% | 52,101,971 |
| Bought in materials and services | -73.12% | (39,065,528) | -73.74% | (38,422,594) |
| Total | 26.88% | 14,364,338 | 26.26% | 13,679,377 |

Value Distribution

To Government

Income tax, sales tax, custom & excise duties, workers funds, EOBI & social security contribution and local taxes

62.57% 8,987,429 64.62% 8,838,957

To Employees

Remuneration & benefits

16.25% 2,334,806 15.95% 2,181,213

To Society

Donations

0.30% 42,394 0.16% 22,076

To Providers of capital

Financial charges to providers of finance
Dividends for shareholders

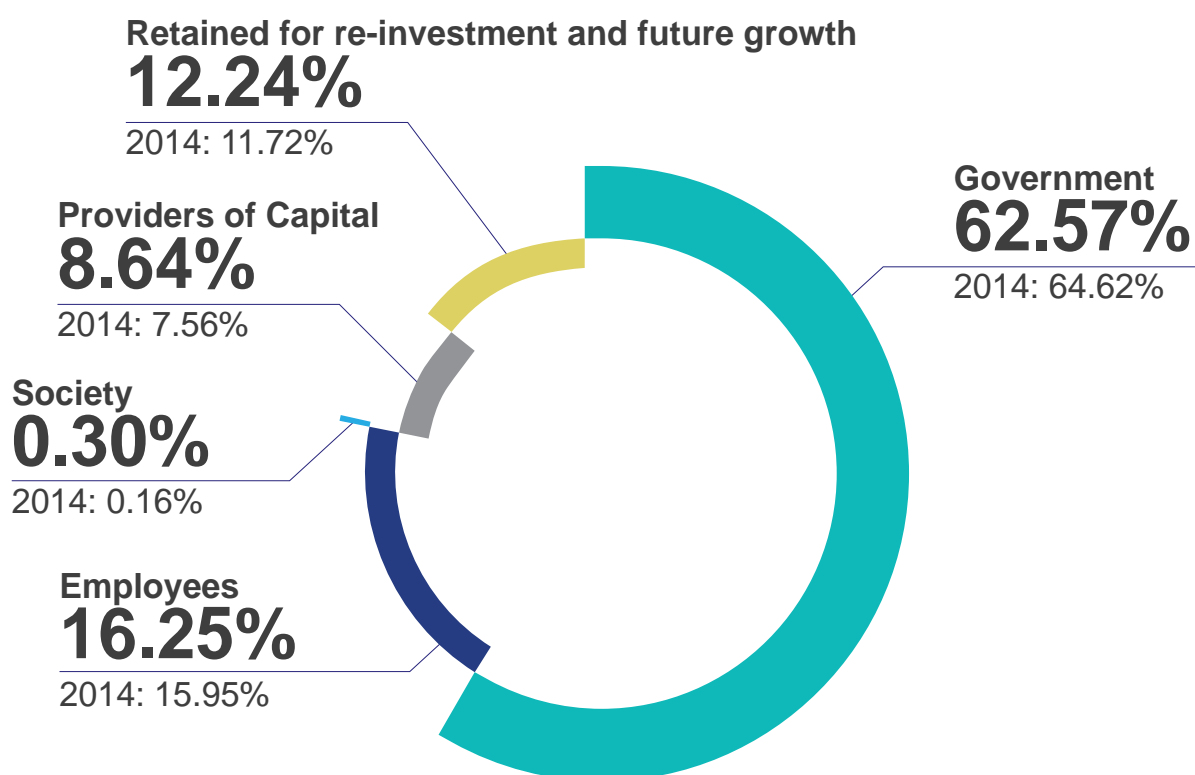
0.00% 601 0.00% 300
8.64% 1,240,879 7.56% 1,034,066

Retained for re-investment and future growth

12.24% 1,758,809 11.72% 1,602,764

Total Value Distributed

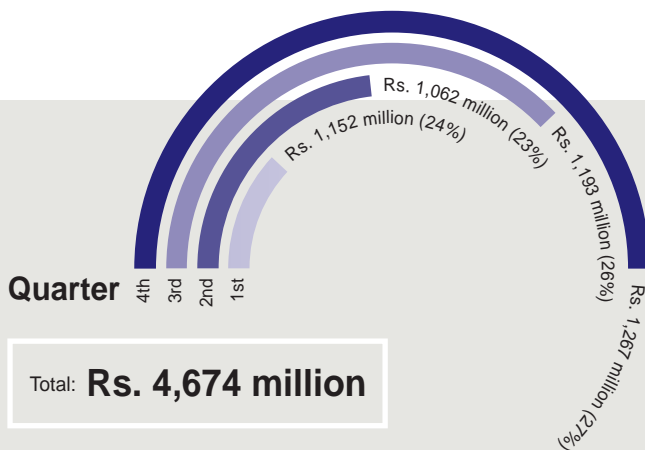
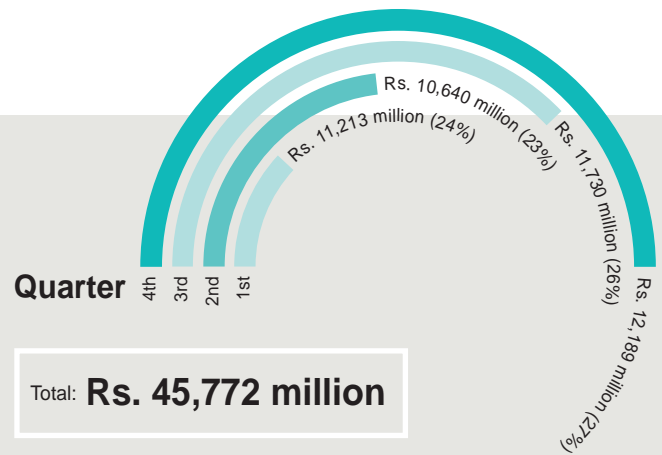
100.00% **14,364,338** **100.00%** **13,679,377**



Quarterly Performance Analysis

Sales

Sales follow the consistent pattern of past years with major contribution coming from the second half of the year. The adverse effects of sit-in protest and heavy rains and floods affected the sales momentum in first half of the year. However, improvement in economic conditions and agri product gains supported sales in the later half. Further, launch CG 125 with improved looks and graphics in third quarter also help in building the sales momentum.

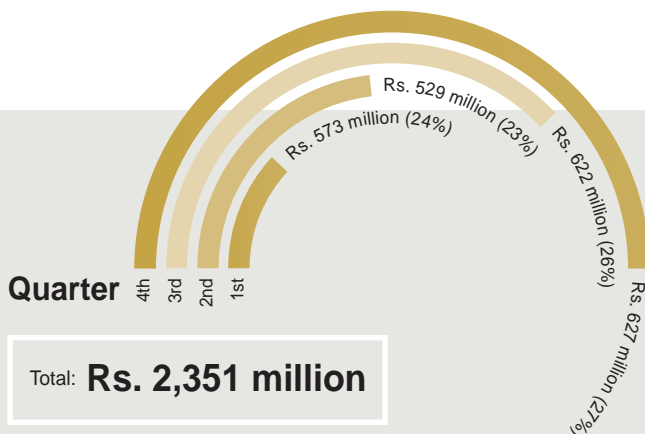
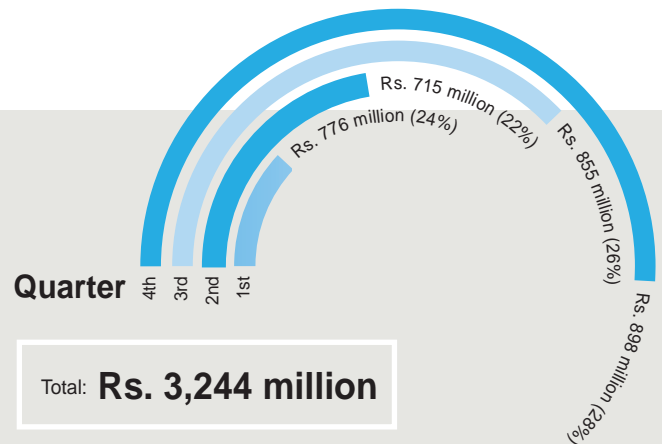


Gross Profit

Gross profit moved in line with sales trend. Despite marginal improvement in sales over the last year, the Company has been able to achieve improvement in gross profit by 11% over the last year. This was the result of continued rationalization of sales mix, favorable exchange rates, global decline in input prices and consistent cost efficiency measure.

Profit Before Taxation

PBT remain consistent with the Gross Profit. Effective controls over operating expenses and higher treasury income supported the Company to arrive at the margin of 7%.



Profit After Taxation

Net profit after tax increased to Rs.2.4 billion from Rs.2.0 billion, an increase of 17.5%, over the last year. It is the ever highest profit with margin crossing 5%. This translates into Earnings Per Share of Rs.22.73 for the year.

Share Price Sensitivity Analysis

Company's Share price is interlinked with the Company's financial performance and has positive correlation with the factors influencing the Company's performance.

In the prevailing business scenario, management considers the following factors to which the performance and share price of the Company may be sensitive.

Agriculture



Agriculture employs more than 50% population. The agriculture based rural areas also form the major chunk of motorcycle demand in the country. Therefore, the Company's performance is strongly linked with the performance of Agriculture sector. The years which see good crop acreage, adequate rainfall and healthy support prices also witness increase in motorcycle sales. Conversely, the years of water mismanagement, fertilizer crises, floods and low prices also witness lower growth in two-wheeler market.

Energy Crises



Due to the on-going energy crisis, supply of gas and electricity is often disrupted to industrial undertakings. Accordingly, the entire manufacturing industry is facing severe operational and financial difficulties. This forced Companies to resort to expensive alternatives like diesel generators to run operations which directly affects the Company's financial performance.

Law and Order



Unstable Law and order situation often results in disruption of business activities. Transportation strikes, sit in protests, hindrance in supply chain and restrictions on public's use of motorcycles that negatively impacts on Company's sales.

Exchange Fluctuations



Due to imports of raw materials, plant and machinery, motorcycle parts and other related items, Company is sensitive to fluctuation in foreign currency. Strengthened Pak Rupee against US Dollar and Japanese Yen brought positive impacts on the import cost.

Plant Operations



Stable plant operations lead to higher production and better production efficiencies. Disruptions at production facilities negatively affect the financial performance of the Company and therefore, may affect the share price.

Material Price Volatility



As a manufacturing concern, Company's financial performance is sensitive to fluctuation in various imported and locally sourced material prices used in the production of motorcycles. These include CKD kits, steel sheets, aluminium, paints etc. Accordingly, volatility in material prices affects the financial performance which in turn affects the share price of the Company.

Capital and Money Markets



Major portion of Company's liquid investments are in open-ended mutual funds. These funds heavily invest in capital, money market instruments and equity instruments. The fluctuating trends in these markets determine the Net Asset Value (NAV) of these funds and as a result, also affect Company's financial performance.

Interest Rates



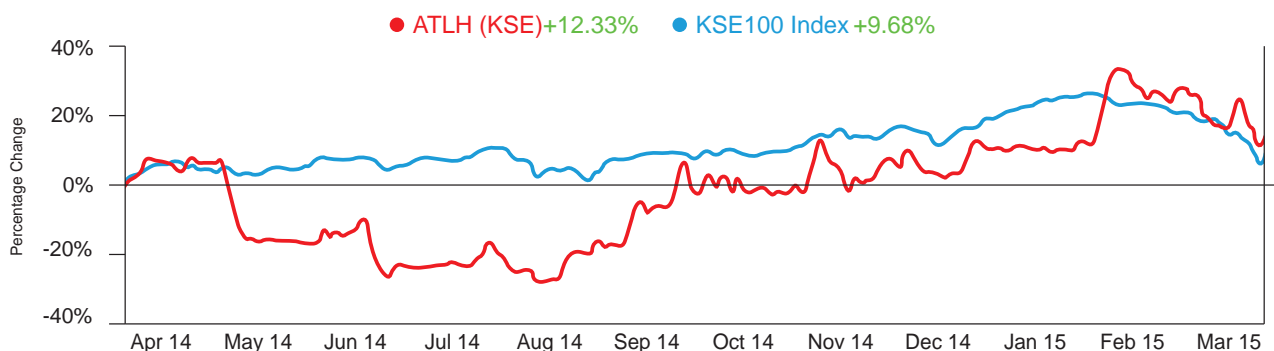
As per the Company's treasury policy, the Company maintains sufficient funds in saving accounts and term deposit receipts. With no debt on the balance sheet, rise in interest rates improves Company's treasury income and decline in interest rates accordingly reduces it. Such interest rate impacts may be reflected in share price.

Low -

Moderate -

High -

Market Performance Summary



Financial Statements

- Statement of Compliance with Code of Corporate Governance
- Review Report to the Members on 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) contained in Regulation No. 5.19 of the Rule Book of Karachi Stock Exchange Limited and Regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. 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 one independent director, three executive and four non executive directors.

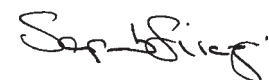
| | |
|--------------------------------|--|
| Independent Director | 1. Abid Naqvi |
| Executive Directors | 1. Saquib H. Shirazi 2. Yasutaka Uda 3. Hiromitsu Takasaki |
| Non Executive Directors | 1. Yusuf H. Shirazi 2. Kazuhisa Hirota 3. Sanaullah Qureshi 4. Jawaid Iqbal Ahmed |

The independent director meets the criteria of independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including Atlas Honda Limited.
3. 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, DFI or NBFI, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. The casual vacancies occurring on the Board on February 27, 2015 and March 31, 2015 was duly filled on March 07, 2015 and March 31, 2015 respectively by the directors within the prescribed time.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. 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 date on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings to all the directors. The minutes of the meetings were appropriately recorded and circulated.
9. One of the directors of the Company has certification from Pakistan Institute of Corporate Governance. Moreover, four directors are exempted from the requirement of directors' training program as per the proviso to clause xi of the Code and for rest of three directors who are foreign nationals and representing Honda Motor Company Limited, Japan, relaxation has been applied to SECP under clause xiii of the Code, on the basis of circumstances of merit justifying the claim of relaxation.

10. The Board has approved the appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for the year ended March 31, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CFO and CEO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has already formed an Audit Committee. It comprises of three members of whom two are non-executive directors and one is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company, as required by the Code. The terms of reference of the Committee have been prepared and advised to the Committee for compliance.
17. The Board has already formed Human Resource and Remuneration Committee. It comprises of three members of whom two are non-executive and one is executive director.
18. 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.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. All related party transactions during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and Board of Directors along with pricing method.
24. We confirm that all other material principles enshrined in the Code have also been complied with.

On behalf of the Board of Directors



Saquib H. Shirazi
Chief Executive Officer

Karachi: April 30, 2015



HAMEED CHAUDHRI & CO.

CHARTERED ACCOUNTANTS

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Atlas Honda Limited (the Company) for the year ended March 31, 2015 to comply with the Code contained in regulation No.5.19 of the Rule Book of Karachi Stock Exchange Limited and regulation No.35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a 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 of Directors' statement on internal control 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended March 31, 2015.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: April 30, 2015
Engagement Partner: Muhammad Ali

KARACHI:

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Fax : +92 21 32424835
E-mail : khi@hccpk.com

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HM House, 7-Bank Square.
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Fax : +92 42 37235083
E-mail : lhr@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 as at March 31, 2015 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 accounts 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, 2015 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 Central Zakat Fund established under section 7 of that Ordinance.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: April 30, 2015
Engagement Partner: Muhammad Ali

KARACHI:

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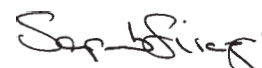
Balance Sheet

As at March 31, 2015

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 ----- |
|---|------|--------------------------------------|---------------|
| Assets | | | |
| Non current assets | | | |
| Property, plant and equipment | 5 | 4,982,552 | 4,552,816 |
| Intangible assets | 6 | 12,774 | 4,781 |
| Long term investments | 7 | 216,283 | - |
| Long term loans and advances | 8 | 27,198 | 26,396 |
| Long term deposits | | 12,986 | 9,632 |
| | | 5,251,793 | 4,593,625 |
| Current assets | | | |
| Stores, spares and loose tools | 9 | 421,339 | 400,424 |
| Stock-in-trade | 10 | 1,660,529 | 2,042,602 |
| Trade debts | 11 | 704,597 | 520,321 |
| Loans and advances | 12 | 41,235 | 35,305 |
| Trade deposits and prepayments | 13 | 59,568 | 50,679 |
| Short term investments | 14 | 4,119,696 | 3,691,241 |
| Accrued mark-up / interest | | 10,857 | 11,130 |
| Other receivables | 15 | 3,674 | 4,666 |
| Taxation - net | | 99,185 | - |
| Bank balances | 16 | 3,409,200 | 2,843,738 |
| | | 10,529,880 | 9,600,106 |
| Non Current Assets Classified as Held for Sale | 17 | - | 171,459 |
| | | 15,781,673 | 14,365,190 |
| Equity and Liabilities | | | |
| Equity | | | |
| Share capital | 18 | 1,034,066 | 1,034,066 |
| Reserves | 19 | 8,204,479 | 6,879,247 |
| | | 9,238,545 | 7,913,313 |
| Liabilities | | | |
| Non Current Liabilities | | | |
| Compensated absences | 20 | 195,145 | 192,042 |
| Deferred taxation | 21 | 578,249 | 637,558 |
| | | 773,394 | 829,600 |
| Current Liabilities | | | |
| Trade and other payables | 22 | 5,769,734 | 5,577,694 |
| Taxation - net | | - | 44,583 |
| | | 5,769,734 | 5,622,277 |
| | | 6,543,128 | 6,451,877 |
| Contingencies and commitments | 24 | | |
| | | 15,781,673 | 14,365,190 |

The annexed notes 1 to 43 form an integral part of these financial statements.



Yusuf H. Shirazi
 Chairman

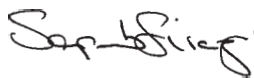

Saquib H. Shirazi
 Chief Executive Officer

Profit and Loss Account For the Year Ended March 31, 2015

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|--|------|--------------------------------------|--------------------------------------|
| Sales | 25 | 45,772,177 | 44,478,713 |
| Cost of sales | 26 | (41,098,571) | (40,253,929) |
| Gross profit | | 4,673,606 | 4,224,784 |
| Sales and marketing expenses | 27 | (1,314,231) | (1,293,938) |
| Administrative expenses | 28 | (432,622) | (430,054) |
| Other income | 29 | 543,924 | 420,651 |
| Other operating expenses | 30 | (245,132) | (223,989) |
| Share of profit of an Associated Company - net of tax | | 26,283 | - |
| Profit from operations | | 3,251,828 | 2,697,454 |
| Finance cost | 31 | (8,190) | (8,036) |
| Profit before taxation | | 3,243,638 | 2,689,418 |
| Taxation | 32 | (892,747) | (687,858) |
| Profit after taxation | | 2,350,891 | 2,001,560 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| - Gain on remeasurement of staff retirement benefit obligation | | 12,473 | 4,529 |
| - Impact of deferred tax | | (4,066) | (1,513) |
| | | 8,407 | 3,016 |
| Total comprehensive income | | 2,359,298 | 2,004,576 |
| | | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted | 33 | 22.73 | 19.36 |

The annexed notes 1 to 43 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

Cash Flow Statement

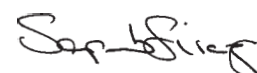
For the Year Ended March 31, 2015

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 ----- |
|---|------|--------------------------------------|--------------------|
| Cash Flows from Operating Activities | | | |
| Cash generated from operations | 34 | 3,963,512 | 4,233,810 |
| Mark-up / interest paid | | (601) | (300) |
| Income tax paid | | (1,099,890) | (685,278) |
| Contribution made to gratuity funds | | (23,452) | (26,371) |
| Compensated absences paid | | (13,891) | (8,161) |
| Mark-up / interest received | | 181,520 | 182,373 |
| Workers' profit participation fund paid | | (144,583) | (118,931) |
| Workers' welfare fund paid | | (50,355) | (43,530) |
| Long term loans and advances | | (802) | (813) |
| Long term deposits | | (3,354) | (1,233) |
| Net cash generated from operating activities | | 2,808,104 | 3,531,566 |
| Cash Flows from Investing Activities | | | |
| Purchase of property, plant and equipment | | (1,165,608) | (981,446) |
| Proceeds from sale of property, plant and equipment | | 72,233 | 20,556 |
| Purchase of intangible assets | | (13,143) | (3,239) |
| Investments acquired | | (4,323,889) | (2,604,133) |
| Proceeds from sale of investments | | 4,214,164 | 754,604 |
| Net cash used in investing activities | | (1,216,243) | (2,813,658) |
| Cash Used in Financing Activities | | | |
| Dividend paid | | (1,026,399) | (614,158) |
| Net increase in cash and cash equivalents | | 565,462 | 103,750 |
| Cash and cash equivalents at beginning of the year | | 2,843,738 | 2,739,988 |
| Cash and cash equivalents at end of the year | 16 | 3,409,200 | 2,843,738 |

The annexed notes 1 to 43 form an integral part of these financial statements.



Yusuf H. Shirazi
Chairman




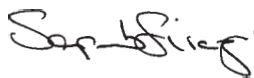
Saquib H. Shirazi
Chief Executive Officer

Statement of Changes in Equity For the Year Ended March 31, 2015

| | Capital Reserves | | | Revenue Reserves | | Total |
|---|------------------|---------------|----------------------|------------------|-----------------------|------------------|
| | Share Capital | Share Premium | Gain on Sale of Land | General Reserve | Unappropriated Profit | |
| | (Rupees in '000) | | | | | |
| Balance as at April 1, 2013 | 827,253 | 39,953 | 165 | 4,072,000 | 1,589,806 | 6,529,177 |
| Transfer to general reserve | - | - | - | 630,000 | (630,000) | - |
| Total transactions with owners, recognised directly in equity | | | | | | |
| Bonus shares issued during the year in ratio of 1 share for every 4 shares held | 206,813 | - | - | - | (206,813) | - |
| Final dividend for the year ended March 31, 2013 at the rate of Rs.7.50 per share | - | - | - | - | (620,440) | (620,440) |
| | 206,813 | - | - | - | (827,253) | (620,440) |
| Total comprehensive income for the year ended March 31, 2014 | | | | | | |
| Profit for the year | - | - | - | - | 2,001,560 | 2,001,560 |
| Other comprehensive income | - | - | - | - | 3,016 | 3,016 |
| | - | - | - | - | 2,004,576 | 2,004,576 |
| Balance as at March 31, 2014 | 1,034,066 | 39,953 | 165 | 4,702,000 | 2,137,129 | 7,913,313 |
| Transfer to general reserve | - | - | - | 630,000 | (630,000) | - |
| Total transactions with owners, recognised directly in equity | | | | | | |
| Final dividend for the year ended March 31, 2014 at the rate of Rs.10 per share | - | - | - | - | (1,034,066) | (1,034,066) |
| Total comprehensive income for the year ended March 31, 2015 | | | | | | |
| Profit for the year | - | - | - | - | 2,350,891 | 2,350,891 |
| Other comprehensive income | - | - | - | - | 8,407 | 8,407 |
| | - | - | - | - | 2,359,298 | 2,359,298 |
| Balance as at March 31, 2015 | <u>1,034,066</u> | <u>39,953</u> | <u>165</u> | <u>5,332,000</u> | <u>2,832,361</u> | <u>9,238,545</u> |

The annexed notes 1 to 43 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

Notes to the Financial Statements

For the Year Ended March 31, 2015

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 branches, customer care centres, warranty & training centres and other offices located at Karachi, Hyderabad, Multan, Lahore, Faisalabad, Rahimyar Khan and Rawalpindi.

2. Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values and staff retirement benefit - gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the functional currency of the Company and figures are rounded off to the nearest thousand of Rupees.

2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affects the application of policies and the reported amount of assets, liabilities, income and expenses.

Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are continually evaluated. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements. The assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:

- (i) Estimate of useful life of property, plant and equipment and intangible assets [notes 4.1 and 4.2];
- (ii) Provision for slow moving inventories [notes 4.9 and 4.10];
- (iii) Estimates of payables and receivables in respect of staff retirement benefit schemes [notes 4.15 and 22.7]; and
- (iv) Provision for taxation [note 4.21].

3. New and Amended Standards and Interpretations

3.1 Standards, amendments to approved accounting standards and interpretations effective in current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning April 1, 2014:

- (a) IAS 32 (Amendments), 'Financial instruments: presentation'. These amendments update the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet date. The application of these amendments has no material impact on the Company's financial statements.
- (b) IAS 36 (Amendment), 'Impairment of assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of these amendments has no material impact on the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on April 1, 2014 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on April 1, 2014 and have not been early adopted by the Company:

- (a) IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after January 1, 2015). The 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. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess the full impact of the standard, however, initial indication is that it is unlikely that standard will have any significant impact on the Company's financial statements.
- (b) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24 'Related Party Disclosures' and IAS 38, 'Intangible assets'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.
- (c) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.
- (d) Annual improvements 2014 applicable for annual periods beginning on or after January 1, 2016. These amendments include changes from the 2012-2014 cycle of annual improvements project that affect four standards: IFRS 5, 'Non current assets held for sale and discontinued operations', IFRS 7 'Financial instruments: disclosures', IAS 19 'Employee benefits', and IAS 34, 'Interim financial reporting'. The Company does not expect to have a material impact on its financial statements due to application of these amendments.
- (e) IAS 19 (Amendment), 'Employee benefits', effective for annual periods beginning on or after July 1, 2014. The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The Company does not expect to have a material impact on its financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

4. Significant Accounting Policies

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

4.1 Property, plant and equipment

Owned assets

The Company has adopted cost model for its property, plant and equipment. Property, plant and equipment except for freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost less impairment loss, if any. Cost includes expenditure that is directly attributable to acquisition of the asset, including any borrowing cost (note 4.24). 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 / 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 upto the balance sheet date less accumulated impairment loss, if any. Capital work-in-progress is recognised as an operating fixed asset when it is made available for its intended use.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for in the books of account as separate items of property, plant and equipment.

Subsequent costs including major renewals and improvements are included in the carrying amount of the asset or are recognised 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 derecognised 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 in which the asset is available for use while no depreciation is charged for 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 method, 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 amendment or change has been made and for future periods.

Disposal of an item of property, plant and equipment is recognised when significant risk and rewards, incidental to the ownership of that asset, have been transferred to the buyer. Gains and losses on disposals are determined by comparing the carrying amount of that asset with the realised sales proceeds and are recognised within 'Other income / other operating expenses' 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 amortisation and impairment losses, if any and represent cost of software licenses, SAP implementation & support cost and license fee of certain components that are being manufactured by the Company under technology transfer arrangements.

Costs associated with maintaining these assets 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 recognised 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. Expenditure 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 recognised as a capital improvement and added to the original cost of the asset.

All intangible assets are estimated to have definite useful lives and are amortised from the month the software / license 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

Non-financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognised 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. Reversal of impairment loss is restricted to the original cost of the asset.

4.4 Investments in equity instruments of an Associate

Investment in an Associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Company's share of profit or loss of the Investee after the date of acquisition.

The Company's share of post acquisition profit or loss is recognised in the profit and loss account, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an Associate equals or exceeds its interest in the Associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount adjacent to share of profit / loss of an Associate in the profit and loss account.

4.5 Financial assets

4.5.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and 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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables 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 greater than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

(c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose-off it within 12 months of the end of the reporting date.

4.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of the ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within 'Other income / other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of 'Other income' when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in 'Other comprehensive income'.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'Gains / losses from investment securities'.

Interest on available-for-sale securities and held to maturity investments is calculated using the effective interest method is recognised in the profit and loss account as part of 'Other income'. Dividend income from available-for-sale equity instruments are recognised in the profit and loss account as part of 'Other income' when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss account. Impairment losses recognised in profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of other receivables is described in note 4.11.

4.6 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest method.

A financial liability is derecognised 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 the 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 the difference in respective carrying amounts is recognised in the profit and loss account.

4.7 Off setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

4.8 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, if so, the nature of the item being hedged. The Company designates certain derivatives as either fair value hedge or cash flow hedge.

(a) Fair value hedge

Fair value hedge represents a hedge of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as 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.

(b) 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 derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods when the hedged item affects profit and loss account.

4.9 Stores, spares and loose tools

Stores, spares and loose tools are stated at lower of cost and net realisable 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.

4.10 Stock-in-trade

Stock-in-trade are stated at the lower of cost and net realisable value. Cost of raw materials and components represent 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 upto the balance sheet date.

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 realisable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

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

4.11 Trade debts and other receivables

Trade and other receivables are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost as reduced by appropriate provision for receivables considered to be doubtful. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit and loss. Trade and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising in respect of trade and other receivables in foreign currency are added to the carrying amount of the receivables.

4.12 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 represent balances with banks.

4.13 Non current assets held for sale

Non current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

4.14 Share capital

Ordinary shares are classified as equity and recognised at their face value.

4.15 Retirement and other service benefit obligations

4.15.1 Defined contribution plans

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 plans for its permanent employees excluding ex-patriates, through either one of the following ways:

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

All the newly appointed employees are offered voluntary pension scheme only. However, those employees who are provident fund trust members, have the option to opt for either of 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.

4.15.2 Defined benefit plans

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. Defined benefit plans define an amount of gratuity that an employee will receive on retirement, usually dependent on one or more factors such as age and years of service. The liability recognised in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

The Company has established separate funded gratuity schemes for its management and non-management staff who completes qualifying period of service. Contributions under the schemes are made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 22.7 to the financial statements.

The amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost are recognised immediately in profit and loss account.

4.15.3 Compensated absences

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

4.16 Trade and other payables

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

4.17 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.

4.18 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.

4.19 Provisions

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

4.20 Warranty

The Company recognises 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 3 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.

4.21 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in the previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is recognised using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

4.22 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. The closing balance of non-monetary items is included at the exchange rate prevailing on the date of transaction and monetary items are translated using the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss account.

4.23 Revenue recognition

Revenue is recognised to the extent 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 fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, commission, sales returns and discounts. Revenue from different sources is recognised on the following basis:

- Revenue from sales of motorcycles and spare parts is recognised when goods are dispatched and invoiced to customers.
- Interest income on deposits with banks and other financial assets is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.

4.24 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

4.25 Research and development costs

Research and development costs are recognised in profit and loss account as and when incurred.

4.26 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

4.27 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.

4.28 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|------|--------------------------------------|-----------|
| 5. Property, Plant and Equipment | | | |
| Operating fixed assets | 5.1 | 4,752,195 | 4,406,665 |
| Capital work-in-progress | 5.4 | 230,357 | 146,151 |
| | | 4,982,552 | 4,552,816 |

5.1 Operating fixed assets

| | Freehold land | Leasehold land | Buildings on freehold land | Buildings 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 | Total |
|---|------------------|----------------|----------------------------|-----------------------------|---------------------|---------------|-------------------|------------------|---------------------------|------------------------|-----------------------|---------------------------|-----------|-------------------|-------------|
| | (Rupees in '000) | | | | | | | | | | | | | | |
| As at April 1, 2013 | | | | | | | | | | | | | | | |
| Cost | 5,112 | 34,132 | 388,462 | 209,771 | 5,607,983 | 1,434,326 | 220,798 | 24,007 | 126,377 | 36,902 | 1,300 | 343,833 | 226,125 | 374 | 8,659,502 |
| Accumulated depreciation | - | (9,501) | (201,877) | (57,796) | (2,494,617) | (1,014,566) | (108,842) | (18,129) | (102,138) | (17,593) | (1,300) | (152,482) | (95,229) | (374) | (4,274,444) |
| Net book value | 5,112 | 24,631 | 186,585 | 151,975 | 3,113,366 | 419,760 | 111,956 | 5,878 | 24,239 | 19,309 | - | 191,351 | 130,896 | - | 4,385,058 |
| Year ended March 31, 2014 | | | | | | | | | | | | | | | |
| Opening net book value | 5,112 | 24,631 | 186,585 | 151,975 | 3,113,366 | 419,760 | 111,956 | 5,878 | 24,239 | 19,309 | - | 191,351 | 130,896 | - | 4,385,058 |
| Additions | - | - | 116,608 | 17,232 | 373,589 | 180,295 | 33,422 | 5,742 | 18,291 | 6,250 | - | 48,123 | 74,441 | - | 873,993 |
| Disposals | | | | | | | | | | | | | | | |
| Cost | - | - | - | - | (70,923) | (188,882) | (542) | (52) | (4,039) | (202) | - | - | (35,561) | - | (300,201) |
| Accumulated depreciation | - | - | - | - | 53,702 | 180,763 | 542 | 52 | 3,962 | 202 | - | - | 17,333 | - | 256,556 |
| Written off | - | - | - | - | (17,221) | (8,119) | - | - | (77) | - | - | - | (18,228) | - | (43,645) |
| Cost | - | - | - | - | - | - | - | - | (854) | - | (1,300) | - | - | (374) | (2,528) |
| Accumulated depreciation | - | - | - | - | - | - | - | - | 854 | - | 1,300 | - | - | 374 | 2,528 |
| Assets classified as held for sale and transferred to inventories | | | | | | | | | | | | | | | |
| Cost | - | - | - | - | (278,014) | (33,289) | (812) | - | - | - | - | - | (2,397) | - | (314,512) |
| Accumulated depreciation | - | - | - | - | 108,806 | 31,406 | 444 | - | - | - | - | - | 385 | - | 141,041 |
| Depreciation charge | - | (513) | (20,069) | (15,801) | (324,758) | (187,318) | (12,579) | (2,032) | (15,770) | (5,404) | - | (21,136) | (29,890) | - | (635,270) |
| Closing net book value | 5,112 | 24,118 | 283,124 | 153,406 | 2,975,768 | 402,735 | 132,431 | 9,588 | 26,683 | 20,155 | - | 218,338 | 155,207 | - | 4,406,665 |
| At March 31, 2014 | | | | | | | | | | | | | | | |
| Cost | 5,112 | 34,132 | 505,070 | 227,003 | 5,632,635 | 1,392,450 | 252,866 | 29,697 | 139,775 | 42,950 | - | 391,956 | 262,608 | - | 8,916,254 |
| Accumulated depreciation | - | (10,014) | (221,946) | (73,597) | (2,656,867) | (989,715) | (120,435) | (20,109) | (113,092) | (22,795) | - | (173,618) | (107,401) | - | (4,509,589) |
| Net book value | 5,112 | 24,118 | 283,124 | 153,406 | 2,975,768 | 402,735 | 132,431 | 9,588 | 26,683 | 20,155 | - | 218,338 | 155,207 | - | 4,406,665 |
| Year ended March 31, 2015 | | | | | | | | | | | | | | | |
| Opening net book value | 5,112 | 24,118 | 283,124 | 153,406 | 2,975,768 | 402,735 | 132,431 | 9,588 | 26,683 | 20,155 | - | 218,338 | 155,207 | - | 4,406,665 |
| Additions | - | - | 136,473 | 30,224 | 625,858 | 162,786 | 13,286 | 1,115 | 4,756 | 21,687 | - | 12,930 | 72,287 | - | 1,081,402 |
| Disposals (note 5.3) | | | | | | | | | | | | | | | |
| Cost | - | - | - | - | (65,887) | (165,286) | - | (647) | (271) | (450) | - | (1,292) | (61,113) | - | (294,946) |
| Accumulated depreciation | - | - | - | - | 30,803 | 148,039 | - | 647 | 271 | 258 | - | 1,085 | 26,768 | - | 207,871 |
| Written off | - | - | - | - | (35,084) | (17,247) | - | - | - | (192) | - | (207) | (34,345) | - | (87,075) |
| Cost | - | - | - | - | - | (37,906) | - | - | - | - | - | - | - | - | (37,906) |
| Accumulated depreciation | - | - | - | - | - | 37,906 | - | - | - | - | - | - | - | - | 37,906 |
| Depreciation charge (note 5.2) | - | (513) | (30,581) | (16,159) | (325,574) | (181,988) | (14,038) | (2,879) | (10,922) | (8,713) | - | (22,448) | (34,982) | - | (648,797) |
| Closing net book value | 5,112 | 23,605 | 389,016 | 167,471 | 3,240,968 | 366,286 | 131,679 | 7,824 | 20,517 | 32,937 | - | 208,613 | 158,167 | - | 4,752,195 |
| At March 31, 2015 | | | | | | | | | | | | | | | |
| Cost | 5,112 | 34,132 | 641,543 | 257,227 | 6,192,606 | 1,352,044 | 266,152 | 30,165 | 144,260 | 64,187 | - | 403,594 | 273,782 | - | 9,664,804 |
| Accumulated depreciation | - | (10,527) | (252,527) | (89,756) | (2,951,638) | (985,758) | (134,473) | (22,341) | (123,743) | (31,250) | - | (194,981) | (115,615) | - | (4,912,609) |
| Net book value | 5,112 | 23,605 | 389,016 | 167,471 | 3,240,968 | 366,286 | 131,679 | 7,824 | 20,517 | 32,937 | - | 208,613 | 158,167 | - | 4,752,195 |
| Annual rate of depreciation (%) | - | 1.79 | 10 | 10 | 10 | 25 | 10 | 20 | 25 | 20 | 20 | 10 | 20 | 20 | |

5.2 Depreciation expense of Rs.607,623 thousand (2014: Rs.597,238 thousand) has been charged in 'cost of sales', Rs.41,174 thousand (2014: Rs.38,032 thousand) in 'Administrative expenses'.

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

| Particulars of assets | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchasers |
|--|------------------------------|--------------------------|----------------|---------------|------------------|---|
| | ----- (Rupees in '000) ----- | | | | | |
| Assets having net book value exceeding Rs.50,000 each | | | | | | |
| Plant and machinery | | | | | | |
| Shot blasting machine with spares | 564 | (325) | 239 | 205 | Negotiation | Friction Materials Components (Pvt.) Ltd. North Karachi Industrial Area, Karachi. |
| Airless spray gun and tank | 459 | (269) | 190 | 128 | Negotiation | Friction Materials Components (Pvt.) Ltd. North Karachi Industrial Area, Karachi. |
| Airless spray gun and tank | 459 | (269) | 190 | 128 | Negotiation | Friction Materials Components (Pvt.) Ltd. North Karachi Industrial Area, Karachi. |
| Air vice bonding machine | 240 | (108) | 132 | 128 | Negotiation | Friction Materials Components (Pvt.) Ltd. North Karachi Industrial Area, Karachi. |
| Casting moulding machine | 20,000 | (663) | 19,337 | 20,000 | Negotiation | Millennium Engineering (Pvt.) Ltd. Phase 1, Scheme 33, S.I.T.E. II, Karachi. |
| Casting machine steel core type | 15,964 | (10,944) | 5,020 | 5,271 | Negotiation | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| Condenser welding machine | 12,716 | (8,273) | 4,443 | 4,665 | Negotiation | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| Gravity die casting machine | 5,478 | (3,213) | 2,265 | 2,378 | Negotiation | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| Projection welding machine | 5,768 | (3,752) | 2,016 | 2,116 | Negotiation | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| Leak testing machine | 1,770 | (1,151) | 619 | 649 | Negotiation | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| Electro discharge machine | 2,298 | (1,717) | 581 | 1,000 | Negotiation | Atlas Engineering Ltd., a related party, National Highway, Landhi, Karachi. |
| | 65,716 | (30,684) | 35,032 | 36,668 | | |
| Dies and Jigs | | | | | | |
| Cylinder head casting dies | 15,007 | (10,630) | 4,377 | 22 | Negotiation | M/s. Rehman Taj Scrap Traders, Kot Pindi Das Road, Shahdra, Lahore. |
| Cylinder head casting dies | 15,007 | (12,193) | 2,814 | 47 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Casting die - right crankcase | 11,467 | (9,078) | 2,389 | 36 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Mould for bottom casting die | 4,731 | (3,450) | 1,281 | 15 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Casting die for case bottom | 1,540 | (449) | 1,091 | 5 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Casting die for case bottom | 1,403 | (701) | 702 | 4 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Casting die for case bottom | 1,403 | (701) | 702 | 4 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Casting die for case bottom | 1,403 | (701) | 702 | 4 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Casting die for case bottom | 1,403 | (847) | 556 | 4 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Die | 1,530 | (988) | 542 | 2 | Negotiation | M/s. Rehman Taj Scrap Traders, Kot Pindi Das Road, Shahdra, Lahore. |
| Die | 1,530 | (988) | 542 | 2 | Negotiation | M/s. Rehman Taj Scrap Traders, Kot Pindi Das Road, Shahdra, Lahore. |
| Die | 1,530 | (988) | 542 | 2 | Negotiation | M/s. Rehman Taj Scrap Traders, Kot Pindi Das Road, Shahdra, Lahore. |
| Casting die for right crank case | 6,676 | (6,259) | 417 | 21 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Die case bottom | 1,238 | (928) | 310 | 4 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Case bottom casting die | 1,213 | (1,061) | 152 | 4 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| Case bottom casting die | 1,058 | (926) | 132 | 3 | Negotiation | M/s. Bismallah Waste, Feroz Park, Sui Gas Road, Shahdra, Lahore. |
| | 68,139 | (50,888) | 17,251 | 179 | | |

| Particulars of assets | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchasers |
|----------------------------------|------------------------------|--------------------------|----------------|---------------|------------------|---|
| | ----- (Rupees in '000) ----- | | | | | |
| Furniture and fixtures | | | | | | |
| Curtains | 253 | (139) | 114 | 10 | Negotiation | Mr. Waheed Ahmed, Muslim Park, Shahdra, Lahore. |
| Electric and gas fittings | | | | | | |
| Washing machine | 73 | (6) | 67 | 11 | Negotiation | Mr. Mushtaq, Iqbal town, Lahore. |
| Vehicles | | | | | | |
| | 504 | (349) | 155 | 351 | Negotiation | Mr. Riaz Ahmed, Buffer Zone, North Nazimabad, Karachi. |
| | 529 | (322) | 207 | 207 | Company policy | Mr. Nofil Zia Siddiqui (Employee) |
| | 504 | (314) | 190 | 190 | Company policy | Mr. Muhammad Raheel Mannan (Employee) |
| | 509 | (314) | 195 | 195 | Company policy | Mr. Muhammad Zeeshan Jamil (Employee) |
| | 652 | (398) | 254 | 254 | Company policy | Mr. Muhammad Furqan Khan (Employee) |
| | 1,721 | (1,013) | 708 | 708 | Company policy | Mr. Muhammad Mushtaq Alam (Employee) |
| | 1,445 | (859) | 586 | 586 | Company policy | Mr. Imtiaz Sheikh (Employee) |
| | 591 | (268) | 323 | 323 | Company policy | Mr. Peter Fernandez (Employee) |
| | 591 | (302) | 289 | 289 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 112 | (23) | 89 | 89 | Company policy | Mr. Babar Hameed (Ex-Employee) |
| | 64 | (13) | 51 | 51 | Company policy | Mr. Ghulam Murtaza (Employee) |
| | 93 | (34) | 59 | 59 | Company policy | Mr. Zohaib Munir (Employee) |
| | 1,632 | (340) | 1,292 | 1,292 | Company policy | Ms. Theresa Dias (Employee) |
| | 1,493 | (287) | 1,206 | 1,206 | Company policy | Mr. Khurshid Ahmed Minhas (Employee) |
| | 82 | (8) | 74 | 74 | Company policy | Mr. Rizwan Yousuf Khan (Employee) |
| | 1,256 | (736) | 520 | 520 | Company policy | Mr. Manzoor Qadir (Employee) |
| | 1,385 | (770) | 615 | 615 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 783 | (331) | 452 | 452 | Company policy | Mr. M. Asif Imran (Employee) |
| | 79 | (23) | 56 | 56 | Company policy | Mr. Khurram Javed (Employee) |
| | 112 | (21) | 91 | 91 | Company policy | Atlas Hitec (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 114 | (30) | 84 | 84 | Company policy | Mr. Hanif Kamal (Ex-Employee) |
| | 114 | (13) | 101 | 101 | Company policy | Atlas Hitec (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 2,128 | (436) | 1,692 | 1,692 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 1,019 | (68) | 951 | 951 | Company policy | Atlas Hitec (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 69 | (3) | 66 | 66 | Company policy | Atlas Hitec (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 93 | (22) | 71 | 71 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 92 | (31) | 61 | 61 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 80 | (17) | 63 | 63 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 80 | (15) | 65 | 65 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 81 | (10) | 71 | 71 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 66 | (8) | 58 | 58 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 82 | (15) | 67 | 67 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 1,637 | (191) | 1,446 | 1,446 | Company policy | Mr. Asif Javed (Ex-Employee) |
| | 1,301 | - | 1,301 | 1,301 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 1,810 | (767) | 1,043 | 1,043 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 1,385 | (822) | 563 | 563 | Company policy | Mr. Sohail Qaisar (Employee) |
| | 1,366 | (814) | 552 | 552 | Company policy | Mr. Muhammad Akmal Dar (Employee) |
| | 1,366 | (814) | 552 | 552 | Company policy | Mr. Asif Javed (Employee) |
| | 1,385 | (843) | 542 | 542 | Company policy | Mr. Syed Aftab Ghous Gilani (Employee) |
| | 1,385 | (843) | 542 | 542 | Company policy | Mr. Muhammad Ameen Tahir (Employee) |
| | 783 | (323) | 460 | 460 | Company policy | Mr. Amjad Ali (Employee) |
| Balance carried forward | 30,573 | (12,810) | 17,763 | 17,959 | | |

| Particulars of assets | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchasers |
|--|------------------------------|--------------------------|----------------|---------------|------------------|---|
| | ----- (Rupees in '000) ----- | | | | | |
| Balance brought forward | 30,573 | (12,810) | 17,763 | 17,959 | | |
| Vehicles | 783 | (323) | 460 | 460 | Company policy | Mr. Muhammad Raza (Employee) |
| | 735 | (326) | 409 | 409 | Company policy | Mr. Hammad Hassan (Employee) |
| | 690 | (420) | 270 | 270 | Company policy | Mr. Syed Mohsin Raza (Employee) |
| | 690 | (420) | 270 | 270 | Company policy | Mr. Nazeer Hussain (Employee) |
| | 661 | (404) | 257 | 257 | Company policy | Mr. Abdul Wahid (Employee) |
| | 537 | (319) | 218 | 218 | Company policy | Mr. Sajjad Ali Bokhari (Employee) |
| | 532 | (316) | 216 | 216 | Company policy | Mr. Muhammad Kashif Hassan (Employee) |
| | 537 | (327) | 210 | 210 | Company policy | Mr. Akhtar Ali Virk (Employee) |
| | 518 | (316) | 202 | 202 | Company policy | Mr. Imran Khan (Employee) |
| | 118 | (6) | 112 | 112 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 100 | (2) | 98 | 98 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 98 | (8) | 90 | 90 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 98 | (13) | 85 | 85 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 82 | (4) | 78 | 78 | Company policy | Mr. Jamshed Saleem (Employee) |
| | 96 | (23) | 73 | 73 | Company policy | Mr. Syed Arshad Hussain (Employee) |
| | 111 | (39) | 72 | 72 | Company policy | Mr. Muhammad Ahsan (Employee) |
| | 69 | (6) | 63 | 51 | Negotiation | Mr. Muhammad Amir, Ghorayshah, Lahore. |
| | 93 | (34) | 59 | 59 | Company policy | Mr. Anaum Khan (Employee) |
| | 79 | (26) | 53 | 53 | Company policy | Mr. Junaid Khalid (Ex-Employee) |
| | 64 | (12) | 52 | 43 | Negotiation | Mr. Hanan Gul, Al-hamd Market, Sheikhpura. |
| | 64 | (12) | 52 | 43 | Negotiation | Mr. Hanan Gul, Al-hamd Market, Sheikhpura. |
| | 106 | (55) | 51 | 51 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 1,997 | (100) | 1,897 | 1,897 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 1,055 | (52) | 1,003 | 1,003 | Company policy | Mr. Afrasiab Khan (Employee) |
| | 1,487 | (630) | 857 | 857 | Company policy | Atlas Battery Limited, a related party, D-181, Central Avenue, S.I.T.E., Karachi. |
| | 1,353 | (600) | 753 | 753 | Company policy | Mr. Naeem Mohsin (Employee) |
| | 1,385 | (782) | 603 | 603 | Company policy | Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi. |
| | 1,403 | (821) | 582 | 582 | Company policy | Mr. Khawer Saeed (Employee) |
| | 1,385 | (822) | 563 | 563 | Company policy | Mr. Muhammad Zafar Iqbal (Employee) |
| | 663 | (159) | 504 | 504 | Company policy | Mr. Abdul Nasir (Employee) |
| | 783 | (323) | 460 | 460 | Company policy | Mr. Iftikhar Ahmed (Employee) |
| | 783 | (323) | 460 | 460 | Company policy | Mr. Muhammad Qamer Bashir (Employee) |
| | 783 | (323) | 460 | 460 | Company policy | Mr. Muhammad Yaseen Murtaza (Employee) |
| | 783 | (331) | 452 | 452 | Company policy | Mr. Asif Saeed Mughal (Employee) |
| | 759 | (329) | 430 | 430 | Company policy | Mr. Raja Mohsin Ghafoor (Employee) |
| | 688 | (371) | 317 | 317 | Company policy | Mr. Muhammad Hussain (Ex-Employee) |
| | 591 | (302) | 289 | 289 | Company policy | Mr. Maqsood-Ul-Hassan (Ex-Employee) |
| | 690 | (420) | 270 | 270 | Company policy | Mr. Javedan Arshad (Employee) |
| | 532 | (316) | 216 | 216 | Company policy | Mr. Muhammad Adnan Munawar (Employee) |
| | 537 | (327) | 210 | 210 | Company policy | Mr. Abdullah Khalid (Employee) |
| | 513 | (320) | 193 | 193 | Company policy | Ms. Asma Azmi (Employee) |
| | 96 | (20) | 76 | 76 | Insurance claim | Atlas Insurance Limited, a related party, Federation House, Clifton, Karachi. |
| | 96 | (21) | 75 | 75 | Company policy | Mr. Saqlain Abbas (Employee) |
| | 93 | (27) | 66 | 66 | Company policy | Mr. Muhammad Zaman (Ex-Employee) |
| | 110 | (45) | 65 | 65 | Company policy | Mr. Kashif Ashfaq (Employee) |
| | 92 | (31) | 61 | 61 | Company policy | Mr. Muhammad Ahmar Khan (Employee) |
| | 93 | (34) | 59 | 59 | Company policy | Mr. Muhammad Amin (Employee) |
| | 92 | (34) | 58 | 58 | Company policy | Mr. Soban Jahanz (Employee) |
| | 93 | (35) | 58 | 58 | Company policy | Mr. Ali Mohsin (Employee) |
| | 56,369 | (24,119) | 32,250 | 32,416 | | |
| Various assets having net book value upto Rs.50,000 each | 190,550 | (105,836) | 84,714 | 69,284 | | |
| | 104,397 | (102,035) | 2,362 | 2,949 | | |
| Year ended March 31, 2015 | 294,947 | (207,871) | 87,076 | 72,233 | | |
| Year ended March 31, 2014 | 300,201 | (256,556) | 43,645 | 20,556 | | |

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|-------------------------------------|-------|--------------------------------------|--------------------------------------|
| 5.4 Capital work-in-progress | | | |
| Buildings on freehold land | | 37,653 | 32,341 |
| Buildings on leasehold land | | - | 4,329 |
| Plant and machinery | 5.4.1 | 167,218 | 100,676 |
| Factory equipment | | 1,198 | 3,624 |
| Computers and accessories | | 21,550 | - |
| Furniture and fixtures | | 419 | 2,335 |
| Vehicles | 5.4.2 | 2,319 | 2,846 |
| | | <u>230,357</u> | <u>146,151</u> |

5.4.1 Includes advance of Rs.11,375 thousand (2014: Rs.3,000 thousand) made to Shirazi Trading Company (Private) Limited - a related party.

5.4.2 Includes advance of Rs.1,641 thousand (2014: Rs.2,158 thousand) made to Honda Atlas Cars (Pakistan) Limited - a related party.

| Software licences | SAP implementation and support cost | Licence fee | Total |
|------------------------------|-------------------------------------|-------------|-------|
| ----- (Rupees in '000) ----- | | | |

6. Intangible Assets

At April 1, 2013

| | | | | |
|--------------------------|--------------|------------|--------------|--------------|
| Cost | 41,140 | 38,041 | 5,216 | 84,397 |
| Accumulated amortisation | (39,491) | (37,178) | (2,173) | (78,842) |
| Net book value | <u>1,649</u> | <u>863</u> | <u>3,043</u> | <u>5,555</u> |

Year ended March 31, 2014

| | | | | |
|-------------------------------|--------------|------------|--------------|--------------|
| Opening net book value | 1,649 | 863 | 3,043 | 5,555 |
| Additions | 3,239 | - | - | 3,239 |
| Amortisation charge | (2,520) | (450) | (1,043) | (4,013) |
| Closing net book value | <u>2,368</u> | <u>413</u> | <u>2,000</u> | <u>4,781</u> |

At March 31, 2014

| | | | | |
|--------------------------|--------------|------------|--------------|--------------|
| Cost | 44,379 | 38,041 | 5,216 | 87,636 |
| Accumulated amortisation | (42,011) | (37,628) | (3,216) | (82,855) |
| Net book value | <u>2,368</u> | <u>413</u> | <u>2,000</u> | <u>4,781</u> |

Year ended March 31, 2015

| | | | | |
|---------------------------------|---------------|----------|------------|---------------|
| Opening net book value | 2,368 | 413 | 2,000 | 4,781 |
| Additions | 13,143 | - | - | 13,143 |
| Amortisation charge (note 26.1) | (3,694) | (413) | (1,043) | (5,150) |
| Closing net book value | <u>11,817</u> | <u>-</u> | <u>957</u> | <u>12,774</u> |

At March 31, 2015

| | | | | |
|---------------------------------|---------------|-----------|------------|---------------|
| Cost | 57,522 | 38,041 | 5,216 | 100,779 |
| Accumulated amortisation | (45,705) | (38,041) | (4,259) | (88,005) |
| Net book value | <u>11,817</u> | <u>-</u> | <u>957</u> | <u>12,774</u> |
| Annual rate of amortisation (%) | <u>50</u> | <u>20</u> | <u>20</u> | |

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|------|--------------------------------------|------|
| 7. Long Term Investments - Available for Sale | | | |
| Unquoted | | | |
| Associate - equity accounted investment | 7.1 | 216,283 | - |
| Others - available for sale | 7.2 | - | - |
| | | 216,283 | - |
| 7.1 Equity accounted investment - Atlas Hitec (Private) Limited | | | |
| 19,000,000 (2014: Nil) ordinary shares of Rs.10 each - cost Equity held: 29.23% | | 190,000 | - |
| Add: share of post acquisition profit - net of tax | | 26,283 | - |
| | | 216,283 | - |

7.1.1 The Company, during the year, acquired nineteen million ordinary shares of Rs.10 each of Atlas Hitec (Private) Limited [an Associated Company] against consideration of its fixed assets as detailed in note 17 to the financial statements.

7.1.2 The summary of financial information of Associate as of March 31, 2015 is as follows:

| | Rupees ('000) |
|-----------------------|-------------------|
| - Total assets | 826,500 |
| - Total liabilities | 101,900 |
| - Total equity | 724,600 |
| - Total revenues | 917,100 |
| - Profit for the year | 92,017 |

7.1.3 The financial information of Associate is based on unaudited financial statements for the year ended March 31, 2015.

| | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|--------------------------------------|-------|
| 7.2 Others - available for sale | | |
| Arabian Sea Country Club Limited | | |
| 200,000 ordinary shares of Rs.10 each - 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 - cost | 500 | 500 |
| Less: Impairment in the value of investment | 500 | 500 |
| | - | - |
| | - | - |

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|-----------|--------------------------------------|--------|
| 8. Long Term Loans and Advances - Considered Good | | | |
| Loans and advances to: | | | |
| - executives | 8.1 & 8.2 | 9,062 | 9,363 |
| - other employees | | 49,826 | 47,653 |
| | | 58,888 | 57,016 |
| Less: amounts due within one year and shown under current assets: | 12 | | |
| - executives | | 8,085 | 8,065 |
| - other employees | | 23,605 | 22,555 |
| | | 31,690 | 30,620 |
| | | 27,198 | 26,396 |

8.1 These represent interest free loans and advances provided to executives and other employees as per the terms of employment. Loans aggregating Rs.42,558 thousand (2014: Rs.40,727 thousand) are provided for purchase of motorcycles and are repayable in forty eight equal monthly installments for management staff and forty equal monthly installments for non-management staff. These loans are secured against respective motorcycles and employees' vested retirement benefits. Advances are unsecured and are repayable in eighteen equal monthly installments.

8.2 Reconciliation of the carrying amount of loans and advances to executives:

| | 2015 ----- (Rupees in '000) ----- | 2014 |
|------------------------|--------------------------------------|----------|
| Balance as at April 1 | 9,363 | 7,938 |
| Disbursements | 12,804 | 12,470 |
| | 22,167 | 20,408 |
| Repayments | (13,105) | (11,045) |
| Balance as at March 31 | 9,062 | 9,363 |

8.3 The maximum amount of loans and advances to the executives outstanding at the end of any month during the year ended March 31, 2015 was Rs.10,435 thousand (2014: Rs.9,785 thousand).

8.4 The carrying values of these loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no default in recent history.

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|------|--------------------------------------|----------|
| 9. Stores, Spares and Loose Tools | | | |
| Consumable stores | | 75,415 | 87,073 |
| Maintenance spares | | 217,573 | 184,125 |
| Loose tools | | 197,416 | 195,020 |
| Items in transit | | - | 1,269 |
| | | 490,404 | 467,487 |
| Provision for slow moving items | 10.2 | (69,065) | (67,063) |
| | | 421,339 | 400,424 |

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|-------------------------------------|------|--------------------------------------|-----------------------|
| 10. Stock-in-Trade | | | |
| Raw materials and components | | | |
| - in hand | | 1,102,250 | 1,487,667 |
| - held with vendors | 10.1 | 72,182 | 122,087 |
| | | <u>1,174,432</u> | <u>1,609,754</u> |
| Work-in-process | | 25,131 | 4,549 |
| Finished goods | | | |
| - motorcycles | | 55,603 | 62,418 |
| - spare parts | | 255,616 | 248,657 |
| | | <u>311,219</u> | <u>311,075</u> |
| Items in transit | | 186,980 | 136,008 |
| Provision for slow moving items | 10.2 | 1,697,762 (37,233) | 2,061,386 (18,784) |
| | | <u>1,660,529</u> | <u>2,042,602</u> |

10.1 Includes raw materials amounting Rs.8,510 thousand (2014: Rs.9,487 thousand) held with Atlas Autos (Private) Limited (a related party) for manufacturing purposes.

| | 2015 ----- (Rupees in '000) ----- | 2014 | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|--------------------------------------|---------------|--------------------------------------|---------------|
| | Stores, spares and loose tools | | Stock-in-trade | |
| 10.2 Movement of provision for slow moving inventories | | | | |
| Balance as at April 1 | 67,063 | 62,099 | 18,784 | 10,200 |
| Provision for the year | 2,002 | 4,964 | 18,449 | 8,584 |
| Balance as at March 31 | <u>69,065</u> | <u>67,063</u> | <u>37,233</u> | <u>18,784</u> |

10.3 Stock-in-trade and trade debts upto a maximum amount of Rs.4,058,000 thousand (2014: Rs.4,058,000 thousand) are under hypothecation of commercial banks as security for short term finance facilities (note 23).

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|------|--------------------------------------|----------------|
| 11. Trade Debts - Considered Good | | | |
| Export - secured | 11.1 | 7,659 | 7,519 |
| Local - unsecured | | 696,938 | 512,802 |
| | | <u>704,597</u> | <u>520,321</u> |

11.1 These trade debts are secured against letters of credit issued by customers in favour of the Company.

11.2 As of March 31, 2015, trade debts of Rs.123,471 thousand (2014: Rs.109,727 thousand) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

| | 2015 ----- (Rupees in '000) ----- | 2014 |
|-------------------------|--------------------------------------|----------------|
| Past due within 30 days | 85,976 | 103,270 |
| Past due beyond 30 days | 37,495 | 6,457 |
| | <u>123,471</u> | <u>109,727</u> |

11.3 The banks have lien on export bills / contracts upto a maximum of Rs.400,000 thousand (2014: Rs.400,000 thousand) against foreign currency finance facilities (note 23).

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|------|--------------------------------------|---------------|
| 12. Loans and Advances - Considered Good | | | |
| Current portion of long term loans and advances | 8 | 31,690 | 30,620 |
| Loans to employees other than executives | 12.1 | 511 | 485 |
| Advances to suppliers, contractors and others | | 9,034 | 4,200 |
| | | <u>41,235</u> | <u>35,305</u> |

12.1 These represent interest free welfare and festival loans provided to employees in accordance with Company's policy and have maturities upto ten months.

| | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|--------------------------------------|---------------|
| 13. Trade Deposits and Prepayments | | |
| Trade deposits - unsecured and considered good | 4,504 | 3,034 |
| Prepayments | 55,064 | 47,645 |
| | <u>59,568</u> | <u>50,679</u> |

| | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|--------------------------------------|------|
|--|--------------------------------------|------|

14. Short Term Investments - at Fair Value through Profit or Loss

| 2015 ----- Number of units ----- | 2014 | | 2015 | 2014 |
|-------------------------------------|-------------------|-----------------------------|------------------|------------------|
| | | Related parties | | |
| 2,916,041 | 1,571,767 | Atlas Income Fund | 1,616,070 | 812,211 |
| 138,839 | 134,195 | Atlas Islamic Income Fund | 73,892 | 69,171 |
| 2,456,022 | 4,242,008 | Atlas Money Market Fund | 1,313,923 | 2,133,560 |
| 486,522 | 499,800 | Atlas Gold Fund | 47,533 | 50,920 |
| 405,510 | - | Atlas Islamic Stock Fund | 174,028 | - |
| 1,960,784 | - | Atlas Sovereign Liquid Fund | 200,765 | - |
| <u>8,363,718</u> | <u>6,447,770</u> | | <u>3,426,211</u> | <u>3,065,862</u> |
| | | Others | | |
| 2,236,323 | 2,189,807 | Lakson Money Market Fund | 238,393 | 219,237 |
| 2,758,088 | 2,100,079 | Lakson Income Fund | 306,659 | 213,257 |
| 13,159,807 | 7,086,699 | NIT Government Bond Fund | 148,433 | 75,537 |
| - | 6,982,968 | NIT Income Fund | - | 75,205 |
| - | 417,216 | HBL Money Market Fund | - | 42,143 |
| <u>18,154,218</u> | <u>18,776,769</u> | | <u>693,485</u> | <u>625,379</u> |
| <u>26,517,936</u> | <u>25,224,539</u> | | <u>4,119,696</u> | <u>3,691,241</u> |

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|------|--------------------------------------|------------------|
| 15. Other Receivables - Unsecured, Considered Good | | | |
| Duty drawback receivable | | 2,775 | 4,045 |
| Others | | 899 | 621 |
| | | <u>3,674</u> | <u>4,666</u> |
| 16. Bank Balances | | | |
| Balances with banks in: | | | |
| - current accounts | | 285,779 | 208,954 |
| - savings deposit accounts | 16.1 | 1,023,421 | 1,034,784 |
| - term deposit receipts | 16.2 | 2,100,000 | 1,600,000 |
| | | <u>3,409,200</u> | <u>2,843,738</u> |

16.1 Savings deposit accounts carry mark-up upto 7.80% (2014: 8.60%) per annum.

16.2 Term deposit receipts (TDR) have maturity dates ranging from 3 to 31 days (2014: 7 to 31 days) from respective date of acquisition. These TDRs carry mark-up at the rates ranging from 7.10% to 8.25% (2014: 9.20% to 9.40%) per annum.

17. Non Current Assets Classified as Held For Sale

The Company, during the preceding year, entered into an agreement with Denso Corporation and Atlas Autos (Private) Limited (an Associated Company) to form a company named Atlas Hitec (Private) Limited [AHTL] and according to that agreement, AHTL will issue its ordinary shares to the Company in consideration of Company's operating fixed assets. The Company, during the year, has received nineteen million ordinary shares of Rs.10 each of AHTL against its fixed assets having net book value of Rs.171,459 thousand. The gain on such disposal amounting to Rs.18,541 thousand has been reflected in other income (note 29).

18. Share Capital

18.1 Authorized capital

| 2015 ----- Number of shares ----- | 2014 | | 2015 ----- (Rupees in '000) ----- | 2014 |
|--------------------------------------|--------------------|-------------------------------|--------------------------------------|------------------|
| <u>150,000,000</u> | <u>150,000,000</u> | Ordinary shares of Rs.10 each | <u>1,500,000</u> | <u>1,500,000</u> |

18.2 Issued, subscribed and paid-up capital

| 2015 ----- Number of shares ----- | 2014 | | 2015 | 2014 |
|--------------------------------------|--------------------|--|------------------|------------------|
| 6,352,748 | 6,352,748 | Ordinary shares of Rs.10 each fully paid in cash | 63,528 | 63,528 |
| 96,794,565 | 96,794,565 | Ordinary shares of Rs.10 each issued as fully paid bonus shares | 967,945 | 967,945 |
| 259,300 | 259,300 | Ordinary shares of Rs.10 each issued as fully paid for consideration other than cash | 2,593 | 2,593 |
| <u>103,406,613</u> | <u>103,406,613</u> | | <u>1,034,066</u> | <u>1,034,066</u> |

| | | | 2015 ----- (Rupees in '000) ----- | 2014 |
|-------------|--|--------------------|---|-------------------|
| 18.3 | Movement in issued, subscribed and paid-up capital during the year | | | |
| | 2015 ----- Number of shares ----- | 2014 | | |
| | 103,406,613 | 82,725,291 | As at April 1 | 1,034,066 |
| | - | 20,681,322 | Ordinary shares of Rs.10 each issued during the preceding year as fully paid bonus shares | - |
| | <u>103,406,613</u> | <u>103,406,613</u> | As at March 31 | <u>1,034,066</u> |
| | | | | <u>827,253</u> |
| | | | | <u>206,813</u> |
| | | | | <u>1,034,066</u> |
| 18.4 | Ordinary shares of the Company held by the related parties as at March 31 | | | |
| | Atlas Insurance Limited | | 2,931,728 | 2,931,728 |
| | Honda Motor Company Limited, Japan | | 36,192,315 | 36,192,315 |
| | Shirazi Investments (Private) Limited | | 25,265,858 | 25,265,858 |
| | Shirazi Capital (Private) Limited | | 25,359,715 | 25,359,715 |
| | Shirazi (Private) Limited | | 3,595,120 | 3,595,120 |
| | | | <u>93,344,736</u> | <u>93,344,736</u> |
| 19. | Reserves | | | |
| | Capital reserves | | | |
| | Share premium | | 39,953 | 39,953 |
| | Gain on sale of land | | 165 | 165 |
| | | | <u>40,118</u> | <u>40,118</u> |
| | Revenue reserves | | | |
| | General reserve: | | | |
| | - at April 1 | | 4,702,000 | 4,072,000 |
| | - transferred from unappropriated profit | | 630,000 | 630,000 |
| | - at March 31 | | 5,332,000 | 4,702,000 |
| | Unappropriated profit | | 2,832,361 | 2,137,129 |
| | | | <u>8,164,361</u> | <u>6,839,129</u> |
| | | | <u>8,204,479</u> | <u>6,879,247</u> |
| 20. | Compensated Absences | | | |
| | Balance as at April 1 | | 192,042 | 170,248 |
| | Provision for the year | | 16,994 | 29,955 |
| | | | <u>209,036</u> | <u>200,203</u> |
| | Encashed during the year | | (13,891) | (8,161) |
| | Balance as at March 31 | | <u>195,145</u> | <u>192,042</u> |
| 21. | Deferred Taxation - Net | | | |
| | The liability for deferred taxation comprises temporary differences relating to: | | | |
| | Taxable temporary deference | | | |
| | Accelerated tax depreciation allowances | | 704,604 | 761,600 |
| | Deductible temporary differences | | | |
| | Provision for slow moving inventories | | 34,656 | 28,677 |
| | Compensated absences | | 63,622 | 64,153 |
| | Warranty obligations | | 11,542 | 10,587 |
| | Staff retirement benefit - gratuity | | 16,535 | 20,625 |
| | | | <u>126,355</u> | <u>124,042</u> |
| | | | <u>578,249</u> | <u>637,558</u> |

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|------|--------------------------------------|-----------|
| 22. Trade and Other Payables | | | |
| Creditors | 22.1 | 2,185,464 | 2,947,253 |
| Accrued liabilities | 22.2 | 1,200,383 | 993,543 |
| Royalty payable | 22.3 | 567,264 | 641,908 |
| Warranty obligations | | 35,402 | 31,692 |
| Advances from customers | 22.4 | 1,229,212 | 628,768 |
| Retention money | | 14,343 | 10,404 |
| Sales tax payable - net | | 149,405 | 4,037 |
| Workers' profit participation fund | 22.5 | 172,514 | 144,583 |
| Workers' welfare fund | 22.6 | 69,995 | 64,476 |
| Payable to staff retirement benefit funds - gratuity | 22.7 | 50,718 | 61,742 |
| Sindh government infrastructure fee | | 37,899 | - |
| Unclaimed dividend | | 37,639 | 29,972 |
| Others | 22.8 | 19,496 | 19,316 |
| | | 5,769,734 | 5,577,694 |

22.1 Includes Rs.25,995 thousand (2014: Rs.Nil) due to Atlas Hitec (Private) Limited - a related party.

22.2 Includes Rs.521 thousand (2014: Rs.6,681 thousand) due to Honda Motor Company Limited, Japan - a related party.

22.3 Includes Rs.563,437 thousand (2014: Rs.550,336 thousand) due to Honda Motor Company Limited, Japan - a related party.

22.4 These represent advances from customers against sale of motorcycles & parts and carry no mark-up.

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|------|--------------------------------------|-----------|
| 22.5 Workers' profit participation fund (the Fund) | | | |
| Balance as at April 1 | | 144,583 | 118,931 |
| Allocation for the year | 30 | 172,275 | 144,407 |
| Interest on funds utilised in the Company's business | 31 | 239 | 176 |
| | | 317,097 | 263,514 |
| Paid to trustees of the Fund | | (144,583) | (118,931) |
| Balance as at March 31 | | 172,514 | 144,583 |
| 22.6 Workers' welfare fund | | | |
| Balance as at April 1 | | 64,476 | 53,687 |
| Charge for the year | | 65,465 | 54,886 |
| Adjustment for prior year | | (9,591) | (567) |
| | 30 | 55,874 | 54,319 |
| | | 120,350 | 108,006 |
| Payment made during the year | | (50,355) | (43,530) |
| Balance as at March 31 | | 69,995 | 64,476 |

22.7 Staff retirement benefit - gratuity

22.7.1 As stated in note 4.15.2, the Company has established two separate funded gratuity schemes for its management and non-management staff. Actuarial valuation of these schemes are carried out every year and the latest actuarial valuations were carried out as at March 31, 2015.

22.7.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contributions schedules lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

22.7.3 The latest actuarial valuations of the Funds as at March 31, 2015 were carried out using the 'Projected Unit Credit Method'. Details of the Funds as per the actuarial valuations are as follows:

| | Management | | Non-management | | Total | |
|---|------------------------------|----------------|-----------------|-----------------|-----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | ----- (Rupees in '000) ----- | | | | | |
| 22.7.4 Balance sheet reconciliation | | | | | | |
| Present value of defined benefit obligation at March 31 - note 22.7.5 | 289,018 | 271,797 | 35,865 | 33,526 | 324,883 | 305,323 |
| Fair value of plan assets at March 31 - note 22.7.6 | (214,977) | (202,433) | (69,030) | (58,667) | (284,007) | (261,100) |
| Payable to related parties in respect of transferees | 9,842 | 17,519 | - | - | 9,842 | 17,519 |
| | <u>83,883</u> | <u>86,883</u> | <u>(33,165)</u> | <u>(25,141)</u> | <u>50,718</u> | <u>61,742</u> |
| 22.7.5 Movement in the present value of defined benefit obligation | | | | | | |
| Balance as at April 1 | 271,797 | 250,053 | 33,526 | 31,515 | 305,323 | 281,568 |
| Benefits paid | (13,749) | (4,520) | (1,916) | (982) | (15,665) | (5,502) |
| Current service costs | 14,229 | 12,664 | 1,154 | 1,056 | 15,383 | 13,720 |
| Interest cost | 33,576 | 28,516 | 4,214 | 3,770 | 37,790 | 32,286 |
| Remeasurement on obligation | (5,899) | 552 | (1,113) | (1,833) | (7,012) | (1,281) |
| Payable to related parties in respect of transferees | (10,936) | (15,468) | - | - | (10,936) | (15,468) |
| Balance as at March 31 | <u>289,018</u> | <u>271,797</u> | <u>35,865</u> | <u>33,526</u> | <u>324,883</u> | <u>305,323</u> |
| 22.7.6 Movement in the fair value of plan assets | | | | | | |
| Balance as at April 1 | 202,433 | 158,866 | 58,667 | 54,066 | 261,100 | 212,932 |
| Contributions | 23,452 | 26,371 | - | - | 23,452 | 26,371 |
| Benefits paid | (13,749) | (4,520) | (1,916) | (982) | (15,665) | (5,502) |
| Interest income | 21,040 | 17,728 | 7,232 | 6,323 | 28,272 | 24,051 |
| Remeasurement on plan assets | 414 | 3,988 | 5,047 | (740) | 5,461 | 3,248 |
| Payable to related parties in respect of transferees | (18,613) | - | - | - | (18,613) | - |
| Balance as at March 31 | <u>214,977</u> | <u>202,433</u> | <u>69,030</u> | <u>58,667</u> | <u>284,007</u> | <u>261,100</u> |
| 22.7.7 Expense / income recognised in profit and loss account | | | | | | |
| Current service costs | 14,229 | 12,664 | 1,154 | 1,056 | 15,383 | 13,720 |
| Net interest cost / (income) | 12,536 | 10,788 | (3,018) | (2,553) | 9,518 | 8,235 |
| | <u>26,765</u> | <u>23,452</u> | <u>(1,864)</u> | <u>(1,497)</u> | <u>24,901</u> | <u>21,955</u> |
| 22.7.8 Remeasurement recognised in other comprehensive income | | | | | | |
| Loss / (gain) from change in: | | | | | | |
| - demographic assumptions | - | 1,021 | - | (4) | - | 1,017 |
| - financial assumptions | (676) | 1,051 | (66) | 127 | (742) | 1,178 |
| Experience (gain) / loss | (5,223) | (1,520) | (1,047) | (1,956) | (6,270) | (3,476) |
| (Gain) / loss on remeasurement of plan assets | (414) | (3,988) | (5,047) | 740 | (5,461) | (3,248) |
| Net remeasurement (gain) / loss | <u>(6,313)</u> | <u>(3,436)</u> | <u>(6,160)</u> | <u>(1,093)</u> | <u>(12,473)</u> | <u>(4,529)</u> |

| | Management | | Non-management | | Total | |
|--|----------------|----------------|-----------------|-----------------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| ----- (Rupees in '000) ----- | | | | | | |
| 22.7.9 Net recognised liability | | | | | | |
| Net liability / (asset) at beginning of the year | 86,883 | 93,238 | (25,141) | (22,551) | 61,742 | 70,687 |
| Expense / income for the year | 26,765 | 23,452 | (1,864) | (1,497) | 24,901 | 21,955 |
| Contributions made during the year | (23,452) | (26,371) | - | - | (23,452) | (26,371) |
| Remeasurement recognised in other comprehensive income | (6,313) | (3,436) | (6,160) | (1,093) | (12,473) | (4,529) |
| Recognised liability / (asset) as at March 31 | <u>83,883</u> | <u>86,883</u> | <u>(33,165)</u> | <u>(25,141)</u> | <u>50,718</u> | <u>61,742</u> |
| 22.7.10 Actual return on planned assets | <u>18,574</u> | <u>21,717</u> | <u>6,557</u> | <u>4,819</u> | <u>25,131</u> | <u>26,536</u> |
| 22.7.11 Plan assets comprise of: | | | | | | |
| Fixed income instruments | 92,203 | 92,085 | 37,705 | 27,960 | 129,908 | 120,045 |
| Mutual fund securities | 119,459 | 109,832 | 30,226 | 30,041 | 149,685 | 139,873 |
| Others | 3,315 | 516 | 1,100 | 666 | 4,415 | 1,182 |
| | <u>214,977</u> | <u>202,433</u> | <u>69,031</u> | <u>58,667</u> | <u>284,008</u> | <u>261,100</u> |

22.7.12 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

22.7.13 The Company's expected charge and income to management and non-management gratuity plans for the year ending March 31, 2016 are Rs.25,355 thousand and Rs.1,725 thousand respectively.

| | Management | | Non management | |
|--|----------------|----------------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| ----- % per annum ----- | | | | |
| 22.7.14 Actuarial assumptions used | | | | |
| Discount rate at March 31 | 9.25 | 12.75 | 9.25 | 12.75 |
| Expected rate of increase in future salaries | 10.00 | 11.75 | 10.00 | 11.75 |
| Expected rate of return on plan assets | 9.25 | 12.75 | 9.25 | 12.75 |
| Demographic assumptions | | | | |
| - Mortality rates (for death in service) | SLIC (2001-05) | SLIC (2001-05) | SLIC (2001-05) | SLIC (2001-05) |
| - Rates of employee turnover | Moderate | Moderate | Moderate | Moderate |

22.7.15 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in principal assumptions is:

| | Impact on Defined Benefit Obligation | | |
|--------------------------|--------------------------------------|------------------------------|-------------------------|
| | Change in assumptions | Increase in assumptions | Decrease in assumptions |
| | | ----- (Rupees in '000) ----- | |
| Discount rate | 1.00% | <u>301,534</u> | <u>351,675</u> |
| Future salary increase | 1.00% | <u>353,297</u> | <u>299,733</u> |
| Withdrawal rates : light | | <u>323,862</u> | |
| Withdrawal rates : heavy | | <u>326,079</u> | |

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

22.7.16 The weighted average duration of defined benefit obligation for management and non-management funds is 7.89 years and 6.30 years respectively.

22.7.17 Expected maturity analysis of undiscounted retirement benefit plans

| | Less than a year | Between 1 - 2 years | Between 2 - 5 years | Over 5 years | Total |
|----------------------|---------------------|------------------------|------------------------|-----------------|-----------|
| As at June 30, 2015 | Rupees in '000 | | | | |
| Management staff | 20,439 | 38,624 | 94,030 | 1,867,390 | 2,020,483 |
| Non-management staff | 3,167 | 2,880 | 11,370 | 78,786 | 96,203 |

22.7.18 Historical information

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|----------------|---------------|---------------|---------------|---------------|
| | Rupees in '000 | | | | |
| Present value of defined benefit obligation | 324,883 | 305,323 | 281,568 | 264,471 | 224,050 |
| Fair value of plan assets | 284,007 | 261,100 | 212,932 | 195,437 | 152,551 |
| Deficit provided in financial statements | 40,876 | 44,223 | 68,636 | 69,034 | 71,499 |

22.8 Other liabilities include vehicle deposits under Company's vehicle policy aggregating Rs.12,662 thousand (2014: Rs.10,991 thousand).

23. Short Term Borrowings - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.2,865,000 thousand (2014: 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 (2014: Rs.4,058,000 thousand). The rates of mark-up of these facilities during the year ranged from 9.25% to 11.33% (2014: 9.51% to 11.31%) per annum. These facilities are expiring on various dates by March 31, 2016.

Foreign currency finance and export re-finance facilities aggregating Rs.400,000 thousand (2014: Rs.400,000 thousand) are also available to the Company from various commercial banks.

The facilities for opening letters of credit as at March 31, 2015 aggregated to Rs.3,560,000 thousand (2014: Rs.3,560,000 thousand) of which the amount remained unutilised at year end was Rs.2,632,908 thousand (2014: Rs.2,710,709 thousand). These finance facilities are also secured against pari passu joint hypothecation charge on stocks-in-trade and trade debts of the Company.

24. Contingencies and Commitments**24.1 Contingencies**

24.1.1 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.

24.1.2 Guarantees aggregating to Rs.172,868 thousand (2014: Rs.165,735 thousand) have been issued by commercial banks to Collector of Customs and other Government Institutions for import of raw materials and spare parts.

24.2 Commitments

24.2.1 Commitments outstanding for letters of credit relating to capital expenditure, raw materials and components as at March 31, 2015 aggregated to Rs.927,092 thousand (2014: Rs.849,291 thousand).

24.2.2 Commitments outstanding for capital expenditure other than through letters of credit as at March 31, 2015 aggregated to Rs.42,257 thousand (2014: Rs.81,623 thousand).

24.2.3 The Company has entered into Ijarah arrangements for electric & gas fittings and vehicles with various banks. Aggregate commitments for these Ijarah arrangements as at March 31, are as follows:

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|---|------|--------------------------------------|--------------------------------------|
| Not later than one year | | 24,425 | 20,856 |
| Later than one year and not later than five years | | 20,924 | 30,976 |
| | | <u>45,349</u> | <u>51,832</u> |
| 25. Sales - Net | | | |
| Gross sales | | | |
| - local | | 52,537,558 | 51,494,856 |
| - export | | 465,414 | 346,210 |
| | | <u>53,002,972</u> | <u>51,841,066</u> |
| Less: | | | |
| - trade discount and commission | | 117,030 | 159,746 |
| - sales tax | | 7,113,765 | 7,202,607 |
| | | <u>7,230,795</u> | <u>7,362,353</u> |
| | | <u>45,772,177</u> | <u>44,478,713</u> |
| 26. Cost of Sales | | | |
| Opening stock of finished goods | | 311,075 | 250,247 |
| Cost of goods manufactured | 26.1 | 38,269,352 | 38,056,043 |
| Purchases during the year | | 2,829,363 | 2,258,714 |
| | | <u>41,098,715</u> | <u>40,314,757</u> |
| Closing stock of finished goods | | (311,219) | (311,075) |
| | | <u>41,098,571</u> | <u>40,253,929</u> |
| 26.1 Cost of goods manufactured | | | |
| Opening stock of work-in-process | | 4,549 | 6,587 |
| Raw materials and components consumed | 26.2 | 31,962,696 | 31,675,856 |
| Direct labour | 26.3 | 776,679 | 701,349 |
| Technical directors' remuneration | | 2,134 | 1,970 |
| Staff salaries, wages and other benefits | 26.3 | 848,767 | 805,627 |
| Stores consumed | | 613,386 | 618,199 |
| Fuel and power | | 661,364 | 738,531 |
| Insurance | | 78,530 | 79,034 |
| Rent, rates and taxes | | 64,434 | 50,062 |
| ljarah rentals | | 34,148 | 63,325 |
| Repair and maintenance | | 304,896 | 259,995 |
| Royalty | | 2,051,918 | 2,190,704 |
| Technical assistance fee | | 27,894 | 29,973 |
| Traveling, conveyance and entertainment | | 50,898 | 48,328 |
| Postage and telephone | | 6,446 | 7,438 |
| Printing and stationery | | 11,919 | 8,577 |
| Vehicle running expenses | | 26,079 | 29,052 |
| Depreciation | 5.2 | 607,623 | 597,238 |
| Canteen | | 86,495 | 79,611 |
| Newspapers, magazines and subscriptions | | 5,770 | 2,785 |
| Amortisation of intangible assets | 6 | 5,150 | 4,013 |
| Provision for slow moving inventories | 10.2 | 20,451 | 13,548 |
| Staff training | | - | 7,055 |
| Marking fee | | 41,868 | 41,360 |
| Other manufacturing expenses | | 389 | 375 |
| | | <u>38,294,483</u> | <u>38,060,592</u> |
| Closing stock of work-in-process | | (25,131) | (4,549) |
| | | <u>38,269,352</u> | <u>38,056,043</u> |

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|------|--------------------------------------|-------------------|
| 26.2 Raw materials and components consumed | | | |
| Opening stock | | 1,609,754 | 1,752,565 |
| Purchases during the year | 26.4 | 31,527,374 | 31,533,045 |
| | | 33,137,128 | 33,285,610 |
| Closing stock | | (1,174,432) | (1,609,754) |
| | | <u>31,962,696</u> | <u>31,675,856</u> |

26.3 Direct labour and staff salaries, wages & other benefits include Rs.53,746 thousand (2014: Rs.57,354 thousand) in respect of staff retirement benefits.

26.4 Purchases include government rebates netted-off aggregating Rs.7,485 thousand (2014: Rs.57,350 thousand).

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|------|--------------------------------------|------------------|
| 27. Sales and Marketing Expenses | | | |
| Directors' remuneration | | 29,297 | 25,889 |
| Staff salaries and other benefits | 27.1 | 255,900 | 242,907 |
| Traveling, conveyance and entertainment | | 86,800 | 76,628 |
| Vehicle running expenses | | 16,801 | 17,905 |
| Rent, rates and taxes | | 37,019 | 32,418 |
| Advertisement and sales promotion | | 427,866 | 431,434 |
| Repairs and maintenance | | 7,949 | 8,312 |
| Gas and electricity | | 10,477 | 9,637 |
| Freight outward | | 354,160 | 361,889 |
| Printing and stationery | | 3,212 | 2,777 |
| Postage and telephone | | 16,365 | 15,610 |
| First free service charges | | 54,274 | 54,803 |
| Insurance | | 12,876 | 9,670 |
| Newspapers, magazines and subscriptions | | 1,114 | 3,511 |
| Others | | 121 | 548 |
| | | <u>1,314,231</u> | <u>1,293,938</u> |

27.1 Staff salaries and other benefits include Rs.21,578 thousand (2014: Rs.22,589 thousand) in respect of staff retirement benefits.

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|---|------|--------------------------------------|----------------|
| 28. Administrative Expenses | | | |
| Directors' remuneration and fee | | 20,842 | 21,745 |
| Staff salaries and other benefits | 28.1 | 228,093 | 237,143 |
| Traveling, conveyance and entertainment | | 16,277 | 14,256 |
| Rent, rates and taxes | | 7,834 | 10,204 |
| Insurance | | 6,777 | 5,971 |
| Repairs and maintenance | | 13,401 | 13,691 |
| Legal and professional charges | | 8,010 | 12,357 |
| Gas and electricity | | 1,907 | 2,141 |
| Newspapers, magazines, fees and subscriptions | | 3,376 | 5,823 |
| Postage and telephone | | 2,182 | 2,425 |
| Printing and stationery | | 9,595 | 13,351 |
| Vehicle running expenses | | 9,828 | 12,354 |
| Staff training | | 20,783 | 17,881 |
| Depreciation | 5.2 | 41,174 | 38,032 |
| Donation | 28.2 | 42,394 | 22,076 |
| Others | | 149 | 604 |
| | | <u>432,622</u> | <u>430,054</u> |

- 28.1** Staff salaries and other benefits include Rs.15,983 thousand (2014: Rs.18,446 thousand) in respect of staff retirement benefits.
- 28.2** Donation of Rs.42,144 thousand (2014: Rs.22,076 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 | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|------|--------------------------------------|---------|
| 29. Other Income | | | |
| Income from financial assets | | | |
| Mark-up / interest on savings accounts and term deposit receipts | 29.1 | 181,247 | 181,900 |
| Gain on sale of investments | | 8,751 | 16,724 |
| Net change in fair value of investments at fair value through profit or loss | | 59,985 | 43,491 |
| Exchange gain - net | | 1,242 | - |
| Income from investments in related parties | | | |
| Gain on sale of investments | | 77,446 | 4,077 |
| Net change in fair value of investments at fair value through profit or loss | | 172,549 | 142,237 |
| Income from assets other than financial assets | | | |
| Gain on disposal of non current assets classified as held for sale | | 18,541 | - |
| Commission income | | 2,622 | 7,840 |
| Scrap sales | | 19,491 | 20,900 |
| Others | | 2,050 | 3,482 |
| | | 543,924 | 420,651 |
| 29.1 Mark-up / interest at the rates ranged from 7.00% to 10.10% (2014: 7.75% to 10.15%) per annum has been earned during the year on savings accounts and term deposit receipts. | | | |
| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
| 30. Other Operating Expenses | | | |
| Workers' profit participation fund | 22.5 | 172,275 | 144,407 |
| Workers' welfare fund | 22.6 | 55,874 | 54,319 |
| Auditors' remuneration | 30.1 | 2,140 | 2,040 |
| Exchange loss - net | | - | 134 |
| Loss on disposal of operating fixed assets | 5.3 | 14,843 | 23,089 |
| | | 245,132 | 223,989 |
| 30.1 Auditors' remuneration | | | |
| Audit fee | | 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 | | 438 | 438 |
| Out of pocket expenses | | 197 | 97 |
| | | 2,140 | 2,040 |
| 31. Finance Cost | | | |
| Mark-up / interest on short term borrowings | | 601 | 300 |
| Interest on workers' profit participation fund | 22.5 | 239 | 176 |
| Bank charges | | 7,350 | 7,560 |
| | | 8,190 | 8,036 |

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|---|--------------------------------------|--------------------------------------|
| 32. Taxation | | |
| Current tax | | |
| Current tax on profits for the year | 942,357 | 775,761 |
| Adjustments in respect of prior years | 13,765 | (43,322) |
| | <u>956,122</u> | <u>732,439</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences | (44,623) | (25,026) |
| Impact of change in tax rate | (18,752) | (19,555) |
| | <u>(63,375)</u> | <u>(44,581)</u> |
| | <u>892,747</u> | <u>687,858</u> |

32.1 The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|---|--------------------------------------|--------------------------------------|
| Profit before taxation | 3,243,638 | 2,689,418 |
| Tax at the applicable rate of 33% (2014: 34%) | 1,070,401 | 914,402 |
| Tax effect of: | | |
| - expenses not deductible for tax purposes | 300,989 | 272,388 |
| - expenses deductible for tax purposes but not taken to profit and loss account | (220,376) | (242,501) |
| - income not subject to tax / income subject to final tax regime / tax credits | (199,984) | (168,528) |
| - Associate's result reported net of tax | (8,673) | - |
| Adjustments in respect of prior years | 13,765 | (43,322) |
| Deferred taxation | (63,375) | (44,581) |
| Tax charge | <u>892,747</u> | <u>687,858</u> |

33. Earnings Per Share

33.1 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by weighted average number of shares in issue during the year.

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|---|--------------------------------------|--------------------------------------|
| Net profit for the year | 2,350,891 | 2,001,560 |
| | <u>2,350,891</u> | <u>2,001,560</u> |
| | ----- (Number of shares) ----- | |
| Weighted average ordinary shares in issue | 103,406,613 | 103,406,613 |
| | <u>103,406,613</u> | <u>103,406,613</u> |
| | ----- (Rupees) ----- | |
| Earnings per share | 22.73 | 19.36 |
| | <u>22.73</u> | <u>19.36</u> |

33.2 Diluted earnings per share

No figures for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

| | Note | 2015 ----- (Rupees in '000) ----- | 2014 |
|--|------|--------------------------------------|------------------|
| 34. Cash Generated from Operations | | | |
| Profit before taxation | | 3,243,638 | 2,689,418 |
| Add / (Less): Adjustments for non cash charges and other items | | | |
| Depreciation | | 648,797 | 635,270 |
| Amortisation of intangible assets | | 5,150 | 4,013 |
| Provision for compensated absences | | 16,994 | 29,955 |
| Provision for gratuity | | 24,901 | 21,955 |
| Provision for slow moving inventories | | 20,451 | 13,548 |
| Mark-up / interest on savings accounts and term deposit receipts | | (181,247) | (181,900) |
| Gain on sale of investments | | (86,197) | (20,801) |
| Net change in fair value of investments at fair value through profit or loss | | (232,534) | (185,728) |
| Gain on disposal of non current assets classified as held for sale | | (18,541) | - |
| Workers' profit participation fund | | 172,514 | 144,583 |
| Workers' welfare fund | | 55,874 | 54,319 |
| Loss on disposal of operating fixed assets | | 14,843 | 23,089 |
| Mark-up / interest on short term borrowings | | 601 | 300 |
| Share of profit of an Associated Company | | (26,283) | - |
| Changes in working capital | 34.1 | 304,551 | 1,005,789 |
| | | <u>3,963,512</u> | <u>4,233,810</u> |
| 34.1 Changes in working capital | | | |
| (Increase) / decrease in current assets | | | |
| - Stores, spares and loose tools | | (22,917) | (15,138) |
| - Stock-in-trade | | 363,624 | 120,350 |
| - Trade debts | | (184,276) | (5,579) |
| - Loans and advances | | (5,930) | (2,052) |
| - Trade deposits and prepayments | | (8,889) | (2,957) |
| - Other receivables | | 992 | 1,636 |
| | | <u>142,604</u> | <u>96,260</u> |
| Increase in current liabilities: | | | |
| - Trade and other payables | | 161,947 | 909,529 |
| | | <u>304,551</u> | <u>1,005,789</u> |
| 34.2 Cash flows from operating activities | | | |
| - Direct method | | | |
| Receipts from customers | | 46,188,345 | 44,489,051 |
| Mark-up / interest received | | 181,520 | 182,373 |
| Payments to trade suppliers, service providers and employees | | (42,228,989) | (40,257,287) |
| Mark-up / interest paid | | (601) | (300) |
| Income tax paid | | (1,099,890) | (685,278) |
| Contributions made to gratuity funds | | (23,452) | (26,371) |
| Compensated absences paid | | (13,891) | (8,161) |
| Workers' profit participation fund paid | | (144,583) | (118,931) |
| Workers' welfare fund paid | | (50,355) | (43,530) |
| | | <u>2,808,104</u> | <u>3,531,566</u> |

35. Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged during year in respect of remuneration and fee, including certain benefits, to the Chief Executive Officer, Directors and Executives of the Company are as follows:

| | ----- Directors ----- | | | | | |
|---|------------------------------|---------------|---------------|---------------|----------------|----------------|
| | Chief Executive Officer | | Others | | Executives | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | ----- (Rupees in '000) ----- | | | | | |
| Managerial remuneration and fee | 15,150 | 13,634 | 22,976 | 12,400 | 258,789 | 240,746 |
| Rent and utilities | 7,246 | 6,446 | - | 4,950 | 123,682 | 115,092 |
| Bonus | 4,794 | 4,110 | - | 4,463 | 79,572 | 75,127 |
| Retirement benefits | 1,449 | 1,289 | - | 990 | 24,242 | 21,145 |
| Medical and other reimbursable expenses | 658 | 410 | - | 912 | 13,238 | 11,017 |
| | <u>29,297</u> | <u>25,889</u> | <u>22,976</u> | <u>23,715</u> | <u>499,523</u> | <u>463,127</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>6</u> | <u>5</u> | <u>230</u> | <u>219</u> |

35.1 The Chief Executive Officer, three 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.

36. Transactions with Related Parties

Related parties comprise Associated Companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

| | 2015 | 2014 |
|---|--------------------------------|-------------|
| | ----- (Rupees in '000) ----- | |
| Associated companies | | |
| Sales of: | | |
| - goods and services | 753,568 | 316,944 |
| - operating fixed assets | 26,171 | 2,245 |
| - non current assets classified as held for sale | 190,000 | - |
| Purchases of: | | |
| - goods and services | 8,838,949 | 5,646,554 |
| - operating fixed assets | 87,402 | 37,814 |
| - intangible assets | - | 3,239 |
| Sale of units in mutual funds | 3,560,034 | 554,605 |
| Purchase of units in mutual funds | 3,670,389 | 2,404,605 |
| Investments made | 190,000 | - |
| Royalty | 2,083,860 | 2,073,572 |
| Export commission | 3,254 | 3,670 |
| Technical assistance fee | 11,925 | 14,894 |
| Commission income | 2,622 | 7,840 |
| Rent | 83,608 | 75,786 |
| Insurance premium paid | 207,399 | 203,018 |
| Insurance claims received | 8,214 | 16,755 |
| Reimbursement of expenses - net | 2,113 | 2,540 |
| Dividend paid | 933,447 | 560,069 |
| Donation paid | 42,144 | 22,076 |
| | 2015 | 2014 |
| | ----- (Number of shares) ----- | |
| Bonus shares issued | - | 18,668,946 |
| | 2015 | 2014 |
| | ----- (Rupees in '000) ----- | |
| Other related parties | | |
| Contributions paid to: | | |
| - gratuity funds | 23,452 | 26,371 |
| - provident funds / pension schemes | 49,414 | 46,479 |
| Salaries and other short term employment benefits to key management personnel | 108,260 | 97,055 |

The related party status of outstanding balances as at March 31, 2015 is included in 'Capital work-in-progress - note 5.4' and 'Trade and other payables - note 22' respectively. These are settled in ordinary course of business.

37. Financial Risk Management

37.1 Financial risk factors

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

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

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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 currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect 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 optimising the return.

Foreign exchange risk

Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Japanese Yen and the US Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Company's exposure to foreign currency risk at the reporting date is as follows:

| | 2015 | | 2014 | |
|-----------------------------------|-------------------------------|-----------|------------------|-------------|
| | Japanese Yen | US Dollar | Japanese Yen | US Dollar |
| | ----- (Amounts in '000) ----- | | | |
| Trade debts | - | 75 | - | 76 |
| Trade and other payables | (679,530) | (34) | (578,800) | (98) |
| Net balance sheet exposure | <u>(679,530)</u> | <u>41</u> | <u>(578,800)</u> | <u>(22)</u> |

The following significant exchange rates have been applied:

| | 2015 | 2014 | 2015 | 2014 |
|---------------------------------|----------------------|--------|-------------------------|-------|
| | Average rate | | Balance sheet date rate | |
| | ----- (Rupees) ----- | | | |
| Pakistani Rupee to Japanese Yen | 0.91 | 1.03 | 0.85 | 0.96 |
| Pakistani Rupee to U.S. Dollar | 100.37 | 103.26 | 102.20 | 98.70 |

At March 31, 2015, if the Pakistani Rupee had strengthened / weakened by 5% against Japanese Yen and U.S. Dollar with all other variables held constant, profit before taxation for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gain / (loss) on translation of foreign denominated financial assets and liabilities.

2015 2014
----- (Rupees in '000) -----

Effect on profit for the year:

Pakistan Rupee to Japanese Yen
Pakistani Rupee to U.S. Dollar

| | |
|--------|--------|
| 28,880 | 27,782 |
| (210) | 109 |
| 28,670 | 27,891 |
| 28,670 | 27,891 |

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

Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

The Company's interest rate risk arises from balances with banks in savings deposit accounts and term deposit receipts. 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 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. As at March 31, 2015, the Company's interest bearing financial assets amounted to Rs.3,123,421 thousand (2014: Rs.2,634,784 thousand).

At March 31, 2015, if the interest rate on the Company's deposits had been higher / lower by 1% with all other variables held constant, profit before tax for the year would have been higher / (lower) by Rs.10,234 thousand (2014: Rs.10,348 thousand) mainly as a result of higher / (lower) interest income.

Price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Company is exposed to price risk because of investments in mutual fund securities amounting to Rs.4,119,696 thousand (2014: Rs.3,691,241 thousand) as changes in Net Asset Value (NAV) of mutual funds affect the Company.

At March 31, 2015, if fair value (NAV) had been 5% higher / lower with all other variables held constant profit before tax for the year would have higher / (lower) by Rs.205,985 thousand (2014: Rs.184,562 thousand).

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

(b) Credit risk

Credit risk represents the accounting loss that would be recognised at the balance sheet date if counter parties failed completely to perform as contracted. Credit risk arises from deposits with banks & financial institutions, loans & advances, deposits, trade debts, investments, accrued mark-up / interest and other receivables.

The carrying amounts of financial assets represent the maximum credit exposure. The financial assets exposed to credit risk amounted to Rs.8,322,138 thousand (2014: Rs.7,137,218 thousand) as at March 31, 2015. Out of the total financial assets credit risk is concentrated in trade debts, investments in mutual fund securities and deposits with banks as they constitute 99% (2014: 99%) of the total financial assets.

Significant part of sales of the Company occurs against advance payments, therefore, trade debts mainly arise from export sales and local sales that were made to Government and Defence Institutions. The Company believes that it is not exposed to any specific credit risk in respect of those 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 maximum exposure to credit risk at the end of the reporting period is as follows:

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|------------------------------|--------------------------------------|--------------------------------------|
| Long term loans and advances | 27,198 | 26,396 |
| Long term deposits | 12,986 | 9,632 |
| Trade debts | 704,597 | 520,321 |
| Loans and advances | 32,201 | 31,105 |
| Trade deposits | 4,504 | 3,034 |
| Short term investments | 4,119,696 | 3,691,241 |
| Accrued mark-up / interest | 10,857 | 11,130 |
| Other receivables | 899 | 621 |
| Bank balances | 3,409,200 | 2,843,738 |
| | <u>8,322,138</u> | <u>7,137,218</u> |

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

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|------------|--------------------------------------|--------------------------------------|
| Pakistan | 696,938 | 512,802 |
| Bangladesh | 7,659 | 7,519 |
| | <u>704,597</u> | <u>520,321</u> |

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

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|----------------------------|--------------------------------------|--------------------------------------|
| Government departments | 50,054 | 97,530 |
| Defence institutions | 602,917 | 371,131 |
| Others (including exports) | 51,626 | 51,660 |
| | <u>704,597</u> | <u>520,321</u> |

The credit quality of loans and receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. The credit quality of Company's bank balances and investments in mutual funds securities can be assessed with reference to the external credit ratings as follows:

| Banks | Rating | | Rating agency |
|---|------------|---------------|---------------|
| | Short term | Long term | |
| Allied Bank Limited | A1+ | AA+ | PACRA |
| Bank Al Habib Limited | A1+ | AA+ | PACRA |
| Bank Alfalah Limited | A1+ | AA | PACRA |
| Barclays Bank PLC, Pakistan | A-1 | A | S&P |
| Deutsche Bank AG | A-1 | A | S&P |
| Faysal Bank Limited | A1+ | AA | PACRA |
| Habib Bank Limited | A-1+ | AAA | JCR-VIS |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA |
| MCB Bank Limited | A1+ | AAA | PACRA |
| Meezan Bank Limited | A-1+ | AA | JCR-VIS |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS |
| NIB Bank Limited | A1+ | AA- | PACRA |
| Soneri Bank Limited | A1+ | AA- | PACRA |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA |
| The Bank of Tokyo - Mitsubishi UFJ, Limited | A-1 | A+ | S&P |
| United Bank Limited | A-1+ | AA+ | JCR-VIS |
| Bankislami Pakistan Limited | A1 | A | PACRA |
| Mutual Funds | | Rating | Agency |
| Atlas Income Fund | | AA-(f) | PACRA |
| Atlas Islamic Income Fund | | AA-(f) | PACRA |
| Atlas Money Market Fund | | AA(f) | PACRA |
| Atlas Islamic Stock Fund | | 3 Star | PACRA |
| Atlas Sovereign Liquid Fund | | AA(f) | PACRA |
| Lakson Money Market Fund | | AA | PACRA |
| Lakson Income Fund | | A+ | PACRA |
| NIT Government Bond Fund | | AA+(f) | PACRA |

(c) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and balances with banks. As at March 31, 2015 there is no maturity mismatch between financial assets and liabilities that exposes the Company to liquidity risk.

37.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company is equity based with no financing through borrowings.

| Loans and receivables | | At fair value through profit and loss | |
|----------------------------|------|---------------------------------------|------|
| 2015 | 2014 | 2015 | 2014 |
| ----- Rupees in '000 ----- | | | |

37.3 Financial instruments by category**Financial assets as per balance sheet**

| | | | | |
|------------------------------|------------------|------------------|------------------|------------------|
| Long term loans and advances | 27,198 | 26,396 | - | - |
| Long term deposits | 12,986 | 9,632 | - | - |
| Trade debts | 704,597 | 520,321 | - | - |
| Loans and advances | 32,201 | 31,105 | - | - |
| Trade deposits | 4,504 | 3,034 | - | - |
| Short term investments | - | - | 4,119,696 | 3,691,241 |
| Accrued mark-up / interest | 10,857 | 11,130 | - | - |
| Other receivables | 899 | 621 | - | - |
| Bank balances | 3,409,200 | 2,843,738 | - | - |
| | <u>4,202,442</u> | <u>3,445,977</u> | <u>4,119,696</u> | <u>3,691,241</u> |

**Financial liabilities
measured at amortised cost**
2015 2014
--- Rupees in '000 ---

Financial liabilities as per balance sheet

| | | |
|--------------------------|------------------|------------------|
| Trade and other payables | <u>4,110,709</u> | <u>4,735,830</u> |
|--------------------------|------------------|------------------|

37.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The Company's financial assets measured at fair value comprise only of level 1 financial assets amounting to Rs.4,119,696 thousand (2014: Rs.3,691,241 thousand).

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

38. Entity-wide Information

38.1 The Company markets and sells motorcycles and spare parts. Breakdown of net revenues for both the products of the Company is as follows:

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|-------------|--------------------------------------|--------------------------------------|
| Motorcycles | 41,690,121 | 41,310,283 |
| Spare parts | 4,082,056 | 3,168,430 |
| | <u>45,772,177</u> | <u>44,478,713</u> |

- 38.2** Export sales are made to Sri Lanka, Afghanistan and Bangladesh. Result of the Company's revenue from external customers in Pakistan is Rs.45,310,017 thousand (2014: Rs.44,136,173 thousand) and total revenue from external customers from other countries is Rs.462,160 thousand (2014: Rs.342,540 thousand).
- 38.3** All the non-current assets of the Company are located in Pakistan.
- 38.4** The Company's customer base is diverse with no single customer accounting for more than 10% of net revenue.

39. Plant Capacity and Actual Production

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

40. Number of Employees

The number of employees as at March 31, 2015 were 1,553 (2014: 1,590). Average number of employees during the year were 1,572 (2014: 1,538).

41. Provident Fund Related Disclosure

The Company operates defined contribution provident fund (the Fund) for its permanent employees. Equal monthly contributions at the rate of 11% of the basic salary are made to the Fund both by the Company and the employees. The following information is based on un-audited financial statements of the Fund for the year ended March 31, 2015:

| | 2015 ----- (Rupees in '000) ----- | 2014 ----- (Rupees in '000) ----- |
|---------------------------------|--------------------------------------|--------------------------------------|
| Size of the Fund - Total assets | 859,193 | 847,710 |
| Fair value of investments | 833,024 | 825,148 |
| Percentage of investments made | 96.95% | 97.34% |

- 41.1** The cost of above investments amounted to Rs.749,833 thousand (2014: Rs.742,292 thousand).

- 41.2** The break-up of fair value of investments is as follow:

| | 2015 --- Percentage --- | 2014 | 2015 --- Rupees in '000 --- | 2014 |
|------------------------------------|----------------------------|-------|--------------------------------|---------|
| Debt securities | 8.69 | 11.00 | 74,633 | 93,265 |
| Government securities | 53.15 | 53.44 | 456,667 | 453,037 |
| Mutual funds securities | 33.17 | 31.83 | 285,014 | 269,806 |
| Special accounts in schedule banks | 1.94 | 1.07 | 16,710 | 9,040 |

- 41.3** The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

42. Event after Reporting Period

The Board of Directors, in their meeting held on April 30, 2015, (i) approved the transfer of Rs.830,000 thousand (2014: Rs.630,000 thousand) from unappropriated profit to general reserve and (ii) proposed a final cash dividend of Rs.12 (2014: Rs.10) per share amounting to Rs.1,240,879 thousand (2014: Rs.1,034,066 thousand) for approval of the members at the Annual General Meeting to be held on June 16, 2015.

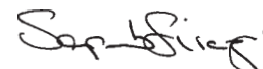
The financial statements for the year ended March 31, 2015 do not include the effect of the proposed appropriations, which will be accounted for in the financial statements for year ending March 31, 2016.

43. Date of Authorization for Issue

These financial statements were authorised for issue on April 30, 2015 by the Board of Directors of the Company.



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer

Pattern of Shareholding As at March 31, 2015

| Shareholders' Category | Number of Shareholders | Number of Shares held | Percentage |
|---|------------------------|-----------------------|----------------|
| Associated Companies, Undertakings and Related Parties | | | |
| Atlas Insurance Limited | 1 | 2,931,728 | 2.84% |
| Honda Motor Company Limited | 1 | 36,192,315 | 35.00% |
| Shirazi Investments (Pvt.) Limited | 1 | 25,265,858 | 24.43% |
| Shirazi Capital (Pvt.) Limited | 1 | 25,359,715 | 24.52% |
| Shirazi (Pvt.) Limited | 1 | 3,595,120 | 3.48% |
| | 5 | 93,344,736 | 90.27% |
| NIT and ICP: | | | |
| National Bank of Pakistan Trustee Department | 1 | 25,531 | 0.02% |
| IDBP (ICP Unit) | 1 | 762 | 0.00% |
| | 2 | 26,293 | 0.03% |
| Directors, CEO and their Spouses and Minor Children and Associates | | | |
| Mr. Yusuf H. Shirazi & Associates | 3 | 3 | 0.00% |
| Mr. Saqib H. Shirazi (CEO) | 1 | 1 | 0.00% |
| Mr. Sanaullah Qureshi | 1 | 400 | 0.00% |
| Mr. Kazuhisa Hirota | 1 | 1 | 0.00% |
| Mr. Hiromitsu Takasaki | 1 | 1 | 0.00% |
| Mr. Hisao Kobayashi (Now in the name of Mr. Yasutaka Uda) | 1 | 1 | 0.00% |
| Mr. Abid Naqvi | 1 | 501 | 0.00% |
| Mr. Jawaid Iqbal Ahmed | 1 | 1 | 0.00% |
| | 10 | 909 | 0.00% |
| Executives | | - | 0.00% |
| Public Sector Companies and Corporations | | - | 0.00% |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds | 7 | 578,217 | 0.56% |
| Individuals | 1,368 | 9,260,671 | 8.96% |
| Others | 29 | 195,787 | 0.19% |
| Total | 1,421 | 103,406,613 | 100.00% |
| Shareholders Holding 10% or More Voting Interest | | | |
| Honda Motor Company Limited, Japan | | 36,192,315 | 35.00 |
| Shirazi Investments (Pvt.) Limited | | 25,265,858 | 24.43 |
| Shirazi Capital (Pvt.) Limited | | 25,359,715 | 24.52 |

Details of Trading in the Shares of the Company by Directors, their Spouses and Minor children

| Name | Number of Shares Purchased |
|----------------|----------------------------|
| Mr. Abid Naqvi | 2,000 |

Pattern of Shareholding As at March 31, 2015

| Number of Shareholders | Shareholdings | | | | Total Shares Held |
|------------------------|---------------|------------|----|------------|--------------------|
| 127 | From | 1 | To | 100 | 4,605 |
| 281 | From | 101 | To | 500 | 53,267 |
| 185 | From | 501 | To | 1,000 | 82,368 |
| 601 | From | 1,001 | To | 5,000 | 738,669 |
| 85 | From | 5,001 | To | 10,000 | 628,310 |
| 40 | From | 10,001 | To | 15,000 | 526,610 |
| 24 | From | 15,001 | To | 20,000 | 424,963 |
| 8 | From | 20,001 | To | 25,000 | 170,137 |
| 11 | From | 25,001 | To | 30,000 | 295,706 |
| 6 | From | 30,001 | To | 35,000 | 191,833 |
| 2 | From | 35,001 | To | 40,000 | 76,931 |
| 5 | From | 40,001 | To | 45,000 | 216,602 |
| 5 | From | 45,001 | To | 50,000 | 229,752 |
| 1 | From | 55,001 | To | 60,000 | 55,126 |
| 2 | From | 65,001 | To | 70,000 | 134,423 |
| 2 | From | 70,001 | To | 75,000 | 141,662 |
| 2 | From | 75,001 | To | 80,000 | 155,503 |
| 2 | From | 80,001 | To | 85,000 | 163,893 |
| 2 | From | 85,001 | To | 90,000 | 173,374 |
| 2 | From | 90,001 | To | 95,000 | 184,551 |
| 2 | From | 95,001 | To | 100,000 | 195,751 |
| 2 | From | 110,001 | To | 115,000 | 227,696 |
| 2 | From | 120,001 | To | 125,000 | 244,698 |
| 2 | From | 125,001 | To | 130,000 | 254,154 |
| 1 | From | 135,001 | To | 140,000 | 137,000 |
| 1 | From | 150,001 | To | 155,000 | 151,715 |
| 1 | From | 155,001 | To | 160,000 | 156,961 |
| 1 | From | 160,001 | To | 165,000 | 162,011 |
| 2 | From | 175,001 | To | 180,000 | 356,841 |
| 1 | From | 215,001 | To | 220,000 | 218,625 |
| 1 | From | 225,001 | To | 230,000 | 227,627 |
| 2 | From | 245,001 | To | 250,000 | 490,956 |
| 1 | From | 275,001 | To | 280,000 | 277,566 |
| 1 | From | 330,001 | To | 335,000 | 330,750 |
| 1 | From | 460,001 | To | 465,000 | 461,500 |
| 1 | From | 490,001 | To | 495,000 | 491,833 |
| 1 | From | 1,000,001 | To | 1,005,000 | 1,027,908 |
| 1 | From | 2,930,001 | To | 2,935,000 | 2,931,728 |
| 1 | From | 3,595,001 | To | 3,600,000 | 3,595,120 |
| 1 | From | 25,265,001 | To | 25,270,000 | 25,265,858 |
| 1 | From | 25,355,001 | To | 25,360,000 | 25,359,715 |
| 1 | From | 36,190,001 | To | 36,195,000 | 36,192,315 |
| 1,421 | | | | | 103,406,613 |

Pattern of Shareholding As at March 31, 2015

| Shareholders' Category | Number of Shareholders | Number of Shares held | Percentage |
|--|------------------------|-----------------------|---------------|
| Directors, CEO, their spouses, minor children and associates | 10 | 909 | 0.00 |
| * Associated companies, undertakings and related parties | 5 | 93,344,736 | 90.27 |
| NIT and ICP | 2 | 26,293 | 0.03 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds | 7 | 578,217 | 0.56 |
| General Public | | | |
| Local | 1368 | 9,260,671 | 8.96 |
| Foreign | - | - | - |
| Others | | | |
| Joint Stock Companies | 27 | 194,815 | 0.19 |
| Cooperative Society | 1 | 971 | 0.00 |
| Trustee of Iftikhar Shirazi Family Trust | 1 | 1 | 0.00 |
| | 1421 | 103,406,613 | 100.00 |

* Note: Includes the following associated companies:

Atlas Insurance Limited: 2,931,728 shares,

Honda Motor Company Limited, Japan: 36,192,315 shares,

Shirazi Investments (Pvt.) Limited: 25,265,858 shares,

Shirazi Capital (Pvt.) Limited: 25,359,715 shares,

Shirazi (Pvt.) Limited: 3,595,120 shares.

Atlas Group Companies

| | <i>Year of Establishment / Acquisition*</i> |
|--|---|
|  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 Autos | 2011 |
|  Atlas Hitec | 2012 |
|  Atlas Metals | 2012 |

Glossary of Terms

| Acronym | Description | Acronym | Description |
|---------|--|---------|--|
| ACCA | Association of Chartered Certified Accountants | ICAP | Institute of Chartered Accountants of Pakistan |
| AGM | Annual General Meeting | ICMAP | Institute of Cost Management Accountants of Pakistan |
| AHL | Atlas Honda Limited | IFAC | International Federation of Accountants |
| AHTL | Atlas Hitec (Private) Limited | IFAS | Islamic Financial Accounting Standards |
| AMP | Advance Management Program | IFRS | International Financial Reporting Standards |
| ATL | Active Tax-payers List | ISO | International Standardization Organization |
| B2B | Business to Business | KSE | Karachi Stock Exchange |
| BOD | Board of Director | LLB | Bachelor of Law |
| CAGR | Compounded Annual Growth Rate | LNG | Liquefied Natural Gas |
| CCG | Code of Corporate Governance | LTD | Limited |
| CDC | Central Depository Company of Pakistan Limited | LSE | Lahore Stock Exchange |
| CEO | Chief Executive Officer | LSM | Large Scale Manufacturing |
| CFO | Chief Financial Officer | MOU | Memorandum of Understanding |
| CKD | Completely Knocked Down | NAV | Net Asset Value |
| CNIC | Computerized National Identity Card | NBFI | Non-Banking Finance Institutions |
| COO | Chief Operating Officer | NHC | New Honda Circle |
| CSR | Corporate Social Responsibility | PBT | Profit Before Taxation |
| DFI | Development Finance Institutions | PERAC | Public Employee Retirement Administration Commission |
| EOBI | Employee Old-Age Benefits Institution | RCSM | Risk and Counter Strategy Matrix |
| EPS | Earnings per Share | RMF | Risk Management Function |
| ERP | Entity Resource Planner- software | SAFA | South Asian Federation of Accountants |
| FBR | Federal Board of Revenue | SAP | Standard Application Protocol - ERP system |
| GAAP | Generally Accepted Accounting Principles | SECP | Securities and Exchange Commission of Pakistan |
| GDC | Gravity Die Casting | SRO | Statutory Regulatory Order |
| GDP | Gross Domestic Product | SSGC | Sui Southern Gas Company Limited |
| HPDC | High Pressure Die Casting | TDR | Term Deposit Receipt |
| IAS | International Accounting Standards | WWF | World Wildlife Fund |

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 51st Annual General Meeting of the Company to be held at the Registered Office of the Company at 1-Mcleod
Road, Lahore, on Tuesday, June 16, 2015 at 11:00 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2015
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 CNIC 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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