



ANNUAL REPORT
2002



Atlas Honda Limited



Organisation
development
through
self development



Atlas Honda Limited





Atlas Honda Limited

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Atlas Honda Limited

Vision

To remain a Market leader in the motorcycle industry and emerge as a globally competitive centre of production and exports.

Mission

To be a dynamic, profitable and growth oriented company through market leadership, excellence in quality and service optimizing value for the shareholders and maximizing exports.

To give attractive returns to business associates and shareholders as per their expectations. Be a responsible employer and reward employees according to their ability and performance.

To be a good corporate citizen to fulfill its social responsibilities.

To create and foster a network of researchers and engineers, who will make unique contributions to the development of motorcycle industry ensuring satisfaction of our valuable customers and protection of the Environment by producing emission friendly Green products.



COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive Officer	Saquib H. Shirazi
Directors	Aamir H. Shirazi
	Motohide Sudo (Honda Motor Company Ltd.)
	Sanaullah Qureshi
	Sherali Mundrawala
	Takemi Ishikawa (Honda Motor Company Ltd.)
	Tariq Iqbal Ahmed (National Investment Trust 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
Members	Aamir H. Shirazi
	Jawaid Haider Malik

BOARD AUDIT COMMITTEE

Chairman	Sanaullah Qureshi
Members	Aamir H. Shirazi
	Sherali Mundrawala
Secretary	Ashfaq Ahmad - Chief Internal Auditor

COMPANY MANAGEMENT

Chief Executive Officer	Saquib H. Shirazi
Technical Director	Takemi Ishikawa
General Manager Marketing	Nurul Hoda
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	Bank AL-Habib Limited 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) 406501-8, (92-42) 7222222 Fax: (92-4931) 406009 Email: ahlskp@ahlhr.atlasgroup.pk
Branch Offices	Azmat Wasti Road, Multan Tel: (92-61) 540054, 540028, 571989 Fax: (92-61) 541690 140-B, Satellite Town Scheme, 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, 6305231 Azmat Wasti Road, Multan. Tel: (92-61) 540028



Atlas Honda Limited

NOTICE OF ANNUAL GENERAL MEETING

The Thirty-eighth Annual General Meeting of the company will be held on Monday 23 September 2002 at 10.30 a.m. at 1- Mcleod Road, Lahore to transact the following Business:

1. To confirm the Minutes of the Extra Ordinary General Meeting held on 18 March 2002.
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 2002.
3. To consider and approve the cash dividend Rs. 6 per share i.e. 60 % for the year ended 30 June 2002 as recommended by the Board of Directors.
4. To appoint the Auditors for the year 2002 - 2003 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.

BY ORDER OF THE BOARD



SECRETARY

Lahore: 31 August 2002

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

BOOK CLOSURE

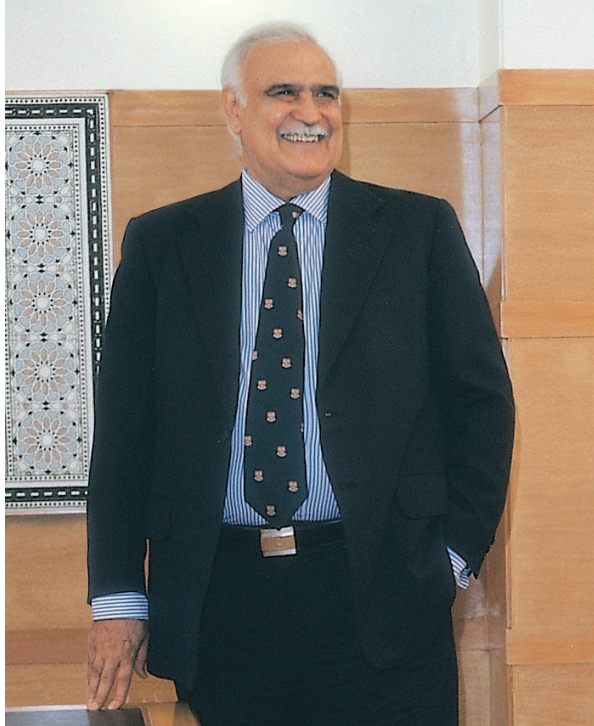
1. The share transfer books of the Company will be closed from 16 September 2002 to 23 September 2002 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to 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.

TEN YEARS GROWTH AT A GLANCE

(Rupees in million)

Years	2002	2001	2000	1999	1998	1997	1996	1995*	1994	1993
Sales	5,523.9	4,704.5	3,397.5	3,424.9	3,423.5	3,498.1	3,092.5	2,139.7	1,836.5	1,940.2
Gross Profit	735.4	458.4	352.9	396.8	424.5	396.8	338.4	160.8	176.8	151.3
Operating Profit	413.1	220.6	154.0	210.2	250.6	237.5	212.3	60.2	88.6	71.3
Profit Before Tax	394.6	202.9	101.9	180.9	190.9	188.6	176.1	31.4	18.7	17.7
Profit After Tax	270.5	117.8	60.2	123.4	125.6	124.9	101.5	20.6	11.5	13.4
Share Capital	204.4	146.0	146.0	146.0	146.0	132.7	120.6	120.6	120.6	109.7
Share Holders' Equity	792.3	644.4	585.0	554.0	481.7	392.6	287.5	204.2	211.9	200.5
Fixed Assets - Net	535.4	449.7	490.3	366.7	379.4	268.6	270.8	289.2	296.7	319.5
Total Assets	1,831.6	1,487.2	1,419.4	1,225.2	1,538.0	1,208.5	1,039.7	788.3	757.2	852.6
Long Term Liabilities	114.1	156.7	208.7	160.0	190.0	140.0	75.3	97.6	112.5	153.2
Dividend										
Cash Dividend	60%	40%	20%	35%	25%	15%	15%	15%	-	-
Stock Dividend	-	40%	-	-	-	10%	10%	-	-	10%
Ratios:										
Profitability (%)										
Gross Profit	13.3%	9.7%	10.4%	11.6%	12.4%	11.3%	10.9%	7.5%	9.6%	7.8%
Profit Before Tax	7.1%	4.3%	3.0%	5.3%	5.6%	5.4%	5.7%	1.5%	1.0%	0.9%
Profit After Tax	4.9%	2.5%	1.8%	3.6%	3.7%	3.6%	3.3%	1.0%	0.6%	0.7%
Return to Shareholders										
ROE - Before Tax	49.8%	31.5%	17.4%	32.7%	39.6%	48.0%	61.3%	15.4%	8.8%	8.8%
ROE - After Tax	34.1%	18.3%	10.3%	22.3%	26.1%	31.8%	35.3%	10.1%	5.4%	6.7%
Return of Capital Employed	29.8%	14.7%	7.6%	17.3%	18.7%	23.4%	28.0%	6.8%	3.5%	3.8%
E.P.S. - After Tax	13.24	8.07	4.12	8.45	8.60	9.41	8.41	1.71	0.95	1.22
Price Earning Ratio	3.03	3.10	4.67	2.28	3.49	3.29	3.21	9.96	25.18	20.87
Market Price (June 30)	40.05	25.00	19.25	19.25	30.00	31.00	27.00	17.00	24.00	25.50
Activity										
Sales to Total Assets	3.02	3.16	2.28	2.80	2.23	2.89	2.97	2.71	2.43	2.28
Sales to Fixed Assets	10.32	10.44	6.93	9.34	9.02	13.02	11.42	7.40	6.19	6.07
Inventory Turnover-times	9.57	7.46	6.87	7.39	6.06	5.41	5.38	5.76	4.66	4.34
Interest Cover Ratio-times	11.18	3.65	2.04	3.18	2.58	3.95	3.81	1.58	1.15	1.22
Liquidity/ Leverage										
Current Ratio	1.38	1.48	1.46	1.64	1.31	1.21	1.10	1.01	1.05	1.06
Break up Value per Share	38.76	44.14	40.07	37.95	33.00	29.58	23.83	16.92	17.57	18.28
Long Term debts to Equity (Times)	0.05	0.13	0.25	0.19	0.30	0.26	0.17	0.39	0.44	0.66
Total Liabilities to Equity (Times)	1.31	1.31	1.43	1.21	2.19	2.08	2.62	2.86	2.57	3.25

* Annualized



CHAIRMAN'S REVIEW

It is my pleasure to present to you the 38th Annual Report and Review of the performance of your Company for the year ended 30 June 2002.

THE ECONOMY

The fiscal year 2001-02 has been a challenging one for the world economy in general and Pakistan economy in particular. The events of September 11 and December 13 and the continuation of severe drought condition adversely affected the pace of economic recovery in Pakistan. The country had to deploy troops in self-defense on both borders, resulting in an over-run in defense spending. This has seriously undermined Pakistan's efforts towards further fiscal consolidation.

Pakistan's economy showed a mixed trend achieving a 3.6% GDP growth, while witnessing a decline in

revenues, exports, and production of wheat, rice and cotton crops. The 3.6 percent growth was possible due to 1.4% growth in agriculture, 4.4% in the manufacturing and 5.1% in the service sector. Major crops registered a negative growth of 0.5 percent, while minor crops grew slightly by 1.0%. Major crops witnessed decline - wheat 2.9%, rice 19.2% and cotton 1.1%. The sugarcane production, however, increased by 10.2%. The manufacturing sector registered a growth of 4% in large-scale manufacturing. Exports, on the other hand, received a setback causing a decline of 2.7% in the first nine months. As a result, the textile sector declined by 0.9% over the last year.

The Inflation was 2.6%, lowest in three decades. The decline in interest rates, removal of economic sanctions, trade concessions, and Paris club debt rescheduling enabled the stock market to post the highest year on year growth in the world.

The current account balance at the end of outgoing year was surplus to the extent of \$ 2.7 billion as against of \$ 0.331 billion of the previous year. Foreign exchange reserves crossed the unprecedented level of \$ 7.0 billion. With the help of external debt re-profiling, foreign debt has declined from \$ 38 billion to \$ 36 billion. As a result, there has been a reduction in the foreign debt to GDP ratio from 62% to 50%.

MARKETING OVERVIEW

Another year of double-digit growth enabled the company to post record sales of over 90,000 units. Market share was maintained at 70 percent. A better than expected response by the market for the MMC launch of CG-125 resulted in maximizing capacity utilization of the Sheikhpura facilities. In spite of the availability of cheap products, the enlightened customer base preferred the Atlas Honda quality. Forty years of sustained efforts in manufacturing and



providing quality products and services has withstood the test of times. Through its product and network, the company is striving to deliver value as desired by the customer. As a result, for the third year in succession, there were no price increases in the product line-up, despite the volatility of exchange rates.

The year saw the traditional markets - the agriculture based sector - facing a liquidity crunch. Both the major crops, cotton and wheat, had a good harvest but unfortunately due to a number of factors the grower did not reap the benefits. The company faced a slow down in sales in the agri-based areas. However, it was more than compensated by record sales in other segments. Price stability, thrust towards 5S dealerships and increased role of leasing of motorcycles have created new opportunities for Atlas Honda motorcycles.

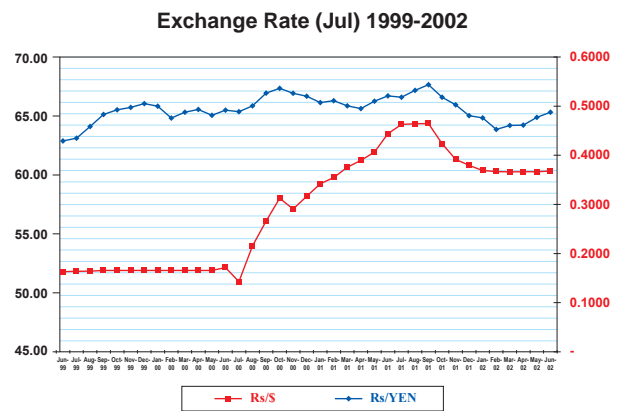
The dynamic marketing team, under the leadership of the CEO, executed a well-conceived marketing strategy that reaped rich benefits for the company. "The Holiday in Egypt" sales promotion scheme generated lively competition among the dealers and resulted in record first quarter sales, which set the momentum for the rest of the year.

The MMC of CG-125 unveiled in third quarter received an overwhelming response. An indicator of its popularity is the fact that while the overall sales experienced a 15 percent increase, this model recorded a 34 percent increase in sales volume on a year-to-year basis.

The 5S dealership concept, which was launched last year on a limited basis, has proven to be very successful and, as a result, was implemented more widely all over the country. Results of these 75 5S dealers prove that the new concept dealerships have contributed in a major way towards the sales growth during the year under review. Over 60% of the total

sales is now generated through them alone. The 5S strategy will be continued and more such dealerships will be promoted where the customer is provided all the services - Sales, Service, Spare Parts, Second hand motorcycle Exchange and Special (Credit) sales - in one place. This concept is envisaged not only to improve the quality of service but will also increase the overall market size of the industry.

The rupee-dollar parity was favorable in the last nine months of the year under review but the major imports of the company are in Yen, which remained volatile throughout the year. The cost-push impact, however, was compensated through volume growth and increased efficiency at the plant level. Over the last three years, the company has endeavored not to pass any cost impact onto the customers by maintaining the prices. The result is that the overall market has grown from 87000 units annually to 130,000 this year, a 50% growth in two years.



The Parts Division has been breaking new grounds each year under testing circumstances. Unfair competition in this sector in the form of unchecked illegal imports and cheap and substandard imitations leave an uneven playing field. Despite this, a growth of 30 percent on year-to-year basis has been achieved. This growth is commendable, as it proves that original quality parts are now within the reach of quality conscious customers.





Atlas Honda Limited

The year saw a mammoth effort by the company to reach out to its 4,000 plus business partners, popularly identified as 4-stroke mechanics. Service Conventions were held all over the country in more than ten locations where the response was very positive. These conventions saw culmination of a major thrust in each area to upgrade service facilities that will improve customer satisfaction and brand loyalty. In continuation of the policy initiated last year, the “Customer Education Programmes” were widely held and the company reached out directly to more customers through this exercise. The interaction provides an opportunity to both the customer and the company to interact through a feedback process to ensure customer satisfaction. The warranty facilities have also been made more efficient and the number of claims has reduced substantially due to the efforts to improve the quality of the product. The claim settlement time has been further reduced with more than 68 percent claims settled within 48 hours. This is an appreciable achievement considering that Antenna dealerships are spread out all over the country and the claims originate in many remote areas.

EXPORTS

The year saw greater acceptability of the products in international markets. Exports to Bangladesh and Sri Lanka, among others, have become regular and total volumes have experienced an appreciable increase to over 5% of total sales per annum. Further prospects are bright with capacity expansion and localization of remaining hi-tech parts increasing total indigenization from over 86% to planned 95% in the next couple of years, resulting in lower competitive costs.

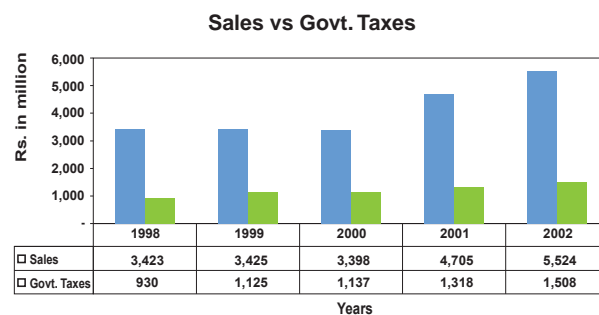
COMPANY OPERATION

Your company maintained its growth momentum

from the previous year. The year saw an ever-highest sales and profit for the period. The company sold 90,064 units of motorcycles as compared to 78,122 in the corresponding period of 2001, a 15% growth. Sales revenue increased to Rs. 5.524 billion compared to Rs. 4.704 billion last year, up 17.43%. The gross profit increased to 13.31% from 9.74% for the same period last year due to increase in volume & productivity.

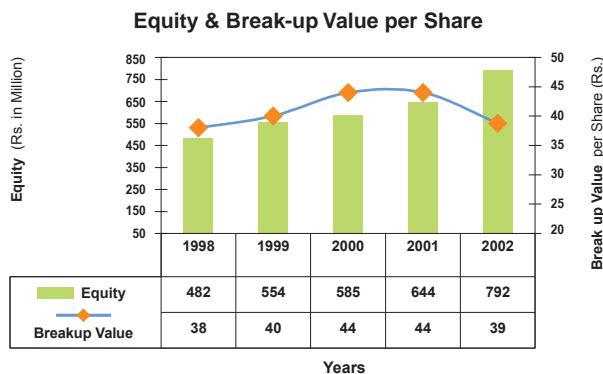
The operating expenses also increased to Rs. 322.371 million from last year’s Rs.237.778 million. This was largely due to the major investment made in sales promotion and introduction of Gratuity Scheme to management staff. The resources were well utilized as the overall market increased from 115,000 units of last year to around 130,000 units. Financial expenses were brought down to Rs. 26.572 million as compared to last year’s Rs. 44.525 million due to better management of inventory and effective mark up negotiation with the banks.

Your company paid taxes amounting to Rs1.508 billion on account of sales tax, income tax and custom duties as against Rs1.318 billion of last year’s. Altogether, Rs. 6.018 billion has been paid in the last five years.

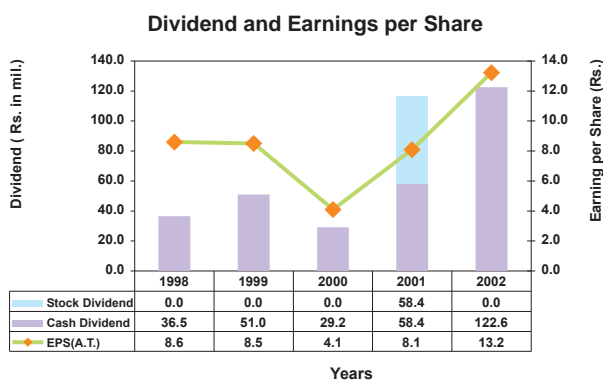


The cash management of your company led to cash balances aggregating Rs.407 million as compared to last year’s Rs. 159 million. Current ratio of your

company is 1.38:1. The company achieved ROE of 34.14% and EPS Rs.13.24 after tax.



Out of total profit of Rs 272.102 million available for appropriation for the year, your directors have proposed a cash dividend of Rs. 6 per share absorbing Rs. 122.621 million, the remaining balance of Rs. 149.481 million to be carried forward to the reserves.

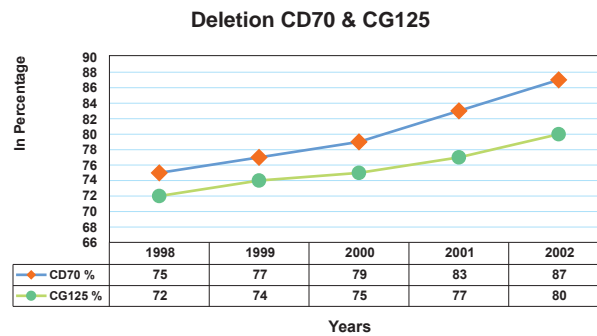


INDIGENIZATION

During the year, the company maintained its leadership in indigenization. It deleted hi-tech components like CDI units, Drum Assembly Gear Shift and Shock Absorbers components through transfer of know-how from Japanese companies like Shindengen, Atsumitech and Showa Corporation.

The machines and equipments of the Cylinder Head Project have also been installed. Testing & trials have been completed and mass-production for local use

in CD-70 and CG-125 have been started during June, 2002. The company has thus completed localization of a key hi-tech engine component. As a result, planned deletion target of 4.22% in CD-70 and 3.48% in CG-125 was achieved.



Plans have been prepared to de-bottleneck manufacturing capacity and to re-align the operations to support expanding marketing demand. A one billion rupee investment plan has been finalized to increase indigenization and production capacity. The investment shall be made in key hi-tech areas including Paint, Gears, Crankshaft, Case & Cover and Cylinder Head casting over the next three years.

HUMAN RESOURCE

Reliance on human resource has been the hallmark of the Atlas Group of Companies of which your company is a constituent member. It has successfully implemented Hay's job evaluation system in which job grades were assigned to positions instead of persons behind the job and each position is analyzed individually and is compensated accordingly.

In keeping with group policy to be in line with the market, the Company has introduced Gratuity for the staff. This will boost the morale of the staff and secure their long-term commitment with the company.

Associates Charter of demand at Karachi was settled.



Consequently, increased working hours by 10 minutes per day, 1 hour per week, have been negotiated, resulting in increased capacity utilization and productivity. Ala-Mayar activities were continued. During the year, several valuable suggestions from the shop floor as well as Vendors were implemented to improve productivity.

Family days were held at both the plants, which were well attended by the families of the associates. The associate satisfaction survey was conducted and actions were taken to keep the morale and motivation of employees at a high level.

There is a strong belief that well trained staff is a time precious asset and the most valuable capital of the company. Training was thus planned and provided to 54 employees. Out of them, 4 were sent abroad during the year under review reinforcing the policy followed by your company, year after year.

GOVERNMENT POLICY

The Motorcycle Industry in Pakistan has been established after decades of efforts and huge investment of over Rs. 5 billion – at the OEM level and about the same at Vendor and ancillary industry. Atlas Honda alone procures components from nearly 200 suppliers.

Over the recent years, the tariff reduction policy under WTO and other agreements with the donor agencies have adversely affected the local industry, whereas contrary to this, protection to domestic industry in one way or the other has been prevalent even in the developed world. Protection given by the US and EU to the agriculture, textiles and more recently steel sectors are cases in point.

The motorcycle industry in Pakistan has achieved deletion level of over 86%. The remaining parts to be indigenized are highly capital intensive and require technology transfer agreements as well as fiscal incentives in the form of adequate tariff protection to promote further localization. With a favourable policy in place, the industry can reach 95% within the next three years and in the process become globally competitive.

NEW ENTRANTS

Further, in order to protect the huge investment and to boost it further the EDB & Ministry of Industries should exercise strict control over the new entrants in the industry operating under unverifiable, non-transparent sources of parts supply, and without proper approval of the deletion programmes from the Engineering Development Board.

Instead of the stated government aim of eliminating Form "S" preferential treatment of lower duty on import of raw materials for use in industry, higher duty on CKD and CBU import, in order to promote further indigenization be continued. Otherwise, this will encourage the un-organized and the "briefcase assembler" at the expense of industry and their suppliers.

Besides having Joint Ventures and/or technical assistance and long term vending agreements, all new entrants must be advised to ensure availability of minimum facilities provision (assembly lines, paint and testing equipment, to say the least) before seeking approval for starting their operations, thus avoiding assembling through cheaper, substandard or pass through smuggled parts, endangering the life of the user.

FUTURE OUTLOOK

Strong financial performance is a pre-requisite for sustainable growth. Despite the difficult market situation, the company managed to retain its leading position in the market. Your company has posted record sales in its 40th year of incorporation. The endeavour is to grow from this strong base to emerge as globally competitive manufacturer in the coming years.

The challenge that has to be faced by your company in future is going to be from both the organized and unorganized sectors. The management aims to formulate strategies to effectively counter both. The government has reduced duty on import of CBU motorcycles from 105% to 90%. This may encourage the importer to under invoice and supply low quality brands in the market at a cheaper price. Local vendor industry may also come under pressure and this measure may also discourage investment in the automobile industry. However, effective protection is still there to indigenize and the company aims to meet the government target of 92%.

Your company is well equipped and has a proven product line-up, a strong network of dealers and chain of service centers at the doorstep of the customer, everywhere in Pakistan. The aim is that when a customer buys an Atlas Honda product, he not only buys a motorcycle but also becomes a member of the Atlas Honda network. Using IT, the company is creating a feedback system focused on creating a long term relationship between the customer and the company.

The company is also finalizing credit sales arrangement with institutions as a good avenue for expansion of sales. This will be a further step to intensify the Hire

Purchase scheme introduced last year

In order to meet the “increasing demand” in future, plans for increasing production capacity in time have been finalized. The reduction in costs due to volume growth is a further step toward the goal of becoming the most efficient motorcycle manufacturer in Pakistan.

ع تو شائیں ہے پرواز ہے کام تیرا

(Vision knoweth no horizons)

ACKNOWLEDGEMENT

I would like to place on record the all time best achievements of your Chief Executive Officer, Mr. Saquib H. Shirazi, and his dedicated team, under the able leadership of the Group President, Mr. Aamir H. Shirazi. I feel proud to say that under their leadership, your company not only posted record sales and profit but maintained its impressive growth record.

On behalf of the Board, I would especially like to acknowledge the contributions made by Mr. Farasat Ali and Mr. Istaqbal Mehdi, the two directors who retired from the Board during the year under review and welcome Mr. Tariq Iqbal Khan who has replaced the outgoing directors.

It is my pleasure to thank Honda Motor Company, Japan for their continued support in procurement, technological exchange and their help in establishing the Cylinder Head Project.

I also thank our bankers, shareholders, members of Board of Directors, Group Executive Committee, all staff and workers for their commitment, vendors & customers for their support and guidance 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 2002.

FINANCIAL RESULTS

The financial results of your company for the year ended 30 June 2002 under review are summarized as follows:

	(Rupees in 000's)	
	2002	2001
Profit before taxation	394,573	202,890
Taxation		
Current	160,000	83,500
Prior Years	(1,925)	(3,387)
Deferred	(34,000)	5,000
	<u>124,075</u>	<u>85,113</u>
Profit after taxation	270,498	117,777
Unappropriated profit brought forward	1,604	609
	<u>272,102</u>	<u>118,386</u>
Available for Appropriation		
Appropriation:		
Reserve for issue of Bonus Shares	-	58,391
Transfer to General Reserve	148,000	-
Cash Dividend 60% (2001: 40%)	122,621	58,391
	<u>270,621</u>	<u>116,782</u>
Unappropriated profit carried forward	<u>1,481</u>	<u>1,604</u>

Earnings per Share

Earnings per share after taxation comes to Rs. 13.24 per share (2001: Rs. 8.07 per share).

Dividend

Directors propose cash dividend at the rate of Rs. 6 per share i.e. 60%.

Operating and Financial Data

Operating and Financial data and key ratios of the company for last ten years are annexed.

Employees Provident Fund

The company has maintained recognized provident fund for their employees.

Value of Investment Rs. 111.538 Million
Based on Audited Accounts as at 30 June 2001.

Gratuity Scheme

Gratuity Scheme has been introduced for management staff and provision has been made in accounts accordingly.

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 2002 and future prospects. The directors endorse the contents of the review.

Board of Directors

The Board comprises of three executive and five non-executive directors including one independent director. All the directors keenly take interest in the proper stewardship of the company's affairs. The non-executive directors are independent of management.

The Board has approved the remuneration of the Chairman at Rs. 6.5 million, CEO Rs. 6.0 million and one Director Rs. 0.5 million; and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2002-2003. Furnished accommodation, inclusive of utilities will also be provided to the Director.

Directors, CEO, CFO, Company Secretary and their spouse and minor children have made no transactions of company's shares during the year.

During the year four Board meetings were held and attended as follows:

Mr. Yusuf H. Shirazi	3	
Mr. Aamir H. Shirazi	4	
Mr. Saquib H. Shirazi	4	
Mr. Sherali Mundrawala	4	
Mr. Sanaullah Qureshi	3	
Mr. Istaqbal Mehdi	-	Resigned on 4 November, 2001
Mr. Firasat Ali	3	Retired on 18 March, 2002
Mr. Takemi Ishikawa	3	
Mr. Motohide Sudo	-	
Mr. Tariq Iqbal Khan	1	Appointed on 5 November, 2001

Corporate Governance

Compliance of Corporate Governance is annexed.

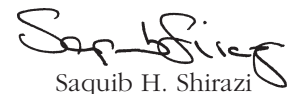
Pattern of Shareholding

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: 21 August 2002



CORPORATE GOVERNANCE

Statements of Directors' responsibilities

The Board regularly reviews the company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the company's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The company has been in compliance with the provisions set out by the Securities & Exchange Commission of Pakistan and accordingly amended listing rules of the Stock Exchanges.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Presentation of Financial Statements

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.

Books of Account

The company has maintained proper books of account.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

Application of International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control System

The system of internal control is sound in design and has been effectively implemented and monitored.

Going Concern

There is no doubt about the company's ability to continue as a going concern.

Audit Committee

Audit Committee was established by the Board in its meeting held on 2 July 2002 to assist the Board in discharging its responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The committee consists of three members including the Chairman of the committee, who are non-executive directors.

The Board Audit Committee is responsible for reviewing reports of the company's financial results, audit and adherence to standards of the system of management controls. The Committee reviews the procedures for ensuring their independence with respect to the services performed for the company and make recommendations to the Board of Directors.

Group Personnel Committee

The Group Personnel Committee determines the remuneration package for the management staff. The Committee has also the responsibility to create and maintain conducive work environment that instills trust and ensures respect, fair treatment, development opportunities and grooming and make succession plan for all employees.

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The Committee has responsibility for reviewing and forwarding long-term plans, capital and expense Budget development and stewardship of business plans. The committee is also responsible for maintaining a healthy environment within the company as well as outside the company through producing environment friendly products.

Code of business Principles

As a leading motorcycle manufacturing company, reputation for high ethical standards is central to business success. Code of Business Principles has been developed and is now being communicated and acknowledged by each Director and employee of the company.

Communication

Communication with the shareholders is given a high priority. Annual, Half yearly and Quarterly Reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company also has a web site (www.atlasgroup.pk.com), which contains up to date information on group activities. There is also an opportunity for individual shareholders to attend and ask questions at the Annual General Meeting.

Safety & Environment

The company strictly complies with the standard and follows the safety rules & regulations. The company has held various sessions on safety awareness and no accident occurred.

The company has been following environmental friendly policies and has recently been awarded appreciation for services rendered for the promotion of Environmental Awareness by City District Government, Lahore.



Atlas Honda Limited

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Company is in process of implementing all facets of the Code of Corporate Governance issued by the Karachi Stock Exchange and Lahore Stock Exchange and the Board feel pleasure in stating that provisions of the code, relevant for the year ended June 30 2002, have been duly complied with.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Atlas Honda Limited to comply with the Listing regulation No.37 of the Karachi Stock Exchange and Listing Regulation No. XIII of the Lahore Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal 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.

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

Karachi: 28 August 2002

Hameed Chaudhri & Co.
HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ATLAS HONDA LIMITED as at 30 June 2002 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;
 - (ii) the expenditure incurred during the year was for the purpose of 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 30 June 2002 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: 21 August 2002


HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS



BALANCE SHEET

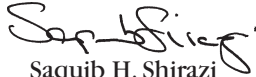
		(Rupees in 000's)	
	Note	2002	2001
Share Capital			
Authorised Capital 40,000,000 (2001: 20,000,000) Ordinary Shares of Rs. 10/- each		400,000	200,000
Issued, Subscribed & Paid-up Capital	5	204,368	145,977
Reserves & Unappropriated Profit			
Reserves	6	586,418	496,809
Unappropriated profit		1,481	1,604
		587,899	498,413
Shareholders' Equity		792,267	644,390
Redeemable Capital	7	-	24,788
Long Term Loan	8	40,182	60,274
Supplier's Credit	9	-	-
Obligation Under Finance Lease	10	253	-
Deferred Liabilities			
Provision for gratuity	11	58,620	22,672
Deferred taxation	12	15,000	49,000
		73,620	71,672
Current Liabilities			
Short term finances	13	-	-
Current maturity of long term liabilities	14	46,021	62,477
Creditors, provisions, accrued charges & other liabilities	15	591,002	476,420
Provision for taxation	16	162,000	85,500
Dividend payable	17	126,310	61,694
		925,333	686,091
Contingent Liabilities & Commitments	18	-	-
		1,831,655	1,487,215


The annexed notes form an integral part of the accounts.

AS AT 30 JUNE 2002

	Note	(Rupees in 000's)	
		2002	2001
Fixed Capital Expenditure			
Operating fixed assets	19	535,411	449,652
Capital work-in-progress	20	552	987
Investments			
	21	3,559	4,130
Long Term Loans, Deposits & Other Receivable			
	22	16,130	17,210
Deferred Cost			
	23	2,766	1,303
Current Assets			
Stores, spares & tools	24	38,065	33,042
Stock-in-trade	25	462,254	536,031
Trade debtors	26	166,335	42,781
Advances, deposits, prepayments, loans & other receivable	27	199,702	242,754
Cash & bank balances	28	406,881	159,325
		1,273,237	1,013,933
		1,831,655	1,487,215


 Sherali Mundrawala
 Director


 Saquib H. Shirazi
 Chief Executive Officer


 Yusuf H. Shirazi
 Chairman





PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002

		(Rupees in 000's)	
	Note	2002	2001
Sales - Net	29	5,523,951	4,704,528
Cost of Sales	30	4,788,509	4,246,111
Gross Profit		735,442	458,417
Operating Expenses			
Administrative expenses	31	150,923	111,053
Selling & Distribution expenses	32	171,448	126,725
		322,371	237,778
Operating Profit		413,071	220,639
Miscellaneous Revenue	33	38,209	42,540
		451,280	263,179
Other Charges			
Financial Expenses	34	26,572	44,525
Provision for Diminution in Value of Investment	21	571	1,733
Workers' Profit Participation Fund	15.05	21,210	10,848
Workers' Welfare Fund	15.06	8,354	3,183
		56,707	60,289
Profit Before Tax		394,573	202,890
Taxation	35		
Current year	16	160,000	83,500
Prior years	16	(1,925)	(3,387)
Deferred	12	(34,000)	5,000
		124,075	85,113
Profit After Tax		270,498	117,777
Unappropriated Profit Brought Forward		1,604	609
		272,102	118,386
Appropriation:			
Reserve for issue of bonus shares		-	58,391
Transfer to General Reserve		148,000	-
Proposed Dividend 60% (2001: 40 %) (Rs. 6 per share (2001:Rs. 4 per share))		122,621	58,391
		270,621	116,782
Unappropriated Profit Carried Forward		1,481	1,604
Basic Earnings Per Share	36	13.24	8.07
Re-instated Basic Earnings Per Share		-	5.76

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 2002

		(Rupees in 000's)	
	Note	2002	2001
Net cash flow from operating activities	37	573,697	224,296
Return on investments and servicing of finance			
Markup / interest paid		(27,699)	(45,564)
Finance charges on leased assets paid		(134)	(57)
Markup / interest received on deposits		24,923	38,891
Dividend received		248	376
Dividend paid		(58,005)	(28,824)
Net cash (used in) return on investments and servicing of finance		(60,667)	(35,178)
Taxation			
Taxes paid (including tax deducted at source)		(28,138)	(73,452)
Investing Activities			
Fixed capital expenditure		(178,425)	(36,223)
Sale proceeds of fixed assets		6,805	8,010
Software development / acquisition cost		(3,590)	(2,605)
		(175,210)	(30,818)
Net cash flow before financing activities		309,682	84,848
Financing Activities			
Repayment of long term loan		(20,092)	(20,092)
(Decrease) in short term borrowings		-	(109,281)
Repayments of redeemable capital		(21,454)	(18,682)
Repayment of supplier's credit		(20,931)	(20,930)
Repayment of obligation under finance lease		(1,126)	(685)
Increase / (Decrease) in long term loans and deposits		1,477	(8,532)
Net cash (used in) financing activities		(62,126)	(178,202)
Increase / (Decrease) in cash & cash equivalents	38	247,556	(93,354)

The annexed notes form an integral part of the accounts.


 Sherali Mundrawala
 Director


 Saquib H. Shirazi
 Chief Executive Officer


 Yusuf H. Shirazi
 Chairman



Atlas Honda Limited


STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2002


(Rupees in 000's)

	Share Capital	Capital Reserves			General Reserves		Total
		Share Premium	Gain on Sale of Land	Reserve for Issue of Bonus Shares	General Reserve	Unappropriated Profit	
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)
Transferred during the year	-	-	-	58,391	-	(58,391)	-
Balance as at 30 June 2001	145,977	39,953	165	58,391	398,300	1,604	644,390
Year ended 30 June 2002							
Balance as at 1 July 2001	145,977	39,953	165	58,391	398,300	1,604	644,390
Profit for the year	-	-	-	-	-	270,498	270,498
Proposed Dividend	-	-	-	-	-	(122,621)	(122,621)
Transfer to General Reserve	-	-	-	-	148,000	(148,000)	-
Reserve for issue of bonus shares	58,391	-	-	(58,391)	-	-	-
Balance as at 30 June 2002	204,368	39,953	165	-	546,300	1,481	792,267

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 2002

1. THE COMPANY AND ITS OPERATIONS

Atlas Honda Limited (the Company) was incorporated as a public limited company on 16 October 1962 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is located at 1 Mcleod Road, Lahore with branches / warranty and training centres at Karachi, Multan, Lahore, and Rawalpindi. The manufacturing / assembly facilities of the Company are located at Karachi and Sheikhpura. The company is principally engaged in progressive manufacture and sales of motorcycles and parts. The Company employed 785 employees during the year (2001: 762).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with provisions of the Companies Ordinance, 1984, International Accounting Standards (IAS) and Interpretations of Standing Interpretation Committee (SIC) of International Accounting Standard Committee (IASC) as applicable in Pakistan.

3. ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

In the current year, the Company has adopted the following International Accounting Standards for the first time.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 39 Financial Instruments: Recognition and Measurement

IAS 39 has introduced a comprehensive framework for accounting for all financial instruments. The principal effects of the adoption of IAS 39 has been that all of the Company's investments in securities are carried at fair value. There is no effect for re-measurement on the profit and loss account.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.01 Accounting Convention

The financial statements have been prepared under the historical cost convention except for capitalisation of exchange gain or loss on foreign currency loans utilised for acquisition of plant and machinery and available-for-sale investments which are stated at fair value. The principal accounting policies adopted are set out below:

4.02 Employee Benefits

Defined Benefit Plan

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

The Company has introduced unfunded gratuity scheme for management staff with effect from 1 July 2002. Contractual liability arising due to the introduction of gratuity scheme w.e.f. 1 July 2002 has been recognised in the financial statements for the year ended 30 June 2002. The Company has applied to the Commissioner of Income Tax for approval of gratuity scheme. After approval of gratuity scheme and registration of trust deed, the scheme will be converted into funded gratuity scheme. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The cost of providing these benefits is charged to the income statement in accordance with the advice of the actuaries, who carry out a full valuation of the plans (the latest valuation was done at 30 June 2002). Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested. The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, if any.



Atlas Honda Limited

Defined Contribution Plan

The Company operates defined contribution plan (i.e. recognized provident fund scheme) for its employees. Equal monthly contributions at the rate of 11 per cent of the basic salary are made to the fund both by the Company and employees. The assets of the fund are held separately under the control of trustees.

Employee Compensated Absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

4.03 Taxation

Current

The charge of current tax is based on the results for the year allocated to the local sales as adjusted for items which are non-assessable or disallowed. It is calculated using applicable tax rates after taking into account available tax credits, if any, or one half per cent of turnover, whichever is higher. Export sales are covered under presumptive tax regime. Tax withheld at the time of realization of export proceeds are treated as full and final liability.

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 tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

4.04 Fixed assets and depreciation

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.

The depreciation method and useful lives of items of fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sales proceeds and the carrying amount of asset and are included in the profit and loss account.

4.05 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 inception of lease. The corresponding liability to the lessor is included in the balance sheet as obligation under finance lease. 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.

4.06 Investments

Investment in associated companies

As per IAS 28, Investment in Associates, Associates are those enterprises in which the company has significant influence, but not control, over the financial and operating policies.

As per Section 2 of the Companies Ordinance, 1984, two or more companies are said to be associated companies if a person have a common directorship in the said companies.

Prior to the adoption of IAS 39, the Company had recorded its investments at lower of cost or market value in accordance with IAS 25 and Technical Release (TR) 23 issued by the Institute of Chartered Accountants of Pakistan (ICAP). The Company adopted during the year IAS 39 and classified its investments including investment in associated company into 'available-for-sale' category. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on a regular basis.

All purchases and sales are recognised on the trade dates. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the profit and loss account in the period in which they arise. There was no effect on the profit and loss account for the current or corresponding year on adoption of IAS 39.

4.07 Stores, spares and tools

Stores, spares and tools are stated at the lower of cost and net realisable value. The cost of inventory is based on average cost. Items in transit are stated at cost accumulated to balance sheet date.

4.08 Stock-in-trade

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.

4.09 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.

4.10 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 dividend have been established.



4.11 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.

4.12 Deferred Cost

These are stated at cost less accumulated amortisation. Software development / acquisition cost and license fee is amortized over a period of two years.

4.13 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.

4.14 Warranty

The Company recognises the estimated liability to repair or replace damage part of products still under warranty at the balance sheet date. The provision is calculated based on the ratio of warranty claims during the year to previous year's sales.

4.15 Financial Instruments

Financial assets

The company's principal financial assets are cash & bank balances, trade debtors, advances & loans and available-for-sale investment. Trade debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability

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, supplier's credit, short term loans, creditors & other liabilities and dividend payable. These are stated at nominal value.

4.16 Share Capital

Ordinary Shares are classified as equity. Dividend on ordinary shares are recognised in equity in the period in which they are related.

4.17 Cash and cash equivalents

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

4.18 Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs, if any. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the periods in which they arise.

4.19 Presentation

Figures in the financial statements have been rounded off to the nearest thousand of rupees.

		(Rupees in 000's)	
Note		2002	2001
5. ISSUED, SUBSCRIBED & PAID-UP SHARE CAPITAL			
Ordinary shares of Rs. 10 each			
	6,352,748 Fully paid-up in cash	63,528	63,528
	13,824,768 (2001: 7,985,678) Issued as fully paid bonus shares	138,247	79,856
	259,300 Issued for consideration other than cash	2,593	2,593
	<u>20,436,816</u> (2001: 14,597,726)	<u>204,368</u>	<u>145,977</u>

5.01 The Company has one class of ordinary shares which carry no right to fixed income.

5.02 In October 2001, a capitalization issue of two bonus shares for every five shares held resulted in an increase in issued share capital of Rs. 58,391 thousand and equivalent reduction in the Reserve for issue of bonus shares.

5.03 9,114,537 (2001: 6,472,156) Ordinary Shares of Rs. 10/- each were held by associated companies at the year end.

6. RESERVES

Capital Reserves	6.01	40,118	98,509
General Reserve	6.02	546,300	398,300
		<u>586,418</u>	<u>496,809</u>
6.01 Capital Reserves			
Share Premium			
		39,953	39,953
Gain on Sale of Land			
		165	165
Reserve for issue of bonus shares			
		58,391	-
		-	58,391
		58,391	-
		-	58,391
		<u>40,118</u>	<u>98,509</u>
6.02 General Reserve			
		398,300	398,300
		148,000	-
		<u>546,300</u>	<u>398,300</u>



Atlas Honda Limited

		(Rupees in 000's)	
		2002	2001
7. REDEEMABLE CAPITAL	Note		
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	7.01	-	19,788
Atlas Investment Bank Limited	7.02	-	5,000
		<u>-</u>	<u>24,788</u>
7.01 Saudi Pak Industrial & Agricultural Investment Company (Private) Limited			
Balance at beginning		36,242	49,924
Less: Repaid during the year		<u>16,454</u>	<u>13,682</u>
		19,788	36,242
Less: Installments due within the following twelve months		19,788	16,454
Balance at the end		<u>-</u>	<u>19,788</u>

- (a) The Company has arranged a long term finance facility (the 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, if any.
- (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 and a demand promissory note.

7.02 Atlas Investment Bank Limited

Balance at beginning	10,000	15,000
Less: Repaid during the year	<u>5,000</u>	<u>5,000</u>
	5,000	10,000
Less: Installments due within the following twelve months	5,000	5,000
Balance at end	<u>-</u>	<u>5,000</u>

- (a) The company has arranged long term finance facility (the finance facility) from Atlas Investment Bank Limited, (the bank) an associated company. 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 percent per annum.
- (b) The finance 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 percent 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 finance 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.

	Note	(Rupees in 000's)	
		2002	2001
8. LONG TERM LOAN			
Muslim Commercial Bank Limited			
Balance at beginning		80,366	100,458
Less: Repaid during the year		20,092	20,092
		60,274	80,366
Less: Installments due within the following twelve months		20,092	20,092
Balance at end		40,182	60,274

- (a) The Company has arranged Demand Finance amounting to Rs. 100.458 million from Muslim Commercial Bank Limited for import of 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 13.001 percent (2001: 12.476%), 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 and a demand promissory note.

9. SUPPLIER'S CREDIT

Honda Trading Corporation

Foreign Currency Loan - Unsecured

Balance at beginning	20,931	41,861
Less: Repaid during the year	20,931	20,930
	-	20,931
Less: Installment due within the following twelve months	-	20,931
Balance at the end	-	-



Atlas Honda Limited

- (a) The company had arranged Supplier's Credit from Honda Trading Corporation, Japan for import of Machinery & Equipment. The Supplier's Credit which carried mark-up at the rate of 17.86% including exchange risk fee of 13.36% has been repaid during the year.

	Note	(Rupees in 000's)	
		2002	2001
10. OBLIGATION UNDER FINANCE LEASE			
Balance at beginning		-	685
Lease assets obtained during the year		2,520	-
		<u>2,520</u>	<u>685</u>
Less: Repaid during the year		1,126	685
		<u>1,394</u>	<u>-</u>
Less: Installments due within the following twelve months		1,141	-
Balance at end		<u>253</u>	<u>-</u>

	2002		2001		2002		2001	
	Minimum lease payments	Financial charges	Present value of minimum lease payments	Minimum lease payments	Financial charges	Present value of minimum lease payments	Minimum lease payments	
Rupees in thousand								
Year ending to 30 June								
2003	1,233	-	92	-	1,141	-	-	
2004	253	-	-	-	253	-	-	
	<u>1,486</u>	<u>-</u>	<u>92</u>	<u>-</u>	<u>1,394</u>	<u>-</u>	<u>-</u>	

The Company has entered into finance lease / sale and lease back agreement with Atlas Investment Bank Limited (associated company) for motor vehicles.

The lease rentals which include finance charges at the rate of 16 % per annum are payable in 12 quarterly installments commencing from November, 2001. The lease agreement contain bargain purchase option which the Company may exercise at the end of lease term.

11. PROVISION FOR GRATUITY

Balance at beginning	22,672	17,129
Add: Provision for the year	37,330	5,779
	<u>60,002</u>	<u>22,908</u>
Less : Payments during the year	1,382	236
Balance at end	<u>58,620</u>	<u>22,672</u>

11.01 The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit retirement benefit plan is as follows:

	(Rupees in 000's)			
			2002	2001
	Management	Non-management & Workers	TOTAL	
Present value of defined benefit obligation (actuarial liability)	41,684	17,769	59,453	22,672
Unrecognised actuarial loss	-	(833)	(833)	-
Balance at end	41,684	16,936	58,620	22,672
Expense recognised in the income statement:				
Current service cost	42,108	750	42,858	5,779
Interest costs	-	1,720	1,720	-
Excess of book provision over transitional liability recognised	-	(7,248)	(7,248)	-
	42,108	(4,778)	37,330	5,779

11.02 The expense is recognised in the following line items in the income statement:

	Note				
Cost of sales	30.03	13,985	(4,778)	9,207	5,779
Administrative expenses	31.03	22,591	-	22,591	-
Selling expenses	32.02	5,532	-	5,532	-
		42,108	(4,778)	37,330	5,779

Principal actuarial assumptions at the balance sheet date for:

Discount rate	11%	11%	12%
Future salary increases	9%	11%	9.5%

12. DEFERRED TAXATION

The liability for deferred taxation comprises of timing differences relating to:

Deferred credit arising in respect of:
 Accelerated tax depreciation allowance
 Lease rentals

Deferred debit arising in respect of various provisions

12.01 The movement for the year in the Company's net deferred tax position was as follows:

Balance at beginning	49,000	44,000
(Decrease) / Increase in deferred tax liabilities	(6,701)	7,000
(Increase) / Decrease in deferred tax assets	(27,299)	(2,000)
(Reversal) / Charge to income for the year	(34,000)	5,000
Balance at end	15,000	49,000



	Note	(Rupees in 000's)	
		2002	2001
13 SHORT TERM FINANCES			
Balance at beginning and end		-	-

The Company has facilities for short-term running finance under mark-up arrangements amounting to Rs. 665 million (2001: 630 million). The facilities carry mark-up at the rate of Re. 0.2465 to Re. 0.3014 (2001: Re. 0.3014 to Re. 0.3836) per thousand per day on daily product basis. These facilities are secured against joint hypothecation charge on stocks-in-trade and trade debts amounting to Rs. 1,182 million. These facilities are expiring on various dates by 31 December 2002.

The facility for opening letters of credit and guarantees as at 30 June 2002 amounted to Rs. 885 million (2001: Rs. 635 million) of which the amount remaining unutilised at the year-end was Rs. 526 million (2001: Rs. 505 million)

The facility for post shipment export refinance as at 30 June 2002 amounted to Rs. 45.5 million (2001: Rs. 15 million). This facility is secured against lien on export bills / contract.

14. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable capital		24,788	21,454
Long term loan		20,092	20,092
Supplier's credit		-	20,931
Obligation under finance lease		1,141	-
		46,021	62,477

15. CREDITORS, PROVISIONS, ACCRUED CHARGES AND OTHER LIABILITIES

Trade creditors	15.01	165,751	103,342
Accrued expenses		144,894	132,441
Provision for warranty	15.02	7,000	7,000
Customers advance & credit balances	15.03	230,363	191,942
Mark-up on redeemable capital		1,655	3,120
Interest / mark-up on bank loans - secured	15.04	2,265	5,006
Interest on suppliers credit - unsecured		-	77
Finance charges on leased assets		15	-
		3,935	8,203
Retention money		960	98
Sales tax payable		-	10,713
Withholding tax payable		14	-
Workers' Profit Participation Fund	15.05	21,537	11,155
Workers' Welfare Fund	15.06	8,061	5,176
Other liabilities		8,487	6,350
		591,002	476,420

15.01 Trade Creditors include Rs. 90 thousand (2001: Nil) payable to associated undertaking.

	(Rupees in 000's)	
Note	2002	2001
15.02 Provision for Warranty		
Balance at beginning	7,000	
Provided during the year	9,692	
	16,692	
Paid / charged during the year	9,692	
Balance at end	7,000	
15.03 Customers advances includes Nil (2001: Rs. 345 thousand) from associated undertaking.		
15.04 Interest / Markup payable on secured loan includes Rs. 443 thousand (2001 - Rs. 854 thousand) payable to associated undertaking.		
15.05 Workers' Profit Participation Fund		
Balance as at beginning	11,155	5,799
Add : Interest credited	453	616
	11,608	6,415
Less : Payment made during the year	11,281	(6,108)
	327	307
Contributions for the year @ 5%	21,210	10,848
Balance at end	21,537	11,155
The Company retains the allocation to this fund for its business operation till the amount is paid to the fund together with interest at the prescribed rates under the Act.		
15.06 Workers' Welfare Fund		
Balance at beginning	5,176	2,856
Paid during the year	5,469	863
	(293)	1,993
Charge for the current year	8,060	4,122
Prior year / (adjustment)	294	(939)
	8,354	3,183
Balance at end	8,061	5,176
16. PROVISION FOR TAXATION		
Balance at beginning		
Corporate Asset Tax	2,000	2,000
Income Tax	83,500	28,000
	85,500	30,000
Add: Provision made during the year		
Current year	160,000	83,500
Prior years	(1,925)	(3,387)
	158,075	80,113
Less: Payment during the year	81,575	24,613
Balance at end	162,000	85,500

16.01 The charge for the year can be reconciled to the profit as per the income statement as follows:



Atlas Honda Limited

	Note	(Rupees in 000's)	
		2002	2001
Profit before tax		394,573	202,890
Tax at the applicable income tax rate	35.00%	138,101	70,301
Tax effect of expenses that are not deductible in determining taxable profit as under:			
Gratuity	3.19%	12,582	1,921
Others (including leave encashment)	1.93%	7,618	7,057
Effect of difference in tax rates under normal assessment and presumptive tax regime	0.45%	1,773	4,332
Effect of difference in tax rates under normal assessment and tax on dividend for companies	-0.02%	(74)	(111)
Tax expenses and effective tax rate for the current year	40.55%	160,000	83,500

17. DIVIDEND PAYABLE

Unclaimed dividends	3,639	3,261
Unclaimed bonus fractions	50	42
Proposed dividend	122,621	58,391
	126,310	61,694

18. CONTINGENT LIABILITIES & COMMITMENTS

Contingencies

18.01 Cases have been filed against the Company by some former employees claiming approximately Rs. 2.0 million in aggregate. These cases are pending in the High Court of Sindh, the Sindh Labour Courts and the Sindh Labour Appellate Tribunal. The management is confident that the outcome of these cases will be in the Company's favour.

18.02 The Company is defendant in a case filed in the High Court of Sindh before the Additional Registrar in respect of specific performance, declaration, cancellation of illegal documents, injunction and damages amounting to Rs. 20.0 million against execution of lease of land F-10(B), Estate Avenue, S.I.T.E. in its name. The management is confident that the case will be decided in favour of the Company and no loss is likely to be suffered.

18.03 Guarantees

Issued by bank	17,208	7,337
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Guarantees are issued to Government institutions and shall be released on delivery of motorcycles. These are issued under normal operations.

Commitments

Confirmed Letters of Credit		
Relates to Raw material	342,181	123,334
For acquisition of Plant and Equipment	3,000	-

19. OPERATING FIXED ASSETS

Particulars	Cost			Depreciation				W.D.V. 30-06-02	Rate %	
	As at 01-07-01	Additions	Disposals	As at 30-06-02	As at 01-07-01	For the Year	Disposals			As at 30-06-02
R u p e e s i n t h o u s a n d										
Owned Assets										
Free hold Land	5,112	-	-	5,112	-	-	-	-	5,112	-
Lease hold Land	11,187	-	-	11,187	3,115	202	-	3,317	7,870	2.5
Building on freehold land	23,119	7,400	-	30,519	14,013	1,651	-	15,664	14,855	10
Building on lease hold land	27,828	454	-	28,282	22,191	609	-	22,800	5,482	10
Plant & Machinery	587,239	95,923	10,199	672,963	278,205	40,179	7,035	311,349	361,614	10
Dies & Jigs	156,242	30,405	14,378	172,269	107,930	22,758	11,538	119,150	53,119	25
Factory equipment	7,347	9,565	285	16,627	4,900	1,188	156	5,932	10,695	10
Office equipment	10,774	1,043	1,136	10,681	4,352	681	478	4,555	6,126	10
Computers & accessories	14,695	5,736	241	20,190	6,632	4,094	156	10,570	9,620	25
Furniture & fixture	4,029	1,648	167	5,510	2,702	292	115	2,879	2,631	10
Fixture & equipment	1,300	-	-	1,300	1,185	12	-	1,197	103	10
Electric & gas fittings	32,216	8,315	11	40,520	18,477	2,205	7	20,675	19,845	10
Vehicles	61,186	18,371	12,782	66,775	29,097	9,041	7,526	30,612	36,163	20
Service equipment	448	-	-	448	271	17	-	288	160	10
Sub-total	942,722	178,860	39,199	1,082,383	493,070	82,929	27,011	548,988	533,395	
Leased Assets										
Vehicles	-	2,520	-	2,520	-	504	-	504	2,016	
Sub-total	-	2,520	-	2,520	-	504	-	504	2,016	
TOTAL - 2002	942,722	181,380	39,199	1,084,903	493,070	83,433	27,011	549,492	535,411	
2001	933,319	42,152	32,749	942,722	443,050	65,688	15,668	493,070	449,652	

19.01 Lease in respect of two plots is under execution.

19.02 Depreciation for the year has been allocated as follows:

	Note	(Rupees in 000's)	
		2002	2001
Cost of goods manufactured	30.01	73,720	59,261
Administrative expenses	31	9,713	6,427
		<u>83,433</u>	<u>65,688</u>

19.03 Certain dies and moulds costing Rs. 14,947 thousand (2001: Rs. 14,947 thousand) are held with Ali Machine Tools Company, G. I. Enterprises, Electropolymers (Private) Limited, Pak Polymer (Private) Limited, Sigma Industries (Private) Limited and Pakistan Machine Tool Factory (Private) Limited for production of components to be supplied to the Company.



19.04 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							
Buffing Machine	-	-	-	2	2	Auction	Abdul Rasheed, Shershah, Karachi.
Heat Treatment Electric Oven	-	-	-	2	2	Auction	-Do-
Universal Gear Tester	2,476	1,656	820	-	(820)	Written off	
Air Dryer	913	577	336	-	(336)	Written off	
M/Cycle Delivery Lift	1,622	1,230	392	-	(392)	Written off	
Insulator Copper Conductor	417	279	138	-	(138)	Written off	
Q.C Implement	2,944	2,067	877	-	(877)	Written off	
Parts for Machinery	240	112	128	-	(128)	Written off	
Cutting Tools	1,587	1,114	473	-	(473)	Written off	
Sub Total	10,199	7,035	3,164	4	(3,160)		
Dies & Jigs							
Left Crank Case Die	1,643	1,235	408	-	(408)	Written off	
Die for Crank Case R/H	1,577	1,291	286	-	(286)	Written off	
Die for Crank Case Cover L/H	919	753	166	-	(166)	Written off	
F.C. Shop Dies	967	756	211	-	(211)	Written off	
Press Shop Dies	5,945	5,263	682	-	(682)	Written off	
Machine Shop Hub & panel Dies	401	362	39	-	(39)	Written off	
Paint Shop Dies	20	17	3	-	(3)	Written off	
Engine Assy Dies	214	188	26	-	(26)	Written off	
Frame Assy. Dies	367	317	50	-	(50)	Written off	
Die shop Dies	972	802	170	-	(170)	Written off	
Frame Die	363	165	198	35	(163)	Auction	S.R.Traders & Janjua 21-K.M. Multan Road, Lahore
Die Car Plate LWR C/MBR	450	177	273	50	(223)	Auction	-Do-
Die Car Ext. Com R/L	540	212	328	59	(269)	Auction	-Do-
Sub Total	14,378	11,538	2,840	144	(2,696)		
Computers & Accessories							
Scanner	18	8	10	-	(10)	Written off	
IBM P.Computer & Printer	133	83	50	4	(46)	Auction	S.Aqueel-ur-Rehman, No.E-24 Khudadad Colony, Liaquat Road, Karachi.
System 36 & Terminal	90	65	25	1	(24)	Auction	Arif Ahmed Contractor, Gujranwala.
Sub Total	241	156	85	5	(80)		
Factory Equipment							
Photocopier Np-201	82	61	21	1	(20)	Auction	Shafiq Ahmed Kabaria, Lajpat Road, Shahadara, Lahore.
PABX	203	95	108	6	(102)	Auction	-DO-
Sub Total	285	156	129	7	(122)		
Office Equipment							
Photocopier NP-6850	836	288	548	57	(491)	Negotiation	Shirazi Trading Co. (Pvt) Ltd. 2nd Floor, Nadir House I.I.Chundrigar Road, Karachi. (Associated Company)
Telex Machine, phone & copier	300	190	110	6	(104)	Auction	Shafiq Ahmed Kabaria, Lajpat Rd., Shahadara, Lahore.
S.TOTAL RS.	1,136	478	658	63	(595)		
Furniture & Fixture							
Misc. Furniture & Fixture	116	91	25	1	(24)	Auction	Shafiq Ahmed Kabaria, Lajpat Rd., Shahadara, Lahore.
Furniture & Fixture	51	24	27	10	(17)	Auction	Javed Ahmed Siddiqui, Rawalpindi.
Sub Total	167	115	52	11	(41)		
Electric & Gas, Office							
Water Cooler	11	7	4	3	(1)	Negotiation	Maintenance, Centre 67-E-12th, Commercial Street, Phase-II Defence Housing Society, Karachi.
Sub Total	11	7	4	3	(1)		



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(Rupees in 000's)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/ (Loss)	Mode of disposal	Particulars of Purchasers
VEHICLES							
Motorcycle CD70	56	33	23	23	-	Company Policy	(Employee) Mohammad Hameeduddin
Motorcycle CD70	54	26	28	36	8	Company Policy	(Employee) Manzoor Qadir
Motorcycle CD70	56	38	18	23	5	Company Policy	(Employee) Saadi Mustafa
Motorcycle CD70	56	33	23	23	-	Company Policy	(Employee) Jan Mohammad
Motorcycle CD70	61	22	39	36	(3)	Company Policy	(Ex-Employee) Naseer Ahmed
Motorcycle CD70	57	34	23	24	1	Company Policy	(Employee) Mohammad Faheem
Motorcycle CD70	57	34	23	24	1	Company Policy	(Employee) Anwer Ali
Motorcycle CD70	64	23	41	44	3	Company Policy	(Ex-Employee) Abdul Rauf
Motorcycle CD70	66	13	53	50	(3)	Insurance Claim	Muslim Insurance Co. Ltd. 3-Bank Square, Shahraea,
Motorcycle CD70	62	22	40	35	(5)	Insurance Claim	Qaid-e-Azam Lahore. (Associated Company)
Motorcycle CD70	64	13	51	42	(9)	Insurance Claim	- DO-
Motorcycle CD70	64	23	41	45	4	Insurance Claim	- DO-
Motorcycle CD70	54	26	28	35	7	Insurance Claim	- DO-
Motorcycle CD70	54	26	28	28	-	Insurance Claim	- DO-
Motorcycle CG125	64	43	21	26	5	Company Policy	(Employee) Misbahuddin Ahmed
Motorcycle CG125	64	38	26	27	1	Company Policy	(Employee) Mohammad Zahiruddin
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) Mohammad Ilyas
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) Shahabuddin Khurram Baig
Motorcycle CG125	75	15	60	74	14	Company Policy	(Employee) M.Akmal Dar
Motorcycle CG125	75	15	60	71	11	Company Policy	(Employee) Tauqeer A. Rana
Motorcycle CG125	54	26	28	32	4	Company Policy	(Employee) Muhammad Hussain
Motorcycle CG125	75	15	60	69	9	Company Policy	(Employee) Zahid Saleem
Motorcycle CG125	64	38	26	26	-	Company Policy	(Employee) Tasleem Shuja
Motorcycle CG125	64	38	26	26	-	Company Policy	(Employee) Afrasiab Khan
Motorcycle CG125	64	38	26	26	-	Company Policy	(Employee) Abdul Majeed
Motorcycle CG125	64	38	26	26	-	Company Policy	(Employee) Khurshid Ahmed Khan
Motorcycle CG125	63	31	32	32	-	Company Policy	(Employee) Riaz Ahmed Mirza
Motorcycle CG125	65	38	27	49	22	Company Policy	(Employee) Azhar Qureshi
Motorcycle CG125	73	26	47	54	7	Company Policy	(Employee) Muhammad Saeed
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) Maqsood-ul-Hasan
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) Anwar Bajwa
Motorcycle CG125	71	25	46	67	21	Insurance Claim	Muslim Insurance Co. Ltd. 3-Bank Square, Shahraea,
Motorcycle CG125	75	15	60	67	7	Insurance Claim	Qaid-Azam Lahore. (Associated Company)
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) M.Afzal Shahid
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) Mohammad Nawaz
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) Mirza Saleem Beg
Motorcycle CG125	66	39	27	27	-	Company Policy	(Employee) Khadim Hussain Raza
Daihatsu Coure	439	88	351	360	9	Tender	Tahir Iqbal 503-A Royal Apptt. KDA Scheme-1 Karachi.
Suzuki Mehran	323	191	132	134	2	Negotiation	Mr.Sarfraz F-21 Muslimabad, Karachi.
Suzuki Van	152	137	15	127	112	Auction	Masood Rafiq Cantt View Lahore
Suzuki Pick-up	129	113	16	88	72	Auction	Muhammad Farooq Alama Iqbal Town Lahore
Suzuki Van	326	241	85	150	65	Auction	Adnan Rafiq Baidin Road, Lahore
Daihatsu Coure	419	84	335	368	33	Auction	Ishfaq Yousuf Shad Bagh Lahore.
Suzuki Khyber	420	248	172	173	1	Negotiation	Nasir Mahmood D-2/865 Liaquatabad, Karachi.
Suzuki Khyber	475	171	304	271	(33)	Company Policy	(Ex-Employee) Mohammad Ashraf
Suzuki Margalla	454	305	149	229	80	Negotiation	Sheikh Abdullah 456/1 F.B.Area, Karachi.
Suzuki Margalla	396	235	161	163	2	Negotiation	Razauddin B-640 Block-13 F.B.Area, Karachi.
Suzuki Margalla	460	225	235	231	(4)	Company Policy	(Employee) Muhammad Zaman
Honda City	599	354	245	281	36	Company Policy	(Employee) Mohammad Siddique
Honda City	524	309	215	242	27	Company Policy	(Employee) Jawaid Iqbal Afghani
Honda Civic	900	764	136	406	270	Negotiation	Mohammad Farooq F/6 Alama Iqbal Town, Lahore.
Honda Civic	396	234	162	163	1	Negotiation	Saad Bin Naseer A-57 Block-2 PECHS, Karachi.
Honda Civic	586	475	111	285	174	Negotiation	Ashiq Hussain D-45, Block No.6 P.E.C.H.S, Karachi.
Honda Civic	939	631	308	500	192	Negotiation	Shabbir Hussain C-62 KDA Scheme No.1, Karachi.
Honda Civic	985	662	323	425	102	Negotiation	Masood Ahmed, C-106, Shalamar Estate,129 Clifton Karachi.
Honda Civic	787	465	322	325	3	Negotiation	M.Ibrahim Khan E-36/3 Jahangir Road, East, Khi.
Honda Civic	710	477	233	291	58	Negotiation	Mohammad Zeewaqaar Khan 4- Feroz pur Rroad, Officers Colony, Lahore.
Sub Total	12,782	7,526	5,256	6,568	1,312		
Grand Total	39,199	27,011	12,188	6,805	(5,383)		



	Note	(Rupees in 000's)	
		2002	2001
20. CAPITAL WORK-IN-PROGRESS			
Building		-	153
Plant and Machinery		448	-
Factory Equipment		104	-
Vehicle		-	834
		<u>552</u>	<u>987</u>
21. INVESTMENTS			
Available-for-sale investment			
Listed			
Atlas Battery Limited - Associated undertaking			
165,550 ordinary shares of Rs. 10 each			
includes bonus shares 25,550		9,548	9,548
Less: Provision for diminution in value of investment		5,989	5,418
Market value Rs. 3,559 thousand			
(2001 - Rs. 4,130 thousand)		3,559	4,130
Unlisted			
Arabian Sea Country Club (Private) Limited		2,000	2,000
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, 2001			
Rs. Nil (2001: Rs. Nil) per share			
Less: Provision for diminution in value of investment		2,000	2,000
		-	-
Automotive Testing & Training Centre (Private) Limited			
187,500 ordinary shares of Rs. 10 each		1,875	1,875
(Name of Acting Chief Executive Mr. Yawar Abbas			
Break-up value on the basis of audited			
accounts for the year ended June 30, 2001			
Rs. 5.75 (2001: 5.75) per share			
Less: Provision for diminution in value of investment		1,875	1,875
		-	-
		<u>3,559</u>	<u>4,130</u>
22. LONG TERM LOANS, DEPOSITS & OTHER RECEIVABLE			
Considered Good			
Cars/Motorcycles loans to employees - (Secured)	22.01	12,896	14,147
Deposits (Unsecured)		3,159	2,988
Other receivable		75	75
		<u>16,130</u>	<u>17,210</u>

	Note	(Rupees in 000's)	
		2002	2001
22.01 Cars / Motorcycles loans to Employees			
Due from:			
- Executives		3,744	3,001
- Employees		16,612	19,003
		20,356	22,004
Less: Recoverable within one year			
- Executives		1,581	1,512
- Employees		5,879	6,345
		7,460	7,857
		12,896	14,147
		12,896	14,147

Car / Motorcycle loans given to executives and employees are in accordance with the Company's policy. Such loans are interest free and are repayable in equal monthly installments with a maximum period of four years. Such loans are secured against car / motorcycles which are registered in name of the Company.

Car / Motorcycle loans outstanding for more than 3 years amounting to Rs. 421 thousand (2001: Rs. 381 thousand).

The maximum amount due from executives at the end of any month was Rs. 3,824 thousand (2001: Rs. 4,401 thousand)

23. DEFERRED COST

Software development / acquisition cost	4,893	2,605
Amortized during the year	(2,127)	(1,302)
	2,766	1,303
	2,766	1,303

24. STORES, SPARES & TOOLS

Consumables stores	10,588	10,844
Maintenance spares	11,858	7,302
Tools	19,155	14,896
Stores-in-transit	285	-
	41,886	33,042
Less: Provision for slow moving stores	3,821	-
	38,065	33,042
	38,065	33,042



	Note	(Rupees in 000's)	
		2002	2001
25. STOCK-IN-TRADE			
Raw materials & components			
In hand		270,142	186,319
With third party		4,079	3,785
In transit (inter factory)		3,804	10,304
		278,025	200,408
Work in process		38,391	36,371
Finished goods			
Motorcycles		69,004	61,440
Spare parts		27,682	30,506
In transit (inter factory)		-	2,675
		96,686	94,621
Goods in transit (at accumulated cost)		49,152	204,631
		<u>462,254</u>	<u>536,031</u>

25.01 Cost has been arrived at as follows:

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

25.02 Stock-in-trade and trade debtors upto a maximum amount of Rs. 1,182 million (2001: Rs. 982 million) are under hypothecation as security for the Company's short term finances.

25.03 Finished Goods (motorcycles) include stock held for capitalization amounting to Rs. 75 thousand (2001: Nil).

26. TRADE DEBTORS

Considered Good

Export - Secured	13,328	-
Local - Unsecured	153,007	42,781
	<u>166,335</u>	<u>42,781</u>

26.01 Trade debtors include Nil (2001: Rs. 32 thousand) due from associated undertaking. The maximum amount due from associated undertaking at the end of any month was Nil (2001: Rs. 113 thousand).

26.02 Trade debtors comprise amounts receivable from the sale of goods. The management consider that the carrying amount of trade debts approximates their fair value.

		(Rupees in 000's)	
	Note	2002	2001
27. ADVANCES, DEPOSITS, PREPAYMENTS, LOANS & OTHER RECEIVABLE			
Unsecured - Considered Good			
Loan to employees	27.01	5,504	2,320
Advances to:			
Executives for expenses	27.02	273	1,749
Suppliers & contractors	27.03	8,343	19,234
Income tax deducted at source		110,433	163,870
Advance Sales Tax:			
Motorcycles		27,992	24,497
Raw Materials		11,274	6,001
Trade deposits		2,734	1,042
Prepayments	27.04	1,403	3,515
Interest accrued on deposits		8,219	542
Other receivable	27.05	16,067	12,127
Secured - Considered Good			
Current portion of Car/Motorcycle loans to employees	22.01	7,460	7,857
		199,702	242,754
Unsecured - Considered doubtful			
Other receivable		535	535
		200,237	243,289
Provision for doubtful receivable		535	535
		199,702	242,754

27.01 Loans to employees include loans of Rs. 5,504 thousand (2001: Rs. 1,910 thousand) granted to executives. The maximum amount due from executives at the end of any month was Rs. 5,504 thousand (2001: Rs. 2,640 thousand).

27.02 Executive advances for expenses include due from the Chief Executive Nil (2001: Rs. 410 thousand) and from other executives Rs. 273 (2001: Rs. 1,339 thousand). The maximum amount due from chief executive at the end of any month was Nil (2001: Rs. 697) and from other executives Rs. 5,053 thousand (2001: Rs. 4,048 thousand).

27.03 Advance to suppliers & contractors include Rs. 6,128 thousand (2001: Rs. 16,866 thousand) receivable from associated company, Allwin Engineering Industries Limited. Maximum amounts due from the associated companies at the end of any month during the year was Rs. 16,922 thousand (2001: Rs. 28,066 thousand).

27.04 Prepayments include insurance premium Rs. 141 thousand (2001: Nil) paid to associated company, Muslim Insurance Company Limited.

27.05 Other receivables include Rs. 13,166 thousand (2001: Rs. 9,469 thousand) duty draw back receivable from Collector of Customs and Corporate Assets Tax paid under protest Rs. 2,000 thousand (2001: Rs. 2,000 thousand). This also includes insurance claim receivable Rs. 58 thousand (2001: Nil) due from associated company, Muslim Insurance Company Limited.



	Note	(Rupees in 000's)	
		2002	2001
28. CASH & BANK BALANCES			
Cash in hand		18	-
Cash with banks:			
In Current account:			
Local Currency		69,479	25,643
Foreign Currency		3,049	2,786
In profit and loss sharing accounts		161,768	105,896
In Deposit account - Local Currency		150,000	25,000
Cheques-in-hand		22,567	-
		<u>406,881</u>	<u>159,325</u>

28.01 Bank balances and cash comprise cash and short term deposits held by the company treasury function. The carrying amount of these assets approximates their fair value.

29. SALES - NET

Motorcycles & spare parts	<u>5,523,951</u>	<u>4,704,528</u>
---------------------------	------------------	------------------

Sales have been recorded at dealer's net prices after deducting sales tax Rs. 820.059 million (2001: Rs. 696.817 million) and discount / allowances Rs. 16.442 million (2001: Rs. 9.406 million). Commission paid to associated company on export sales amounting to Rs. 4,274 thousand (2001: Rs. 3,079 thousand).

30. COST OF SALES

Stock at beginning		94,621	70,519
Cost of goods manufactured	30.01	4,613,496	4,123,636
Purchases		177,078	146,577
		<u>4,790,574</u>	<u>4,270,213</u>
		4,885,195	4,340,732
Stocks at end		96,686	94,621
		<u>4,788,509</u>	<u>4,246,111</u>

		(Rupees in 000's)	
		2002	2001
30.01 Cost of Goods Manufactured			
Work in process at beginning		36,371	34,808
Raw materials & components consumed	30.02	4,091,084	3,674,798
Direct labour	30.03	70,007	69,092
Technical Director's remuneration	41.03	652	669
Salaries, wages & benefits	30.03	81,822	70,895
Employees severance cost		2,602	2,359
Stores consumed		69,571	54,412
Light, heat & water		36,627	32,248
Insurance		16,296	15,877
Rent, rates & taxes		2,982	2,940
Repair & maintenance		26,398	12,783
Royalty		111,511	97,075
Technical assistance		4,530	8,542
Travelling, conveyance and entertainment		10,584	9,765
Postage & telephone		3,689	3,314
Printing & Stationery		1,760	1,909
Vehicle running		2,629	2,962
Depreciation	19.02	73,720	59,261
Canteen		6,410	5,329
Newspapers, magazines & subscription		383	265
Staff training		195	214
Deferred cost amortized		1,441	-
Others manufacturing expenses		623	490
		<u>4,651,887</u>	<u>4,160,007</u>
Work in Process at end		38,391	36,371
		<u>4,613,496</u>	<u>4,123,636</u>
30.02 Raw Material & Components Consumed			
Stock at beginning		200,408	270,581
Purchases	30.04	<u>4,168,701</u>	<u>3,604,625</u>
		4,369,109	3,875,206
Stock at end		278,025	200,408
		<u>4,091,084</u>	<u>3,674,798</u>

30.03 Direct labour and salaries & benefits include Rs. 15,529 thousand (2001: Rs. 9,899 thousand) in respect of staff retirement benefits

The following amounts have been charged to cost of sales during the year in respect of gratuity schemes:

Current service cost	7,487	5,779
Interest cost	1,720	-
	<u>9,207</u>	<u>5,779</u>

30.04 Purchases include custom duty rebates netted-off aggregating Rs.11,536 thousand (2001: Rs. 10,710 thousand).



		(Rupees in 000's)	
	Note	2002	2001
31. ADMINISTRATIVE EXPENSES			
Director's remuneration	41.01	5,875	5,323
Directors' meeting fee	41.04	6	4
Salaries & benefits	31.01	95,906	61,979
Employees severance cost		-	3,222
Travelling, conveyance & entertainment		12,204	11,375
Rent, rates & taxes		2,442	2,311
Insurance		1,468	2,042
Repairs & maintenance		3,999	3,791
Legal & professional charges		2,030	990
Auditors' remuneration	31.02	522	470
Gas & electricity		1,161	1,035
Fees & subscription		1,189	306
Postage & telephone		3,324	2,999
Printing & stationery		1,248	2,350
Vehicle running		2,525	2,028
Training expense		328	399
Depreciation	19.02	9,713	6,427
Donation	31.03	165	100
Deferred cost amortized		686	1,302
Others		749	445
Loss on sale of fixed assets	19.04	5,383	2,155
		150,923	111,053

31.01 Salaries and benefits include Rs. 25,844 thousand (2001: Rs. 2,282 thousand) in respect of staff retirement benefits

The following amounts have been charged to administration expenses during the year in respect of gratuity schemes:

Current service cost	22,591	-
31.02 Auditor's Remuneration		
Audit fee	275	250
Certification of Royalty/Other Services	50	50
Provident Fund /Workers' Profit Participation Fund	162	135
Out of pocket expenses	35	35
	522	470

31.03 Recipients of donations do not include any one, in whom a director or his spouse have any interest.

		(Rupees in 000's)	
	Note	2002	2001
32. SELLING & DISTRIBUTION EXPENSES			
Director's remuneration	41.02	5,158	3,109
Salaries & benefits	32.01	38,723	26,702
Employees severance cost		-	1,640
Travelling, conveyance, entertainment & vehicle running		14,642	9,835
Rent, rates & taxes		2,980	2,325
Advertisement & publicity		53,163	37,005
Repairs & maintenance		604	293
Gas & electricity		853	888
Freight & forwarding		32,614	28,896
Printing & stationery		838	456
Postage & telephone		4,628	3,790
Sales Promotion		11,890	6,759
Services charges		3,972	3,720
Insurance		901	1,135
Newspapers, magazines & subscription		421	139
Others		61	33
		171,448	126,725

32.01 Salaries and benefits include Rs. 7,381 thousand (2001: Rs. 1,386 thousand) in respect of staff retirement benefits.

The following amounts have been charged to selling & distribution during the year in respect of gratuity schemes:

Current service cost	5,532	-
----------------------	-------	---

33. MISCELLANEOUS REVENUE

Scrap sales	5,353	5,015
Interest on deposits:		
Associated undertakings	19,728	33,744
Others	12,872	3,405
Other income	8	-
Dividend income (Atlas Battery Limited, associated company)	248	376
	38,209	42,540



		(Rupees in 000's)	
		2002	2001
34	FINANCIAL EXPENSES		
	Interest / markup on:		
	Short term loans	3,672	11,887
	Long term loan	8,861	12,280
	Redeemable capital	6,366	10,121
	Supplier's credit	865	1,796
	Workers' profit participation fund	453	616
	Finance charges on leased assets	149	57
	Other financial charges	2,554	2,175
	Exchange risk fee	2,678	5,716
	Exchange loss / (gain)	849	(123)
	Zakat	125	-
		26,572	44,525

35. TAXATION

The income tax assessments of the Company have been finalised upto and including assessment year 2001-2002 (income year ending 30 June 2001).

36. EARNINGS PER SHARE

Earnings for purposes of basic earnings per share (net profit for the year)		270,498	117,777
Weighted average number of ordinary shares for the purposes of basic earnings per share	Numbers	20,436,816	14,597,726
Basic Earnings per Share	Rupees	13.24	8.07
Basic Earnings per Share for corresponding year re-instated to reflect the capitalisation issue in October 2001	Rupees	-	5.76

	Note	(Rupees in 000's)	
		2002	2001
37. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxation		394,573	202,890
Depreciation		83,433	65,688
Markup / interest expenses		23,416	41,677
Loss on sale of fixed assets		5,383	2,155
Provision for gratuity		37,330	5,779
Finance charges on leased assets		149	57
Dividend Income		(248)	(376)
Markup/interest on deposit		(32,600)	(37,149)
Deferred cost amortized		2,127	1,302
Diminution in value of investment		571	1,733
Operating profit before working capital changes		514,134	283,756
Working Capital Changes			
(Increase) / Decrease in Current Assets			
Stores, spares & tools		(5,023)	336
Stock-in-trade		73,777	(125,957)
Trade Debtors		(123,554)	(3,108)
Advances, Deposits & Prepayments		(3,105)	(16,920)
		(57,905)	(145,649)
Increase in Current Liabilities			
Creditors, provisions, accrued charges & other liabilities		118,850	86,425
Working Capital changes		60,945	(59,224)
Gratuity Paid		(1,382)	(236)
Cash flow from operating activities		573,697	224,296
38. ANALYSIS OF CHANGES IN CASH & CASH EQUIVALENTS			
Balance at beginning		159,325	252,679
Increase / (Decrease) in cash & cash equivalents		247,556	(93,354)
Balance at end		406,881	159,325
39. NON-CASH TRANSACTION			
Assets acquired on obligation under finance lease		2,520	-



	Note	(Rupees in 000's)	
		2002	2001
40. TRANSACTIONS WITH RELATED PARTIES			
Sales		13,288	15,107
Fixed assets sold		57	1,280
Purchases		1,418,845	1,391,819
Fixed assets purchased		98,005	-
Expenses charged by		7,420	2,722
Expenses charged to		2,309	1,684
Rent paid		1,220	1,350
Insurance premium & services paid		35,534	35,633
Lease rentals paid		1,126	685
Finance charges on lease paid		149	57
Interest on deposits received		19,728	33,744
Interest on long term loans paid		1,152	2,481
Royalty		101,217	88,251
Technical fee		2,248	-
Export commission		4,274	3,079
Loan repaid		5,000	5,000
Dividend received		248	376
Dividend paid		45,054	18,347
41. DIRECTORS & EXECUTIVES REMUNERATION			
41.01 Chairman			
Remuneration		3,326	2,954
Rent & utilities		1,198	1,064
Bonus		665	590
Provident fund		293	260
Medical & others		33	95
Reimbursement of expenses		360	360
		<u>5,875</u>	<u>5,323</u>
Number of person		<u>1</u>	<u>1</u>
41.02 Chief Executive Officer			
Remuneration		3,090	1,767
Rent & utilities		1,112	636
Bonus		618	530
Provident fund & gratuity		272	156
Medical expenses		66	20
		<u>5,158</u>	<u>3,109</u>
Number of person		<u>1</u>	<u>1</u>
41.03 Director			
Remuneration		442	425
Utilities		210	244
		<u>652</u>	<u>669</u>
Number of person		<u>1</u>	<u>1</u>

	Note	(Rupees in 000's)	
		2002	2001
41.04 Meeting fees		<u>6</u>	<u>4</u>
Number of person		<u>5</u>	<u>5</u>
41.05 Executives			
Remuneration		84,164	66,202
Rent & utilities		30,120	24,150
Provident fund & gratuity		49,045	5,826
Medical		4,060	3,915
Bonus		12,217	16,880
		<u>179,606</u>	<u>116,973</u>
Number of persons		<u>245</u>	<u>237</u>

The Chairman, the Chief Executive, one director and two ex-patriate executives are provided with free use of company maintained cars and telephones at residences. One director and two ex-patriate executives are also provided with furnished accommodation.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 21 August 2002.

43. 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.

44. CORRESPONDING FIGURES

Corresponding figures have been restated for the purposes of comparison. Significant re-arrangements made are as follows:

An amount of trade deposits classified under 'Advances, deposits, prepayments & loans' are re-classified in 'Deposits' under 'Long term loans, deposits & other receivable'	<u>167</u>	<u>167</u>
Loss on sale of fixed assets from miscellaneous revenue to administrative expenses	<u>5,383</u>	<u>2,155</u>

The above figures have been re-arranged as the re-classification made is considered more appropriate for purposes of disclosure.



45. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

45.01 The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company presently has no significant interest-bearing assets. The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June 2002 are summarized as follows:

							(Rupees in 000's)	
	2 0 0 2						2 0 0 1	
	Interest bearing			Non-Interest bearing				
	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	-	-	-	-	3,559	3,559	3,559	4,130
Long term deposits	-	-	-	3,159	12,896	16,055	16,055	17,210
Trade Debtors	-	-	-	166,335	-	166,335	166,335	42,781
Advances, deposits, prepayments and loans	-	-	-	48,600	-	48,600	48,600	44,871
Cash & Bank balances	314,817	-	314,817	69,497	-	69,497	384,314	159,325
	314,817	-	314,817	287,591	16,455	304,046	618,863	268,317
Financial liabilities								
Redeemable capital	19,788	-	19,788	-	-	-	19,788	46,242
Long term loan	20,092	40,182	60,274	-	-	-	60,274	80,366
Supplier's credit	-	-	-	-	-	-	-	20,931
Obligation under finance lease	1,141	253	1,394	-	-	-	1,394	-
Short term finance	-	-	-	-	-	-	-	-
Creditors, accrued expenses, other liabilities	-	-	-	591,002	-	591,002	591,002	460,531
Proposed dividend	-	-	-	126,310	-	126,310	126,310	61,694
	41,021	40,435	81,456	717,312	-	717,312	798,768	669,764
On-balance sheet gap	273,796	(40,435)	233,361	(429,721)	16,455	(413,266)	(179,905)	(401,447)



(Rupees in 000's)

	2002	2001
45.02 Effective interest rate		
Assets		
Cash at bank		
-Local currency	6.22 % to 8.5 %	5.0 % to 10.5 %
Liabilities		
Redeemable Capital	18 % to 19.33%	18 % to 19.33%
Long term loan	13.001%	12.476%
Supplier's credit	17.86%	17.86%
Obligation under finance leases	16%	-

45.03 Concentration of credit risks

The Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets, following amount of financial assets are subject to credit risk:

	2002	2001
	618,863	268,317

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.


45.04 Foreign Risk Management


The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Japanese Yen. The Company use forward exchange contracts, to hedge their exposure to foreign currency risk in the local reporting currency.

45.05 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**

	Number	Shares held	Percentage
Associated Companies, Undertakings and Related Parties			
Atlas Battery Limited	1	378,609	1.85
Muslim Insurance Company Limited	1	579,415	2.84
Shirazi Investments (Pvt) Limited	1	4,069,149	19.91
Honda Motor Company Limited	1	4,087,364	20.00
NIT & ICP			
National Bank of Pakistan Trustee Deptt.	1	1,811,368	8.86
Investment Corporation of Pakistan	1	13,660	0.07
Directors, CEO & their Spouse and Minor Children			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	62,644	0.31
Mr. Aamir H. Shirazi	1	1,645,874	8.05
Mr. Saquib H. Shirazi (CEO)	1	1,645,873	8.05
Mr. Sherali Mundrawala	1	2,940	0.01
Executive	1	17,787	0.09
Public Sector Companies and Corporation	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarbas & Mutual Funds	29	744,566	3.65
Shareholders holding ten Percent or more voting interest in the Company	-	-	-
Individuals	840	5,368,396	26.27
Others			
Corporate Law Authority (SECP)	1	1	0.00
Trusts	2	9,170	0.04
	883	20,436,816	100.00

ATLAS GROUP COMPANIES

		<i>Year of Establishment Acquisition*</i>
	Shirazi Investments (Pvt) Ltd.	1962
	Atlas Honda Ltd.	1962
	Atlas Battery Ltd.	1966
	Shirazi Trading Co. (Pvt) Ltd.	1973
	Muslim Insurance Co. Ltd.	1980*
	Allwin Engineering Industries Ltd.	1981*
	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 38th Annual General Meeting of the company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Monday, September 23, 2002 at 10.30 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2002
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.



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