



ANNUAL REPORT
2001



Atlas Honda Limited

Organisation
development
through
self development



Atlas Honda Limited





Atlas Honda Limited

MISSION STATEMENT

To be a dynamic, profitable and growth oriented company through market leadership, excellence in quality and service adding value to the shares and maximizing exports. To give attractive return to business associates, share-holders as per their expectations and market value and employees according to their abilities and performance, and to be a good corporate citizen to fulfill its social responsibilities.



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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive Officer	Saquib H. Shirazi
Directors	Aamir H. Shirazi
	Firasat Ali (representing National Investment Trust Ltd.)
	Istaqbal Mehdi (representing National Investment Trust Ltd.)
	Motohide Sudo (representing Honda Motor Company Ltd.)
	Sanaullah Qureshi
	Sherali Mundrawala
	Takemi Ishikawa (representing Honda Motor Company Ltd.)
Company Secretary	Suhail Ahmed

GROUP EXECUTIVE COMMITTEE

Chairman	Aamir H. Shirazi
Members	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Saquib H. Shirazi
	Saleem Ahmed
Secretary	Theresa Dias

GROUP PERSONNEL COMMITTEE

Chairman	Yusuf H. Shirazi
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GROUP AUDIT COMMITTEE

Chairman	Sanaullah Qureshi
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COMPANY MANAGEMENT

Chief Executive Officer	Saquib H. Shirazi
Technical Director	Takemi Ishikawa
General Manager Marketing	Nurul Huda
General Manager Finance	Suhail Ahmed
General Manager Production	Amir Awan
General Manager Engineering	Sardar Akhtar Khan
General Manager Human Resources	Maqsood A. Basraa
General Manager IT	Mushtaq Alam
General Manager Logistics	Talha Saad



COMPANY INFORMATION

Auditors	Hameed Chaudhri & Co. Chartered Accountants
Legal Advisors	Mohsin Tayebaly & Co.
Tax Advisors	Mahmood Law Associates
Bankers	Credit Agricole Indosuez Deutsche Bank AG Emirates Bank International P.J.S.C. Habib Bank Limited Muslim Commercial Bank Limited National Bank of Pakistan The Bank of Tokyo-Mitsubishi Limited United Bank Limited
Lending Institutions	Atlas Investment Bank Limited Muslim Commercial Bank Limited Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited
Registered Office	1-McLeod Road, Lahore-54000 Tel : (92-42) 7225015-17, 7233515-17 Fax: (92-42) 7233518 Email: ahl@lhr.atlasgroup.pk
Factories	F-36, Estate Avenue, S.I.T.E., Karachi-75730 Tel: (92-21) 2575561-65 Fax: (92-21) 2563758 Email: ahl@ahlkhi.atlasgroup.pk 26-27 KM, Lahore-Sheikhupura Road, Sheikhupura-39321 Tel: (92-4931) 6655-57, (92-42) 7222222 Fax: (04931) 6563 Email: ahlskp@ahlhr.atlasgroup.pk
Branch Offices	Azmat Wasti Road, Multan Tel: (92-61) 540054, 540028, 571989 Fax: (92-61) 541690 Room 9, 2nd Floor, Sunny Plaza, Chandni Chowk, Murree Road, Rawalpindi. Tel: (92-51) 4418115, 4455328 Fax: (92-51) 4418115 Show Room West View Building, Preedy Street, Saddar, Karachi. Tel: (92-21) 7720833, 7727607
Spare Parts Division	F-36, Estate Avenue, S.I.T.E., Karachi-75730 Tel: (92-21) 2575561-65 Fax: (92-21) 2563758
Warranty & Training Centres	7-Pak Chambers, West Wharf Road, Karachi. Tel: (92-21) 2310142 28 Mozang Road, Lahore. Tel: (92-42) 6375360 Azmat Wasti Road, Multan. Tel: (92-61) 540028

NOTICE OF ANNUAL GENERAL MEETING

The Thirty-seventh Annual General Meeting of the company will be held on Thursday, 04 October 2001 at 10.30 a.m. at 1- Mcleod Road, Lahore to transact the following Business:

1. To confirm the Minutes of the Annual General Meeting held on 14 December 2000.
2. To receive and adopt the Audited Accounts of Atlas Honda Limited together with the Directors' and Auditors' reports for the year ended 30 June 2001.
- 3.a To consider and approve the Cash Dividend @ 40% and Bonus Shares issue @ 40% (Two bonus shares for every five shares held) for the year ended 30 June 2001 as recommended by the Board of Directors.
- 3.b To consider and if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:
 - (i) Resolved "that a sum of Rs. 58,390,904 out of company's profit be capitalized for issuing 5,839,090 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names stand in the register of members at the close of business on 26 September 2001 in the proportion of two shares for every five shares held by a member. The said shares shall rank pari passu with the existing shares of the company as regards future dividends, and all other respects."
 - (ii) Further resolved "that in the event of any member holding shares which are less than the number of which one bonus share is decided to be issued or in excess by exact multiple thereof the Directors be and are hereby authorized to combine them and to sell the bonus shares so combined in the stock market and to pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 1979."
 - (iii) Further resolved "that for the purpose of giving effect to the foregoing the Directors be and are hereby authorized to give such directions as may be necessary and as they deem fit to settle any question or any difficulties that may arise in the distribution of the new bonus shares in the payment of the sale proceeds of the fractions."
4. To appoint the Auditors for the year 2001 - 2002 and to fix their remuneration.
5. To transact such other ordinary business as may be placed before the meeting with the permission of the chair.

Special Business

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

RESOLVED "that the Authorized Capital of the company be and is hereby increased from Rs. 200,000,000/- (Rupees two hundred million) divided into 20,000,000 ordinary shares of Rs. 10/- each to Rs. 400,000,000/- (Rupees four hundred million) divided into 40,000,000 ordinary shares of Rs. 10/- each."

FURTHER RESOLVED "that figures and words Rs. 200,000,000/- (Rupees two hundred million) divided into 20,000,000 ordinary shares of Rs. 10/- each appearing in the Clause V of the Memorandum of Association and



in Article 6 of the Article of Association of the company to read as Rs. 400,000,000 (Rupees four hundred million) divided into 40,000,000 ordinary shares of Rs. 10/- each to reflect the change for the increase in the Authorized Capital."

BY ORDER OF THE BOARD

Lahore: 12 September, 2001

SECRETARY

N.B. Shareholders are requested to take note of the following:

BOOK CLOSURE:

1. The share transfer book of the company will be closed from 27 September 2001 to 04 October 2001 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the company not less than 48 hours before the time appointed for the meeting.
3. No person shall act as proxy unless he is member of the Company.
4. Signature of the shareholder on Proxy Application must agree with the specimen signature registered with the Company. Appropriate revenue stamp should be affixed on the Proxy Application.
5. For the convenience of the shareholder a Proxy Application format is attached with this report.
6. Shareholders are requested to immediately notify the company of any change in their addresses.
7. Any individual Beneficial Owner of the Central Depository Company, entitle to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representative of corporate members should bring the usual documents required for such purpose.

Statement under Section 160(1)(b) of the Companies Ordinance, 1984

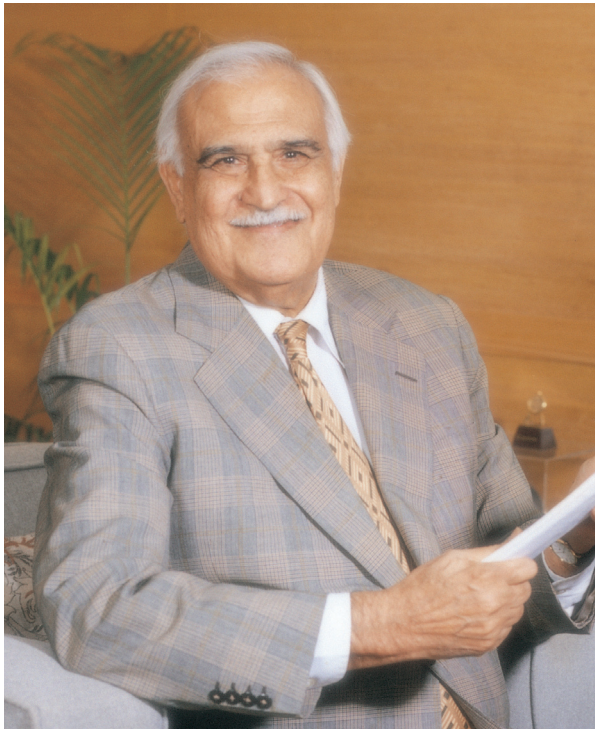
It has been decided by the Board of Directors to increase the Authorized Capital of the Company. The purpose to increase the Authorized Capital is to provide opportunities for the growth in the company's business in order to increase the profitability and returns to shareholders.

TEN YEARS GROWTH AT A GLANCE

(Rupees in million)

Years	2001	2000	1999	1998	1997	1996	1995*	1994	1993	1992
Sales	4704.5	3,397.5	3,424.9	3,423.5	3,498.1	3,092.5	2,139.7	1,836.5	1,940.2	1,655.5
Gross Profit	458.4	352.9	396.8	424.5	396.8	338.4	160.7	176.8	151.3	141.2
Profit Before Tax	202.9	101.9	180.9	190.9	188.6	176.1	31.4	18.7	17.7	7.9
Profit After Tax	117.8	60.2	123.4	125.6	124.9	101.5	20.6	11.5	13.4	(0.4)
Share Capital	145.9	145.9	145.9	145.9	132.7	120.6	120.6	120.6	109.7	109.7
Share Holders' Equity	644.4	585.0	554.0	481.7	392.6	287.5	204.2	211.9	200.5	187.1
Fixed Assets - Net	450.6	490.3	366.7	379.4	374.9	270.8	289.2	296.7	319.5	340.7
Total Assets	1487.2	1,491.3	1,225.2	1,537.9	1,208.5	1,039.7	788.3	757.2	852.6	833.7
Dividend										
Cash	40%	20%	35%	25%	15%	15%	15%	-	-	-
Stock	40%	-	-	-	10%	10%	-	-	10%	-
Ratios:										
Profitability (%)										
Gross Profit	9.7%	10.4%	11.6%	12.4%	11.3%	10.9%	7.5%	9.6%	7.8%	8.5%
Profit Before Tax	4.3%	3.0%	5.3%	5.6%	5.4%	5.7%	1.5%	1.0%	0.9%	0.5%
Profit After Tax	2.5%	1.8%	3.6%	3.7%	3.6%	3.3%	1.0%	0.6%	0.7%	-
Return To Shareholders										
R.O.E.-Before Tax	31.5%	17.4%	32.7%	39.6%	48.0%	61.3%	15.4%	8.8%	8.8%	4.2%
R.O.E.-After Tax	18.3%	10.3%	22.3%	26.1%	31.8%	35.3%	10.1%	5.4%	6.7%	(0.2%)
E.P. S.-After Tax (Rs.)	8.07	4.12	8.45	8.60	9.41	8.41	1.71	0.95	1.22	(0.04)
Activity										
Sales To Total Assets	3.16	2.28	2.80	2.23	2.89	2.97	2.71	2.43	2.28	1.99
Sales To Fixed Assets	10.44	6.93	9.34	9.02	9.33	11.42	7.40	6.19	6.07	4.86
Liquidity/ Leverage										
Current Ratio	1.48	1.45	1.64	1.31	1.21	1.10	1.01	1.05	1.06	0.98
Break up value per share	44.14	40.07	37.95	33.00	29.58	23.83	16.92	17.57	18.28	17.06
Long Term Debts To Equity (Times)	0.13	0.25	0.19	0.30	0.26	0.17	0.38	0.44	0.66	0.65
Total Liabilities To Equity (Times)	1.31	1.43	1.21	2.19	2.08	2.62	2.86	2.57	3.25	3.46

* Annualized



CHAIRMAN'S REVIEW

It is my pleasure to present to you the 37th Annual Report and Review of the performance of your Company for the year ended 30 June 2001.

THE ECONOMY

Pakistan's growth performance during the fiscal year 2000-01 suffered from an unprecedented drought. The situation not only worsened but engulfed the entire country causing serious damage to agriculture and the overall economic growth.

GDP was targeted to grow by 4.5% with agriculture and manufacturing sharing 2.6% and 5.9% respectively. Real growth was, however, around 3%. Major contribution to GDP growth was by the manufacturing sector particularly the automobile and textile sectors. The greatest set back came from the agriculture sector which

declined to negative 0.7%. Consequently, the value added in agriculture also registered a decline of 2.5% as against growth of 6.1% last year. Major crops like cotton, wheat, sugarcane, and rice also witnessed decline in production by 10.5%. Since agriculture, electricity and gas distribution account for almost 30% of GDP, any significant decline in these sectors heavily affects the overall GDP growth. A positive achievement of the outgoing year, however, has been the lower than targeted inflation rate of 4.7% against the targeted rate of 6%. Another significant achievement of the year was the sharp reduction in the overall fiscal deficit of 5.3% or Rs.185.7 billion. This is the lowest fiscal deficit over the last decade.

The persistence of large fiscal deficit associated with the build up of public debt has been the major source of macroeconomic imbalance in Pakistan. This legacy is attributed to a host of factors, chiefly leakage in revenue collection and widespread financial indiscipline with ineffective accountability. Frequent changes in the monetary & fiscal policies have created imbalances. Growing debt servicing over the years has also made the fiscal adjustment more difficult. Pakistan's public debt burden of Rs.3,198 billion is much higher than that of many developed and developing countries. However, with the government's multi-dimensional approach, one can hopefully look forward to better results!

IMF's acceptance of economic measures taken by the Government is no less an achievement, which facilitated another round of external debt rescheduling. The approval of the third tranche of US\$ 133 million by IMF under the standby facility agreement also adds support to the lenders' confidence and growing satisfaction with the country's economic measures and their viability. Also the government's emphasis on the export target of US\$ 10.66 billion, an increase of 3.4% over last year's US\$ 10.31 billion will certainly help reduce the trade deficit of US\$ 1.52 billion.



In order to promote investment and achieve sustainable growth, the need of the poor is a stable macroeconomic environment where the key elements include low inflation, sustainable budget deficit, realistic exchange rates, appropriate real interest rates and consistency in economic, fiscal and other related policies.

MARKETING OVERVIEW

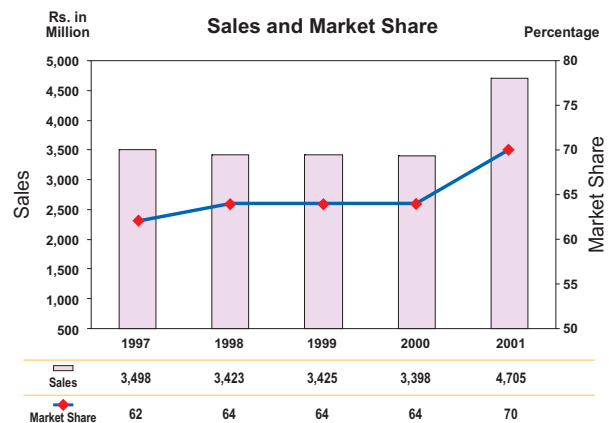
During the year the economy picked up with an appreciable liquidity in the market. Last year's wheat crop was supported with better prices offered by the government to the growers. This improved the liquidity available to the motorcycle customers during the first quarter of the current financial year. As a result, your company was able to generate 25% more sales compared to the first quarter of the previous financial year. This growth in sales helped your company to absorb the effect of massive devaluation and to pass on a minimum possible price increase to the end-users.

Marketing activities of your company remained effective, encashing fully the increased liquidity available in the market. One of the most successful and timely activities was the CD70 MMC launch in October 2000. The latest version of the CD70 model proved to be successful, with the changed modifications meeting the needs and aspirations of the customer. As a result, your company was able to adhere 80% more sales in the second quarter and 30% more sales in the third quarter over the corresponding period last year. However, the fourth quarter was affected due to the water crisis and the low-level purchase of the available wheat stock at the pre-announced government support price.

Another major activity carried out during the year was the Dealers Convention. These were held at Karachi, Lahore & Multan simultaneously. The uniqueness of these conventions were very important. Your company's new Chief Executive Officer, who was introduced at these conferences to dealers, outlined the future vision

of the company with regard to the potential of the motorcycle business in the coming years. The top management made many more market visits than usual, befitting the changing situation. This not only led to a closer personal interaction with dealers but also provided an opportunity of sharing views on the country's economic situation. It also served as a source of motivation for the dealers as well as attaining customer feed back for the company's marketing strategies. With all these efforts, your company was able to generate the highest ever sales of more than 78,000 units, which accounts for 33% growth over last year, an all time record of Atlas Honda sales.

In the market, your company faced competition from both Japanese and Chinese brands of motorcycles. Keeping in view the consistent success of our 4-stroke product, one Japanese competitor, who is involved in 2-stroke technology launched a 4-stroke 110cc motorcycle. The other competitors also introduced various sales promotional schemes for customers. Market size on the whole grew to 115,000 units as compared to last year's 86,959 units. In the growing market, your company achieved a land mark by growing its market share from 64% to 70%, which reflects the confidence of customers in Atlas Honda motorcycles. It also reflects the continued success of the marketing policies of your management.



This continued success of your company has always been due to its edge in terms of policies - product,



quality and price. Your company has always been the “trend setter” for the industry. In this respect, your company introduced a new concept of the "5S" dealership i.e. Sales, Service, Spare Parts, Second hand motorcycle Exchange & Special (Credit) sales - all under one roof. Particularly, this new concept is aimed at increasing the over-all market size of the industry.

To attain “Customer Satisfaction” and building confidence, your company had direct interaction with over 5000 Honda users by launching “Customer Education Programme” which is the first of its kinds. To impart technical know-how and update knowledge about the product, your company conducted Training Programmes for service dealers and general mechanics. Factory visits for service dealers and general mechanics were also arranged to show quality measures taken at different stages of production. Free check-up camps were held to increase customers' confidence in the company and its dealers. Warranty facility has been extended to many new towns and the number of antenna dealers has also been increased.

The spare parts business has become more active in line with the increase in the sales of motorcycles. Your company launched indigenized motorcycle pistons in collaboration with Allwin Engineering Industries Limited, a sister company engaged in part making, which were highly accepted by Honda users due to their quality and competitive price.

INDIGENIZATION

Atlas Honda has maintained its leadership in the area of transfer of technology. The company successfully ensured speedy transfer of intellectual property rights from well known Japanese companies like Toyo Denso (and Uehara Nameplate) for indigenization of Switch Assembly Light and Switch Assembly Winker, and Uehara Nameplate for gold plated emblems. The project of Switch Assemblies has been completed on line within

the original plan of cost of Rs.34 million through the establishment of in-house manufacturing facilities at the Karachi plant, whereas technology for emblems production has been transferred to the local vendor. The planned deletion target i.e. 4.4002% in CD70 and 2.0659% in CG125 was successfully achieved including development of Forgings Crankshaft R/L CD70 & CG125 through the locally available technology. The company plans to continue to indigenize hi-tech components like CDI, drum assembly gear shift, and shock absorbers' components through transfer of know-how from Japanese companies i.e. Shindengen, Assumitech, and Showa Corporation. Spindle Assembly Gear Shift and other components shall be produced through the refinement of local technology. The company also plans to manufacture Cylinder Head CD70 & CG125, a key component of 4-stroke technology, through the establishment of in-house manufacturing facilities at an overall cost of Rs.150 million. A MOU has already been signed between Honda Motor Company Japan and Atlas Honda Limited Pakistan. Machines & equipments shall be available in April 2002 at site for installation, commissioning, and testing for the subsequent mass production in June 2002.

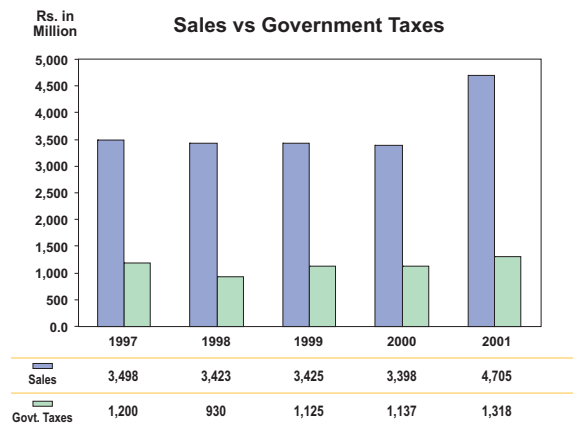
COMPANY OPERATIONS

The Sales revenue for the year increased to Rs.4.7 billion in the current year compared to Rs.3.4 billion from last year, up 38.5%. The profit before tax increased to Rs.202.9 million as against Rs.101.9 million of the previous year. The gross profit was down to 9.74% against 10.38%. The main reason for the decrease in gross profit was 23% depreciation of rupee during the year. The total cost-push was not passed onto the customer in order not to curtail market growth. As a result, this year the market size expanded by 32%.

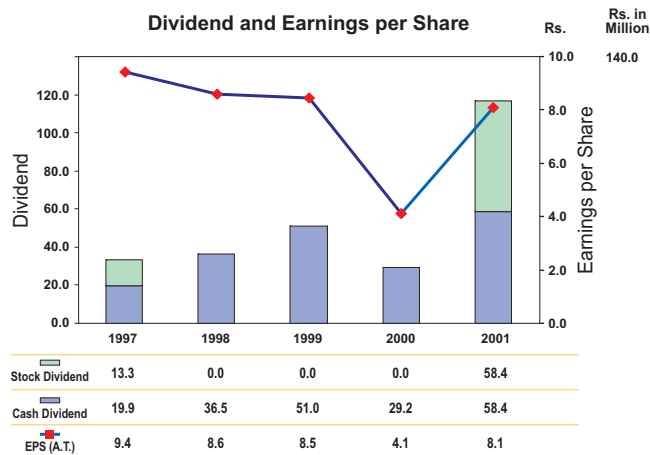
The operating expenses increased by 18.4% to Rs.235.6 million. Major investment was made in sales promotion. As a result, the market share improved from 64% to

70%. Financial expenses were Rs.44.5 million as compared to Rs.57.7 million of the previous year. Other income also reflected a healthy increase to Rs.40.4 million as against Rs.16.0 million of last year, with the main component being investment income of Rs.37.1 million.

Your Company paid taxes amounting to Rs.1,318 billion on account of sales tax, income tax and custom duties as against Rs.1,138 billion of last year.

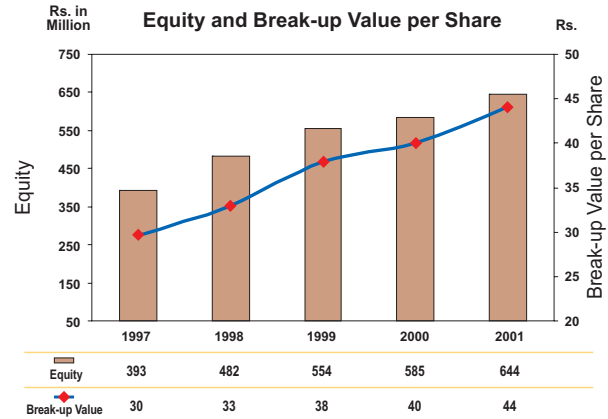


Your Company achieved a return on equity of 18.27% and an after tax earnings per share of Rs.8.07.



The equity of your company stood at Rs.644.4 million, including reserves amounting to Rs.498.4 million, reflecting a sound financial position. Debt equity ratio was 12:88. Liquidity remained positive with the cash balance

aggregating to Rs.159.3 million. Liquidity ratio of your company improved to 1:1.48.



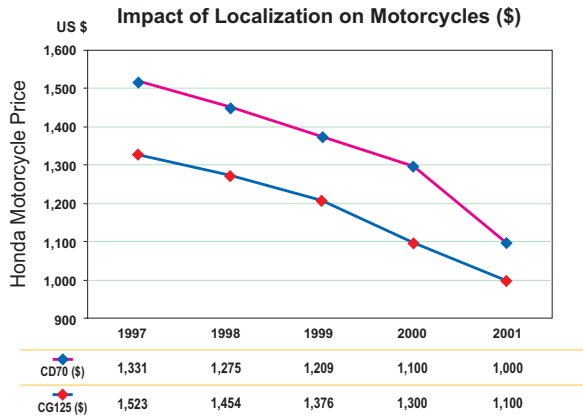
EXPORT

Your company has been able to increase its export. Both CD70 & CG125 models were exported mainly to Bangladesh and now regular exports are also being made to Sri Lanka and Nepal. This is also one of your company's contributions towards strengthening the economy of Pakistan.

WORLD TRADE ORGANIZATION

Agreement on Trade Related Investment Measures – TRIMs - has come into focus and the WTO in its recent decision has granted a two years extension after expiry of the transitional period allowed to the developing countries including Pakistan. With a view to further liberalize trade, the WTO Trade body has asked the government to submit a response to TRIMs, if further extension is desired by any member country. The Government of Pakistan is working out a strategy to protect the industry's interests. Your company's view is that localization measures are in the interest of manufacturing. Since the motorcycle industry has already achieved 82% deletion, the government should negotiate to keep the motorcycle industry outside the orbit of the WTO.

The Industry is also of the view that in our situation the automotive sector does not come under the purview of this agreement and, even if it is applicable, another seven years' extension is necessary to further boost and protect the local automotive industry. The Government of Pakistan should, therefore, proceed and represent their case for seeking at least a 7-year extension since similar exemptions and extensions have been allowed to other countries as well. In the larger interest of the country, it is necessary to protect the huge investment and employment in this sector. As a developing country Pakistan has severe balance of payment problem and thus richly deserves the support.



It will be pertinent to note that contrary to the practices in other countries, the private sector was neither associated with nor taken into confidence before signing this agreement of highly significant consequences. In fact, even after signing the agreement, the Government induced and pursued the policies of further investment by the automotive sector through its indigenization programme. If the current indigenization policy is phased out, it will have far reaching effects on investment and employment opportunities:

عِزُّ تَرَّةِ سَائِمِنِ آسْمَاں اَوْر مَجْہِی ہِیْن
(There is a world, beyond this world!)

HUMAN RESOURCE

The Management Committee was reconstituted and four

new General Managers were inducted. Mr. Talha Saad was promoted as General Manager Logistics, a new department to deal with commercial, procurement and material movement. The new department will integrate the functions of the total supply chain and make it more effective and efficient. Mr. Suhail Ahmed was promoted as General Manager Finance. He is a home grown executive and has been with the company for the last 21 years. Mr. Maqsood A. Basraa was transferred from Honda Atlas Cars (Pakistan) Limited to Atlas Honda Limited as General Manager Human Resource & Administration. Keeping in view the new vision in e-commerce, a new IT Department was established and Mr. Mushtaq Alam was appointed as General Manager Information Technology. He has 30 years experience in this field and was previously working with a major multinational company. The Managing Committee now has General Managers for seven major functions.

During the year, the Charter of Demands at Sheikhpura was settled. Increased working hours have been negotiated and this has resulted in increased capacity and productivity. A Family Day was organized at SKP Plant on 23rd March, which was attended by the families of the associates. A special recognition was given to those associates with long service in the company.

Ala Mayar activities both at Company and Vendor continued and 50 circles at both plants and 30 circles at vendors' were in action. This year, your company, jointly with Honda Atlas Cars & Honda Atlas Power Product, is hosting the NHC Asia-Oceania Bloc Quality Circles Convention 2001. 250 participants from 11 countries will join the convention resulting in a great opportunity for all to learn from each other.

Additionally, during the year, two Vendors' Seminars were held at both plants, which were well attended and gave an opportunity to all the valued parts' manufacturers to understand the Atlas Group vision.

TRAINING AND DEVELOPMENT

The current number of employees stands at 762, reduced from 792 at the start of the year. 7 employees were sent abroad for training. 27 associates attended training programs at technical and professional institutes. This was in addition to in-house courses, which were for all levels of management staff. Hay system was introduced in your company, which will be a fair base for future growth of the company and the employees in many respects. A competitive and just culture is under focus.

FUTURE OUTLOOK

Your company has been consistently maintained good performance year after year. Despite the recent drought, which badly affected the agriculture and consequently the overall economy, it was commendable that your company achieved a growth of 33% in sales this year. Likewise the market share was increased from 64% to 70%.

These achievements have been despite constraints from all around, chiefly the ever increasing market competition, cost constraints arising from the inflationary market pressure, and progressive devaluation of rupee aggregating to 23% during the last year alone. However, having journeyed successfully through a difficult year, your company's management looks forward to the future outlook with a greater optimism.

The recent rains will contribute in boosting the agriculture which should increase the purchasing power of the customers, resulting in the expansion of market and sales. Government's recent announcement of support price for cotton, and the projection of cotton crop as a bumper crop, will certainly contribute to the market liquidity. Added to this would be the Hire-Purchase Scheme for motorcycles which has been introduced in collaboration with selected Leasing Companies, as a good avenue for expansion of sales. The attraction

under this scheme would be the facility of repayment in installments. Accordingly, our major thrust this year would be on the volume growth backed by quality, post-sales service and spare parts availability with ease and convenience specially in rural areas. Measures for motivation of dealers is also expected to greatly contribute to the expansion of the business and profitability.

Your company has continuous plans to invest in localization. During the forthcoming year, an investment of Rs.150.0 million in cylinder head project will be initiated. The working on Cam Shaft and Connection Rod project is under progress. Your Company is determined to continue with its policy of localization in order to continue providing affordable products for the customers. I am thus confident that despite constraints, your company's management is fully geared to tackle the situation.

ACKNOWLEDGEMENT

Mr. Saquib H. Shirazi took over as Chief Executive Officer of your Company in August last year. Under his leadership, his team achieved record sales, profit and earning per share. They also achieved the prescribed deletion targets for the year. I am sure he will lead the company to new horizons with the help of the ever dedicated workers and a competent management team.

I thank Honda Motor Company for their continued help, among others, in supporting localization, and procurement of machinery & equipment for the Cylinder Head project this year. I also thank our Bankers, Shareholders, Board of Directors, Group Executive Committee, Associates, Vendors, and Customers for their support at all times.

Yusuf H. Shirazi



DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their report together with the Audited Accounts and Auditors' Report thereon for the year ended 30 June 2001.

FINANCIAL RESULTS

The financial results of your Company for the year ended 30 June 2001 under review are summarized as follows:

	(Rupees in 000's)	
	2001	2000
Profit before taxation	202,890	101,905
Taxation:		
Current	83,500	28,000
Prior year	(3,387)	6,723
Deferred	5,000	7,000
	<u>85,113</u>	<u>41,723</u>
Profit after taxation	117,777	60,182
Unappropriated profit brought forward	<u>609</u>	<u>622</u>
Available for appropriation	118,386	60,804
Appropriation:		
Cash dividend 40% (2000: 20%)	58,391	29,195
Reserve for issue of bonus shares	58,391	-
Transfer to general reserve	-	31,000
	<u>116,782</u>	<u>60,195</u>
Unappropriated profit carried forward	<u>1,604</u>	<u>609</u>

DIVIDEND

Directors propose cash dividend at the rate of 40% and Bonus shares issue at the rate of 40% (two bonus shares for every five shares held).

CHAIRMAN'S REVIEW

The review included in the Annual Report deals inter alia with the performance of the company for the year ended 30 June 2001 and future prospects. The Directors endorse the contents of the review.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the company is annexed.

AUDITORS

The present Auditors M/s. Hameed Chaudhri & Co., retire and being eligible, offer themselves for reappointment.

For and on behalf of the
BOARD OF DIRECTORS

SAQUIB H. SHIRAZI
Chief Executive Officer

Karachi: 22 August 2001

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ATLAS HONDA LIMITED as at 30 June 2001 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 ended and we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the Balance Sheet and the 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 accounts and are further in accordance with accounting policies consistently applied except for the change in accounting policy as disclosed in note 2.03, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of Company's business; and
 - (iii) the business conducted, investments made and the expenditures 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 30 June 2001 and of the Profit, its Cash Flows and Changes in Equity for the year ended; and
- (d) in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: 22 August 2001

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS



BALANCE SHEET

		(Rupees in 000's)	
	Note	2001	2000
Share Capital			
Authorised capital 20,000,000 Ordinary Shares of Rs. 10/- each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed & paidup capital	3	145,977	145,977
Reserves & Unappropriated Profit			
Reserves	4	496,809	438,418
Unappropriated profit		1,604	609
		<u>498,413</u>	<u>439,027</u>
Shareholder's equity		<u>644,390</u>	<u>585,004</u>
Redeemable Capital	5	24,788	46,242
Long Term Loan	6	60,274	80,366
Supplier's Credit	7	-	20,931
Obligation Under Finance Lease	8	-	-
Deferred Liabilities			
Staff gratuity	9	22,672	17,129
Deferred taxation	10	49,000	44,000
		<u>71,672</u>	<u>61,129</u>
Current Liabilities			
Short term loans	11	-	109,281
Current maturity of long term liabilities	12	62,477	60,389
Creditors, provisions, accrued charges & other liabilities	13	476,420	393,882
Taxation	14	85,500	30,000
Dividend	15	61,694	32,127
		<u>686,091</u>	<u>625,679</u>
Contingent Liabilities & Commitments	16	<u>1,487,215</u>	<u>1,419,351</u>

The annexed notes form an integral part of the accounts.

AS AT 30 JUNE 2001

	Note	(Rupees in 000's)	
		2001	2000
Fixed Capital Expenditure			
Operating fixed assets	17	449,652	490,269
Capital work-in-progress		987	-
Deferred Cost	18	1,303	-
Investments	19	4,130	5,863
Long Term Loans, Deposits & Prepayments	20	16,968	10,055
Current Assets			
Stores	21	33,042	33,378
Stocks	22	536,031	410,074
Trade debtors	23	42,781	39,673
Advances, deposits, prepayments & loans	24	242,996	177,360
Cash & bank balances	25	159,325	252,679
		1,014,175	913,164
		1,487,215	1,419,351

These financial statements have been approved by the Board of Directors on 22 August 2001 and signed on its behalf by the following:

Sherali Mundrawala
Director

Saquib H. Shirazi
Chief Executive Officer

Yusuf H. Shirazi
Chairman



PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2001

		(Rupees in 000's)	
	Note	2001	2000
Sales	26	4,704,528	3,397,441
Cost of sales	27	<u>4,246,111</u>	<u>3,044,539</u>
Gross profit		458,417	352,902
Operating Expenses			
Administrative	28	<u>108,898</u>	<u>98,161</u>
Selling & distribution	29	<u>126,725</u>	<u>100,774</u>
		235,623	198,935
Operating profit		<u>222,794</u>	<u>153,967</u>
Miscellaneous revenue	30	<u>40,385</u>	<u>16,036</u>
		263,179	170,003
Other Charges			
Financial expenses	31	<u>44,525</u>	<u>57,704</u>
Provision for diminution in value of investment		1,733	2,527
Workers' Profit Participation Fund		10,848	5,489
Workers' Welfare Fund		<u>3,183</u>	<u>2,378</u>
		60,289	68,098
Profit Before Tax		<u>202,890</u>	<u>101,905</u>
Taxation			
Current year	14	<u>83,500</u>	<u>28,000</u>
Prior years		(3,387)	6,723
Deferred		<u>5,000</u>	<u>7,000</u>
		85,113	41,723
Profit After Tax		<u>117,777</u>	<u>60,182</u>
Unappropriated Profit Brought Forward		<u>609</u>	<u>622</u>
		118,386	60,804
Appropriation:			
Transfer to general reserve		<u>-</u>	<u>31,000</u>
Transfer to reserve for issue of bonus share		58,391	-
Proposed dividend @ 40% (2000: 20%)		<u>58,391</u>	<u>29,195</u>
		116,782	60,195
Unappropriated profit carried forward		<u>1,604</u>	<u>609</u>
Basic Earnings Per Share	32	<u>8.07</u>	<u>4.12</u>

The annexed notes form an integral part of the accounts.

Sherali Mundrawala
Director

Saquib H. Shirazi
Chief Executive Officer

Yusuf H. Shirazi
Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2001

		(Rupees in 000's)	
	Note	2001	2000
Net cash inflow from operating activities	33	224,296	238,167
Return on investments and servicing of finance			
Mark-up/interest paid		(45,564)	(53,401)
Financial charges on leased assets		(57)	(305)
Mark-up/interest received on advances		-	152
Mark-up/interest received on deposits		38,891	14,848
Dividend received		376	602
Dividend paid		(28,824)	(50,164)
Net cash used in return on investments and servicing of finance		(35,178)	(88,268)
Taxation			
Taxes paid (including tax deducted at source)		(73,452)	(53,020)
Investing activities			
Fixed capital expenditure		(36,223)	(186,294)
Sale proceeds of fixed assets		8,010	5,025
Software development cost		(2,605)	-
		(30,818)	(181,269)
Net cash from / (used) before financing activities		84,848	(84,390)
Financing activities			
Long term loan (paid) / disbursed		(20,092)	100,458
(Decrease) / Increase in short term borrowings		(109,281)	108,678
Repayment of redeemable capital		(18,682)	(15,952)
Repayment of supplier's credit		(20,930)	(41,861)
Repayment of obligation under finance lease		(685)	(1,671)
(Decrease) / Increase in long term deposits		(8,532)	646
Net cash (used in) / from financing activities		(178,202)	150,298
(Decrease) / Increase in cash & cash equivalents	34	(93,354)	65,908

The annexed notes form an integral part of the accounts.

Sherali Mundrawala
Director

Saqib H. Shirazi
Chief Executive Officer

Yusuf H. Shirazi
Chairman

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

FOR THE YEAR ENDED 30 JUNE 2001

(Rupees in 000's)

	Share Capital	Share Premium	Gain on Sale of Land	Reserve for issue of bonus shares	General Reserve	Unappro- priated Profit	Total
Year ended 30 June 2000							
Balance as at 1 July 1999	145,977	39,953	165	-	367,300	622	554,017
Profit for the year	-	-	-	-	-	60,182	60,182
Dividend	-	-	-	-	-	(29,195)	(29,195)
Transferred during the year	-	-	-	-	31,000	(31,000)	-
Balance as at 30 June 2000	145,977	39,953	165	-	398,300	609	585,004
Year ended 30 June 2001							
Balance as at 1 July 2000	145,977	39,953	165	-	398,300	609	585,004
Profit for the year	-	-	-	-	-	117,777	117,777
Dividend	-	-	-	-	-	(58,391)	(58,391)
Reserve for issue of bonus shares	-	-	-	58,391	-	(58,391)	-
Balance as at 30 June 2001	145,977	39,953	165	58,391	398,300	1,604	644,390

The annexed notes form an integral part of the accounts.

Sherali Mundrawala
Director

Saquib H. Shirazi
Chief Executive Officer

Yusuf H. Shirazi
Chairman

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2001

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated as a public limited company on 16 October 1962 and its shares are quoted on Karachi and Lahore Stock Exchanges in Pakistan. The company is principally engaged in progressive manufacture and sales of motorcycles and parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.01 Basis of preparation

These accounts have been prepared in accordance with the provisions of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan. The principal accounting policies adopted remained unchanged from the corresponding year except as disclosed in note 2.03 and are set out below.

2.02 Accounting convention

These accounts have been prepared under historical cost convention, as modified by the exchange rate fluctuation as referred to in note 2.10.

2.03 Employees' Benefits

Defined Benefit Plan

The Company operates an unfunded gratuity scheme for its non-management staff and workers under Union Agreement.

Consequent to adoption of International Accounting Standard (IAS) 19, 'Employees Benefits' (revised 1998), the cost of providing benefits is determined using the 'Projected Unit Credit Method', with valuations carried out at balance sheet date by the company. Previously the valuation was based on provision made annually to cover the obligation in respect of eligible employees.

The 'Projected Unit Credit Method' is based on the following significant assumptions and is used for the aforementioned scheme:

- Discount rate	12.0% per annum
- Expected long-term rate of increase in salary levels	9.5% per annum

Valuations of the scheme was conducted by the company on 30th June 2001. The net liability of the company for employees benefits is Rs. 22.672 million. Had the policy of gratuity not been changed the profit of the company would have been higher by Rs. 4.391 million.

Defined Contribution Plan

The Company operates a recognized provident fund scheme for its employees. Equal monthly contributions at the rate of 11 percent of the basic salary are made to the fund both by the Company and employees.

Employees' Compensated Absences

The Company has provides absences accumulated by its employees in accordance with the International Accounting Standard (IAS) 19, 'Employees Benefits' (revised 1998).

2.04 Taxation

Current

The charge of current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using applicable tax rates after taking into account available tax credits.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing



differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated at the applicable tax rates. However, deferred tax is not provided if it can be established with reasonable probability that the timing difference will not reverse in the foreseeable future.

2.05 Fixed assets and depreciation

Operating Fixed Assets including Leased Assets are stated at cost less accumulated depreciation.

Depreciation is calculated on the reducing balance method except 'Computers & Accessories' and 'Dies & Jigs', without considering extra shift workings. Depreciation on 'Computers & Accessories' and 'Dies & Jigs' are calculated on the straight-line method. Full year's depreciation is provided on additions during the year, while no depreciation is charged in the year of disposal.

Depreciation against owned assets is calculated to write off the cost of each asset, to their residual values over their estimated useful life. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized. Gain or losses on disposal of fixed assets are determined by comparing proceeds with carrying amount and are included in operating profit.

Change in Accounting Estimates

The Company has revised Depreciation method and rate in respect of 'Computer & Accessories' and 'Dies & Jigs'.

	Previous Basis	Revised Basis
Computers & Accessories	10% on Written down value	25% on Straight line method
Dies & Jigs	10% on Written down value	25% on Straight line method

2.06 Leased assets

Assets held under finance leases are recognized as assets of the Company at the lower of present value of minimum lease payments and fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2.07 Investments

These are stated at cost. Provision for diminution in value of investments is made, if considered permanent.

2.08 Stores

These are valued at average cost. Items in transit are stated at cost accumulated to balance sheet date.

2.09 Stocks

These are valued at lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. Goods in transit are valued at cost accumulated to the balance sheet date.

2.10 Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of

the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts. Such transactions are translated at contracted rates. Exchange gains or losses on translation of foreign currency loans utilized for the acquisition of plant and machinery are included in the cost of plant and machinery. All other exchange differences are included in the income.

2.11 Revenue Recognition

- Sales of goods are recorded when goods are delivered and title has passed on to the customers.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.
- Dividend income from investments is recognized when the company's rights to receive payment have been established.

2.12 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are dealt with income in the period in which they are incurred.

2.13 Deferred Cost

Software development cost is amortized over a period of two years.

2.14 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.15 Warranty

The company recognizes the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

2.16 Financial Instruments

Financial assets

The company's principal financial assets are cash & bank balances, trade debtors, advances & loans and long term investment.

Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include redeemable capital, long term loan, finance lease obligation, short term loans, creditors & other liabilities and dividend.

2.17 Presentation

Figures in these accounts have been rounded off to the nearest thousand rupees. Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.



	Note	(Rupees in 000's)	
		2001	2000
3. ISSUED, SUBSCRIBED & PAID-UP SHARE CAPITAL			
Ordinary shares of Rs. 10/- each.			
6,352,748	Fully paid-up in cash	63,528	63,528
7,985,678	Issued as fully paid bonus shares	79,856	79,856
259,300	Issued for consideration other than cash	2,593	2,593
<u>14,597,726</u>		<u>145,977</u>	<u>145,977</u>
4. RESERVES			
Capital Reserves			
Share premium		39,953	39,953
Gain on sale of land		165	165
Reserve for issue of bonus shares		58,391	-
		<u>98,509</u>	<u>40,118</u>
General Reserves			
Balance as at beginning		398,300	367,300
Transferred during the year		-	31,000
		<u>398,300</u>	<u>398,300</u>
Balance as at the end		<u>496,809</u>	<u>438,418</u>
5. REDEEMABLE CAPITAL			
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	5.1	19,788	36,242
Atlas Investment Bank Limited	5.2	5,000	10,000
		<u>24,788</u>	<u>46,242</u>
5.1 Mark-up Finance Agreement			
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited			
Balance as at beginning		49,924	61,071
Repaid during the year		13,682	11,147
		<u>36,242</u>	<u>49,924</u>
Less: Installments due within the following twelve months		16,454	13,682
Balance as at the end		<u>19,788</u>	<u>36,242</u>
(a) The company has arranged a long term finance facility from Saudi Pak Industrial & Agricultural Investment Company (Private) Limited (Saudi Pak). In terms of Mark-up Finance Agreement, Saudi Pak has agreed to purchase certain assets of the company for a sum of Rs. 70 million and the company has agreed to buy back the said assets for a sum of Rs. 125.143 million. The rate of mark-up is 19.33 percent per annum. Liquidated charges at the rate of 0.73 per Rs. 1,000 per day will be payable on the overdue amounts.			
(b) The finance facility is repayable in ten half yearly installments commencing from 3 September 1998 and ending on 3 March 2003.			

(c) The finance facility is secured against first parri passu equitable mortgage on company's immovable assets and a first parri passu floating charge and hypothecation of all moveable equipment and future assets of the company.

(d) A demand promissory note.

5.2 Atlas Investment Bank Limited

	(Rupees in 000's)	
	2001	2000
Balance as at beginning	15,000	20,000
Repaid during the year	5,000	5,000
	10,000	15,000
Less: Installments due within the following twelve months	5,000	5,000
Balance as at the end	5,000	10,000

(a) The company has arranged long term finance facility from Atlas Investment Bank Limited, (the bank) an associated undertaking. In terms of Mark-up Finance Agreement, the bank purchased certain assets of the company for a sum of Rs. 25 million and the company simultaneously/repurchased the said assets for a sum of Rs. 42.489 million. The mark-up rate is 18% (2000 -18%) per annum.

(b) The facility carries project monitoring fee at the rate of 0.25 percent on outstanding amount representing repurchase price. In case of default in payment on due dates, Liquidated damages will be payable at the rate of 20% on the default amount;

(c) The Marked up price is repayable in 10 half yearly installments commencing on 10 January, 1998 and ending on 10 January, 2003.

(d) The facility is secured against a first mortgage charge ranking parri passu on immovable properties of the company, a first ranking parri passu charge by way of hypothecation of all fixed assets of the company and a demand promissory note.

6. LONG TERM LOAN

Muslim Commercial Bank Limited

Balance as at beginning	100,458	-
Disbursed during the year	-	100,458
	100,458	100,458
Repaid during the year	20,092	-
	80,366	100,458
Less: Installments due within the following twelve months	20,092	20,092
Balance as at the end	60,274	80,366

(a) The Company has arranged Demand Finance amounting to Rs. 100.458 million from Muslim Commercial Bank Limited for import of Crank Shaft Machinery.

(b) The Demand Finance is repayable in 10 half yearly installments commencing on 22 September, 2000 and ending on 22 March, 2005.

(c) The Demand Finance carries mark-up at the rate of 3 percent over Treasury Bills to be fixed on annual basis, presently 12.476 percent (2000: 13.88%), subject to a ceiling of 16 percent per annum.

(d) The Demand Finance is secured against first parri passu equitable mortgage on company's immovable properties.



(Rupees in 000's)
2001 2000

7. SUPPLIER'S CREDIT

Honda Trading Corporation

Foreign Currency Loan - Unsecured

Balance as at beginning	41,861	83,721
Repaid during the year	<u>20,930</u>	<u>41,860</u>
	20,931	41,861
Installment due within the following twelve months	<u>20,931</u>	<u>20,930</u>
Balance as at the end	<u><u>-</u></u>	<u><u>20,931</u></u>

- (a) The company has arranged Supplier's Credit from Honda Trading Corporation, Japan amounting to JY 298,683,070/- equivalent to Rs. 104,651,678/- for import of Machinery & Equipment for the manufacture of gears for the motorcycles.
- (b) Supplier's Credit is repayable in 5 yearly installments commencing from 30 May 1998 and ending on 30 May 2002.
- (c) The Supplier's Credit carries interest at the rate 17.86 percent per annum including exchange risk fee of 13.36 percent per annum.

8. OBLIGATION UNDER FINANCE LEASE

Balance as at beginning	685	2,356
Less: Repaid during the year	<u>685</u>	<u>1,671</u>
	-	685
Less: installments due within the following twelve months	<u>-</u>	<u>685</u>
Balance as at the end	<u><u>-</u></u>	<u><u>-</u></u>

9. STAFF GRATUITY

Balance as at beginning	17,129	15,572
Add: Provision for the year (refer to note 2.03)	<u>5,779</u>	<u>1,586</u>
	22,908	17,158
Less: Payments during the year	<u>236</u>	<u>29</u>
Balances as at the end	<u><u>22,672</u></u>	<u><u>17,129</u></u>

10. DEFERRED TAXATION

The liability for deferred taxation comprises of timing relating to:

Accelerated tax depreciation allowance	56,935	48,640
Lease rentals	-	1,295
Deferred debit arising in respect of Provision for gratuity	<u>(7,935)</u>	<u>(5,935)</u>
	<u><u>49,000</u></u>	<u><u>44,000</u></u>

		(Rupees in 000's)	
		2001	2000
11. SHORT TERM LOANS			
Secured	11.1	-	108,786
Unsecured		-	495
		<u>-</u>	<u>109,281</u>

11.1 The Company has Credit Facilities upto an aggregate of Rs. 630 million (2000 - Rs. 547 million). The loans carry mark-up at the rate of Rs. 0.3014 to 0.3836 (2000 - Rs. 0.288 to Rs. 0.385) per thousand per day on daily product basis. The Short Term Loans are secured against hypothecation of stocks and book debts.

12. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable capital		21,454	18,682
Long term loan		20,092	20,092
Supplier's credit		20,931	20,930
Obligation under finance lease		-	685
		<u>62,477</u>	<u>60,389</u>

13. CREDITORS, PROVISIONS, ACCRUED CHARGES AND OTHER LIABILITIES

Trade creditors	13.1	103,342	115,834
Accrued expenses		139,441	119,244
Customers advance & credit balances	13.2	191,942	115,794
Interest / mark-up on bank loans - secured	13.3	8,126	11,925
Interest on supplier's credit - unsecured		77	165
Retention money		98	64
Sales tax payable		10,713	15,472
Workers' welfare fund		5,176	2,856
Workers' Profit Participation Fund	13.4	11,155	5,799
Other liabilities		6,350	6,729
		<u>476,420</u>	<u>393,882</u>

13.1 Trade creditors include Nil (2000 - Rs. 453 thousand) payable to associated undertaking.

13.2 Customers advances include Rs. 345 thousand (2000: Nil) from associated undertaking

13.3 Interest/Mark-up payable on secured loan includes Rs. 854 thousand (2000 - Rs. 1,304 thousand) payable to associated undertaking.

13.4 Workers' Profit Participation Fund

Balance as at beginning	5,799	9,971
Add: Interest Credited	616	1,878
	<u>6,415</u>	<u>11,849</u>
Less: Payment made during the year	(6,108)	11,539
	<u>307</u>	<u>310</u>
Contribution for the year @ 5%	10,848	5,489
Balance as at 30 June	<u>11,155</u>	<u>5,799</u>



The Company retains the allocation to this fund for its business operation till the amount is paid to the fund together with interest at prescribed rates under the Act.

	(Rupees in 000's)	
	2001	2000
14. TAXATION		
Corporate asset tax	2,000	2,000
Income tax	83,500	28,000
	<u>85,500</u>	<u>30,000</u>
15. DIVIDEND		
Unclaimed dividends	3,261	2,890
Unclaimed bonus fractions	42	42
Proposed dividend	58,391	29,195
	<u>61,694</u>	<u>32,127</u>
16. CONTINGENT LIABILITIES & COMMITMENTS		
16.1 Guarantees		
Issued by banks	7,337	6,041
Guarantees are issued to Collector of Customs and shall be released on submission of consumption certificates. These are issued under normal operations.		
16.2 Commitments		
Confirmed letters of credit	123,334	125,750
Forward Exchange Contracts	-	46,916

17. OPERATING FIXED ASSETS

(Rupees in 000's)

Particulars	Cost			Depreciation						
	As at 01-07-00	Additions	Disposals	As at 30-06-01	As at 01-07-00	For the Year	Transfers / Adjustments* (Disposals)	As at 30-06-01	W.D.V. 30-06-01	Rate %
Owned Assets										
Freehold land	5,112	-	-	5,112	-	-	-	-	5,112	-
Leasehold land	11,187	-	-	11,187	2,908	207	-	3,115	8,072	2.5
Building on freehold land	23,119	-	-	23,119	13,001	1,012	-	14,013	9,106	10
Building on leasehold land	27,676	152	-	27,828	21,565	626	-	22,191	5,637	10
Plant & machinery	572,740	14,597	98	587,239	244,346	34,337	(78)	278,205	309,034	10
						*	(400)			
Dies & jigs	150,961	5,281	-	156,242	89,861	16,103	-	107,930	48,312	25
							1,966			
Factory equipment	6,824	525	2	7,347	4,630	272	(2)	4,900	2,447	10
Office equipment	9,650	1,124	-	10,774	3,638	714	-	4,352	6,422	10
Computers & accessories	21,550	3,821	10,676	14,695	10,474	2,688	(7,099)	6,632	8,063	25
							569			
Furniture & fixture	3,909	165	45	4,029	2,589	148	(35)	2,702	1,327	10
Fixture & equipment	1,300	-	-	1,300	1,172	13	-	1,185	115	10
Electric & gas fittings	30,445	1,771	-	32,216	16,950	1,527	-	18,477	13,739	10
Vehicles		61,082	14,716	14,612	61,186	28,769	8,022	(8,054)	29,097	32,089
20							360			
Service equipment	448	-	-	448	252	19	-	271	177	10
	926,003	42,152	25,433	942,722	440,155	65,688	(12,773)	493,070	449,652	
Leased Assets										
Plant & machinery	4,478	-	4,478	-	1,966	-	(1,966)	-	-	10
Vehicles	738	-	738	-	360	-	(360)	-	-	20
Office equipment	2,100	-	2,100	-	569	-	(569)	-	-	10
	7,316	-	7,316	-	2,895	-	(2,895)	-	-	
2001	933,319	42,152	32,749	942,722	443,050	65,688	(15,668)	493,070	449,652	
2000	757,958	187,285	11,924	933,319	391,224	57,737	5,911	443,050	490,269	

17.1 Lease in respect of two plots is under execution.

17.2 Depreciation for the year has been allocated as follows:

	Note	2001	2000
Cost of goods manufactured	27.1	59,261	50,763
Administrative 28.1	6,427	6,974	
		<u>65,688</u>	<u>57,737</u>



17.3 DISPOSAL OF FIXED ASSETS

(Rupees in 000's)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/ (Loss)	Mode of disposal	Particulars of Purchasers
Plant & Machinery							
Generator Yanmar	59	47	12	12	-	Auction	Iftikhar Ahmed Kabaria Shop No. 7, Kachhu Pura Punji Peer Road, Lahore.
Generator Honda	39	31	8	5	(3)	Auction	---Do---
Sub Total	98	78	20	17	(3)		
Computer & Accessories							
System /36 Software Computer	2,116	1,705	411	-	(411)	Written off	
Desk Top for SPD	373	292	81	-	(81)	Written off	
Printer 410 IBM Dot band	267	187	80	-	(80)	Written off	
IBM Printer	21	15	6	-	(6)	Written off	
IBM Printer	21	15	6	-	(6)	Written off	
IBM Display Station	53	37	16	-	(16)	Written off	
Everex 1800 System	42	28	14	-	(14)	Written off	
AST/386 Additional 2MB Card	23	15	8	-	(8)	Written off	
Ascom PC/AT computer Model-2	49	32	17	-	(17)	Written off	
Epson Printer Model - 1050	15	10	5	4	(1)	Tender	Syed Aqueel-ur-Rehman No. E-24 Khudadad Colony, Liaquat Road, Karachi.
Epson Printer Model - 1050	16	11	5	3	(2)	Tender	---Do---
IBM Infow Window Display Station	55	37	18	-	(18)	Written off	
IBM Infow Window Display Station	110	74	36	-	(36)	Written off	
Baby/36 Full Devpt. Support	75	50	25	-	(25)	Written off	
Baby/36 Full Devpt. Support	25	17	8	-	(8)	Written off	
Epson Printer Model - 1050-2550	88	56	32	-	(32)	Written off	
IBM PS/I-34 ADI Terminals	143	90	53	-	(53)	Written off	
Epson Printer Model	20	12	8	-	(8)	Written off	
IBM PS/I-External Disk 1.2MB	10	6	4	-	(4)	Written off	
IBM Printer SPD	28	15	13	-	(13)	Written off	
Epson Printer FX-1170	22	11	11	-	(11)	Written off	
IBM Printer LQ-1170	32	16	16	-	(16)	Written off	
ABC. P. Computer	60	29	31	-	(31)	Written off	
IBM System AS/400	2,718	1,718	1,000	-	(1,000)	Written off	
GOTC of AS-400	637	403	234	-	(234)	Written off	
IBM AS-400	1,836	1,002	834	-	(834)	Written off	
Computer Laptop Armada	164	16	148	148	-	Negotiation	Atlas Investment Bank Ltd. Ajmal House, Egerton Road, Lahore. (Associated Company)
System 36 Terminals	137	90	47	20	(27)	Negotiation	Honda Atlas Cars (Pakistan) Ltd. 43km, Multan Road, Lahore. (Associated Company)
PC with Printer FX-1050	89	64	25	2	(23)	Tender	Hi-Tech Business Machines, 3rd Floor, Awami Complex, Usman Block, Garden Town, Lahore.
IBM System 36 with Printer 4214	841	698	143	2	(141)	Tender	
Computer Atlantic	45	29	16	1	(15)	Tender	---Do---
PC Popular with Printer FX-1050	43	31	12	1	(11)	Tender	---Do---
Monitor Popular W/Printer	7	4	3	1	(2)	Tender	---Do---
PC with Printer FX-1050	130	89	41	2	(39)	Tender	---Do---
PC with Printer	109	54	55	2	(53)	Tender	---Do---
Computer	54	27	27	1	(26)	Tender	---Do---
PC with Printer FX-1170	81	44	37	3	(34)	Tender	---Do---
Epson Printer FX-1050	54	34	20	3	(17)	Tender	---Do---
PC with Printer	67	36	31	3	(28)	Tender	---Do---
Sub Total	10,676	7,099	3,577	196	(3,381)		
Furniture & Fixture							
Misc. Furniture & Fixture	29	23	6	2	(4)	Auction	Shafiq Ahmed Kabaria, Lajpat Road, Shadara, Lahore
Misc. Furniture & Fixture	16	12	4	3	(1)	Auction	Iftikhar Ahmed Kabaria Shop No.7, Kachhu Pura Punj Peer Road, Lahore.
Sub Total	45	35	10	5	(5)		

(Rupees in 000's)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/(Loss)	Mode of disposal	Particulars of Purchasers
Factory Equipments							
Water cooler	1	1	-	-	-	Auction	Shafiq Ahmed Kabaria, Lajpat Road, Shadara, Lahore
Weighing Scale	1	1	-	-	-	Auction	---Do---
Sub Total	2	2	-	-	-		
Vehicles:							
Motorcycle CD - 70	54	36	18	22	4	Company Policy	(Employee) Raza-ul-Mustafa
Motorcycle CD - 70	54	36	18	22	4	Company Policy	(Employee) M. Ashraf Malik
Motorcycle CD - 70	64	13	51	56	5	Insurance Claim	Muslim Insurance Co. Ltd. 3-Bank Square, Shakra Quaid-e-Azam, Lahore (Associated Company)
Motorcycle CD - 70	62	12	50	48	(2)	Insurance Claim	---Do---
Motorcycle CD - 70	64	13	51	54	3	Insurance Claim	---Do---
Motorcycle CD - 70	55	33	22	23	1	Company Policy	(Employee) Muhammad Ilyas
Motorcycle CD - 70	54	36	18	20	2	Company Policy	(Employee) Ghulam Jaffer Bhatti
Motorcycle CD - 70	53	36	17	18	1	Company Policy	(Ex-Employee) S. Qamar-ul-Abedin
Motorcycle CD - 70	57	28	29	29	-	Company Policy	(Ex-Employee) Muhammad Aslam
Motorcycle CD - 70	55	33	22	23	1	Company Policy	(Ex-Employee) S.I.A. Rizvi
Motorcycle CD - 70	62	12	50	45	(5)	Company Policy	(Ex-Employee) Saeed Akber
Motorcycle CD - 70	66	-	66	65	(1)	Company Policy	(Ex-Employee) Naveed Murtaza Khan
Motorcycle CD - 70	54	19	35	32	(3)	Company Policy	(Ex-Employee) S. Adil Zafar
Motorcycle CD - 70	55	33	22	22	-	Company Policy	(Employee) Amjad Hussain Qureshi
Motorcycle CD - 70	64	13	51	47	(4)	Insurance Claim	Muslim Insurance Co. Ltd. 3-Bank Square, Shakra Quaid-e-Azam, Lahore (Associated Company)
Motorcycle CD - 70	56	33	23	23	-	Insurance Claim	---Do---
Motorcycle CD - 70	63	13	50	46	(4)	Insurance Claim	---Do---
Motorcycle CD - 70	55	33	22	22	-	Company Policy	(Employee) Jamil Ahmed
Motorcycle CD - 70	56	33	23	23	-	Company Policy	(Employee) Naeem-ul-Hasan
Motorcycle CD - 70	53	36	17	22	5	Company Policy	(Employee) G. Mujtaba
Motorcycle CD - 70	56	33	23	23	-	Company Policy	(Employee) Saleem Akhter
Motorcycle CG - 125	64	38	26	26	-	Company Policy	(Employee) Habib Pindi Wala
Motorcycle CG - 125	66	39	27	27	-	Company Policy	(Employee) Moin Ansari
Motorcycle CG - 125	66	39	27	27	-	Company Policy	(Employee) Sheikh Perwaiz Alam
Motorcycle CG - 125	63	23	40	43	3	Company Policy	(Ex-Employee) Kashif Saeed
Motorcycle CG - 125	66	39	27	25	(2)	Company Policy	(Employee) Mohsin Khan
Motorcycle CG - 125	63	42	21	26	5	Company Policy	(Employee) Sarwer Naseem
Motorcycle CG - 125	66	32	34	37	3	Company Policy	(Ex-Employee) Intiaz Ahmed
Motorcycle CG - 125	67	39	28	28	-	Company Policy	(Employee) Musarrat Hussain
Motorcycle CG - 125	66	39	27	27	-	Company Policy	(Employee) Mubasher Hasan
Motorcycle CG - 125	66	39	27	27	-	Company Policy	(Employee) M. Akmal Dar
Motorcycle CG - 125	66	39	27	27	-	Company Policy	(Employee) Musharaf Akhter
Motorcycle CG - 125	66	39	27	27	-	Company Policy	(Employee) Javedan Arshed
Motorcycle CG - 125	66	38	28	28	-	Company Policy	(Employee) Waseem Irshad
Motorcycle CG - 125	65	38	27	27	-	Company Policy	(Employee) Zahid Saleem
Motorcycle CG - 125	55	37	18	26	8	Company Policy	(Employee) Inayatullah
Motorcycle CG - 125	67	40	27	27	-	Company Policy	(Employee) Saeed Anwer
Motorcycle CG - 125	73	15	58	61	3	Company Policy	(Ex-Employee) Nasir Bari
Motorcycle CG - 125	67	40	27	27	-	Company Policy	(Employee) Javed Iqbal
Motorcycle CG - 125	67	40	27	27	-	Company Policy	(Ex-Employee) Mst. Nadira Tausef
Motorcycle CG - 125	67	40	27	27	-	Company Policy	(Employee) Tauqeer Ahmed Rana
Motorcycle CG - 125	59	40	19	24	5	Company Policy	(Employee) Q.H. Rizvi
Motorcycle CG - 125	72	14	58	55	(3)	Company Policy	(Ex-Employee) Zeeshan Elahi Khan
Motorcycle CG - 125	64	38	26	26	-	Company Policy	(Employee) Amir Shakoor
Suzuki Khyber	308	182	126	127	1	Negotiation	Salman Asif Siddiqui D-43 Blk-L.N. Nazimabad Khi.



(Rupees in 000's)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/ (Loss)	Mode of disposal	Particulars of Purchasers
Suzuki Khyber	342	202	140	169	29	Negotiation	Mrs. Sadia Ahmed T/2 Modern Colony, Karachi.
Suzuki Khyber	342	202	140	169	29	Negotiation	Mrs. Anwer Yasmin 2-B Block-A N. Nazimabad
Suzuki Khyber	386	228	158	200	42	Company Policy	(Ex-Employee) M.H. Mufti
Suzuki Khyber	374	181	193	268	75	Company Policy	(Employee) Afaq Ahmed
Suzuki Mehran	347	69	278	276	(2)	Company Policy	(Ex-Employee) Masud Aslam
Suzuki Mehran	290	171	119	117	(2)	Negotiation	S. Tasneem Kazmi 46-A Block-D N. Nazimabad Khi.
Suzuki Mehran	290	171	119	117	(2)	Negotiation	M. Shaukat H. No. 39 Ward-3 Gulshan colony, Gujar Khan, Rawalpindi.
Suzuki Pickup	107	94	13	115	102	Tender	M. Ibrahim H. No. S/27 Daryabad Karachi
Suzuki Bolan	231	176	55	165	110	Tender	Saleem Raza Goods Transport Co. Out side Sheranwala Gate, Lahore
Suzuki Margalla	301	177	124	129	5	Company Policy	(Ex-Employee) Mohammad Shakil Alam
Suzuki Margalla	426	286	140	181	41	Negotiation	Ghayoor Ahmed Hashmi B-143 Block-A North Nazimabad, Karachi.
Toyota Corolla	370	181	189	183	(6)	Negotiation	Ms. Adeeba Imran A-283 Block-H, North Nazimabad, Karachi.
Toyota Corolla	340	240	100	181	81	Company Policy	(Employee) Zahid M. Khan
Toyota Corolla	320	215	105	134	29	Company Policy	(Employee) Zaheer-ul-Haq
Honda Accord	755	697	58	235	177	Negotiation	M. Hasan Khan 351/D Shara-e-Qaideen Khudadad Colony, Karachi.
Honda Civic	876	315	561	607	46	Company Policy	(Ex-Employee) Mohammad Nazim
Honda Civic	720	484	236	246	10	Negotiation	M. Nauman Hashmi I. Hyder Rd. KHS. Khi.
Honda City	432	86	346	383	37	Negotiation	A. Karim & Sons. KCHUS, Shabrae Faisal Khi.
Honda Civic	654	461	193	220	27	Company Policy	(Ex-Employee) Zamir Haider
Honda Civic	926	452	474	474	-	Negotiation	Atlas Investment Bank Ltd. Ajmal House, Egerton Road, Lahore (Associated Company)
Honda Civic	885	523	362	362	-	Negotiation	---Do---
Honda Civic	872	174	698	639	(59)	Negotiation	Atlas Battery Ltd. D-181 Central Avenue SITE (Associated Company)
Honda Civic	413	278	135	366	231	Auction	Zahid Saleem 1-39 Gulgashat Colony, Lahore.
Honda Civic	586	448	138	342	204	Negotiation	Hafiz-ullah-Malik 147-C Model Town, Lahore.
Sub Total	14,612	8,054	6,558	7,792	1,234		
Total	25,433	15,268	10,165	8,010	(2,155)		
Leased Assets Transferred to Own Assets:-							
Vehicle:							
Honda Civic	738	360	378	-	-		
Dies & Moulds	4,478	1,966	2,512	-	-		
Computers & Accessories							
Total	2,100	569	1,531	-	-		
Total	7,316	2,895	4,421	-	-		

	(Rupees in 000's)	
	2001	2000
18. DEFERRED COST		
Software development cost	2,605	1,343
Amortized during the year	(1,302)	(1,343)
	1,303	-
19. INVESTMENTS		
Associated undertaking (Listed)		
Atlas Battery Limited		
165,550 (2000 - 150,500) ordinary shares of Rs. 10 each includes bonus shares 25,550 (2000: 10,500)	9,548	9,548
Less: Provision for diminution in value of investment	5,418	5,560
Market value Rs. 4,130 thousand (2000: Rs. 3,988 thousand)	4,130	3,988
Unlisted		
Arabian Sea Country Club (Pvt) Limited		
200,000 ordinary shares of Rs. 10 each (Name of Chief Executive Mr. Aslam Mohsin Ali) Break-up value on the basis of audited accounts for the year ended June 30, 2000 Rs. Nil (2000: Rs. Nil) per share	2,000	2,000
Less: Provision for diminution in value of investment	2,000	2,000
	-	-
Automotive Testing & Training Centre (Pvt) Ltd.		
187,500 ordinary shares of Rs. 10 each (Name of Chief Executive Mr. Ramzan Ali Khwaja) Break-up value on the basis of audited accounts for the year ended June 30, 2000 Rs. Nil (2000 - Rs.10) Per share	1,875	1,875
Less: Provision for diminution in value of investment	1,875	-
	-	1,875
	4,130	5,863

Investment in associated company is stated at cost less provision for diminution in value of investment. Had the equity method been applied, the total profit for the year, based on the audited accounts for the year ended 30 June 2000, would have increased by Rs. 436 thousand (2000: Rs. 436 thousand) while the unappropriated profit brought forward would have been higher by Rs. 1,667 thousand (2000: Rs. 1,667 thousand) and long term investment would have increased by Rs. 2,103 thousand (2000: Rs. 2,103 thousand).



	(Rupees in 000's)	
	2001	2000
20. LONG TERM LOANS, DEPOSITS & PREPAYMENTS		
Deposits	2,821	1,204
Prepaid rent	-	302
Car/Motorcycle loans to staff (Note 20.1)	14,147	8,549
	<u>16,968</u>	<u>10,055</u>

20.1 Car/Motorcycle Loans to Staff

Balance as at the end	22,004	14,787
Receivable within the following twelve months	7,857	6,238
	<u>14,147</u>	<u>8,549</u>

Car/Motorcycle loans to staff are secured against car/motorcycles which are registered in name of the Company and are recoverable in forty-eight monthly installments.

Car/Motorcycle include Rs. 4,401 thousand (2000: Rs. 3,134 thousand) due from executives. The maximum amount due from executives at the end of any month was Rs. 4,401 thousand (2000: Rs. 3,134 thousand)

21. STORES

Consumables	10,844	10,129
Maintenance spares	7,302	8,084
Tools	14,896	15,165
	<u>33,042</u>	<u>33,378</u>

22. STOCKS

Raw materials & components		
In hand	186,319	257,916
With third party	3,785	8,099
In transit (inter factory)	10,304	4,566
	200,408	270,581
Work in process	36,371	34,808
Finished Goods		
Motorcycles	61,440	48,439
Spare parts	30,506	22,080
In transit (inter factory)	2,675	-
	94,621	70,519
Goods in transit (at accumulated cost)	204,631	34,166
	<u>536,031</u>	<u>410,074</u>

22.1 Cost has been arrived at as follows:-

- (a) In case of raw materials and components, finished stocks & spare parts at average cost.
- (b) In case of work in process, cost includes direct materials, direct labour and manufacturing overheads.

23. TRADE DEBTORS - UNSECURED

Considered good (Note 23.1)	<u>42,781</u>	<u>39,673</u>
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23.1 Trade debtors include Rs. 32 thousand (2000: Rs. 113 thousand) due from associated undertaking. The maximum amount due from associated undertaking at the end of any month was Rs. 113 thousand (2000: Rs. 113 thousand).

	Note	(Rupees in 000's)	
		2001	2000
24. ADVANCES, DEPOSITS, PREPAYMENTS & LOANS			
Unsecured - considered good			
Loan to staff	24.2	2,320	2,877
Advances to:			
Staff for expenses		1,749	840
Suppliers & contractors	24.3	19,234	30,777
Income tax deducted at source		163,870	115,031
Advance sales tax - Motorcycles		24,497	1,269
- Raw materials		6,001	1,668
Trade deposits		1,214	1,228
Prepayments	24.4	3,515	6,950
Interest accrued on deposit (Associated undertaking)		-	735
Interest accrued on deposit-others		542	1,549
Other receivable	24.5	12,197	8,198
Secured - considered good			
Car/Motorcycle loans to staff	20.1	7,857	6,238
		<u>242,996</u>	<u>177,360</u>
Unsecured - considered doubtful			
Other receivable		535	535
		<u>243,531</u>	<u>177,895</u>
Provision for doubtful receivable			
		535	535
		<u>242,996</u>	<u>177,360</u>

24.1 Maximum amounts due from the associated undertakings at the end of any month during the year was Rs.28,066 thousand (2000: Rs. 36,764 thousand).

24.2 Employee advances include Rs 410 thousand (2000 - Nil) due from chief executive and Rs. 1,910 (2000: 2,491 thousand) from other executives. The maximum amount due from chief executive at the end of any month was Rs. 697 thousand (2000: Nil) and from other executives Rs. 2,640 (2000: Rs. 2,491 thousand).

24.3 Advances to suppliers & contractors include Rs. 16,866 thousand (2000: Rs. 26,777 thousand) receivable from associated undertaking.

24.4 Prepayments include insurance premium of Nil (2000: Rs. 3 thousand) paid to associated undertaking.

24.5 Other receivables include Nil (2000 - Rs. 272) insurance claim receivable from associated undertaking. Also include Nil (2000 - Rs. 2,612) octroi refundable from Karachi Municipal Corporation, Rs. 9,469 thousand (2000 - Rs. 2,307 thousand) duty draw back receivable from Collector of Customs and Corporate Assets Tax paid under protest Rs. 2,000 thousand (2000: Rs. 2,000 thousand).

25. CASH & BANK BALANCES

Cash in hand		-	49
Cash with banks:			
- In Current account - Local Currency		25,643	64,301
- Foreign Currency		2,786	-
- In PLS account		105,896	128,329
- In Deposit account - Local Currency	25.1	25,000	60,000
		<u>159,325</u>	<u>252,679</u>

25.1 Local currency deposit includes Nil (2000: Rs.60,000) deposited with associated undertaking.



	Note	(Rupees in 000's)	
		2001	2000
26. SALES			
Motorcycles & spare parts		<u>4,704,528</u>	<u>3,397,441</u>
Sales have been recorded at dealer's net prices after deducting sales tax Rs. 696.817 million (2000: Rs. 501.932 million) and discount/allowances Rs. 9.406 million (2000 Rs. 7.157 million).			
27. COST OF SALES			
Stocks as at beginning		70,519	36,939
Cost of goods manufactured	27.1	<u>4,123,636</u>	<u>2,974,780</u>
Purchases		<u>146,577</u>	<u>103,339</u>
		<u>4,270,213</u>	<u>3,078,119</u>
		<u>4,340,732</u>	<u>3,115,058</u>
Stocks as at the end		<u>94,621</u>	<u>70,519</u>
		<u>4,246,111</u>	<u>3,044,539</u>
27.1 Cost of goods manufactured			
Work in process as at beginning		34,808	57,469
Raw materials & components consumed	27.2	3,674,798	2,599,125
Direct labour		69,092	51,091
Technical director's remuneration		669	492
Salaries, wages & benefits		70,895	62,111
Employees severance cost		2,359	-
Stores consumed		54,412	31,518
Light, heat & water		32,248	23,177
Insurance		15,877	14,951
Rent, rates & taxes		2,940	3,182
Repair & maintenance		12,783	14,172
Royalty		97,075	75,532
Technical assistance		8,542	3,472
Travelling, conveyance & entertainment		9,765	8,759
Postage & telephone		3,314	2,156
Printing & stationery		1,909	2,335
Vehicle running		2,962	2,685
Depreciation	17.2	59,261	50,763
Canteen		5,329	4,403
Newspapers, magazines & subscription		265	164
Staff training		214	1,559
Others manufacturing expenses		490	472
		<u>4,160,007</u>	<u>3,009,588</u>
Work in process as at the end		<u>36,371</u>	<u>34,808</u>
		<u>4,123,636</u>	<u>2,974,780</u>
27.2 Raw Material & Components consumed			
Stocks as at beginning		270,581	216,384
Purchases		<u>3,604,625</u>	<u>2,653,322</u>
		<u>3,875,206</u>	<u>2,869,706</u>
Less: Stock as at the end		<u>200,408</u>	<u>270,581</u>
		<u>3,674,798</u>	<u>2,599,125</u>

	Note	(Rupees in 000's)	
		2001	2000
28. ADMINISTRATIVE EXPENSES			
Director's remuneration	36.1	5,323	4,598
Directors' meeting fee	36.5	4	4
Salaries & benefits		61,979	55,476
Employees severance cost		3,222	-
Travelling, conveyance & entertainment		11,375	8,192
Rent, rates & taxes		2,311	2,023
Insurance		2,042	2,236
Repairs & maintenance		3,791	3,310
Legal & professional charges		990	1,650
Auditors' remuneration	28.1	470	393
Gas & electricity		1,035	1,118
Fees & subscription		306	671
Postage & telephone		2,999	4,189
Printing & stationery		2,350	2,255
Vehicle running		2,028	1,836
Training expense		399	1,188
Depreciation	17.2	6,427	6,974
Donation (without Directors' interest)		100	-
Deferred cost amortized		1,302	1,343
Others		445	705
		<u>108,898</u>	<u>98,161</u>

28.1 Auditors' remuneration

Audit fee	250	225
Certification of royalty/other services	50	80
Provident fund/workers' profit participation fund	135	60
Out of pocket expenses	35	28
	<u>470</u>	<u>393</u>

29. SELLING & DISTRIBUTION EXPENSES

Directors remuneration	36.2	3,109	4,616
Salaries & benefits		26,702	25,885
Employees severance cost		1,640	-
Travelling, conveyance, entertainment & vehicle running		9,835	10,433
Rent, rates & taxes		2,325	1,780
Advertisement & publicity		37,005	26,225
Repairs & maintenance		293	433
Gas & electricity		888	911
Freight & forwarding		28,896	16,429
Printing & stationery		456	285
Postage & telephone		3,790	3,326
Sales promotion		6,759	6,855
Service charges		3,720	1,895
Insurance		1,135	1,533
Newspaper, magazines & subscription		139	132
Others		33	36
		<u>126,725</u>	<u>100,774</u>



	Note	(Rupees in 000's)	
		2001	2000
30. MISCELLANEOUS REVENUE			
Scrap sales		5,015	1,983
Interest on deposits :			
Associated undertakings		33,744	10,672
Others		3,405	2,406
Interest on advances:			
Others		-	152
Other income		-	20
Dividend income- (associated undertaking)		376	602
(Loss) / Profit on sale of fixed assets	17.3	(2,155)	201
		<u>40,385</u>	<u>16,036</u>
31. FINANCIAL EXPENSES			
Interest/mark-up on:			
Short term loans		11,887	23,821
Long term loan		12,280	3,767
Redeemable capital		10,121	14,133
Supplier's credit		1,796	2,743
Workers' profit participation fund		616	1,878
Finance charge on leased assets		57	305
Other financial charges		2,175	1,760
Exchange risk fee		5,716	9,297
Exchange gain		(123)	-
		<u>44,525</u>	<u>57,704</u>
32. EARNINGS PER SHARE			
Net Profit after taxation for the year attributable to Ordinary Shareholders		117,777	60,182
Number of Shares			
Weighted average number of ordinary shares outstanding during the period		14,597,726	14,597,726
Rupees			
Earnings per share		<u>8.07</u>	<u>4.12</u>

	(Rupees in 000's)	
	2001	2000
33. RECONCILIATION OF PROFIT BEFORE TAXATION		
NET CASH FROM OPERATING ACTIVITIES		
Net profit before taxation	202,890	101,905
Depreciation	65,688	57,737
Mark-up/interest expenses	41,677	53,761
Profit on sale of fixed assets	2,155	(201)
Provision for gratuity	5,779	1,586
Financial charges on leased assets	57	305
Dividend income	(376)	(602)
Mark-up/interest received on advances	-	(152)
Mark-up/interest received on deposits	(37,149)	(13,078)
Deferred cost amortized	1,302	1,343
Diminution in value of investment	1,733	2,527
Operating profit before working capital changes	283,756	205,131
Working Capital Changes		
(Increase)/Decrease in current assets		
Stores	336	(2,178)
Stocks	(125,957)	(31,250)
Trade debtors	(3,108)	(12,386)
Advances, deposits & prepayments	(16,920)	21,426
	(145,649)	(24,388)
Increase in Current Liabilities		
Creditors, provisions, accrued charges & other liabilities	86,425	57,453
Working Capital Changes	(59,224)	33,065
Gratuity paid	(236)	(29)
Cash flow from operating activities	<u>224,296</u>	<u>238,167</u>
34. ANALYSIS OF CHANGES IN CASH & CASH EQUIVALENTS		
Balance as at 1 July	252,679	186,771
(Decrease)/Increase in cash & cash equivalents	(93,354)	65,908
Balance as at June 30	<u>159,325</u>	<u>252,679</u>
35. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sales	15,107	13,870
Purchases	156,643	122,866
Expenses charged by	2,722	878
Expenses charged to	1,684	2,303
Rent, insurance premium & services paid	35,633	19,166
Lease rentals paid	269	518
Dividend received	376	602
Interest on deposits received	33,744	10,672
Interest on long term loan paid	2,481	4,076
Loan repaid	5,000	5,000
Deposits	-	60,000
Sale of fixed assets	1,280	123



(Rupees in 000's)
2001 2000

36. DIRECTORS' REMUNERATION

36.1 Chairman

Remuneration	2,954	2,745
Rent & utilities	1,064	988
Bonus	590	224
Provident fund	260	241
Reimbursement of expenses	360	360
Medical & others	95	40
	<u>5,323</u>	<u>4,598</u>
Number of person	<u>1</u>	<u>1</u>

36.2 Chief Executive Officer

Remuneration	1,767	2,897
Rent & utilities	636	1,043
Provident fund	156	255
Medical expenses	20	35
Bonus	530	386
	<u>3,109</u>	<u>4,616</u>
Number of person	<u>1</u>	<u>1</u>

36.3 Director

Remuneration	425	374
Rent & utilities	244	118
	<u>669</u>	<u>492</u>
Number of person	<u>1</u>	<u>1</u>

36.4 Meeting fees - other directors

	<u>4</u>	<u>4</u>
Number of persons	<u>5</u>	<u>3</u>

36.5 Executives

Remuneration	66,202	61,419
Rent & utilities	24,150	22,331
Provident fund	5,826	5,393
Medical	3,915	3,692
Bonus	16,880	6,893
	<u>116,973</u>	<u>99,728</u>
Number of persons	<u>237</u>	<u>223</u>

The Chairman, Chief Executive Officer, one director and two expatriate executives are provided with free use of company maintained cars and telephones at residences. One Director and two expatriate executive are provided furnished accommodation.

37. AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the year	<u>762</u>	<u>792</u>
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38. PLANT CAPACITY

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

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2001 are summarized as follows:

	(Rupees in 000's)								
	2			0			0		1
	Interest bearing			Non-Interest bearing			Total		Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total	Total	
Financial assets									
Investments	-	-	-	-	4,130	4,130	4,130	5,863	
Long term deposits	-	-	-	7,857	16,968	24,825	24,825	10,055	
Trade debtors	-	-	-	42,781	-	42,781	42,781	39,673	
Advances, deposit prepayments & loans	-	-	-	13,953	-	13,953	13,953	52,442	
Cash & bank balances	130,896	-	130,896	28,429	-	28,429	159,325	252,679	
	<u>130,896</u>	<u>-</u>	<u>130,896</u>	<u>93,020</u>	<u>21,098</u>	<u>114,118</u>	<u>245,014</u>	<u>360,712</u>	
Financial liabilities									
Redeemable capital	21,454	24,788	46,242	-	-	-	46,242	64,924	
Long term loan	20,092	60,274	80,366	-	-	-	80,366	100,458	
Supplier's credit	20,931	-	20,931	-	-	-	20,931	41,861	
Obligation under finance lease	-	-	-	-	-	-	-	685	
Short term financing	-	-	-	-	-	-	-	109,281	
Creditors, accrued expenses, other liabilities	-	-	-	257,434	-	257,434	257,434	253,961	
Proposed dividend	-	-	-	61,694	-	61,694	61,694	32,127	
	<u>62,477</u>	<u>85,062</u>	<u>147,539</u>	<u>319,128</u>	<u>-</u>	<u>319,128</u>	<u>466,667</u>	<u>603,297</u>	



39.2 Effective interest rate

	2001	2000
Assets		
Cash at bank		
- Local currency	5.0% to 10.5%	5.92% to 14.5%
Liabilities		
Redeemable capital	18.0% to 19.33%	18.0% to 19.33%
Long term loan	12.476%	13.88%
Supplier's credit	17.86%	17.86%
Obligation under finance leases	-	18.23% to 22.0%

39.3 Concentration of credit risks

The credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets Rs. 245.014 million (2000: Rs. 360.712 million) the financial assets which are subject to credit risk amounted to Rs. 245.014 million (2000: Rs. 360.663 million). The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

39.4 Foreign Risk Management

Foreign currency risk arises mainly where receivable and payable exist due to transactions with foreign undertakings. Payable exposed to foreign currency risks are covered through forward foreign exchange contracts.

39.5 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

Sherali Mundrawala
Director

Saquib H. Shirazi
Chief Executive Officer

Yusuf H. Shirazi
Chairman

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2001

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES	PERCENTAGE HELD
	FROM	TO		
292	1	100	9,019	0.06
205	101	500	54,269	0.37
89	501	1000	63,362	0.44
203	1001	5000	449,629	3.08
33	5001	10000	213,122	1.46
11	10001	15000	134,915	0.92
5	15001	20000	83,152	0.57
5	20001	25000	109,481	0.75
1	25001	30000	28,691	0.20
3	30001	35000	94,592	0.65
2	40001	45000	86,509	0.59
1	45001	50000	45,575	0.31
1	60001	65000	64,301	0.44
1	65001	70000	65,499	0.45
1	100001	105000	103,346	0.71
1	270001	275000	270,435	1.85
1	400001	405000	404,857	2.77
3	405001	410000	1,218,625	8.35
1	410001	415000	413,868	2.84
1	485001	490000	489,275	3.35
3	765001	770000	2,308,248	15.81
1	770001	775000	770,768	5.28
1	1290001	1295000	1,293,835	8.86
1	2900001	2905000	2,902,807	19.89
1	2915001	2920000	2,919,546	20.00
<u>867</u>			<u>14,597,726</u>	<u>100.00</u>














CATEGORIES OF SHAREHOLDERS

AS AT 30 JUNE 2001

	SHARE HOLDERS	SHARE HOLDING	PERCENTAGE
Individuals	835	6,235,189	42.71
Investment Companies	13	2,924,290	20.03
Insurance Companies	2	413,968	2.84
Financial Institutions	3	1,306,104	8.95
Joint Stock Companies	9	303,109	2.08
Others:			
Corporate Law Authority	1	1	0.00
Co-operative Society	1	194	0.00
Foreign Companies	2	3,408,821	23.35
Trust	1	6,050	0.04
	<u>867</u>	<u>14,597,726</u>	<u>100.00</u>



ATLAS GROUP COMPANIES

		<i>Year of Establishment Acquisition*</i>
	Shirazi Investments (Pvt) Ltd.	1962
	Atlas Honda Ltd.	1963
	Atlas Battery Ltd.	1966
	Shirazi Trading Co. (Pvt) Ltd.	1973
	Atlas Warehousing (Pvt) Ltd.	1979
	Atlas Office Equipment (Pvt) Ltd.	1979*
	Muslim Insurance Co. Ltd.	1980*
	Allwin Engineering Industries Ltd.	1981*
	Atlas Lease Ltd.	1989
	Atlas Investment Bank Ltd.	1990
	Honda Atlas Cars (Pakistan) Ltd.	1993
	Honda Atlas Power Product (Pvt) Ltd.	1997
	Total Atlas Lubricants Pakistan (Pvt) Ltd.	1997

The Secretary
Atlas Honda Limited,
1-Mcleod Road,
Lahore.

PROXY FORM

I/We _____
of _____
being member(s) of Atlas Honda Limited and holder(s) of _____
Ordinary Shares as per Register Folio No. _____ hereby
appoint

of _____
or failing him _____
of _____
as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 37th Annual General Meeting
of the company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Thursday,
October 04, 2001, at 10.30 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2001
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 not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.



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

AFFIX
POSTAGE

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