

Organisation  
development  
through  
*self development*



Atlas Honda Limited





Atlas Honda Limited

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## Atlas Honda Limited

### Vision

Market leader in the motorcycle industry, emerging as a globally competitive centre of production and exports.

### Mission

A dynamic, profitable and growth oriented company through market leadership, maximizing export and excellence in quality and service; to ensure attractive returns to equity holders; reward employees according to their ability and performance; to foster a network of researchers and engineers ensuing unique contributions to the development of the industry; customer satisfaction and protection of the environment by producing emission friendly green products and to remain a good corporate citizen fulfilling its social responsibilities in all respects.



Atlas Honda Limited

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive Officer	Saqib H. Shirazi
Directors	Nurul Hoda
	Sanaullah Qureshi
	Sherali Mundrawala
	Toshitsugu Kaneko
	Yoshitaka Kitamura
	Yukihiro Aoshima
Company Secretary	Habib Raza

### GROUP EXECUTIVE COMMITTEE

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

### GROUP PERSONNEL COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Javed Haider Malik

### GROUP SYSTEMS & TECHNOLOGY COMMITTEE

Chairman	Iftikhar H. Shirazi
Members	Mushtaq Alam
	Zia Ullah Begg
Secretary	Sarfraz Hassan



## COMPANY INFORMATION

### AUDIT COMMITTEE

Chairman	Sanaullah Qureshi
Members	Sherali Mundrawala
	Nurul Hoda
Head of Internal Audit	Aamir Shakoor Khan
Secretary	Ashfaq Ahmad

### MANAGEMENT COMMITTEE

Chief Executive Officer	Saquib H. Shirazi
Vice President Marketing	Nurul Hoda
Vice President Technical	Toshitsugu Kaneko
Chief Financial Officer	Suhail Ahmed
General Manager Plants	Amir Awan
General Manager Engineering	Sardar Akhtar Khan
General Manager Development	Yoshitaka Kitamura
General Manager Human Resources	Maqsood A. Basraa
General Manager IT	Mushtaq Alam
General Manager Logistics	Talha Saad

AUDITORS	Hameed Chaudhri & Co.
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LEGAL ADVISORS	Mohsin Tayebaly & Co.
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TAX ADVISORS	Ford Rhodes Sidat Hyder & Co.
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BANKERS	Bank Al-Habib Limited
	Credit Agricole Indosuez
	Deutsche Bank AG
	Habib Bank Limited
	Muslim Commercial Bank Limited
	National Bank of Pakistan
	The Bank of Tokyo-Mitsubishi Limited
	Union Bank Limited
	United Bank Limited



## COMPANY INFORMATION

LENDING INSTITUTIONS	Credit Agricole Indosuez
	Muslim Commercial Bank Limited
	Union Bank Limited
REGISTERED OFFICE	1-McLeod Road, Lahore-54000 Tel : (92-42) 7225015-17, 7233515-17 Fax : (92-42) 7233518 E-mail : ahl@lhr.atlasgroup.pk.com
FACTORIES	F-36, Estate Avenue, S.I.T.E., Karachi-75730 Tel : (92-21) 2575561-65 Fax : (92-21) 2563758 E-mail : ahl@ahlkhi.atlasgroup.pk.com
	26-27 KM, Lahore-Sheikhupura Road, Sheikhupura-39321 Tel : (92-4931) 406501-8, (92-42) 7222222 Fax : (92-4931) 406009 E-mail : ahlskp@ahllhr.atlasgroup.pk.com
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, 4417262-263 Fax : (92-51) 4455328
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



## NOTICE OF ANNUAL GENERAL MEETING

The Thirty-ninth Annual General Meeting of the company will be held on Monday October 13, 2003 at 10:30 a.m. at 1- Mcleod Road, Lahore to transact the following Business:

1. To confirm the Minutes of the 38th Annual General Meeting held on September 23, 2002.
2. To receive and adopt the Audited Accounts of Atlas Honda Limited together with the Directors' and Auditors' Reports for the year ended June 30, 2003.
3. To consider and approve the cash dividend Rs.7 per share i.e. 70 % for the year ended June 30, 2003 as recommended by the Board of Directors.
4. To appoint the Auditors for the year 2003 - 2004 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

A handwritten signature in black ink, appearing to be "S. H. Khan", written over the word "SECRETARY".

SECRETARY

Lahore: September 22, 2003

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

### BOOK CLOSURE

1. The share transfer book of the Company will be closed from October 04, 2003 to October 13, 2003 (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 Form is attached with this report.
6. Shareholders are requested to immediately notify the Company of any change in their addresses.
7. Members are requested to provide by mail or fax their latest National Identity Card No. or Passport No. if foreigner (unless it has been provided earlier) to enable the Company comply with relevant law.
8. 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	2003	2002	2001	2000	1999	1998	1997	1996	1995 *	1994
Sales	6,977.4	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
Gross Profit	1027.8	735.4	458.4	352.9	396.8	424.5	396.8	338.4	160.8	176.8
Operating Profit	667.8	413.1	220.6	154.0	210.2	250.6	237.5	212.3	60.2	88.6
Profit Before Tax	650.9	394.6	202.9	101.9	180.9	190.9	188.6	176.1	31.4	18.7
Profit After Tax	427.4	270.5	117.8	60.2	123.4	125.6	124.9	101.5	20.6	11.5
Share Capital	204.4	204.4	146.0	146.0	146.0	146.0	132.7	120.6	120.6	120.6
Reserves	872.2	587.9	498.4	439.0	408.0	335.7	259.9	166.9	83.6	91.3
Share Holders' Equity	1,076.6	792.3	644.4	585.0	554.0	481.7	392.6	287.5	204.2	211.9
Fixed Assets - Net	563.3	535.4	449.7	490.3	366.7	379.4	268.6	270.8	289.2	296.7
Total Assets	2,657.1	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
Net Current Assets	667.2	347.9	328.1	287.5	327.2	271.1	140.0	70.5	5.8	20.0
Long Term Liabilities	172.3	114.1	156.7	208.7	160.0	190.0	140.0	75.3	97.6	112.5
Deferred Liabilities	56.9	73.6	71.7	61.1	52.6	43.6	36.9	26.5	18.6	18.7
Dividend										
Cash Dividend	70%	60%	40%	20%	35%	25%	15%	15%	15%	-
Stock Dividend	-	-	40%	-	-	-	10%	10%	-	-
Ratios:										
Profitability (%)										
Gross Profit	14.7%	13.3%	9.7%	10.4%	11.6%	12.4%	11.3%	10.9%	7.5%	9.6%
Profit Before Tax	9.3%	7.1%	4.3%	3.0%	5.3%	5.6%	5.4%	5.7%	1.5%	1.0%
Profit After Tax	6.1%	4.9%	2.5%	1.8%	3.6%	3.7%	3.6%	3.3%	1.0%	0.6%
Return to Shareholders										
ROE - Before Tax	60.5%	49.8%	31.5%	17.4%	32.7%	39.6%	48.0%	61.3%	15.4%	8.8%
ROE - After Tax	39.7%	34.1%	18.3%	10.3%	22.3%	26.1%	31.8%	35.3%	10.1%	5.4%
Return on Capital Employed	34.2%	29.8%	14.7%	7.6%	17.3%	18.7%	23.4%	28.0%	6.8%	3.5%
E.P.S. - After Tax - Rs.	20.91	13.24	8.07	4.12	8.45	8.60	9.41	8.41	1.71	0.95
Price Earning Ratio	3.83	3.03	3.10	4.67	2.28	3.49	3.29	3.21	9.96	25.18
Market Price (June 30)	80.00	40.05	25.00	19.25	19.25	30.00	31.00	27.00	17.00	24.00
Activity (Times)										
Sales to Total Assets	2.63	3.02	3.16	2.28	2.80	2.23	2.89	2.97	2.71	2.43
Sales to Fixed Assets	12.39	10.32	10.44	6.93	9.34	9.02	13.02	11.42	7.40	6.19
Inventory Turnover	10.34	9.57	7.46	6.87	7.39	6.06	5.41	5.38	5.76	4.66
Interest Cover Ratio	17.17	11.18	3.65	2.04	3.18	2.58	3.95	3.81	1.58	1.15
Liquidity/ Leverage										
Current Ratio (Times)	1.47	1.38	1.48	1.46	1.64	1.31	1.21	1.10	1.01	1.05
Break up Value per Share	52.67	38.76	44.14	40.07	37.95	33.00	29.58	23.83	16.92	17.57
Long Term debts to Equity (Times)	0.10	0.05	0.13	0.25	0.19	0.30	0.26	0.17	0.39	0.44
Total Liabilities to Equity (Times)	1.47	1.31	1.31	1.43	1.21	2.19	2.08	2.62	2.86	2.57

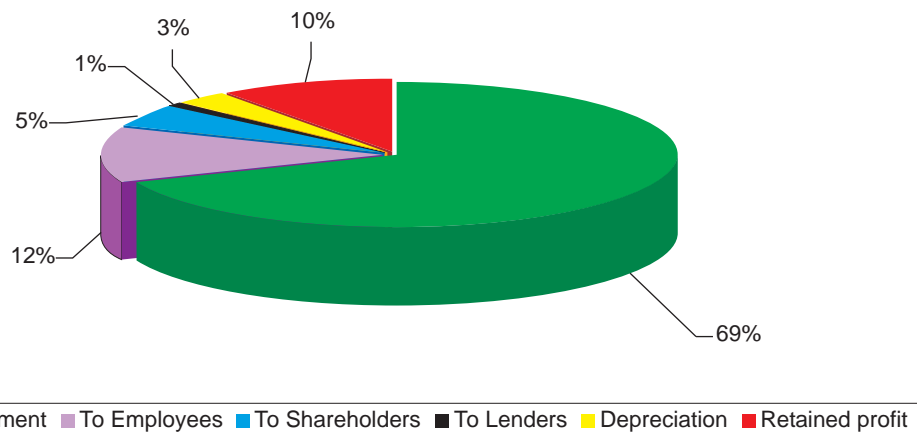
\* Annualized

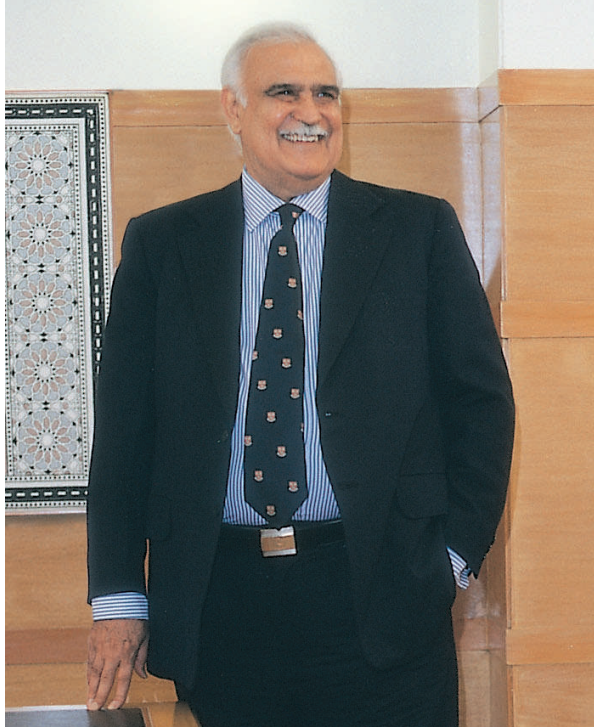


**STATEMENT OF VALUE ADDITION**

	(Rupees in 000's)			
	2003		2002	
<b>WEALTH GENERATED</b>				
Total Revenue	8,066,365		6,382,219	
Material & Services (excluding duties)	(5,219,313)		(4,177,572)	
	<u>2,847,052</u>	<u>100%</u>	<u>2,204,647</u>	<u>100%</u>
<b>WEALTH DISTRIBUTED</b>				
<b>To Government</b>				
Sales Tax, Income Tax, Import Duty & Workers' Welfare Fund	1,962,755	69%	1,508,389	68%
<b>To Employees</b>				
Salaries, benefits and related cost	346,762	12%	322,414	15%
<b>To Providers of Capital</b>				
Dividend to Shareholders	143,058	5%	122,621	5%
Markup on borrowed funds	20,487	1%	19,913	1%
	163,545	6%	142,534	6%
<b>Retained with the business</b>				
Depreciation	89,645	3%	83,433	4%
Retained profit	284,345	10%	147,877	7%
	373,990	13%	231,310	11%
	<u>2,847,052</u>	<u>100%</u>	<u>2,204,647</u>	<u>100%</u>

**WEALTH DISTRIBUTION 2002 - 03**





## CHAIRMAN'S REVIEW

It is my pleasure to present to you the 39th Annual Report and Review of the performance of the company for the year ended June 30, 2003.

### THE ECONOMY

Despite a sluggish global economy, Pakistan's economic performance for the year 2002-03 stands out. The GDP growth at 5.1% compares favourably with the global economic growth of around 2%. The growth was not only broad based but has shown signs of robustness under trying circumstances. Agriculture grew by over 4%; manufacturing at a healthy 7.7% and services by 5.3%. The economy has clearly benefited from the post 9/11 events. The economic indicators prior to 9/11 were quite dismal – inflation hovered at over 10%; interest rates neared 20% and the forex reserves had dropped below \$1 Billion. Additionally, the policy makers' perseverance of a devaluation based policy rendered any attempts at recovery meaningless. Ironically, the

post 9/11 events have laid a strong foundation for a sustainable recovery. The increased home remittances year after year - of over \$ 4 Billion last year - have stabilized the resources as well as the balance of payments position. Inflation has been brought down to below 4%. No doubt, the appreciation of the rupee has lowered the imported inflation factor. Forex reserves now exceed \$ 11 Billion and the country credit rating stands improved.

### AUTOMOTIVE INDUSTRY

The auto industry has been a major beneficiary of the macro economic stability of the country. The unprecedented reduction in the cost of funds has helped promote greater consumer financing for automotive products. This coupled with healthy home remittances has enabled the industry to post record growth during the year under review. The automotive industry registered a 54% year on year growth – the highest growth of any sector during the year. The surge in demand has resulted in the undertaking of expansion projects by nearly every Original Equipment Manufacturer -- OEM - and vendor. This growth is a good omen for the industry as well as the country. Since the industry contributed nearly Rs. 30 billion in taxes last year, the government is finally realizing the significance of the industry to the economic growth of the country. Previously, the now infamous “yellow cab scheme” and the “green tractor” hindered growth but the current consistent policy is enabling the industry to grow.

The motorcycle segment also outperformed all other sectors by growing at over 40%. Over the last three years, the industry size has doubled. It now stands at nearly 200,000 units. The indigenization policy of the government has been the cornerstone of this surge. Manufacturers have now started passing the deletion and volume benefits onto the consumer in the shape of price reduction. During the year, the motorcycle industry reduced its prices by 15% and

the resultant surge in demand is a welcome response. However, un-scrupulous elements like “brief case assemblers” and “under-invoicers” have become a threat to the full potential growth of the organized sector. Their illegal activity is not only hurting the manufacturing base of the industry but is depriving the country of much needed tax revenues. Various representations have been made to the government and it is hoped that timely action will be undertaken so that the industry’s growth remains unhindered by such anomalies.

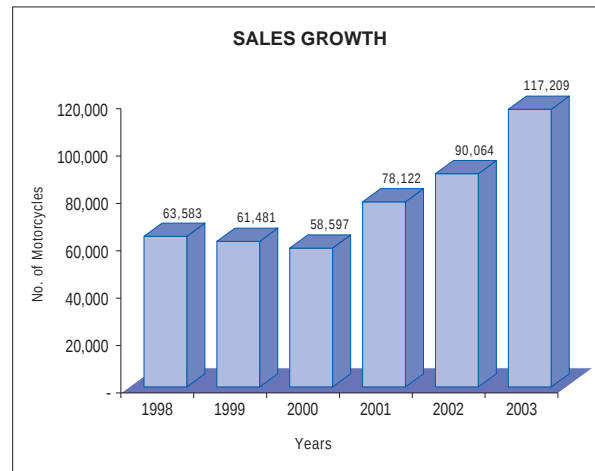
#### COMPANY OVERVIEW

The year under review has been a landmark in your company’s history. For the first time, the company produced and sold 117,209 units, which doubled its sales output in just three years. The well conceived and executed market expansion strategy has meant wholesome changes and investment in all functional areas of the company – marketing, production, engineering, logistics, IT, finance and human resources.

#### MARKETING

The marketing team rightly takes pride in achieving an all time high sales. The real achievement of the year, however, has been in shouldering its responsibility as the market leader in the growth of the total motorcycle industry. Atlas Honda has taken some tough decisions in enhancing the total customer base as well as dealing with the menace of the unorganized sector. On the achievement of the landmark sales of 100,000 on May 19, 2003, Atlas Honda with the support of its large supplier network, readjusted its prices to pass on the benefit to its customers. Other players followed suit and the unprecedented adjustment of prices changed the two-wheeler market in the country in a way that has never been seen before. The volumes that have now become possible will provide the all-important base for more investment and even better quality. In the

process, Atlas Honda is now leading the two-wheeler industry towards a path that will enable it to become globally competitive.



The motorcycle market has undergone a severe change in the last year. Ninety percent of the market is dominated by established brands from the organized sector. The players in the organized sector consist of the traditional Japanese manufacturers as well as a couple of Chinese assemblers. All are members of officially recognized Pakistan Automotive Manufacturers Association - PAMA. These players are law abiding, tax paying members of society. Unfortunately, the remaining 10% of the market is now dominated by over thirty players-unknown brands – none of whom have desired facilities-legitimate technical backup deletion programmes, availability of spare parts or after sales service. In fact, tax evasion is the open secret behind their below market prices. Nonetheless, your company is facing the unfair competition head on and through a re-strengthened sales network, effective brand promotion and unmatched service back-up facilities was able to ensure that every 2 out of 3 motorcycles sold during the year was an Atlas Honda.

The year saw improvement in almost all the major marketing areas. The 5‘S’ dealer network – Sales, Service, Spare Parts, Credit and Second Hand Exchange – was further expanded. Nearly 100 out of the 210



dealers have upgraded their dealerships to a modern, global standard. The resultant image enhancement in the eyes of the public has generated more customers for the company. The effective media promotion has made your company and its products household names. The recall value of the promotion has been rated as one of the highest ever. This policy has further cemented the value of the product and a greater number of first time users are now Atlas Honda customers.

The MMC of CD70 introduced in October was well received. A 27 percent increase in sales was registered in this model alone. This growth is especially significant in view of the fact that at least 4 new manufacturers along with the 5 similar products in the CBU category entered the market and targeted this product specifically. Sales of CG125 during the year recorded an increase of 37 percent over last year. This second highest selling motorcycle in Pakistan market after CD70 has not only developed a strong customer base but is fast maturing into a product that has carved out a well defined market for itself.

Our competition has finally been won over by the technical superiority of the 4-stroke engine. After all those years of promotion of the 2-stroke technology, a competitor launched a 4-stroke 100 cc product. Its entry is being viewed carefully and appropriate counter strategies are being formulated to combat the company's demand position.

The Parts Division once again supported the sales effort of the company. The unfair competition in the form of smuggling and under-invoicing has gone only from bad to worse over the years. Illegal imports and cheap and substandard imitations are now finding it easier by the day to play havoc with genuine importers and suppliers that act responsibly and pay taxes and duties in full. In this backdrop, a growth of 13 percent on year-to-year basis is a significant achievement by the Parts team. The

company is now marketing the "total quality concept" and it has been received well by the quality conscious customer.

The year saw a continuation of the policy initiative of creating depth in our service network. The well spread out service network of Antenna shops, Service dealers and 4-stroke mechanics with a combined strength of well over 5000 service points has successfully covered the needs of our customers over the years. However, the policy initiative is aimed at improving the technical skills and quality of service even further. During the last three years, your company's Service Department has reached out to these business partners through various means. As part of an ongoing effort, this year more than 4000 of these business partners were brought to our Karachi and Sheikhpura plants for familiarization and training sessions. These business partners, with increased understanding of company standards and improved skills, will definitely provide more confidence to the customers. In addition to this extensive effort, the Service department imparted customer training to more than 5000 customers. Free service camps were also held in which customers were provided free check up and service for their motorcycles.

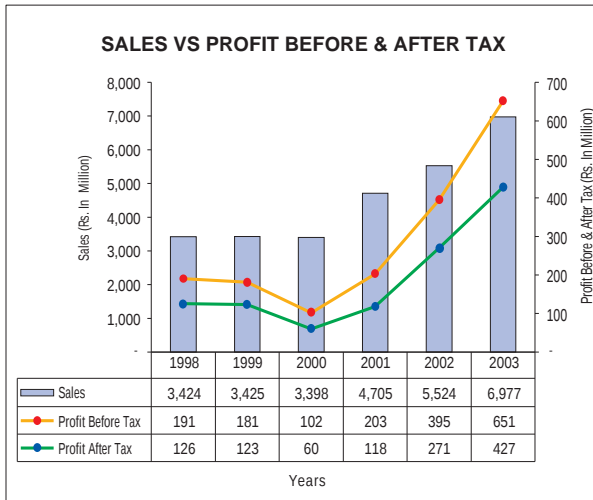
#### EXPORTS

The Atlas Honda quality is gaining greater acceptance globally year after year. Atlas Honda takes it as a national cause to make "Made in Pakistan" accepted and "Atlas Honda" respected the world over. An increase of 52 percent in exports on year-to-year basis is an indication of the growing popularity of our products globally. The company's target of selling over 10% of its total sales abroad is now fast becoming a reality.

#### FINANCIAL RESULTS

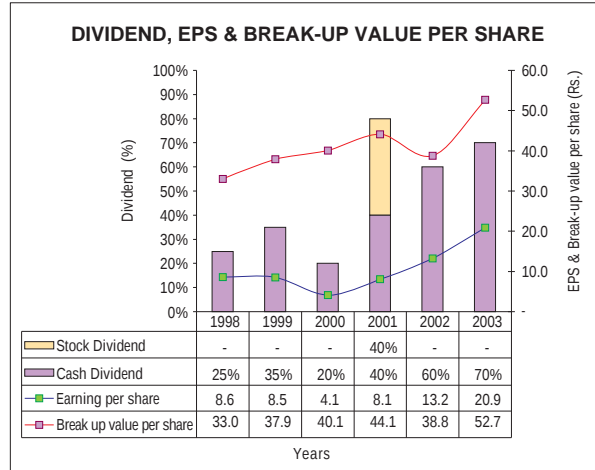
The year 2003 was full of achievements for the

company. It culminated in the company registering ever-highest production, sales and profit for the period. The company sold 117,209 units of motorcycle as compared to 90,064 units in corresponding period of 2002, a 30 percent growth. Sales revenue increased to Rs. 6.98 billion as compared to Rs.5.52 billion last year showing a growth of 26.44 percent. The gross profit increased to 14.73 percent from 13.31 percent as compared to last year due to increase in volume, productivity and cost cutting efforts. The profit before tax increased to Rs. 650.92 million as against Rs. 394.57 million for the previous year.

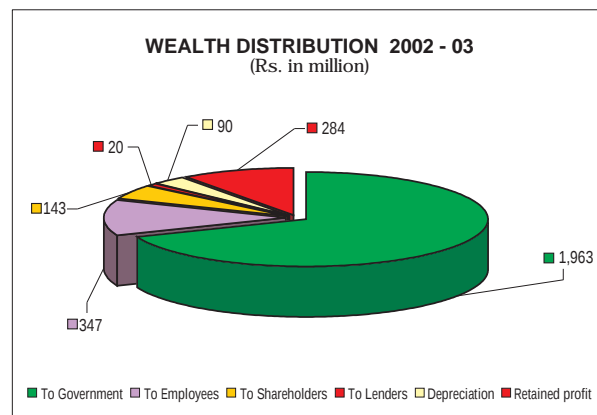


The operating expense went up to Rs. 360.04 million from that of Rs. 322.37 million last year. An increase of around Rs. 38 million was largely due to investment in enhancing brand image of Atlas Honda motorcycles. Financial expenses for the year were Rs. 26.43 million as compared Rs. 26.57 million of the previous year.

Out of total profit of Rs. 428.88 million available for appropriation for the year, your directors have proposed a cash dividend of Rs. 7 per share, absorbing Rs. 143.06 million. The remaining balance of Rs. 285.82 million is being carried forward to the reserves in order to comfortably carry out the proposed investment, production and export.



Contribution to the national exchequer - Your Company paid taxes to the national exchequer amounting to Rs. 1.96 billion, the highest ever, on account of sales tax, income tax and custom duties as against Rs. 1.51 billion contributed last year. This represent 69 percent of total wealth generated by your company. Payment of these taxes was more than four times the net after tax earnings. The Company's contribution to the national economy by way of value addition this year amounts to Rs. 2.85 billion, which is 29.13 percent higher as compared to last year.



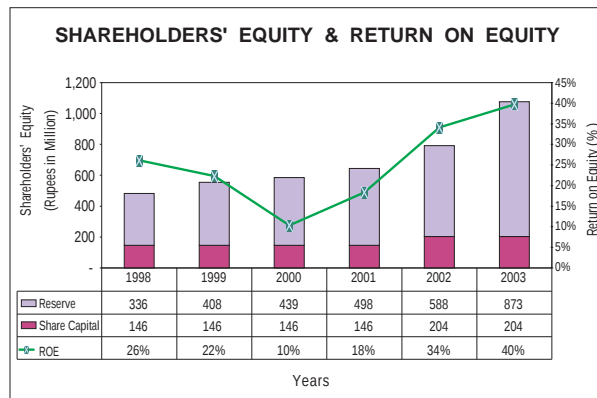
### CASH FLOW

Net Cash generation from operations increased to Rs. 724.20 million as compared to Rs. 519.34 million last year. Increased net income and customers' advances created a positive impact on the net cash provided by operations.



Net cash used in investing activities decreased to Rs. 67.53 million compared to Rs. 150.04 million last year. Net cash used in financing activities was Rs. 42.33 million as compared to Rs. 121.74 million last year. During the year Rs. 150 million long-term loans were acquired and Rs. 71.11 million loans repaid. Cash and bank balance increased by 1.5 times to Rs. 1,021.23 million this year from Rs. 406.88 million for the operating year 2002. Investment income increased to Rs. 38.3 million from Rs. 32.6 million of last year.

The company achieved an ROE of 39.7 percent and EPS Rs. 20.91 respectively as compared to an ROE of 34.14 percent and EPS of Rs. 13.24 last year. Debt equity ratio was 10:90. The equity of your company stood at over Rs.1 billion including reserves of Rs. 872.2 million, with cash surplus of Rs. 1.02 billion, reflecting a sound financial position.

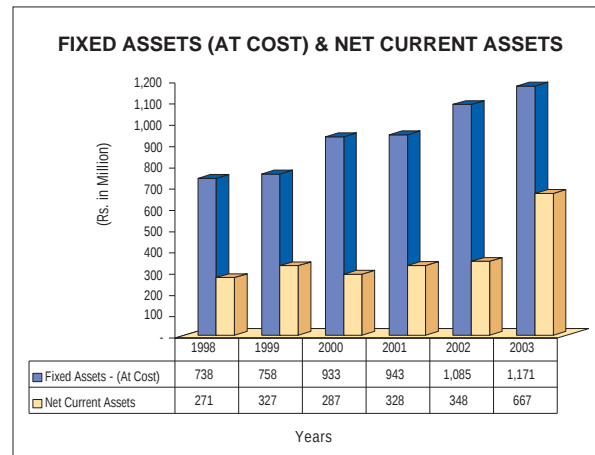


**PRODUCTION**

The fact that the company was able to produce 115,924 units during the year shows great resourcefulness.

Exceeding the effective capacity utilization by 15% required enhancing productivity, creating innovation through a dedicated, trained human resource. Through productivity increase, the team was able to postpone the planned investment during the year and still meet the sales target. Greater investment and resources are on their way to enhance production facilities in

line with the sales projection for next year. As a result, the major impact of investment will be more visible next year.



As far as localization is concerned, the pace was maintained. CD70 and CG125 Bottom Case Machining as well as CG125 Emblems – both hi-tech parts-have been localized along with other assorted items. Honda Motor Company's support to localize Fork Center Gear Shifts of CG125 is in process. The Cylinder Head Casting Project is also near completion. The localization of this project marks acquisition of a key technology transfer of LPDC for the country. Not only will it help to meet the government targets but also assist in reducing costs since the productivity of LPDC is comparatively higher as compared to other casting operations. The total cost of the project is Rs. 263 Million and the project will come on line by the end of the year at the Sheikhpura Plant. Completion and implementation of the Cylinder Head Casting Project will enhance the deletion by 0.4582 percent for CD70 and 0.5847 percent for CG125, by no means small, considering hi-tech value added nature of the parts.

The annual Localization Audit was conducted by Engineering Development Board – EDB - on May 06, 2003. Your company has not only met the assigned Industry Specific Deletion Programme - ISDP - targets but exceeded them by 3%. Deletion Level of 88.59 percent and 81 percent has now been



achieved for the models CD70 and CG125 respectively. Atlas Honda has planned to further localize critical components like Guide Inlet and Exhaust Valves, Sprocket Timing, Spindle Assembly Gear Shift and Bridge Fork Top during the Financial Year 2003-04, adding additional localization. Localization shall continue to remain under focus to comply with government regulations and to reduce cost to confront the open market competition and export.

#### INFORMATION TECHNOLOGY

The company is in the last stages of completing modernizing and updating its MIS systems to cope with the growing needs. All areas of the company are undergoing an IT revamp. The plan is to prepare the company during the year so as to be ready for embarking on an ERP solution from next year.

#### HUMAN RESOURCES

Your company recognized the fact that excellence in business is dependent on quality of human resource quite early. As a result, Atlas Honda has continued to invest in development of its manpower over the years. Development and training needs are identified carefully on area-to-area basis. The company's long term and short term growth and operational needs are dovetailed with individual associates' growth plan. Individuals' abilities and skills are identified and matched with appropriate jobs or marked for training. The individuals and areas thus identified are covered through in house and outside training, locally and abroad.

Two associates were sent abroad for training, whilst 37 associates attended training programs at local technical and professional institutes. This was in addition to In-house sessions. Ala Mayar activities both at company and vendors end have progressed well - 65 circles at both plants and thirty-five circles at vendors end were registered and implemented.

A focused implementation of Hay's management system has started bringing in results. Creation of an identifiable pool of expertise is just one of its advantages. This has given the organization the advantage of drawing on its available but hitherto unidentified pool of resources for its growth and expansion needs. A more scientific and structured approach to performance appraisals, career development and succession planning is now in place. These improved systems have injected a new zeal in our manpower and has played a significant role in achievement of record production and sales.

At both the plants, the Charter of Demands with the C.B.A. was amicably settled within a minimum allocated time frame. Increased working hours have been negotiated resulting in enhanced capacity and productivity against appropriate compensation to the associates.

The tradition of Family Day functions is very popular with the associates and has contributed greatly towards creating a friendly working environment. This year Family Days were held at both the plants again, which were well attended by the families of the associates. In recognitions of long association with the company, 35 associates were given Long Service Awards. 5 associates were also presented with Gold Medals on eve of their retirement.

#### HEALTH & SAFETY

Health and Safety has continued being an area meriting special attention year after year. The Corporate philosophy of ensuring highest standards of Safety, Health and Environment - SHE - for its associates was vigorously practiced. Sizeable capital expenditure was made to install various equipments at both factories to reduce hazardous environmental effects.

Regular sessions were held for the employees and business associates as a part of the SHE policy. The Company also met strict standards on SHE. During



## Atlas Honda Limited

the year, the Company participated in “2nd West Asian Regional Environment Meet” which was organized in India to discuss the environmental issues.

### EXCELLENCE AWARD

Right from the inception of the award, now, for the second consecutive year, the annual financial report of your company has been placed among the top five “Best Corporate Reports” in the engineering sector by the joint committee of ICAP/ICMAP. The company will endeavour to maintain this high level of professional excellence, responsibility and transparency in reporting.



*Chief Executive Officer, Mr. Saquib H. Shirazi receiving the Best Corporate Report Award in Engineering sector from Federal Finance Minister, Mr. Shaukat Aziz.*

### WORLD TRADE ORGANIZATION (WTO)

It is strongly believed that under WTO agreements the developing countries economies will be seriously affected. In the absence of proper forums where open deliberations could be held regarding multi directional, long term effects of WTO agreements, the policy makers have to be very prudent in their response to WTO requirements.

Though certain laws have been made to combat the ill effects of the liberalization of trade, e.g. dumping, the country still lacks the wherewithal - and consultants and advisers - that can take up the matters legally at the international levels under the complicated laws of WTO.

Being a signatory, however, Pakistan is obliged to comply with all the WTO agreements but the domestic automotive industry including motorcycles rightly deserve due protection from liberalization of trade especially since this industry has made highly significant contribution through its huge investment, acquisition of technology and employment opportunities.

Moreover protection to domestic industry by other signatories of the developed world is already prevalent in the global trade environment. Subsidies, quota restrictions and tariff protection which are in clear violation of WTO rules are still in vogue in EU & USA.

Every endeavor should therefore be made to keep the industry out of the purview of the WTO & further reduction in tariff under external pressures should be resisted at all levels until the time that domestic industry can meet the unfair trading practices of other countries.

The auto industry, and especially the motorcycle industry, is poised for growth. The results speak for



themselves. This is the time to further nurture the industry otherwise a great opportunity to diversify the industry will be lost to the country. Professor Sen, the Noble Laureate in Economics, from India, says, that internationalism must be dovetailed with local priorities and not vice versa: it should never be at the cost of state sovereignty and economic freedom.

#### FUTURE OUTLOOK

Your company holds firmly to its strategy of offering high-quality product at affordable prices, with the aim to further improve on its position among valued customers. The company realizes the need to constantly change and re-adjust in response to the changing times. The emphasis has been on consolidation and realignment of the company goals with a focus on human and machine efficiency. With the customer being the focus, the company wants to provide value and joy to as many users as possible.

With the achievements of last year, your Company is keen on the even greater expansion of the market. The present production capacity of 120,000 units has been enhanced to 165,000 units in 2003-04 and will be further increased to 250,000 units in the subsequent year with the intention to continue the process further as and when desired. The planned investment is largely on account of the customer confidence in the quality and value offered by the Atlas Honda Products.

The Government's policy of increasing support to agriculture and alleviating poverty will contribute to the expansion of market demand for motorcycles.

The increase in demand will also provide an opportunity to all types of motorcycles makers, but

the ultimate edge of Atlas Honda is customer satisfaction in respect of quality, management, production, and after sales service and the dealer network.

ع دیتے ہیں بادہ ظرف قدرح خوار دیکھ کر  
(Performance depends on capacity to perform)

#### ACKNOWLEDGEMENT

I would like to place on record the appreciation for the all time high achievements of your company. The Chief Executive Officer, Mr. Saquib H. Shirazi and his team have done a great job under the able leadership of the Group President, Mr. Aamir H. Shirazi. Under their leadership, your company posted record sales and profit and maintained its impressive growth record.

On behalf of the Board, I would like to acknowledge the contributions made by Mr. Aamir H. Shirazi, Mr. Motohide Sudo, Mr. Takemi Ishikawa & Mr. Tariq Iqbal Khan, the directors who resigned from the Board during the year and welcome Mr. Yukihiko Aoshima, Mr. Nurul Hoda, Mr. Toshitsugu Kaneko and Mr. Yoshitaka Kitamura who have replaced the outgoing directors.

I also thank the members of the Board of Directors, Executive Committee members, all members of the staff and workers, our shareholders, bankers, vendors and customers for their help, support and guidance at all times and the shown belief in our potential.



Karachi: August 30, 2003

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 June 30, 2003.

## FINANCIAL RESULTS

The financial results of your company for the year ended June 30, 2003 under review are summarized as follows:

	2003	2002
	(Rupees in 000's)	
Profit before taxation	650,927	394,573
Taxation		
Current	220,000	160,000
Prior Years	(14,476)	(1,925)
Deferred	18,000	(34,000)
	<u>223,524</u>	<u>124,075</u>
Profit after taxation	427,403	270,498
Unappropriated profit brought forward	1,481	1,604
Available for appropriation	<u>428,884</u>	<u>272,102</u>
Appropriation:		
Transfer to General Reserve	284,700	148,000
Cash Dividend 70% (2002: 60%)	143,058	122,621
	<u>427,758</u>	<u>270,621</u>
Unappropriated profit carried forward	<u>1,126</u>	<u>1,481</u>

### Earning per Share

Earning per share after tax is Rs. 20.91 (2002 : Rs. 13.24).

### Dividend

Directors propose cash dividend at the rate of Rs. 7 per share i.e. 70%.

### Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the performance of the company for the year ended June 30, 2003 and future prospects. The directors endorse the contents of the review.

### Board of Directors

The Board comprises of five Executive and three Non-Executive directors. During the year, Mr. Tariq Iqbal Khan, the independent director resigned from the board effective from April 24, 2003, in his place Mr. Yoshitaka Kitamura, an executive director was appointed by the board. All the non executive directors are independent from management.

The Board approved the remuneration of the Chairman at Rs. 6 million, CEO Rs. 7 million and three Directors Rs. 4.5 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2003-2004. Furnished accommodation, inclusive of utilities will also be provided to two Directors. The Company also makes contributions to the gratuity and provident funds for Chairman, CEO and one director.

During the year six Board meetings were held, the attendance of the directors and number of their directorships in listed companies, including Atlas Honda Limited (AHL), are set out below:

S. No.	Name of Directors	Attendance	Number of directorships in listed companies, including AHL
1.	Mr. Yusuf H. Shirazi	5	6
2.	Mr. Aamir H. Shirazi (Resigned effective February 21, 2003)	2	-
3.	Mr. Saquib H. Shirazi	6	3
4.	Mr. Sherali Mundrawala	6	2
5.	Mr. Sanaullah Qureshi	5	5
6.	Mr. Takemi Ishikawa (Resigned effective February 21, 2003)	2	-
7.	Mr. Motohide Sudo (Resigned effective April 24, 2003)	-	-
8.	Mr. Tariq Iqbal Khan (Resigned effective April 24, 2003)	-	-
9.	Mr. Nurul Hoda (Appointed effective February 21, 2003)	3	1
10.	Mr. Toshitsugu Kaneko (Appointed effective February 21, 2003)	3	1
11.	Mr. Yoshitaka Kitamura (Appointed effective April 24, 2003)	1	1
12.	Mr. Yukihiko Aoshima (Appointed effective April 24, 2003)	-	2

#### Auditors

The present Auditors M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As required by Code of Corporate Governance the Audit Committee has recommended their re-appointment as auditors of the Company for the year 2003-04.

#### Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended June 30, 2003 have been complied with. The directors confirm the compliance of Corporate Governance and a statement to this effect is annexed.

#### Audit Committee

The Audit Committee was established to assist the directors in discharging their responsibilities towards company. Audit Committee's responsibilities includes, reviewing reports of the company's financial results, monitoring internal audit functions and compliance with relevant statutory requirements, to assist the Board in discharging its responsibilities for safeguarding of Company's assets, development and implementation of effective internal control system.

The committee consists of three members. Majority of members including Chairman of the Committee are non-executive directors.

The Audit Committee meets at least four times in a year and additional meetings can be convened by the Chairman of the Committee whenever necessary.



## Atlas Honda Limited

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

Mr. Sanaullah Qureshi, Chairman	4	
Mr. Aamir H. Shirazi, Member	2	Resigned effective February 21, 2003
Mr. Sherali Mundrawala, Member	4	
Mr. Nurul Hoda, Member	1	Appointed effective February 21, 2003

### Group Executive Committee

The Group Executive Committee is responsible for setting overall corporate objectives and strategies, identifying opportunities, monitoring group business strategies and plans, and developing its group members as leaders of their respective fields.

### 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.

### Group Systems & Technology Committee

The Group Systems and Technology Committee is responsible to provide an insight towards the various technological aspects of information systems. The objective of the Committee is to introduce leading edge technology and IT initiative to automate information delivery and accessibility of data for enhancement of time and cost efficiency.

### 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 healthy environment within and outside the company through its environment friendly products.

### Pattern of Shareholding

The pattern of shareholding of the company is annexed.

### Operating and Financial Data

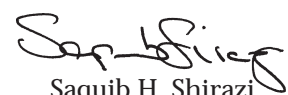
Operating and Financial data and key ratios of the company for last ten years are annexed.

### 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.atlasgroupk.com](http://www.atlasgroupk.com)), which contains up to date information of group activities.

Karachi: August 30, 2003

For and on behalf of the  
Board of Directors

  
Saquib H. Shirazi  
Chief Executive Officer



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Board is committed to maintain the high standards of corporate governance. The directors are pleased to state that the company is in compliance with the Code of Corporate Governance as required by the Stock Exchanges Listing Regulations. The following statement is being presented in compliance with the best practices of corporate governance.

1. 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.
2. The company has maintained proper books of account.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
6. There is no doubt about the company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. A summary of key operating and financial data of the company of last ten years is annexed.
9. Information about taxes and levies is given in notes to the accounts.
10. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
11. Directors, CEO, CFO, Company Secretary and their spouse and minor children have made no transactions of company's shares during the year.
12. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
13. Executive directors of the company are not in excess of 75% of total number of directors.
14. The company has adopted a 'Code of Business Principles', which has been signed by all directors and employees of the Company.
15. The Board has developed the vision and mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies has been maintained.



## Atlas Honda Limited

16. The board arranged an orientation course for its directors to apprise them of their duties, responsibilities and to update them with recent amendments in applicable laws.
17. The Company operates a contributory provident fund scheme for all employees and non-contributory gratuity fund scheme for its management employees. The value of investments based on their respective audited accounts are as follows:
  - Provident Fund                      Rs. 120.249 million                      (as at June 30, 2002).
  - Gratuity Fund                        Rs. 47.555 million                        (as at June 30, 2003).
18. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
19. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations.
22. We confirm that all other material principles contained in the Code have been complied.



## 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 (Chapter XI) of the Karachi Stock Exchange, and clause 40 (Chapter 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 of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2003.

Karachi: August 30, 2003

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



Atlas Honda Limited

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ATLAS HONDA LIMITED as at 30 June 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of 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 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: August 30, 2003

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

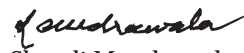


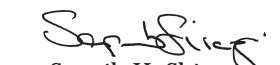
## BALANCE SHEET


AS AT JUNE 30, 2003

	Note	2003 (Rupees in 000's)	2002
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Operating fixed assets - tangible	5	563,322	535,411
Intangible	6	1,788	2,766
Capital work-in-progress	7	2,770	552
Investments	8	-	3,559
Long term loans, deposits, prepayments & other receivable	9	13,874	16,130
<b>CURRENT ASSETS</b>			
Stores, spares & tools	10	92,867	38,065
Stock-in-trade	11	557,280	462,254
Trade debtors	12	49,619	166,335
Advances, deposits, prepayments, loans & other receivable	13	354,378	199,702
Cash & bank balances	14	1,021,226	406,881
		2,075,370	1,273,237
<b>TOTAL ASSETS</b>		<b>2,657,124</b>	<b>1,831,655</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Authorised Capital		400,000	400,000
40,000,000 ordinary shares of Rs. 10/- each			
Issued, subscribed & paid-up capital	15	204,368	204,368
Reserves & unappropriated profit			
Reserves	16	871,118	586,418
Unappropriated profit		1,126	1,481
		872,244	587,899
Shareholders' Equity		1,076,612	792,267
<b>NON CURRENT LIABILITIES</b>			
Redeemable capital	17	-	-
Long Term loans	18	115,092	40,182
Obligation under finance lease	19	252	253
Deferred Liabilities			
Provision for gratuity	20	23,948	58,620
Deferred taxation	21	33,000	15,000
		56,948	73,620
<b>CURRENT LIABILITIES</b>			
Short term finances	22	-	-
Current maturity of long term liabilities	23	50,093	46,021
Creditors, provisions, accrued charges & other liabilities	24	989,977	591,002
Provision for taxation	25	220,000	162,000
Dividend payable	26	148,150	126,310
		1,408,220	925,333
<b>CONTINGENT LIABILITIES &amp; COMMITMENTS</b>	27		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,657,124</b>	<b>1,831,655</b>

The annexed notes form an integral part of the financial statements

  
Sherali Mundrawala  
Director

  
Saqib H. Shirazi  
Chief Executive Officer

  
Yusuf H. Shirazi  
Chairman





Atlas Honda Limited


**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003	2002
(Rupees in 000's)			
SALES - NET	28	6,977,439	5,523,951
COST OF SALES	29	5,949,644	4,788,509
GROSS PROFIT		1,027,795	735,442
OPERATING EXPENSES			
Administrative expenses	30	128,959	150,923
Selling & distribution expenses	31	231,085	171,448
		360,044	322,371
OPERATING PROFIT		667,751	413,071
MISCELLANEOUS REVENUE	32	58,435	38,209
		726,186	451,280
OTHER CHARGES			
Financial expenses	33	26,430	26,572
Provision for diminution in value of investment	8	-	571
Workers' profit participation fund	24.04	34,988	21,210
Workers' welfare fund	24.05	13,841	8,354
		75,259	56,707
PROFIT BEFORE TAX		650,927	394,573
TAXATION	34		
Current year	25	220,000	160,000
Prior years	25	(14,476)	(1,925)
Deferred	21.01	18,000	(34,000)
		223,524	124,075
PROFIT AFTER TAX		427,403	270,498
UNAPPROPRIATED PROFIT BROUGHT FORWARD		1,481	1,604
		428,884	272,102
APPROPRIATION:			
Transfer to general reserve		284,700	148,000
Proposed dividend 70% ( 2002: 60 %)			
Rs. 7 per share (2002: Rs. 6 per share)		143,058	122,621
		427,758	270,621
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,126	1,481
BASIC EARNINGS PER SHARE - Rs.	35	20.91	13.24

The annexed notes form an integral part of the financial statements.

  
Sherali Mundrawala  
Director

  
Saquib H. Shirazi  
Chief Executive Officer


  
Yusuf H. Shirazi  
Chairman


**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED JUNE 30, 2003

Note	2003	2002
	(Rupees in 000's)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation	650,927	394,573
Adjustment for:		
Depreciation	89,645	83,433
Foreign exchange (gain) /loss	(128)	849
Gain on sale of investment	(11,053)	-
Interest income	(38,304)	(32,600)
Interest expense	20,410	22,567
Dividend income	(166)	(248)
Amortization	2,067	2,127
Gratuity provision	14,192	37,330
Finance charges on leased assets	77	149
Diminution in value of investment	-	571
Loss on sale of fixed assets	5,829	5,383
Operating profit before working capital changes	733,496	514,134
Working capital changes:		
(Increase) / decrease in current assets		
Stores, spares & tools	(54,802)	(5,023)
Stock-in-trade	(95,026)	73,777
Trade debtors	116,716	(123,554)
Advances, deposits & prepayments	(22,707)	(3,105)
	(55,819)	(57,905)
Increase in current liabilities		
Creditors, provisions, accrued charges & other liabilities	400,848	118,850
Cash generated from operations	1,078,525	575,079
Interest paid	(22,140)	(27,699)
Gratuity paid	(48,864)	(1,382)
Income taxes paid	(286,675)	(28,138)
Long term loans and deposits	3,353	1,477
Net cash generated from operations	724,199	519,337
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(134,277)	(178,425)
Investment in mutual fund units	(100,000)	-
Sale proceeds of fixed assets	8,674	6,805
Sale proceeds of investment	13,880	-
Sale proceed of investment in mutual fund units	100,732	-
Interest received	44,389	24,923
Dividend received	166	248
Software development / acquisition cost	(1,089)	(3,590)
	(67,525)	(150,039)
Net cash flow before financing activities	656,674	369,298
<b>FINANCING ACTIVITIES</b>		
Repayment of long term loans	(45,090)	(20,092)
Acquisition of long term loans	150,000	-
Repayments of redeemable capital	(24,788)	(21,454)
Repayment of supplier's credit	-	(20,931)
Repayment of obligation under finance lease	(1,233)	(1,260)
Dividend paid	(121,218)	(58,005)
Net cash (used in) financing activities	(42,329)	(121,742)
Increase in cash & cash equivalents	614,345	247,556

The annexed notes form an integral part of the financial statements.

  
Sherali Mundrawala  
Director

  
Saquib H. Shirazi  
Chief Executive Officer

  
Yusuf H. Shirazi  
Chairman



Atlas Honda Limited


STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2003


(Rupees in thousand)

	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 June 30, 2002							
Balance as at July 1, 2001	145,977	39,953	165	58,391	398,300	1,604	644,390
Profit for the year	-	-	-	-	-	270,498	270,498
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 June 30, 2002	204,368	39,953	165	-	546,300	1,481	792,267
Year ended June 30, 2003							
Balance as at July 1, 2002	204,368	39,953	165	-	546,300	1,481	792,267
Profit for the year	-	-	-	-	-	427,403	427,403
Proposed Dividend	-	-	-	-	-	(143,058)	(143,058)
Transfer to General Reserve	-	-	-	-	284,700	(284,700)	-
Balance as at June 30, 2003	204,368	39,953	165	-	831,000	1,126	1,076,612

The annexed notes form an integral part of the financial statements.

  
Sherali Mundrawala  
Director

  
Saquib H. Shirazi  
Chief Executive Officer

  
Yusuf H. Shirazi  
Chairman

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003**

**1. CORPORATE INFORMATION**

Atlas Honda Limited (the Company) was incorporated as a public limited company on October 16, 1962 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is located at 1-Mcleod Road, Lahore. The manufacturing / assembly facilities of the Company are located at Karachi and Sheikhpura, with branches / warranty and training centres at Karachi, Multan, Lahore and Rawalpindi. The company is principally engaged in progressive manufacture and sales of motorcycles and auto parts. The Company employed 785 persons during the year (2002: 785).

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

**3. BASIS OF PREPARATION**

The financial statements are presented in Rupees, rounded to nearest thousand. The financial statements have been prepared on historical cost basis except for capitalization of exchange gain or loss on foreign currency loans utilized for acquisition of plant and machinery and measurement of available-for-sale investments at fair value. The principal accounting policies adopted are set out below:

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.01 Employee Benefits**

**Defined Benefit Plan**

The company established unfunded gratuity scheme for its management staff with effect from July 1, 2002 which was approved by the Commissioner of Income Tax in November 2002. The gratuity fund was merged into Atlas Group of Companies Gratuity Fund which was approved by the Commissioner of Income Tax in May 2003. The merger of individual funds was approved for the purposes of investment, administrative convenience, consistency and uniformity of policies only.

The company also operates an unfunded gratuity scheme for its non-management staff and workers.

The last actuarial valuation was conducted as on June 30, 2003 on the basis of Projected Unit Credit Method. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the amended benefits become vested. The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, if any.

**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 recognized 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.



#### 4.02 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Deferred tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

#### 4.03 Fixed assets and Depreciation

##### Owned and Leased Assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses. Capital work in progress is stated at cost. Fixed assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses.

##### Depreciation on owned and Leased Assets

Depreciation is charged to income on the reducing balance basis except Computers and Accessories and Dies and Jigs without considering extra shift workings.

Depreciation on Computers and Accessories and Dies and Jigs is charged to income on a straight line basis. Full year's depreciation is charged on additions during the year while no depreciation is charged in the year of disposal.

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.

#### 4.04 Intangible Assets

Cost associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognized as Intangible Assets. Direct costs include staff cost, costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over a period of two years.

#### 4.05 Leases

Finance leases, which transfer to the company, substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

#### 4.06 Investments

Investments including investment in associates held by the company are classified as being available for sale and are stated at fair value.

All purchases and sales are recognized on the trade dates. Realized and unrealized 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.

#### 4.07 Stores, Spares and Tools

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

#### 4.08 Stock-in-Trade

These are valued at lower of cost and net realizable value. Cost is determined using the weighted average cost method. 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 right to receive dividend has 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 are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are dealt with income in the period in which they are incurred.



#### 4.12 Provisions

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

#### 4.13 Warranty

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

#### 4.14 Financial Instruments

##### Financial Assets

The company's principal financial assets are cash & bank balances, trade debtors, advances, loans and available-for-sale investments.

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

##### Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include long term loans, finance lease obligation, short term loans, creditors & other liabilities and dividend payable. These are stated at nominal value.

#### 4.15 Share Capital

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

#### 4.16 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.

#### 4.17 Interest / Mark-up bearing Loans and Borrowings

Loans and borrowings 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.

#### 4.18 Impairment

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.



## 5. OPERATING FIXED ASSETS - TANGIBLE

Particulars	Cost			Depreciation				W.D.V. 30-06-03	Rate %	
	As at 01-07-02	Additions	Disposals*	As at 30-06-03	As at 01-07-02	For the Year	Disposals*			As at 30-06-03
R u p e e s i n t h o u s a n d										
<b>Owened Assets</b>										
Free hold Land	5,112	-	-	5,112	-	-	-	5,112	-	
Lease hold Land	11,187	22,023	-	33,210	3,317	747	-	4,064	29,146	2.5
Building on freehold land	30,519	7,084	-	37,603	15,664	2,194	-	17,858	19,745	10
Building on lease hold land	28,282	1,782	-	30,064	22,800	727	-	23,527	6,537	10
Plant & Machinery	672,963	52,187	4,146	721,004	311,349	41,264	2,984	349,629	371,375	10
Dies & Jigs	172,269	14,427	21,861	164,835	119,150	24,248	17,597	125,801	39,034	25
Factory equipment	16,627	2,704	278	19,053	5,932	1,335	231	7,036	12,017	10
Office equipment	10,681	1,299	890	11,090	4,555	702	484	4,773	6,317	10
Computers & accessories	20,190	5,322	1,680	23,832	10,570	5,174	1,171	14,573	9,259	25
Furniture & fixture	5,510	40	1,046	4,504	2,879	244	818	2,305	2,199	10
Fixture & equipment	1,300	-	-	1,300	1,197	10	-	1,207	93	10
Electric & gas fittings	40,520	1,026	234	41,312	20,675	2,083	191	22,567	18,745	10
Vehicles	66,775	24,165	15,526	75,414	30,612	10,500	7,699	33,413	42,001	20
Service equipment	448	-	59	389	288	14	42	260	129	10
Sub-total	1,082,383	132,059	45,720	1,168,722	548,988	89,242	31,217	607,013	561,709	
<b>Leased Assets</b>										
Vehicles	2,520	-	-	2,520	504	403	-	907	1,613	20
Sub-total	2,520	-	-	2,520	504	403	-	907	1,613	
<b>TOTAL - 2003</b>	<b>1,084,903</b>	<b>132,059</b>	<b>45,720</b>	<b>1,171,242</b>	<b>549,492</b>	<b>89,645</b>	<b>31,217</b>	<b>607,920</b>	<b>563,322</b>	
<b>2002</b>	<b>942,722</b>	<b>181,380</b>	<b>39,199</b>	<b>1,084,903</b>	<b>493,070</b>	<b>83,433</b>	<b>27,011</b>	<b>549,492</b>	<b>535,411</b>	

\* Includes assets written off

5.01 Lease in respect of two plots is under execution.

5.02 Depreciation for the year has been allocated as follows:

	Note	2003 (Rupees in 000's)	2002
Cost of goods manufactured	29.01	80,966	73,720
Administrative expenses	30	8,679	9,713
		<u>89,645</u>	<u>83,433</u>

5.03 Certain dies and moulds costing Rs. 32,445 thousand (2002: Rs. 14,947 thousand) are held with Ali Machine Tools Company, G. I. Enterprises, Electro Polymers (Private) Limited, Pak Polymer (Private) Limited, Sigma Industries (Private) Limited, Syed Bhais (Private) Limited, Zahoor Die Casting Company and Pakistan Machine Tool Factory (Private) Limited for production of components to be supplied to the Company.



5.04 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
<b>Plant &amp; Machinery</b>							
De-Ionizing Plant with Tanks	462	125	337	157	(180)	Auction	Aqua Regia-Water Treatment, Suit # 19, Land Mark Plaza, Jail Road Lahore.
Buffing Machine	1,099	788	311	34	(277)	Auction	Muhammad Afzal Kabaria, Shahdra, Lahore
Dust Collector	33	24	9	-	(9)	Auction	-Do-
Spot Welding 350G	50	43	7	-	(7)	Write-off	
Stamping Machine	90	69	21	-	(21)	Write-off	
Air bottle	57	16	41	-	(41)	Write-off	
Ultrasonic cleaner-2	164	115	49	-	(49)	Write-off	
Ultrasonic cleaner-3	113	87	26	-	(26)	Write-off	
Rear cross plate	650	501	149	-	(149)	Write-off	
Metal Machine	110	85	25	-	(25)	Write-off	
Test bench panel	46	39	7	-	(7)	Write-off	
Test bench	125	110	15	-	(15)	Write-off	
Oil Separator Dryer	40	27	13	-	(13)	Write-off	
Heat Exchanger	117	105	12	-	(12)	Write-off	
Items with written down value not exceeding Rs. 5,000 each	990	850	140	-	(140)	Write-off	
<b>Sub Total</b>	<b>4,146</b>	<b>2,984</b>	<b>1,162</b>	<b>191</b>	<b>(971)</b>		
<b>Dies &amp; Jigs</b>							
Dies & Jigs	1,334	1,235	99	-	(99)	Write-off	
F.Tank Panel R/L Draw CD70	625	575	50	-	(50)	Write-off	
F.T Panel R/L Trim & Side CD70	729	671	58	-	(58)	Write-off	
R/Fender Panel Draw CD70	521	480	41	-	(41)	Write-off	
Patch Rear Blank form CD70	156	144	12	-	(12)	Write-off	
Front Fender Draw Die CD70	850	468	382	-	(382)	Write-off	
Frame Body Blank Die Lower CD70	258	173	85	-	(85)	Write-off	
F/Body Box Battery Tray Jig CD70	21	19	2	-	(2)	Write-off	
Upper R/Fender Die Model CD70	57	14	43	-	(43)	Write-off	
Blank Holder R/Fender Model CD70	57	14	43	-	(43)	Write-off	
Right Crank Case Die CD70	1,643	1,371	272	-	(272)	Write-off	
Mould Fix Dies and Sleeves	3,642	2,815	827	-	(827)	Write-off	
Crank case cover R cavity CD70	1,375	1,122	253	-	(253)	Write-off	
Die For Crank Case Left CD70	1,992	1,752	240	-	(240)	Write-off	
Die For Crank Case Cover R/H CD70	1,840	1,618	222	-	(222)	Write-off	
Die Sleeves Cylinder CG125	442	243	199	-	(199)	Write-off	
Cover Crank Case R/Die CD70	2,965	2,291	674	-	(674)	Write-off	
Cover Crank Case L/Die CD70	3,354	2,592	762	-	(762)	Write-off	
<b>Sub Total</b>	<b>21,861</b>	<b>17,597</b>	<b>4,264</b>	<b>-</b>	<b>(4,264)</b>		
<b>Computers &amp; Accessories</b>							
Compaq Note Book Lie Elite 4/40CX	112	79	33	1	(32)	Auction	NDS Technologies (Pvt.) Ltd. 49 D-1, Gulberg III, Lahore.
Compaq PC Deskpro 2000	167	112	55	1	(54)	Auction	-Do-
Compaq PC Prolinea 4/66	215	151	64	1	(63)	Auction	-Do-
Compaq PC Prolinea 575 E	75	53	22	1	(21)	Auction	-Do-
Epson DFX-5000 Printer	90	63	27	1	(26)	Auction	-Do-
Miscellaneous Computer and Accessories	1,021	713	308	1	(307)	Auction	Falcon Int., 536 C.M.A., Johar Town, Lahore.
<b>Sub Total</b>	<b>1,680</b>	<b>1,171</b>	<b>509</b>	<b>6</b>	<b>(503)</b>		
<b>Factory Equipment</b>							
Items with written down value not exceeding Rs. 5,000 each	278	231	47	-	(47)	Write-off	
<b>Office Equipment</b>							
Photo Copier Machine NP-6150	654	307	347	80	(267)	Negotiation	Shirazi Trading Co (Pvt) Ltd., 2nd Floor, Nadir House, I. I. Chundrigar Road, Karachi. (Associated Company)
Items with written down value not exceeding Rs. 5,000 each.	236	177	59	-	(59)	Write-off	
<b>Sub Total</b>	<b>890</b>	<b>484</b>	<b>406</b>	<b>80</b>	<b>(326)</b>		
<b>Furniture &amp; Fixture</b>							
Miscellaneous Furniture & Fixture	49	26	23	5	(18)	Auction	Chaudhry Mohd. Zulfiqar, Sunny Plaza, Chandni Chowk, Rawalpindi.
Miscellaneous Furniture & Fixture	75	63	12	11	(1)	Auction	Arif Ahmed, Scrap contractor, Street 28, Krishna Nagar, Gujranwala.
Items with written down value not exceeding Rs. 5,000 each	922	729	193	-	(193)	Write-off	
<b>Sub Total</b>	<b>1,046</b>	<b>818</b>	<b>228</b>	<b>16</b>	<b>(212)</b>		
<b>Electric &amp; Gas Fitting</b>							
Items with written down value not exceeding Rs. 5,000 each	234	191	43	-	(43)	Write-off	
<b>Service Equipment</b>							
Items with written down value not exceeding Rs. 5,000 each	59	42	17	-	(17)	Write-off	

5.04 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
<b>Vehicles</b>							
Honda CD70	54	32	22	25	3	Company Policy	(Employee) Abdul Razzaq
Honda CD70	57	38	19	23	4	Company Policy	(Employee) MNaim Khan
Honda CD70	54	32	22	24	2	Company Policy	(Employee) Abdul Majeed
Honda CD70	57	39	18	24	6	Company Policy	(Employee) Mohammad Shahid
Honda CD70	54	32	22	24	2	Company Policy	(Employee) Nazar Hussain
Honda CD70	54	32	22	24	2	Company Policy	(Employee) Mushtaq Hussain
Honda CD70	54	32	22	24	2	Company Policy	(Employee) Ehtesham-ul-Islam
Honda CD70	54	32	22	25	3	Company Policy	(Employee) Mohammad Sultan Khan
Honda CD70	54	32	22	25	3	Company Policy	(Employee) Abdul Majeed Khan
Honda CD70	66	23	43	47	4	Company Policy	(Employee) Mubashir H. Rana
Honda CD70	54	32	22	22	-	Company Policy	(Employee) Mujahid ul Mulq Butt
Honda CD70	65	-	65	59	(6)	Company Policy	(Ex-employee) Mohammad Naeem Khan
Honda CD70	54	32	22	29	7	Negotiation	Atlas Battery Ltd., D-181, Central Avenue, SITE, Karachi. (Associated Company)
Honda CD70	54	32	22	28	6	Insurance Claim	Muslim Insurance Co. Ltd. 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore. (Associated Company)
Honda CD70	64	31	33	30	(3)	Insurance Claim	-Do-
Honda CD70	65	13	52	52	-	Insurance Claim	-Do-
Honda CD70	65	13	52	51	(1)	Insurance Claim	-Do-
Honda CD70	64	23	41	37	(4)	Insurance Claim	-Do-
Honda CD70	65	-	65	65	-	Insurance Claim	-Do-
Honda CD70	62	30	32	32	-	Insurance Claim	-Do-
Honda CD70	66	24	42	35	(7)	Insurance Claim	-Do-
Honda CD70	66	24	42	41	(1)	Insurance Claim	-Do-
Honda CD70	66	24	42	46	4	Insurance Claim	-Do-
Honda CG125	75	27	48	57	9	Company Policy	(Ex-Employee) Muhammad Saleem M.Akhter
Honda CG125	63	31	32	28	(4)	Company Policy	(Employee) Aslam Shehzad
Honda CG125	63	37	26	26	-	Company Policy	(Employee) Mohammad Younis
Honda CG125	66	44	22	27	5	Company Policy	(Employee) Shahid Hussain
Honda CG125	63	37	26	28	2	Company Policy	(Employee) Mansur-ul-Haq
Honda CG125	63	37	26	29	3	Company Policy	(Employee) Majid Badar Siddiqui
Honda CG125	63	37	26	26	-	Company Policy	(Employee) S. Javaid Haider Aqeel
Honda CG125	63	37	26	26	-	Company Policy	(Employee) Shah Faisal
Honda CG125	63	37	26	26	-	Company Policy	(Employee) Abdullah Khalid Qureshi
Honda CG125	74	15	59	59	-	Insurance Claim	Muslim Insurance Co. Ltd. 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore. (Associated Company)
Honda CG125	74	-	74	59	(15)	Insurance Claim	-Do-
Honda CG125	74	-	74	67	(7)	Insurance Claim	-Do-
Honda CG125	75	27	48	51	3	Insurance Claim	-Do-
Honda CG125	74	15	59	47	(12)	Insurance Claim	-Do-
Honda CG125	74	15	59	48	(11)	Insurance Claim	-Do-
Honda CG125	69	34	35	30	(5)	Auction	Honda Center. Motorcycle Market, Mcleod Road, Lahore.
Motorcycles	430	-	430	155	(275)	Negotiation	Honda R & D Co. Ltd. 3-15-1 Senzui Asaka-Shi, Saitama, 351-8555 Japan
Honda City	593	350	243	351	108	Company Policy	(Employee) Muhammad Saghir
Honda Civic	1,098	395	703	711	8	Company Policy	(Ex-Employee) Hafiz M. Hanif
Honda Civic	738	496	242	239	(3)	Company Policy	(Ex-Employee) Sardar Abid Ali
Honda Civic	801	473	328	337	9	Company Policy	(Employee) M.Amir Awan
Honda Civic	970	573	397	401	4	Negotiation	Mohammad Amir Haroon, 1/1-J, Block 6, PECHS, Karachi.
Honda Civic	787	465	322	325	3	Negotiation	Zahid Ahmed 7/10 F-II, Nazimabad No.2, Karachi.
Honda Civic	787	465	322	325	3	Negotiation	Manzoor Ahmed Khan D-26, Officers Colony, Garden West, Karachi.
Honda Civic	1,067	630	437	442	5	Negotiation	Mobina Rizwan, APT C-106, Shalimar Estates 129, Clifton Road, Karachi.
Honda Civic	370	74	296	296	-	Negotiation	Shirazi Trading Co (Pvt) Ltd., 2nd Floor, Nadir House, I. I. Chundrigar Road, Karachi (Associated Company)
Honda Civic	930	186	744	744	-	Negotiation	-Do-
Suzuki Khyber	340	201	139	163	24	Company Policy	(Employee) Khawaja Shujaiddin
Suzuki Khyber	368	247	121	151	30	Company Policy	(Employee) Maqsood Rehmani.
Suzuki Khyber	241	87	154	174	20	Company Policy	(Employee) Razi-ur-Rehman
Suzuki Khyber	419	196	223	222	(1)	Company Policy	(Employee) Zia-ul-Islam
Suzuki Khyber	368	217	151	188	37	Negotiation	Farhet Jehan, H.No.5-H/6, PECHS, Karachi.
Suzuki Khyber	368	217	151	195	44	Negotiation	Chulam Hussain, H.No.R/453, Sector 15-A-2, Buffer Zone, Karachi.
Suzuki Khyber	340	201	139	163	24	Negotiation	Mukarram Hussain, H.No.C-69, North Nazimabad, Karachi.
Suzuki Khyber	220	44	176	165	(11)	Negotiation	Junaid Akhter Khan, 11-C, 12 Commercial Street, Phase II, D.H.A Karachi.
Suzuki Mehran	298	176	122	122	-	Company Policy	(Employee) Iqbal Ahmed.
Suzuki Mehran	307	181	126	127	1	Negotiation	Azhar Iqbal, H.No.B 196, Qasim Pura, Lahore.
Daihatsu Coura	439	158	281	317	36	Insurance Claim	Muslim Insurance Co. Ltd. 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore. (Associated Company)
Toyota Corolla	337	199	138	139	1	Negotiation	S. Mohammad Ashraf Ali, H.No.590, Lal Para, Mirpur Khas.
Fork Lifter	273	265	8	229	221	Auction	Aqua Regia-Water Treatment, Suit #19, Land Mark Plaza, Jail Road Lahore.
Fork Lifter	173	171	2	274	272	Auction	-Do-
Subtotal	15,526	7,699	7,827	8,381	554		
Grand Total	45,720	31,217	14,503	8,674	(5,829)		



# Atlas Honda Limited

	2003	2002
	(Rupees in 000's)	
<b>6. INTANGIBLE ASSETS</b>		
Software development / acquisition cost	2,766	1,303
Addition	1,089	3,590
Amortized during the year	(2,067)	(2,127)
	1,788	2,766
<b>7. CAPITAL WORK-IN-PROGRESS</b>		
Building	125	-
Plant and Machinery	2,206	448
Factory Equipment	439	104
	2,770	552
<b>8. INVESTMENTS</b>		
Available-for-sale investments		
Listed		
Atlas Battery Limited - Associated undertaking		
NIL (2002: 165,550 Ordinary shares of Rs. 10 each includes bonus shares 25,550)	-	9,548
Less: Provision for diminution in value of investment	-	5,989
	-	3,559
Unlisted		
Arabian Sea Country Club Limited		
200,000 ordinary shares of Rs. 10 each	2,000	2,000
(Name of Chief Executive: Mr. Javed Burki)		
Break-up value on the basis of audited		
accounts for the year ended June 30, 2002		
Rs. 6.25 (2002: 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 Chairman : Dr. M. Akram Sheikh)		
Break-up value on the basis of audited		
accounts for the year ended June 30, 2001		
Rs. 5.75 (2002: Rs. 5.75) per share		
Less: Provision for diminution in value of investment	1,875	1,875
	-	-
	-	3,559

	Note	2003	2002
(Rupees in 000's)			
9. LONG TERM LOANS, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLE			
Considered Good			
Cars/Motorcycles loans to employees - (Secured)	9.01	9,290	12,896
Deposits	9.02	4,104	3,159
Prepayment		480	-
Other receivable (Unsecured)		-	75
		<u>13,874</u>	<u>16,130</u>
9.01 Cars / Motorcycles loans to Employees			
Due from:			
- Executives		3,302	3,744
- Employees		12,351	16,612
		15,653	20,356
Less: Recoverable within one year			
- Executives		1,252	1,581
- Employees		5,111	5,879
		6,363	7,460
		<u>9,290</u>	<u>12,896</u>
<p>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.</p> <p>Car / Motorcycle loans outstanding for more than 3 years amounting to Rs. 1,402 thousand (2002: Rs. 421 thousand).</p> <p>The maximum amount due from executives at the end of any month was Rs. 3,198 thousand (2002: Rs. 3,824 thousand).</p>			
9.02 Deposits include Rs. 252 thousand lease deposit with Atlas Investment Bank Limited, an associated company.			
10. STORES, SPARES & TOOLS			
Consumables stores		15,954	10,588
Maintenance spares		22,896	11,858
Tools		54,921	19,155
Stores-in-transit		3,321	285
		97,092	41,886
Less: Provision for slow moving stores		4,225	3,821
		<u>92,867</u>	<u>38,065</u>



	2003	2002
	(Rupees in 000's)	
<b>11. STOCK-IN-TRADE</b>		
Raw materials & components		
In hand	222,813	270,142
With third party	21,973	4,079
In transit (inter factories: Karachi/Sheikhupura)	46,191	3,804
	290,977	278,025
Work in Process	80,942	38,391
Finished Goods		
Motorcycles	3,836	69,004
Spare parts	54,476	27,682
	58,312	96,686
Goods in transit (at accumulated cost)	127,049	49,152
	<u>557,280</u>	<u>462,254</u>

11.01 Cost has been arrived at as follows:

(a) In case of raw materials and components, finished stocks and spare parts, at weighted average cost.

(b) In case of work in process, cost includes direct materials, direct labour and manufacturing overheads.

11.02 Stock-in-trade and trade debtors upto a maximum amount of Rs. 1,255 million (2002: Rs. 1,182 million) are under hypothecation as security for the Company's short term finances.

11.03 Finished Goods (motorcycles) include stock held for capitalization amounting to NIL (2002: Rs. 75 thousand).

**12. TRADE DEBTORS**

Considered Good

Export - Secured	13,777	13,328
Local - Unsecured	35,842	153,007
	<u>49,619</u>	<u>166,335</u>

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

	Note	2003	2002
(Rupees in 000's)			
<b>13. ADVANCES, DEPOSITS, PREPAYMENTS, LOANS &amp; OTHER RECEIVABLE</b>			
Unsecured - Considered Good			
Loan to employees	13.01	4,990	5,504
Advances to:			
Executives for expenses	13.02	1,434	273
Suppliers & contractors	13.03	2,098	8,343
Income tax deducted at source / Paid in advance		249,584	110,433
Advance Sales Tax - Motorcycles		62,137	27,992
- Raw Materials		5,634	11,274
Trade deposits		816	2,734
Prepayments	13.04	2,356	1,403
Interest accrued on deposits		2,134	8,219
Other receivable	13.05	16,832	16,067
Secured - Considered Good			
Current portion of Car/Motorcycle loans to employees	9.01	6,363	7,460
		354,378	199,702
Unsecured - Considered doubtful			
Other receivable		619	535
		354,997	200,237
Provision for doubtful receivable		619	535
		354,378	199,702

13.01 Loans to employees include loans of Rs. 4,516 thousand (2002: Rs. 5,504 thousand) granted to executives. The maximum amount due from executives at the end of any month was Rs. 5,505 thousand (2002: Rs. 5,504 thousand).

13.02 Executive advances for expenses include due from executives Rs. 1,434 thousand (2002: Rs. 273 thousand). The maximum amount due from executives at the end of any month was Rs. 6,256 thousand (2002: Rs. 5,053 thousand).

13.03 Advance to suppliers & contractors include NIL (2002: Rs. 6,128 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. 6,141 thousand (2002: Rs. 16,922 thousand).

13.04 Prepayments include insurance premium NIL (2002: Rs. 141 thousand) to associated company, Muslim Insurance Company Limited.

13.05 Other receivables include Rs. 15,232 thousand (2002: Rs. 13,166 thousand) duty draw back receivable from Collector of Customs. This also includes insurance claim receivable Rs. 208 thousand (2002: Rs. 58 thousand) due from associated company, Muslim Insurance Company Limited.



## Atlas Honda Limited

	Note	2003 (Rupees in 000's)	2002
<b>14 CASH &amp; BANK BALANCES</b>			
Cash in hand		-	18
Cash with banks:			
In current account - Local currency		109,026	69,479
- Foreign currency		-	3,049
In saving accounts		912,200	161,768
In deposit account - Local currency		-	150,000
Cheques-in-hand		-	22,567
		<u>1,021,226</u>	<u>406,881</u>

14.01 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.

### 15. 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 Issued as fully paid bonus shares		138,247	138,247
259,300 Issued for consideration other than cash		2,593	2,593
		<u>204,368</u>	<u>204,368</u>

15.01 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to company's residual assets.

15.02 9,114,537 (2002: 9,114,537) Ordinary Shares of Rs. 10/- each were held by associated companies at the year end.

### 16. RESERVES

Capital Reserves	16.01	40,118	40,118
General Reserve	16.02	831,000	546,300
		<u>871,118</u>	<u>586,418</u>



	Note	2003 (Rupees in 000's)	2002
<b>16.01 Capital Reserves</b>			
Share Premium			
Balance at beginning and end		39,953	39,953
Gain on Sale of Land			
Balance at beginning and end		165	165
Reserve for issue of bonus shares			
Balance at the beginning		-	58,391
Utilized for issue of fully paid bonus shares		-	58,391
Balance at the end		-	-
		<u>40,118</u>	<u>40,118</u>
<b>16.02 General Reserve</b>			
Balance at the beginning		546,300	398,300
Transfer from profit and loss account		284,700	148,000
Balance at the end		<u>831,000</u>	<u>546,300</u>
<b>17. REDEEMABLE CAPITAL</b>			
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited			
	17.01	-	-
Atlas Investment Bank Limited			
	17.02	-	-
		<u>-</u>	<u>-</u>
<b>17.01 Saudi Pak Industrial &amp; Agricultural Investment Company (Private) Limited</b>			
Balance at beginning		19,788	36,242
Less: Repaid during the year		19,788	16,454
		<u>-</u>	<u>19,788</u>
Less: Installments due within the following twelve months		-	19,788
Balance at the end		<u>-</u>	<u>-</u>

The long term finance facility from Saudi Pak Industrial & Agricultural Investment Company (Private) Limited has been repaid during the year.



## Atlas Honda Limited

	Note	2003 (Rupees in 000's)	2002
<b>17.02 Atlas Investment Bank Limited</b>			
Balance at beginning		5,000	10,000
Less: Repaid during the year		5,000	5,000
Less: Installments due within the following twelve months		-	5,000
Balance at end		-	-

The long term finance facility from Atlas Investment Bank Limited (an associated company) has been repaid during the year.

### 18. LONG TERM LOAN

Muslim Commercial Bank Limited	18.01	20,092	40,182
Union Bank Limited	18.02	60,000	-
Credit Agricole Indosuez	18.03	35,000	-
		<u>115,092</u>	<u>40,182</u>

#### 18.01 Muslim Commercial Bank Limited

Balance at beginning	60,274	80,366
Less: Repaid during the year	20,090	20,092
Less: Installments due within the following twelve months	40,184	60,274
Balance at end	<u>20,092</u>	<u>40,182</u>

- The Company has arranged Demand Finance amounting to Rs. 100.458 million from Muslim Commercial Bank Limited for import of machinery.
- The Demand Finance is repayable in 10 half yearly installments commencing on September 22, 2000 and ending on March 22, 2005.
- The Demand Finance carries mark up at the rate of 3 percent over Treasury Bills to be fixed on six monthly basis, presently 6.5 percent (2002: 13.001 percent), subject to a floor of 6.5 percent and a ceiling of 16 percent per annum.
- The Demand Finance is secured against first parri passu equitable mortgage on Company's immovable properties and a demand promissory note.



	2003	2002
	(Rupees in 000's)	
18.02 Union Bank Limited		
Disbursed during the year	100,000	-
Less: Repaid during the year	20,000	-
	<hr/>	<hr/>
	80,000	-
Less: Installments due within the following twelve months	20,000	-
	<hr/>	<hr/>
Balance at end	<u>60,000</u>	<u>-</u>

- (a) The Company has arranged Demand Finance amounting to Rs. 100 million from Union Bank Limited for import of machinery.
- (b) The Demand Finance is repayable in 10 half yearly installments commencing on January 04, 2003 and ending on June 25, 2007.
- (c) The Demand Finance carries mark up at the rate of 1.75 percent over Treasury Bills to be fixed on six monthly basis, presently 3.41 percent.
- (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.

## 18.03 Credit Agricole Indosuez

Disbursed during the year	50,000	-
Less: Repaid during the year	5,000	-
	<hr/>	<hr/>
	45,000	-
Less: Installments due within the following twelve months	10,000	-
	<hr/>	<hr/>
Balance at end	<u>35,000</u>	<u>-</u>

- (a) The Company has arranged Demand Finance amounting to Rs. 50 million from Credit Agricole Indosuez for import of machinery.
- (b) The Demand Finance is repayable in 10 half yearly installments commencing on March 17, 2003 and ending on September 17, 2007.
- (c) The Demand Finance carries mark up at the rate of 1.5 percent over SBP Discount rate to be fixed on six monthly basis, presently 9 percent.
- (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.



## Atlas Honda Limited

	Note	2003 (Rupees in 000's)	2002
<b>19. OBLIGATION UNDER FINANCE LEASE</b>			
Balance at beginning		1,394	-
Lease assets obtained during the year		-	2,520
		<u>1,394</u>	<u>2,520</u>
Less: Repaid during the year		1,141	1,126
		<u>253</u>	<u>1,394</u>
Less: installments due within the following twelve months		1	1,141
Balance at end		<u><u>252</u></u>	<u><u>253</u></u>

	2003	2002	2003	2002	2003	2002
	Rupees in thousand		Financial charges		Present value of minimum lease payments	
Year ending to 30 June						
2003	-	1,233	-	92	-	1,141
2004	1	1	-	-	1	1
2005	252	252	-	-	252	252
	<u>253</u>	<u>1,486</u>	<u>-</u>	<u>92</u>	<u>253</u>	<u>1,394</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 purchase option which the Company may exercise at the end of lease term.

## 20. PROVISION FOR GRATUITY

Balance at beginning		58,620	22,672
Add: Provision for the year	20.02	14,192	37,330
		<u>72,812</u>	<u>60,002</u>
Less : Payments during the year		48,864	1,382
Balance at end	20.01	<u><u>23,948</u></u>	<u><u>58,620</u></u>

20.01 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:

	Management		Non-management & Workers		TOTAL	
	2003	2002	2003	2002	2003	2002
	Funded	Unfunded				
Rupees in thousand						
Present value of defined benefit obligation (actuarial liability)	49,650	41,684	25,348	17,769	74,998	59,453
Fair value of plan assets	(47,555)	-	-	-	(47,555)	-
Unrecognized actuarial gain / (loss)	(3,888)	-	393	(833)	(3,495)	(833)
Balance at end	(1,793)	41,684	25,741	16,936	23,948	58,620
Net Liability at the beginning of the year	41,684	-	16,936	22,672	58,620	22,672
Gratuity cost for the year ended June 30, 2003	5,387	42,108	8,805	(4,778)	14,192	37,330
Contributions	(47,555)	-	-	-	(47,555)	-
Payment to outgoing employees	(1,309)	(424)	-	(958)	(1,309)	(1,382)
Net Liability at the end of the year	(1,793)	41,684	25,741	16,936	23,948	58,620

20.02 The expense is recognized in the following line items in the income statement

	Note	2003	2002	2003	2002	2003	2002
Cost of sales	29.04	1,752	13,985	8,805	(4,778)	10,557	9,207
Administrative expenses	30.02	2,919	22,591	-	-	2,919	22,591
Selling expenses	31.02	716	5,532	-	-	716	5,532
		5,387	42,108	8,805	(4,778)	14,192	37,330

Principal actuarial assumptions at the balance sheet date for:

Discount rate	6%	11%	6%	11%
Future salary increases	5%	9%	5%	11%
Return on investment	6%	11%	6%	11%



	2003	2002
	(Rupees in 000's)	
<b>21. DEFERRED TAXATION</b>		
The liability for deferred taxation comprises of timing differences relating to:		
Deferred credit arising in respect of Accelerated tax depreciation allowance	54,000	50,016
Lease rentals	-	218
	54,000	50,234
Deferred debit arising in respect of Various provisions	(21,000)	(35,234)
	<u>33,000</u>	<u>15,000</u>
<b>21.01 The movement for the year in the Company's net deferred tax position was as follows:</b>		
Balance at beginning	15,000	49,000
Increase / (Decrease) in deferred tax liabilities	4,000	(6,701)
Decrease / (Increase) in deferred tax assets	14,000	(27,299)
(Reversal) / Charge to income for the year	18,000	(34,000)
Balance at end	<u>33,000</u>	<u>15,000</u>
<b>22 SHORT TERM FINANCES</b>		
Balance at beginning and end	<u>-</u>	<u>-</u>

The Company has facilities for short-term running finance under mark-up arrangements amounting to Rs. 655 million (2002: Rs. 665 million). The facilities carry mark-up at the rate of Re. 0.1233 to Re. 0.1370 (2002: Re. 0.2465 to Re. 0.3014) 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. 1,255 million (2002: Rs. 1,182 million). These facilities are expiring on various dates by March 31, 2004.

The facility for opening letters of credit and guarantees as at June 30, 2003 amounted to Rs. 885 million (2002: Rs. 885 million) of which the amount remaining unutilized at the year-end was Rs. 574 million (2002: Rs. 526 million)

The facility for post shipment export refinance as at June 30, 2003 amounted to Rs. 43.9 million (2002: Rs. 45.5 million). This facility is secured against lien on export bills / contract.

**23. CURRENT MATURITY OF LONG TERM LIABILITIES**

Redeemable Capital	-	24,788
Long term loan	50,092	20,092
Obligation under finance lease	1	1,141
	<u>50,093</u>	<u>46,021</u>

	Note	2003	2002
(Rupees in 000's)			
<b>24. CREDITORS, PROVISIONS, ACCRUED CHARGES AND OTHER LIABILITIES</b>			
Trade Creditors	24.01	247,424	165,751
Accrued expenses		162,582	144,894
Provision for warranty	24.02	7,000	7,000
Customers Advance & Credit Balances		498,503	230,363
Mark-up on Redeemable Capital		2,030	1,655
Interest / Mark-up on Bank Loans - Secured	24.03	32	2,265
Finance charges on leased assets		-	15
		2,062	3,935
Retention money		-	960
Sales tax payable		20,422	-
Withholding tax payable		-	14
Workers' Profit Participation Fund	24.04	35,324	21,537
Workers' Welfare Fund	24.05	13,295	8,061
Other liabilities		3,365	8,487
		<u>989,977</u>	<u>591,002</u>

24.01 Trade Creditors include Rs. 216 thousand (2002: Rs. 90 thousand) payable to associated company BOC Pakistan Limited.

**24.02 Provision for Warranty**

Balance at beginning	7,000	7,000
Provided during the year	8,800	9,692
	<u>15,800</u>	<u>16,692</u>
Paid / reversed during the year	8,800	9,692
Balance at end	<u>7,000</u>	<u>7,000</u>

24.03 Interest / Mark-up payable on secured loan includes NIL (2002: Rs. 443 thousand) payable to associated company.

**24.04 Workers' Profit Participation Fund**

Balance as at beginning	21,537	11,155
Add :Interest credited	2,531	453
	<u>24,068</u>	<u>11,608</u>
Less : Payment made during the year	23,732	11,281
	<u>336</u>	<u>327</u>
Contributions for the year @ 5%	34,988	21,210
Balance at end	<u>35,324</u>	<u>21,537</u>

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



## Atlas Honda Limited

	2003	2002
	(Rupees in 000's)	
<b>24.05 Workers' Welfare Fund</b>		
Balance at beginning	8,061	5,176
Paid during the year	8,607	5,469
	(546)	(293)
Charge for the current year	13,295	8,060
Prior year / (adjustment)	546	294
	13,841	8,354
Balance at end	<u>13,295</u>	<u>8,061</u>
<b>25. PROVISION FOR TAXATION</b>		
Balance at beginning		
Corporate Asset Tax	2,000	2,000
Income Tax	160,000	83,500
	162,000	85,500
Add: Provision made during the year		
Current year	220,000	160,000
Prior year	(14,476)	(1,925)
	205,524	158,075
Less: Payment during the year	145,204	81,575
Adjustment-Corporate Asset Tax	2,320	-
Balance at end	<u>220,000</u>	<u>162,000</u>

25.01 The charge for the year can be reconciled to the profit as per the profit and lost account as follows:

Profit before tax		650,927	394,573
Tax at the applicable income tax rate	35.00%	227,824	138,101
Tax effect of expenses that are not deductible in determining taxable profit as under:			
Gratuity	-1.86%	(12,135)	12,582
Leave Encashment	0.16%	1,057	7,072
Depreciation	0.82%	5,317	(4,890)
Loss on Disposal of fixed assets	-0.07%	(452)	-
WWF	0.06%	399	(223)
Other	-0.09%	(614)	6,053
Lease Rentals	-0.06%	(372)	(394)
Effect of difference in tax rates under normal assessment and presumptive tax regime	-0.15%	(974)	1,773
Effect of difference in tax rates under normal assessment and tax on dividend for companies	-0.01%	(50)	(74)
Tax expenses and effective tax rate for the current year	<u>33.80%</u>	<u>220,000</u>	<u>160,000</u>



	2003	2002
	(Rupees in 000's)	
<b>26. DIVIDEND PAYABLE</b>		
Unclaimed dividends	5,042	3,639
Unclaimed bonus fractions	50	50
Proposed dividend	143,058	122,621
	148,150	126,310

**27. CONTINGENT LIABILITIES & COMMITMENTS**

Contingencies

27.01 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.

27.02 Guarantees

Issued by bank	42,177	17,208
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Guarantees are issued to Custom authorities and Government institutions and shall be released on completion of survey report / delivery of motorcycles. These are issued under normal operations.

Commitments

Confirmed letters of credit relating to raw materials	308,482	342,181
Plant and Equipment	9,291	3,000

**28. SALES - NET**

Motorcycles & spare parts	6,977,439	5,523,951
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Sales have been recorded at dealer's net prices after deducting sales tax Rs. 1,030.491 million (2002: Rs. 820.059 million) and discount / allowances Rs. 56.136 million (2002: Rs. 16.442 million). Commission paid to associated company on export sales amounting to Rs. 2,504 thousand (2002: Rs. 4,274 thousand) is included in discount / allowances.



# Atlas Honda Limited

	Note	2003	2002
(Rupees in 000's)			
<b>29. COST OF SALES</b>			
Stock at beginning		96,686	94,621
Cost of goods manufactured	29.01	5,676,671	4,613,496
Purchases		234,599	177,078
		5,911,270	4,790,574
		6,007,956	4,885,195
Stocks at end	11	58,312	96,686
		5,949,644	4,788,509
<b>29.01 COST OF GOODS MANUFACTURED</b>			
Work in process at beginning		38,391	36,371
Raw materials & Components consumed	29.02	5,076,668	4,091,084
Direct labour	29.03	89,058	70,007
Technical Director's Remuneration		604	652
Salaries, wages & benefits	29.04	95,832	81,822
Employees severance cost		161	2,602
Stores consumed		75,262	69,571
Light, heat & water		47,677	36,627
Insurance		17,456	16,296
Rent, rates & taxes		3,029	2,982
Repair & maintenance		20,123	26,398
Royalty		162,851	111,511
Technical assistance		20,050	4,530
Traveling, conveyance and entertainment		11,841	10,584
Postage & telephone		3,863	3,689
Printing & Stationery		1,669	1,760
Vehicle running		2,720	2,629
Depreciation	5.02	80,966	73,720
Canteen		6,529	6,410
Newspapers, Magazines & Subscription		543	383
Staff training		623	195
Intangible assets amortized		1,383	1,441
Others manufacturing expenses		314	623
		5,757,613	4,651,887
Work in Process at end	11	80,942	38,391
		5,676,671	4,613,496
<b>29.02 RAW MATERIAL &amp; COMPONENTS CONSUMED</b>			
Stock at beginning		278,025	200,408
Purchases	29.05	5,089,620	4,168,701
		5,367,645	4,369,109
Stock at end	11	290,977	278,025
		5,076,668	4,091,084

29.03 Direct labour and salaries & benefits include Rs. 13,957 thousand (2002: Rs. 15,529 thousand) in respect of staff retirement benefits.

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

	Note	2003	2002
(Rupees in 000's)			
Current service cost		1,600	7,487
Interest costs		4,088	1,720
Past service cost - vested benefits		5,326	-
Expected return on Plan Assets		(457)	-
		10,557	9,207

29.05 Purchases include custom duty rebates netted-off aggregating Rs. 23,501 thousand (2002: Rs. 11,536 thousand).

### 30. ADMINISTRATIVE EXPENSES

Directors' Remuneration	39.01	5,888	5,875
Directors' meeting fee	39.04	6	6
Salaries & benefits	30.01	74,691	95,906
Travelling, conveyance & entertainment		11,376	12,204
Rent, rates & taxes		2,982	2,442
Insurance		1,939	1,468
Repairs & maintenance		4,542	3,999
Legal & professional charges		3,021	2,030
Auditors' remuneration	30.03	800	522
Gas & electricity		1,131	1,161
Fees & subscription		617	1,189
Postage & telephone		2,260	3,324
Printing & stationery		1,392	1,248
Vehicle running		2,026	2,525
Training expense		224	328
Depreciation	5.02	8,679	9,713
Donation	30.04	56	165
Intangible assets amortized		684	686
Others		816	749
Loss on sale of fixed assets	5.04	5,829	5,383
		128,959	150,923

30.01 Salaries and benefits include Rs. 6,019 thousand (2002: Rs. 25,844 thousand) in respect of staff retirement benefits.

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

Current service cost		1,232	22,591
Interest costs		2,450	-
Expected return on Plan Assets		(763)	-
		2,919	22,591



	Note	2003	2002
(Rupees in 000's)			
<b>30.03 Auditor's Remuneration</b>			
Audit fee		305	275
Provident Fund /Workers' Profit Participation Fund audit and certification		444	212
Out of pocket expenses		51	35
		800	522

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

**31. SELLING & DISTRIBUTION EXPENSES**

Directors remuneration	39.02	6,602	5,158
Salaries & benefits	31.01	36,401	38,723
Traveling, conveyance, entertainment & vehicle running		17,188	14,642
Rent, rates & taxes		3,360	2,980
Advertisement & publicity		86,853	53,163
Repairs & maintenance		727	604
Gas & electricity		966	853
Freight & forwarding		46,623	32,614
Printing & stationery		1,256	838
Postage & telephone		5,213	4,628
Sales Promotion		18,957	11,890
Services charges		4,967	3,972
Insurance		1,438	901
Newspapers, Magazines & Subscription		306	421
Others		228	61
		231,085	171,448

31.01 Salaries and benefits include Rs. 2,452 thousand (2002: Rs. 7,381 thousand) in respect of staff retirement benefits

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

Current service cost	302	5,532
Interest costs	601	-
Expected return on Plan Assets	(187)	-
	716	5,532

	Note	2003	2002
(Rupees in 000's)			
<b>32. MISCELLANEOUS REVENUE</b>			
Scrap Sales		8,912	5,353
Interest on Deposits:			
Associated company		18,011	19,728
Others		20,293	12,872
Other income		-	8
Dividend Income			
(Atlas Battery Limited, associated company)		166	248
Gain on Sale of Investments		11,053	-
		58,435	38,209
<b>33. FINANCIAL EXPENSES</b>			
Interest / mark-up on:			
Short term loans		468	3,672
Long term loan		18,011	8,861
Redeemable capital		1,931	6,366
Supplier's credit		-	865
Workers' profit participation fund	24.04	2,531	453
Finance charges on leased assets		77	149
Other financial charges		3,540	2,554
Exchange risk fee		-	2,678
Exchange (gain) / loss		(128)	849
Zakat		-	125
		26,430	26,572
<b>34. TAXATION</b>			
The income tax assessments of the Company have been finalized upto and including Tax Year 2002 (income year ending June 30, 2002).			
<b>35. EARNINGS PER SHARE</b>			
Earnings for purposes of basic earnings per share (net profit for the year)		427,403	270,498
Weighted average number of ordinary shares for the purposes of basic earnings per share	Numbers	20,436,816	20,436,816
Basic Earnings per share	Rupees	20.91	13.24

There is no dilutive effect on basic earning per share of the company.



## Atlas Honda Limited

	Note	2003	2002
(Rupees in 000's)			
<b>36. ANALYSIS OF CHANGES IN CASH &amp; CASH EQUIVALENTS</b>			
Balance at beginning		406,881	159,325
Increase in cash & cash equivalents		614,345	247,556
Balance at end	14	1,021,226	406,881
<b>37. NON-CASH TRANSACTION</b>			
Assets acquired on obligation under finance lease	19	-	2,520

### 38. RELATED PARTY TRANSACTIONS

Name of Related Party and Nature of relationship	Nature of Transaction	Transaction Value	Transaction Value
<b>(a) Associated Companies</b>			
Shirazi Investments (Private) Limited (Common Directorship)	Sale of Motorcycles	132	-
	Rent of premises	1,392	1,220
	Actual reimbursement of expenses	1,788	1,091
Atlas Battery Limited (Common Directorship)	Sale of Motorcycles	1,458	1,710
	Sale of Fixed assets	29	-
	Purchase of batteries	42,433	25,200
	Purchase of fixed assets	-	1,299
	Reimbursement of actual expenses	(393)	3,212
	Dividend received	166	248
Allwin Engineering Industries Limited (Common Directorship)	Sale of Motorcycles	770	503
	Scrap Sales	2,708	3,244
	Purchase of parts	137,841	125,116
	Reimbursement of actual expenses	(74)	(62)
Atlas Investment Bank Limited (Common Directorship)	Sale of Motorcycles	834	5,885
	Lease rental paid	1,233	1,275
	Loan repaid	5,000	5,000
	Interest expense	673	1,152
	Interest income on deposits	18,011	19,727
	Sale of Investment through	13,880	-
	Brokerage fees	26	-
	Purchase of fixed assets	-	4,162
	Actual reimbursement of expenses	424	694
Muslim Insurance Company Limited (Common Directorship)	Sale of Motorcycles	-	65
	Insurance claim	1,065	-
	Insurance premium	40,956	35,535
	Actual reimbursement of expenses	(60)	(285)

Name of Related Party and Nature of relationship	Nature of Transaction	2003	2002
		(Rupees in 000's)	
		Transaction Value	Transaction Value
Shirazi Trading Company (Private) Limited (Common Directorship)	Sale of Motorcycles	1,094	846
	Sale of Fixed assets	1,120	57
	Purchase of fixed assets	3,830	1,043
	Purchase of consumable items	1,419	253
	Rent of premises	110	-
	Actual reimbursement of expenses	321	(250)
Honda Motor Company Limited - Japan (Investment in Equity)	Purchase of CKD	1,472,386	1,264,468
	Purchase of fixed assets	-	84,431
	Royalty	162,851	101,217
	Technical fees	20,050	2,248
	Export Commission	2,504	4,274
Honda Atlas Cars (Pakistan) Limited (Common Directorship)	Sale of Auto parts	611	579
	Sale of Motorcycles	-	456
	Purchase of fixed assets	17,671	7,071
	Actual reimbursement of expenses	-	(103)
BOC Pakistan Limited (Common Directorship)	Purchase of welding gases	1,925	1,421
Sui Southern Gas Company Limited (Common Directorship)	Purchase of Natural gas	2,873	2,387
Associated companies with which no transactions were carried during the year			
Atlas Asset Management Company Limited (Common Directorship)			
Gillette Pakistan Limited (Common Directorship)			
Faysal Bank Limited (Common Directorship)			
MYK Associates (Private) Limited (Common Directorship)			
National Refinery Limited (Common Directorship)			
NBP Capital Limited (Formerly National Discounting Services Limited) (Common Directorship)			
(b) Relatives of Directors / Chairman			
Mrs. Khawar S. Shirazi (Spouse of Chairman)	Rent of Premises	569	-



## Atlas Honda Limited

Name of Related Party and Nature of relationship	Nature of Transaction	2003	2002
		(Rupees in 000's)	
		Transaction Value	Transaction Value
(c) Enterprise over which any person described in (a) above is able to exercise significant influence			
Total Atlas Lubricants Pakistan (Private) Limited	Purchase of oils	68,514	-
Honda Atlas Power Products (Private) Limited		-	-
Shirazi Foundation	Rent of premises	3,454	
Batool Benefit Trust	Rent of Premises	894	-

All these transactions were carried out on commercial terms and conditions and were valued at arm's length price. Reimbursement of expenses were on actual basis.

### 39. DIRECTORS' AND EXECUTIVES' REMUNERATION

#### 39.01 Chairman

Remuneration	3,326	3,326
Rent & utilities	1,198	1,198
Bonus	665	665
Provident fund	293	293
Medical & others	46	33
Reimbursement of expenses	360	360
	<u>5,888</u>	<u>5,875</u>
Number of person	<u>1</u>	<u>1</u>

#### 39.02 Chief Executive Officer

Remuneration	3,998	3,090
Rent & utilities	1,439	1,112
Bonus	800	618
Provident fund & gratuity	352	272
Medical expenses	13	66
	<u>6,602</u>	<u>5,158</u>
Number of person	<u>1</u>	<u>1</u>

#### 39.03 Directors

Remuneration	946	442
Utilities	861	210
	<u>1,807</u>	<u>652</u>
Number of persons	<u>3</u>	<u>1</u>

#### 39.04 Meeting fees

Number of persons	<u>2</u>	<u>5</u>
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	2003	2002
	(Rupees in 000's)	
39.05 Executives		
Remuneration	89,890	84,164
Rent & utilities	32,620	30,120
Provident fund & gratuity	7,890	49,045
Medical	4,908	4,060
Bonus	15,302	12,217
	<u>150,610</u>	<u>179,606</u>
Number of persons	<u>251</u>	<u>245</u>

The Chairman, the Chief Executive, three directors and two expatriate executives are provided with free use of company maintained cars and telephones at residences. One director and two expatriate executives are also provided with furnished accommodation.

#### 40 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.01 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 June 30, 2003 are summarized as follows

	(Rupees in 000's)							
	2003		2003		2003		2002	2002
	Interest bearing			Non-Interest bearing			Total	Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total	Total
Financial assets								
Investments	-	-	-	-	-	-	-	3,559
Long term loans, deposits and other receivable	-	-	-	4,104	9,290	13,394	13,394	16,055
Trade Debtors	-	-	-	49,619	-	49,619	49,619	166,335
Advances, deposits, loans and other receivable	-	-	-	34,667	-	34,667	34,667	48,600
Cash & Bank balances	912,200	-	912,200	109,026	-	109,026	1,021,226	384,314
	<u>912,200</u>	<u>-</u>	<u>912,200</u>	<u>197,416</u>	<u>9,290</u>	<u>206,706</u>	<u>1,118,906</u>	<u>618,863</u>
Financial liabilities								
Redeemable capital	-	-	-	-	-	-	-	19,788
Long term loan	50,092	115,092	165,184	-	-	-	165,184	60,274
Obligation under finance lease	1	252	253	-	-	-	253	1,394
Short term finance	-	-	-	-	-	-	-	-
Creditors, accrued expenses, other liabilities	-	-	-	969,555	-	969,555	969,555	591,002
Dividend payable	-	-	-	148,150	-	148,150	148,150	126,310
	<u>50,093</u>	<u>115,344</u>	<u>165,437</u>	<u>1,117,705</u>	<u>-</u>	<u>1,117,705</u>	<u>1,283,142</u>	<u>798,768</u>
On-balance sheet gap	<u>862,107</u>	<u>(115,344)</u>	<u>746,763</u>	<u>(920,289)</u>	<u>9,290</u>	<u>(910,999)</u>	<u>(164,236)</u>	<u>(179,905)</u>



	2003	2002
	(Rupees in 000's)	
40.02 Effective interest rate		
Assets		
Cash at bank		
- Local Currency	1.85% to 3.5%	6.22% to 8.5%
Liabilities		
Redeemable Capital	-	18% to 19.33%
Long term loan	3.41% to 9%	13.001%
Supplier's credit	-	17.86%
Obligation under finance leases	16%	16%

40.03 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:

<u>1,118,906</u>	<u>618,863</u>
------------------	----------------

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.

40.04 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.

40.05 Fair value of the financial instruments


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

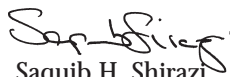
41. PLANT CAPACITY


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

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on August 30, 2003.

  
Sherali Mundrawala  
Director

  
Saquib H. Shirazi  
Chief Executive Officer

  
Yusuf H. Shirazi  
Chairman



**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 2003**

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	To	
271	1	100	8,362
234	101	500	64,228
98	501	1,000	73,477
213	1,001	5,000	506,189
52	5,001	10,000	381,196
7	10,001	15,000	89,686
7	15,001	20,000	124,875
5	20,001	25,000	116,411
4	30,001	35,000	125,269
2	40,001	45,000	87,425
1	45,001	50,000	45,003
1	55,001	60,000	59,398
1	60,001	65,000	62,644
1	75,001	80,000	75,889
1	85,001	90,000	87,207
1	90,001	95,000	90,021
1	100,001	105,000	100,468
1	110,001	115,000	111,368
1	140,001	145,000	144,684
1	375,001	380,000	378,609
3	565,001	570,000	1,700,000
1	575,001	580,000	579,415
1	680,001	685,000	684,985
1	1,000,001	1,005,000	1,003,626
4	1,645,001	1,650,000	6,583,494
1	7,150,001	7,155,000	7,152,887
<u>914</u>			<u>20,436,816</u>

**CATEGORIES OF SHAREHOLDERS**

	SHARES HELD	PERCENTAGE
Directors, CEO, their spouse and minor children and Associates	8,349,078	40.85
Associated Companies, Undertakings and Related Parties	9,114,537	44.60
NIT and ICP	114,165	0.56
Banks, Development Finance Institutions, Non-Banking Finance Institutions	265	-
* Insurance Companies	-	-
Modarabas and Mutual Funds	-	-
** Shareholders holding 10%	-	-
General Public		
Local	2,119,059	10.37
Foreign	-	-
Others		
Corporate Law Authority (SECP)	1	-
Joint Stock Companies	23,037	0.11
Investment Companies	22,325	0.11
Cooperative Society	194	-
Trusts	9,170	0.05
Morgan Stanley Trust Co. Ltd. (Foreign company)	684,985	3.35
	<u>20,436,816</u>	<u>100.00</u>

*Saib H. Shirazi*  
Saquib H. Shirazi  
Chief Executive Officer

Note: Included in Associated Companies

- \* Muslim Insurance Co. Ltd. 579415 shares
- \*\* Honda Motor Company Ltd. 7152887 shares.












Atlas Honda Limited

INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE  
AS AT JUNE 30, 2003

	NO. OF SHARES HELD
1 Associated Companies, undertakings and related parties	
Atlas Battery Limited	378,609
Muslim Insurance Company Limited	579,415
Shirazi Investment (Pvt) Limited	1,003,626
Honda Motor Company Limited	7,152,887
2 NIT and ICP	
National Bank of Pakistan Trustee Depptt	111,368
Investment Corporation of Pakistan	2,797
3 Directors, CEO, their spouse and minor children and Associates	
Mr. Yusuf H. Shirazi & Associates	6,700,265
Mr. Saquib H. Shirazi (CEO)	1,645,873
Mr. Sherali Mundrawala	2,940
4 Executive	17,787
5 Public Sector Companies and Corporation	-
6 Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	265
7 Shareholders holding 10% or more	
Honda Motor Company Limited	7,152,887

ATLAS GROUP COMPANIES

		Year of Establishment/ Acquisition*
	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.	1992
<b>HONDA</b>	Honda Atlas Power Product (Pvt) Ltd.	1997
	Total Atlas Lubricants Pakistan (Pvt) Ltd.	1997
	Atlas Asset Management Company Ltd.	2002

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 39th Annual General Meeting  
of the company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Monday,  
October 13, 2003 at 10.30 a.m. and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2003  
signed by the Said \_\_\_\_\_ in the presence of

(Witness)

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

Affix Revenue Stamp
Signature

NOTE:

Proxies, in order to be effective, must be received at the company's Registered Office not less than 48 hours  
before the meeting and must be duly stamped, signed and witnessed.



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

AFFIX  
POSTAGE

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