

Organisation  
development  
through  
self development



Atlas Honda Limited





## Atlas Honda Limited

### **VISION**

Market leader in the motorcycle industry, emerging as a global 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 abilities and performance; to foster a network of researchers and engineers ensuing unique contributions to the development of the industry; customers 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.



## **STRATEGIC GOALS**

### **Customers**

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

### **Quality**

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

### **Local Manufacturing**

To be the industry leader in indigenization of motorcycle parts.

### **Technology**

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

### **Shareholders**

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

### **Employees**

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

### **Corporate Citizen**

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



**SAFETY RIDERS**

**HONDA**

## **SAFETY RIDING CAMPAIGN**

### **KEY SAFETY RIDING PRINCIPLES**

A Helmet protects your head.

Wear it when you ride.

Ride according to the signals and signposts.

Ride according to the 'keep left' principle.

Stay within the prescribed speed limit.

Apply both brakes at the same time.

**HONDA**  
**CG125**  
**CD100**  
**CD70**



میں نے ہنڈا ای کے سارے



## CONTENTS

Company Information	1
Notice of 41 <sup>st</sup> Annual General Meeting	4
Shareholders Information	7
Ten Years at a Glance	9
Graphical Presentation	11
Statement of Value Addition and its Distribution	12
Chairman's Review	13
Directors' Report	21
Statement of Compliance with The Code of Corporate Governance and Transfer Pricing	24
Auditors' Review Report	26
Auditors' Report to the Members	27
Balance Sheet	28
Profit & Loss Accounts	29
Cash Flow Statement	30
Statement of Changes in Equity	31
Notes to Financial Statements	32
Pattern of Shareholding	58
Atlas Group Companies	60
Proxy Application	

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive Officer	Saqib H. Shirazi
Directors	Motohide Sudo
	Nurul Hoda
	Sanaullah Qureshi
	Sherali Mundrawala
	Toshitsugu Kaneko
	Yoshitaka Kitamura
Company Secretary	Zaryab Tarique

### GROUP EXECUTIVE COMMITTEE

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

### GROUP HUMAN RESOURCE COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Bashir Makki

### 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	Saqib H. Shirazi
Vice President Marketing	Nurul Hoda
Vice President Technical	Toshitsugu Kaneko
Chief Financial Officer	Suhail Ahmed
General Manager Plants	M. Amir Awan
General Manager Engineering	Sardar Akhtar Khan
General Manager Development	Yoshitaka Kitamura
General Manager Quality Assurance	Lt. Col. (R) Sultan Ahmed
General Manager Human Resources	Raffat Iqbal
General Manager Information Technology	Mushtaq Alam
General Manager Logistics	Talha Saad
G. M. Corporate Affairs & Management Audit	Maqsood A. Basraa

### AUDITORS

Hameed Chaudhri & Co.

### LEGAL ADVISORS

Mohsin Tayebaly & Co.

### TAX ADVISORS

Ford Rhodes Sidat Hyder & Co.

### BANKERS

Atlas Investment Bank Limited  
Bank Al-Habib Limited  
Deutsche Bank AG  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NDLC - IFIC Bank Limited  
Standard Chartered Bank  
The Bank of Tokyo-Mitsubishi Limited  
Union Bank Limited  
United Bank Limited



## COMPANY INFORMATION

<b>LENDING INSTITUTIONS</b>	Habib Bank Limited
	MCB Bank Limited
	National Bank of Pakistan
	The Bank of Tokyo-Mitsubishi Limited
	Union Bank Limited
<b>REGISTERED OFFICE</b>	1-McLeod Road, Lahore-54000
	Tel : (92-42) 7225015-17, 7233515-17
	Fax : (92-42) 7233518, 7351119
	E-mail : ahl@atlas.com.pk
	Website: www.atlashonda.com.pk
<b>FACTORIES</b>	F-36, Estate Avenue, S.I.T.E., Karachi-75730
	Tel : (92-21) 2575561-65 Fax : (92-21) 2563758
	E-mail : ahl@atlas.com.pk
	26-27 KM, Lahore-Sheikhupura Road, Sheikhupura-39321
	Tel : (92-563) 406501-8, (92-42) 7222222
	Fax : (92-563) 406009
E-mail : ahl@atlas.com.pk	
<b>BRANCH OFFICES</b>	Azmat Wasti Road, Multan
	Tel : (92-61) 540054, 540028, 571989 Fax : (92-61) 541690
	140-B, Satellite Town Scheme, Murree Road, Rawalpindi
	Tel : (92-51) 4418115, 4455328 Fax : (92-51) 4418115
<b>SHOW ROOM</b>	West View Building, Preedy Street, Saddar, Karachi
	Tel : (92-21) 7720833, 7727607
<b>SPARE PARTS DIVISION</b>	D-181/A, S.I.T.E., Karachi-75730
	Tel : (92-21) 2576690
<b>WARRANTY &amp; TRAINING CENTRES</b>	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 41ST ANNUAL GENERAL MEETING**

Notice is hereby given that the forty first Annual General Meeting of the members of Atlas Honda Limited will be held on Thursday, October 13, 2005, at 10:30 a.m., at 1-McLeod Road, Lahore, to transact the following business:

### **ORDINARY BUSINESS**

1. To confirm Minutes of the Extraordinary General Meeting held on March 21, 2005.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2005 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2006. The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To consider and approve the cash dividend of Rs. 6.0 per share i.e. 60% for the year ended June 30, 2005 as recommended by the Board of Directors.

### **SPECIAL BUSINESS**

5. To consider and approve the bonus shares issue @ 40% (two bonus shares for every five shares held) for the year ended June 30, 2005 as recommended by the Board of Directors.

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

- (i) RESOLVED "that a sum of Rs. 102,184,080 out of Company's profit be capitalized for issuing 10,218,408 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names stand in the register of members at the close of the business on October 05, 2005 in the proportion of two bonus shares for every five shares held by a member. The said shares shall rank pari passu with the existing shares of the Company as regard future dividend and all other respects."
  - (ii) FURTHER RESOLVED "that all the fractional Bonus Shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares so combined in the Stock Market and pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 2001."
6. To consider and, if thought fit, to pass the following resolutions to increase the Authorized Capital of the Company from Rs. 400,000,000/- (Rupees Four Hundred Million) to Rs. 1,000,000,000/- (Rupees One Billion) as 'Special Resolution':
    - (i) RESOLVED "that the Authorized Capital of the Company be and is hereby allowed to increase from Rs. 400,000,000/- to Rs 1,000,000,000/- by creation of 60,000,000 new ordinary shares of Rs. 10/- each."
    - (ii) FURTHER RESOLVED "that the above mentioned amendment to the Memorandum and Articles of Association of the Company be and is hereby allowed to be altered by substituting the figures and words Rs. 400,000,000/- (Rupees Four Hundred Million), divided into 40,000,000 Ordinary Shares of Rs. 10/- each appearing in clause V of the Memorandum of Association and clause 6 of the Articles of Association with

the words and figures Rs. 1,000,000,000/- (Rupees One Billion), divided into 100,000,000 ordinary shares of Rs. 10/- each by creation of 60,000,000 ordinary shares of Rs. 10/- each."

(iii) FURTHER RESOLVED "that the Chief Executive Officer of the Company be and is hereby authorized and empowered to give effect to the resolutions as mentioned above and to do or cause to be done all acts, deeds and things that may be necessary or required for the increase in the Authorized Capital of the Company."

7. To consider and approve the following resolutions as special resolutions for the enhancement of Directors' Fee for attending the Board of Directors Meeting as recommended by the Board:

(i) RESOLVED "that the fee payable to Directors for attending Board Meeting be and is hereby raised from Rs. 500/- (Rupees five hundred only) to Rs. 10,000/- (Rupees ten thousand only)."

(ii) FURTHER RESOLVED "that the above mentioned amendment to the Articles of Association of the Company be and is hereby allowed to be altered by substituting the figures Rs. 500/- appearing in clause 113 of the Articles of Association with the figures Rs. 10,000/-."

8. To consider and, if thought fit, approve the following resolutions as special resolutions for the amendment in maximum time allowed by the Articles of Association of the Company for the closure of share transfer register. As per Stock Exchanges Listing Regulations the maximum time for closure of share transfer register of the Company is 15 days hence the Articles of Association of the Company is proposed to be amended by substituting the word thirty in clause 48 with the word fifteen.

(i) RESOLVED "that share transfer register shall not be closed for a period longer than fifteen (15) days as required by the Listing Regulations be and is hereby approved."

(ii) FURTHER RESOLVED "that the above mentioned amendment to the Articles of Association of the Company be and is hereby allowed to be altered by substituting the word thirty appearing in clause 48 of the Articles of Association with the word fifteen."

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

#### **OTHER BUSINESS**

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

By Order of the Board



Zaryab Tarique

Company Secretary

Karachi: September 21, 2005



**NOTES:**

- i) The register of members of the Company will remain closed from October 06, 2005 to October 13, 2005 (both days inclusive).
- ii) A member entitled to attend and vote at this meeting may appoint another member as his proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarized/certified copy of the power of attorney must be received at the registered office of the Company duly stamped, signed and witnessed not later than 48 hours before the time fixed for the meeting.
- iii) No person shall act as proxy unless he/she is member of the Company.
- iv) 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.
- v) Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC account number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- vi) Members are requested to notify any change in their registered addresses immediately.
- vii) Members are requested to provide by mail or fax, photocopy of their CNIC or Passport, if foreigner, (unless it has been provided earlier) to enable the Company to comply with the relevant laws.
- viii) For the convenience of shareholders a Proxy Application Format is attached with this report.

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

This statement is annexed to the notice of the Forty First Annual General Meeting of Atlas Honda Limited to be held on October 13, 2005 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

**ITEM NO. 5 OF THE AGENDA**

The Board of Directors has recommended to the members of the Company to declare dividend by way of issue of fully paid bonus shares @ 40% for the year ended June 30, 2005 and thereby capitalize a sum of Rs. 102,184,080/-.

**ITEM NO. 6 OF THE AGENDA**

It has been recommended by the Board of Directors to increase the Authorized Capital of the Company. The purpose to increase the Authorized Capital is to provide opportunities for the growth in the company's business in order to increase the profitability and returns to shareholders. The directors are not interested in this business except as shareholders of the Company.

**ITEM NO.7 OF THE AGENDA**

Presently the Directors of the Company are eligible to a fee for attending the meeting of the Board of Directors of Rs. 500/- per meeting. It is now proposed that the fee payable to Directors of the Company to attend the Board meetings shall be enhanced to Rs. 10,000/- per meeting.

**ITEM NO.8 OF THE AGENDA**

As per Stock Exchanges Listing Regulations the maximum time for closure of share transfer register of the Company is 15 days hence the Articles of Association of the Company is proposed to be amended by substituting the word thirty in clause 48 with the word fifteen.

## SHAREHOLDERS' INFORMATION

### Registered and Shares Registration Office:

1-McLeod Road, Lahore-54000

Tel: 92-42-7225015-17

92-42-7233515-17

Fax: 92-42-7233518, 92-42-7351119

### Listing on Stock Exchanges

Atlas Honda Limited is listed on Karachi and Lahore Stock Exchanges.

### Listing Fees

The annual listing fees for the financial year 2004-05 have been paid to the Karachi and Lahore stock exchanges and Central Depository Company within the prescribed time limit.

### Stock Code

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

### Shares Registrar

All work relating to physical transfer, transmission, splitting and consolidation of share certificates, payment of dividend, issue of bonus share certificates and fractional amount, issue of duplicate/re-validated dividend warrants, issue of duplicate share certificates, etc. is done at the registered office of the Company. The Company has online connectivity with Central Depository Company of Pakistan Limited (CDC). For assistance, shareholders may contact the registered office.

### Contact person:

Mr. Sarfraz Mufti

Tel: 92-42-7225015-17

92-42-7233515-17

Fax: 92-42-7233518, 92-42-7351119

### Statutory Compliance

During the year your company has complied with all applicable provisions, filed all returns/forms and furnished all relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

### Annual General Meeting

Date: October 13, 2005

Time: 10:30 A.M.

Venue: Registered Office at  
1-McLeod Road  
Lahore-54000

### Financial Calendar

Audited annual results for year ended June 30, 2005:  
First half of September

Mailing of annual report:  
Second half of September

Annual General Meeting:  
First half of October

Unaudited first quarter financial results:  
Second half of October

Unaudited second quarter financial results:  
Second half of February

Unaudited third quarter financial results:  
Second half of April

### Dividend Announcement

The board of directors of the Company has proposed a cash dividend of Rs. 6.0 per share (60%) and bonus shares @ 40% (two bonus shares for every five shares held) for the financial year ended June 30, 2005, subject to approval by the shareholders of the Company at the annual general meeting.

Dividend paid for the previous year ended June 30, 2004 was cash dividend Rs. 7.50 per share (75%) and Bonus shares issue at 25% (one bonus share for every four shares held).

### Dates of Book Closure

The register of members and shares transfer books of the Company will remain closed from October 06, 2005 to October 13, 2005 (both days inclusive).



**Date of Dividend Payment and Bonus Shares issue**

The payment of dividend and issue of bonus shares, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after October 14, 2005

Last year your company dispatched cash dividend and bonus shares within 48 hours after approval from the shareholders at the annual general meeting.

**Payment of Dividend**

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

**Share Transfer System**

Share transfers received by the company are registered within 30 days from the date of receipt, provided the documents are complete in all respects.

**General Meeting**

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

**Proxies**

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the company who is entitled to attend and vote at a general meeting of the company can appoint another member as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the company contains a statement that a shareholder entitled to attend and vote is also

entitled to appoint a proxy, who ought to be a member of the company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the registered office of the company not less than forty eight hours before the time fixed for the meeting.

**Website of the Company**

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

**Market Price Data**

The following table shows the month-wise share price of the company in the Karachi and Lahore Stock Exchanges:

Months	Karachi Stock Exchange		Lahore Stock Exchange	
	High	Low	High	Low
July 04	204.15	175.00	204.15	175.00
August 04	265.00	202.50	265.00	202.50
September 04	290.00	212.00	294.45	210.00
October 04	238.45	201.00	238.75	201.00
November 04	231.90	203.00	234.80	203.00
December 04	230.00	200.00	230.00	200.00
January 05	254.00	229.00	254.00	229.00
February 05	250.00	230.00	250.00	230.00
March 05	250.00	232.00	250.00	232.00
April 05	290.00	240.00	290.00	240.00
May 05	328.00	274.00	328.00	274.00
June 05	305.00	291.00	305.00	291.00

**Change of Address**

All registered shareholders should send information on changes of addresses (if any) at the Registered Office of the Company mentioned above.

**TEN YEARS AT A GLANCE**

(Rupees in million)

YEARS	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>Condensed Balance Sheet</b>										
<b>Assets</b>										
Non Current Assets										
Fixed assets	1,888.7	1,405.6	566.1	536.0	450.7	490.3	366.7	379.4	374.9	270.8
Other non current assets	36.7	15.1	15.7	22.5	22.6	16.0	20.1	21.3	17.7	21.7
Current Assets:										
Inventory	1,794.1	1,429.6	650.2	500.3	569.0	443.5	410.0	494.6	572.8	511.7
Investment & bank balances	1,842.6	751.5	1,021.0	406.8	159.3	252.4	186.2	441.0	75.3	5.8
Other current assets	529.2	510.1	404.1	366.0	285.6	217.1	242.2	201.7	167.8	229.6
<b>Total Assets</b>	<b>6,091.3</b>	<b>4,111.9</b>	<b>2,657.1</b>	<b>1,831.6</b>	<b>1,487.2</b>	<b>1,419.3</b>	<b>1,225.2</b>	<b>1,538.0</b>	<b>1,208.5</b>	<b>1,039.7</b>
<b>Equity &amp; Liabilities</b>										
Share capital										
Share capital	255.5	204.4	204.4	204.4	146.0	146.0	146.0	146.0	132.7	120.6
Reserves	1,822.8	1,441.3	872.2	587.9	498.4	439.0	408.0	335.7	259.9	166.9
Non current liabilities	1,129.5	584.1	172.3	113.8	156.8	208.7	160.1	190.0	140.0	75.5
Current Liabilities:										
Creditors & provisions	2,364.4	1,570.1	990.0	591.0	476.4	394.0	336.1	507.7	420.1	424.3
Other current liabilities	519.1	312.0	418.2	334.5	209.6	231.6	175.0	358.6	255.8	252.3
<b>Total Equity &amp; Liabilities</b>	<b>6,091.3</b>	<b>4,111.9</b>	<b>2,657.1</b>	<b>1,831.6</b>	<b>1,487.2</b>	<b>1,419.3</b>	<b>1,225.2</b>	<b>1,538.0</b>	<b>1,208.5</b>	<b>1,039.7</b>
<b>Condensed Profit &amp; Loss Account</b>										
Sales	14,120.8	9,948.1	6,977.4	5,524.0	4,704.5	3,397.4	3,424.9	3,423.5	3,498.1	3,092.5
Cost of sales	12,776.7	8,713.9	5,949.6	4,788.5	4,246.1	3,044.5	3,027.8	2,999.0	3,101.3	2,754.0
Gross profit	1,344.1	1,234.2	1,027.8	735.5	458.4	352.9	397.1	424.5	396.8	338.4
Operating expenses	445.2	360.2	360.0	322.4	237.8	199.0	179.8	173.9	159.3	126.1
Operating profit	898.9	874.0	667.8	413.1	220.6	153.9	217.3	250.6	237.5	212.3
Other charges (net of other income)	(40.1)	31.5	16.9	18.6	17.7	52.1	36.0	59.7	48.9	36.2
Profit before tax	939.0	842.5	650.9	394.5	202.9	101.8	181.3	190.9	188.6	176.1
Taxation	308.5	297.8	223.5	124.0	85.1	41.7	57.6	65.3	63.7	74.6
<b>Profit after taxation</b>	<b>630.5</b>	<b>544.7</b>	<b>427.4</b>	<b>270.5</b>	<b>117.8</b>	<b>60.1</b>	<b>123.7</b>	<b>125.6</b>	<b>124.9</b>	<b>101.5</b>
<b>Profitability Ratios</b>										
Gross profit (%)	9.5	12.4	14.7	13.3	9.7	10.4	11.6	12.4	11.3	10.9
Profit before tax (%)	6.6	8.5	9.3	7.1	4.3	3.0	5.3	5.6	5.4	5.7
Profit after tax (%)	4.5	5.5	6.1	4.9	2.5	1.8	3.6	3.7	3.6	3.3
Return on capital employed (%)	20.9	26.4	35.9	32.5	16.7	8.8	20.7	23.0	25.6	32.2
Interest cover ratio Times	10.4	28.1	17.2	11.2	3.6	2.0	3.2	2.6	4.0	3.8

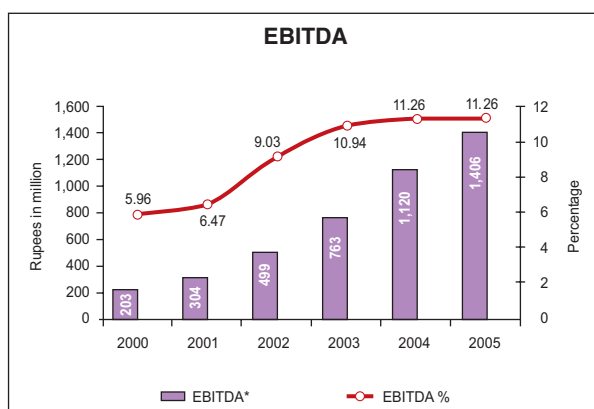
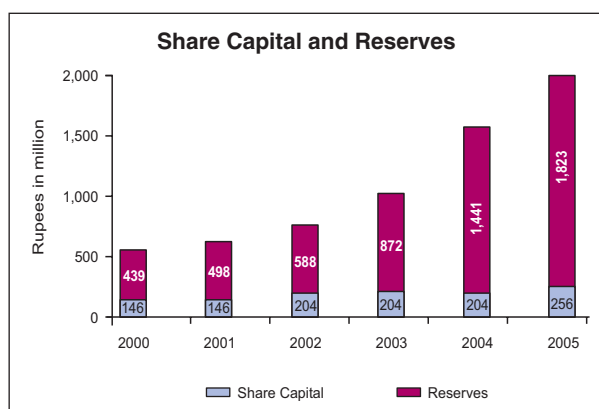
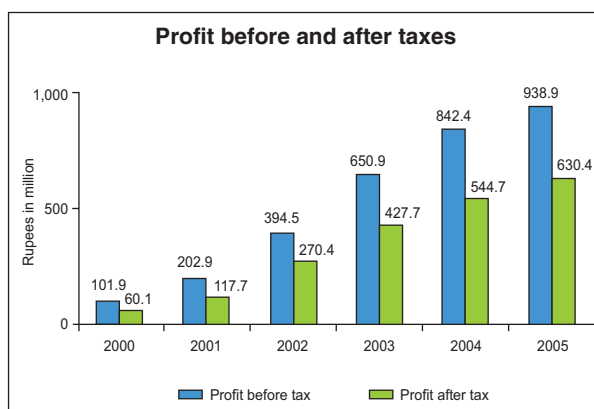
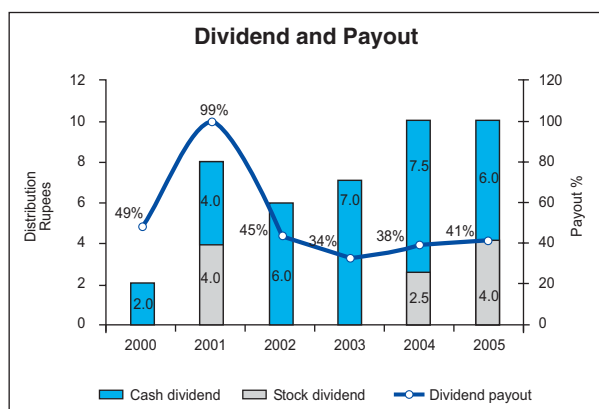
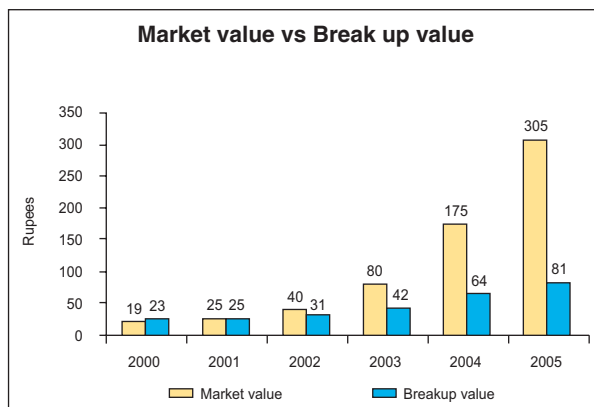
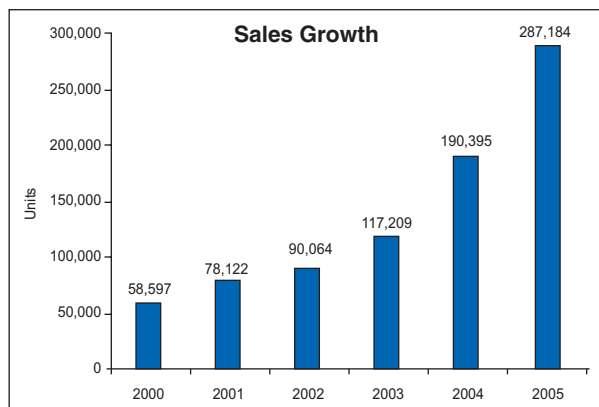


**TEN YEARS AT A GLANCE**

YEARS		2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>Return to Shareholders</b>											
ROE - before tax	(%)	45.2	51.2	60.5	49.8	31.5	17.4	32.7	39.6	48.0	61.2
ROE - after tax	(%)	30.3	33.1	39.7	34.1	18.3	10.3	22.3	26.1	31.8	35.3
EPS - after tax	Rs.	24.7	21.3	16.7	10.6	4.6	2.4	4.8	4.9	4.9	4.0
Price Earning Ratio	Times	12	8	5	4	5	8	4	6	6	7
Market Price (June30)	Rs.	305	175.0	80.0	40.1	25.0	19.3	19.3	30.0	31.0	27.0
Break up Value per Share	Rs.	81.4	64.4	42.1	31.0	25.2	22.9	21.7	18.9	15.4	11.3
<b>Dividend</b>											
Cash dividend	Rs.	6.0	7.5	7.0	6.0	4.0	2.0	3.5	2.5	1.5	1.5
Stock dividend	Rs.	4.0	2.5	-	-	4.0	-	-	-	1.0	1.0
Dividend yield	(%)	3.3	5.7	8.8	15.0	32.0	10.4	18.2	8.3	8.1	9.3
Dividend pay out	(%)	40.5	37.5	33.5	45.3	99.2	48.6	41.3	29.0	26.6	29.7
<b>Asset Utilization</b>											
Total assets turnover	Times	2.3	2.4	2.6	3.0	3.2	2.4	2.8	2.2	2.9	3.0
Fixed assets turnover	Times	7.5	7.1	12.3	10.3	10.4	6.9	9.3	9.0	9.3	11.4
Inventory turnover	Times	7.1	6.1	9.1	9.6	7.5	6.9	7.4	6.0	5.4	5.4
Debtor turnover	Times	101.1	141.5	140.4	33.2	109.9	85.6	122.8	216.1	186.4	50.9
Capital employed turnover	Times	4.7	4.8	6.5	7.0	7.3	5.8	6.2	7.1	8.9	10.8
<b>Working Capital Cycle</b>											
Inventory holding period	Days	46	44	35	40	43	51	55	65	64	57
Trade debtors period	Days	3	2	6	7	3	4	2	2	4	5
Creditors period	Days	55	49	47	41	36	43	52	58	49	50
Working capital cycle	Days	(6)	(3)	(6)	6	10	12	5	9	19	12
<b>Liquidity/ Leverage</b>											
Current Ratio	Times	1.44	1.43	1.47	1.38	1.48	1.46	1.64	1.31	1.21	1.10
Long Term debts to Equity	Times	0.4	0.3	0.1	0.1	0.1	0.3	0.2	0.3	0.3	0.2
Total Liabilities to Equity	Times	1.9	1.8	1.5	1.3	1.3	1.4	1.2	2.2	2.1	2.6



## GRAPHICAL PRESENTATION

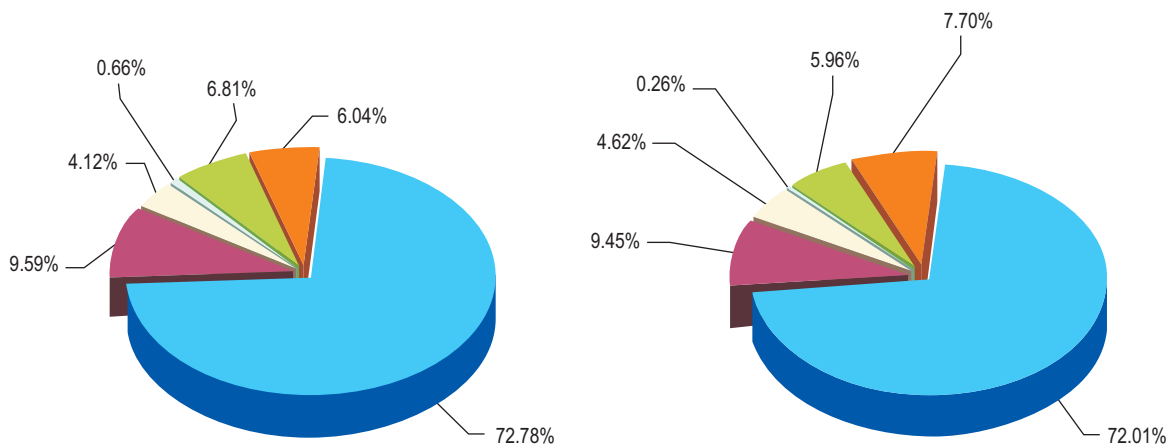


\*Earnings before interest, tax, depreciation and amortization

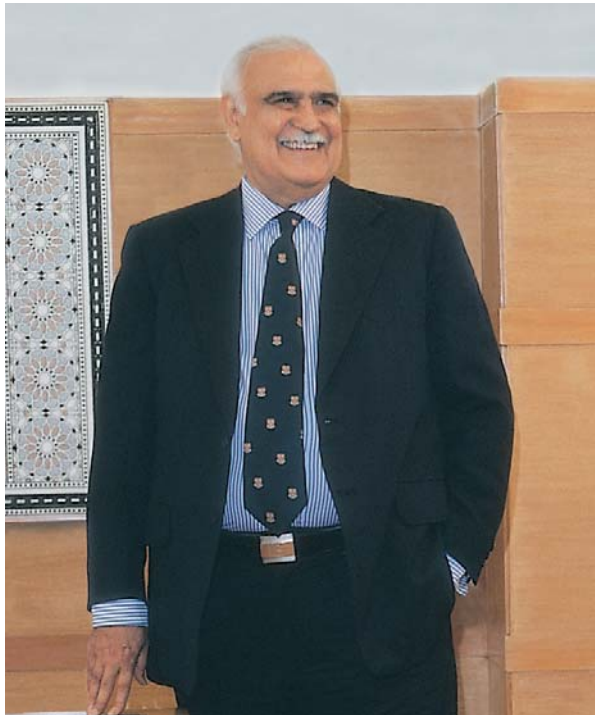
**STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION**

	2005		2004	
	(Rupees in 000's)			
<b>WEALTH GENERATED</b>				
Total revenue - gross	16,947,681		11,476,158	
Material & services (excluding duties)	(10,745,132)		(7,054,851)	
	<u>6,202,549</u>	<u>100.00%</u>	<u>4,421,307</u>	<u>100.00%</u>
<b>WEALTH DISTRIBUTED</b>				
<b>To Government</b>				
Sales tax, income tax, import duty & workers' welfare fund	4,514,166	72.78%	3,183,670	72.01%
<b>To Employees</b>				
Salaries, benefits and related cost	594,579	9.59%	417,691	9.45%
<b>To Providers of Capital</b>				
Dividend/Bonus to shareholders	255,460	4.12%	204,368	4.62%
Markup on borrowed funds	40,669	0.66%	11,713	0.26%
	296,129	4.78%	216,081	4.88%
<b>Retained with the business</b>				
Depreciation	422,679	6.81%	263,483	5.96%
Retained profit	374,996	6.04%	340,382	7.70%
	797,675	12.85%	603,865	13.66%
	<u>6,202,549</u>	<u>100.00%</u>	<u>4,421,307</u>	<u>100.00%</u>

**WEALTH DISTRIBUTION**



■ To Government  
 ■ To Employees  
 ■ To Shareholders  
 ■ To Lenders  
 ■ Depreciation  
 ■ Retained profit



**CHAIRMAN'S REVIEW**

It is my pleasure to present to you the 41st Annual Report and Review of the performance of the company for the year ended June 30, 2005.

**THE ECONOMY**

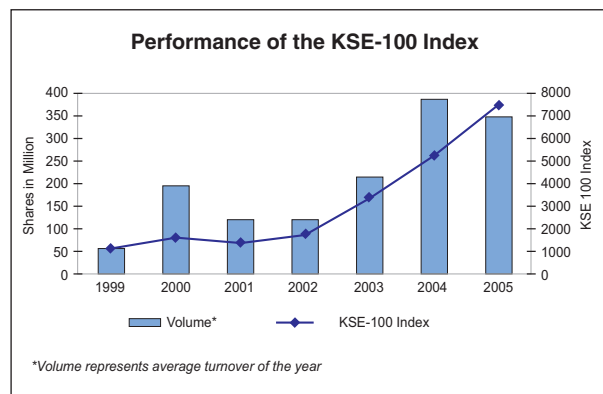
Pakistan economy maintained its growth during the fiscal year 2004-05 - on account of second generation reforms - liberal policies towards foreign investors, privatization and geopolitical harmony.

The GDP registered growth of 8.4%, as compared to 6.4%, last year. The agriculture saw a growth of 7.5% mainly due to adequate rainfall, upward revision of support prices of various crops, subsidy to fertilizer and availability of credit to farmers. The manufacturing registered a growth of 12.5%. The automobile, telecommunications, textile and cement were the key factors in pushing the manufacturing sector upward to over 18%, a unique achievement. Improvement was also witnessed in services sector, which grew 7.9%. Investment gained a stronger footing at 15.3%

of GDP. Consequently, per capita income rose 13% to US\$736.

Imports during 2005 increased 32% to US\$20.6 billion compared to US\$15.6 billion during the last year. The exports increased 17% to US\$14.4 billion from US\$12.3 billion in the previous year. As a result, the trade deficit soared by 89% to US\$6.2 billion as against US\$3.2 billion, last year. This was mainly the result of higher oil import bill due to higher oil prices and import of further textile machinery.

The stock market witnessed volatility: it touched highest level of 10,300 and then went down sharply - more than 3,000 points, within 15 days. Daily average volumes during the last 52 weeks fell by 11% to 344 million shares, as compared to 387 million shares last year. It is still going through ups and downs mainly due to lack of in-depth knowledge of market mechanism and introduction of reform strategy.



**MONETARY DEVELOPMENTS**

During the fiscal year, Pakistan had to face serious difficulties in managing the cost of unprecedented rise in oil prices. In order to shield its domestic consumers and industries from higher oil prices, the government absorbed a fiscal burden of Rs. 50 billion in the year 2004-05. The surge in the international oil price, coupled with an unprecedented rise in the price of some commodities, sparked inflationary pressures in the economy.



Inflation for the year, as a result, doubled to 9.28% compared to 4.57%, last year. This led the Central Bank to tighten the Monetary Policy. It raised interest rates sharply. The benchmark 6-month T-Bill cut off yields during the year rose 575 basis points to 7.98% as against 2.23% at the end of last year. The weighted average lending rates increased 148 basis points to 7.97% in May 2005 compared to 6.49% at the end of fiscal year 2003-04. The money supply grew 17% leading the private sector to raise credit off-take to Rs.400 billion.

Foreign remittances rose 9% to US\$4.2 billion from US\$3.87 billion previously: Foreign Direct Investment (FDI) rose to US\$1.52 billion, up 60% over last year's level of US\$0.95 billion. These inflows helped in offsetting the negative impact of the trade deficit through containing the overall balance of payments deficit to US\$0.93 billion. This also helped the rupee's stability vis-à-vis other currencies, particularly the US Dollar: the average exchange rate during the year stood at Rs.59.5/US\$ against Rs.57.6/US\$, last year. In view of the State Bank's inflation target for the fiscal year, 2005-06, set at 8% against 9.27% recorded this year, it is anticipated that interest rates in the near future may change - perhaps marginally.

**AUTOMOTIVE INDUSTRY**

During the year, the automotive industry had another year of high growth on the back of rising demand. Even though interest rates increased sharply, the demand for consumer finance did not see any respite. In fact, people in general are getting used to the role of leverage in the purchase of consumer durables. The emerging middle class in the urban areas is especially taking advantage of the various products being offered by the financial institutions. The custom-tailored financial solutions are giving the first time purchasers the much needed affordability and purchasing power. The manufacturers, in turn, are seeing unprecedented consumer appetite for their products. While in the short run, it has created

demand-supply gaps and the related difficulties, the medium to long run implication for the country, if properly managed, is the much desired quantum leap in the industrialization of the economy. Growth rates in the year 2004-5 have ranged from 50% for motorcycles to 40% for cars and tractors.

Following are the relevant production figures relating to the automobile industry, as a whole, for the year under review:

Particulars	2000	2001	2002	2003	2004	2005
Cars	32,461	39,573	40,601	62,893	98,461	126,403
Motorcycles	98,000	112,000	128,000	185,000	340,000	500,000
Tractors	34,559	31,635	23,801	26,240	35,770	43,200
Buses, trucks & LCVs	9,409	9,662	11,275	15,773	19,100	30,557
Total	174,429	192,870	203,677	289,906	493,331	700,160

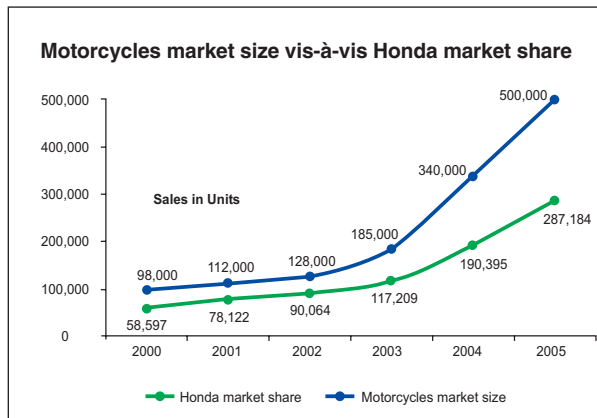
Since this was the third year of above 25% growth for the industry, there is an urgent need to maintain the consistency in policies. Unfortunately, when economic issues are dealt with political solutions, industry suffers. The reduction in CBU tariffs and the permission to allow second-hand cars with a higher depreciation advantage in the budget and trade policy have shaken the confidence to some degree. It is important to retrieve the situation as soon as possible and keep the flow of investment in capacity expansions on schedule. Any hesitancy will create even greater shocks.

The automotive industry requires a long-term horizon. The trade and import argument always gives a short-term attraction but usually at the cost of long-term national interest. The textiles industry apart, the one industry that is really becoming the backbone of the economy is the automotive sector. With over 60 OEMs, 1000 suppliers, a network of 10,000 distributors and dealers and an additional 100,000 employed at the mechanic level, there is no industry that is providing a greater opportunity for revenue generation, employment and technical skills as the automotive industry. It is high time the perception of the industry is changed. Most of the work will have to be done

by the industry itself but some level of recognition must also come from all the quarters concerned.

**MOTORCYCLE INDUSTRY**

The motorcycle sector has matured into an industry in its own right. With over 50 brands now available in the market, the consumer has a vast choice from which he can select. The five leading and recognized manufacturers in the organized sector have continued to follow the policies of the government in all respects and are good corporate citizens. Amongst them, they produced over 400,000 of the 500,000 motorcycles sold during the year.



They contributed Rs. 6 billion to the exchequer and now employ 10,000 directly and nearly 100,000 through their vendors. About the remaining players, the less said the better! Unfortunately, so far, the government has had limited success in its effort to curb the menace of smuggling and under-invoicing, in fact more of assembly than manufacture - “pass through” -which plagues the industry and is a big threat to its future growth!

During the year an investment of over Rs. 6 billion has been committed in the motorcycle sector, with Atlas Honda and its supply chain alone investing over Rs. 4.0 billion in capacity enhancement and localization. Unfortunately, most of the investment made by the new entrants is in land and an assembly line at most. This adds no value and in fact misleads the customers and the government alike. While Atlas Honda does not view them as sustainable competitors,

they do, nevertheless, add to industry capacity, which now exceeds over a million units. Unlike the car segment, there is no demand-supply gap in the motorcycle segment. In fact, due to the excess supply conditions in the so called “Chinese segment”, there is currently a vicious price war taking place with no Chinese brand really able to make a profit. Every week an “old” Chinese drops out to be replaced by another uninformed “new” Chinese brand at the cost of valued foreign exchange creating in the process a junk yard of unserviceable bikes - of use to none. Your company is keeping a close eye on the overall activity and I am pleased to say that it is quick to respond whenever required.

**COMPANY PERFORMANCE**

During the year under review, the company had to deal with various challenges that come with high growth. It had to bring in second and third shifts wherever needed, ensure timely supply of parts with the appropriate quality and cost, induct nearly 1000 new associates, launch a new model and lay down the groundwork for the launch of SAP, its ERP solution.

**New Models**

Price rationalization in September 2004 was followed by the much awaited product launch of CD100 in October. CD100 launch was the result of an unprecedented level of joint study of Honda R&D and the local AHL team. Over two years of cooperation resulted in the launch of the first of several planned introductions from the company. Since it was the first launch of a fully localized product, there has been good learning experience for all concerned. In its six months of production, the sale of nearly 17,000 is no small achievement.

Suffice to say, customers expectations from the company are growing and Atlas Honda, in turn, is trying to meet them. As a result, effective July 1st, the company has created a new “Customer Care” unit

within its marketing department. The mandate of this unit is to focus on customer expectations, education, safety riding and anticipation of future demands. The department would be supported in its activities by the already existing service and spare parts departments to give the customer experience of total satisfaction.

As a further reinforcement to last year’s media advertising campaign of “*Maien tae Honda e laisaan*” میں تے ہنڈا ای تے لے سائ slogan, another equally successful slogan, this time for CD100, “*So Da Sodai*” سو دا سو دائی Proved a huge hit. Atlas Honda’s pull strategies are proving to be an important part of its product awareness and appeal. I am also pleased to inform that, for the second year in succession. Atlas Honda’s promotional activities received the “Best Campaign” of the year award by the Advertising Association of Pakistan.

The technical abilities of the service department came into sharp focus during the development and launch of the new induction – Honda CD-100. Comparatively higher technical publications like the Shop Manual, Parts Manual, Engine Exploded View Chart, Owners Manual and Salient Features Chart for the new model were developed completely indigenously without any technical assistance from any quarter. The department also managed the technical training of the largest after sales service network in the industry for the new model. A major achievement of the department has been the restructuring of the warranty parts supply system. The system has been restructured so that it can accommodate the needs of the growing sales and expanding after sales network.

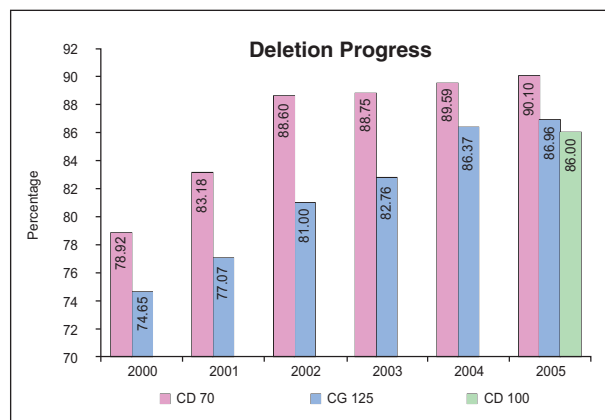
**Exports**

A 31 percent growth in exports to overseas markets on a year on year basis was far less than the potential this segment offers. The demand from overseas markets during the year remained high but due to the limited production capacity, exports remained

limited. With the increased production capability coming on line, the company is in a better position to serve the overseas customers for the year 2005-6. Another development that holds tremendous export promise is the discontinuation in Japan and the shifting to Pakistan of the total production capability of the CD 70 motorcycle. As a result, Pakistan will be the sole manufacturer of this model globally. If well marketed, it holds a great deal of promise for worldwide exports. In this regard, the company is in discussion with Honda Motor to realize CD70’s maximum export potential.

**Localization**

The company maintained its pace of localization during the year under review. Bottom Case, Case Damper and Ignition coil production facilities are already in operation. Regular production has also now commenced in the Fuel Cock Assembly project established through the technical support of Keihin, Japan. The company was able to conclude a technology transfer agreement with DENSO TRIM, Japan for the localization of another hi-tech electrical component, namely, ACG Magneto Assembly. The induction of ACG would add to Atlas Honda’s existing in-house strength in the manufacture of electrical components. Switch Assembly and Ignition Coil are already important in-house projects.

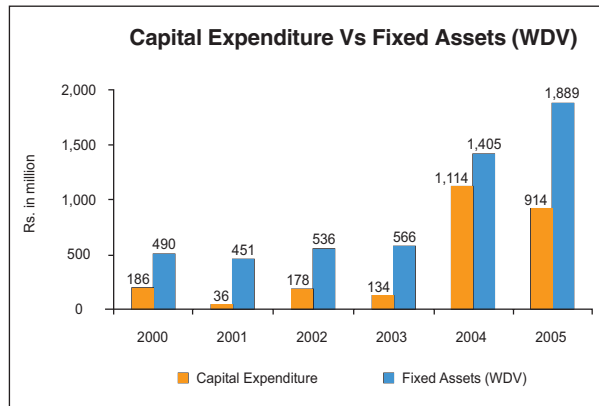


Two additional in-house projects for the localization of Drum Assembly and Cam Shaft are also underway. Machines and equipments for production of Drum

are being installed through the technology support of Atsumitech, Japan and the trial production will start from October, 2005. Order for the procurement of high quality machine tools including Cam Milling for Cam Shaft machining has been placed and the initial trial run of equipments in Japan has been completed. The facility would be available in Pakistan for mass-production by December. As a result of the above commitments, Atlas Honda would also become the leading company for the Machining of Ferro-Castings. Such a facility is not available anywhere else in Pakistan.

**Expansion Project**

In the last five years, there has been a tremendous growth in the motorcycle market. Keeping this in mind, the company believes that timely expansion of its facilities would be in the long-term interest of all the stakeholders. Taking the opportunity to modernize and upgrade, the company decided last year to put up a new factory, adjacent to its current facility in Sheikhpura.



To mark the ground breaking ceremony of the new plant, the Prime Minister, Mr. Shaukat Aziz, graced the occasion by visiting the site in October 2004. This was the second time in three years that the Prime Minister agreed to visit. Earlier, he had inaugurated the engine plant as the Finance Minister. This shows his resolve and commitment to encourage the country's industrial growth, especially in the motorcycle sector. The Prime Minister's visit was indeed a source of great encouragement not only for the company and

Atlas Group but also for customers, vendors, investors and workers from all over the country who attended the ceremony.



**Supply Chain**

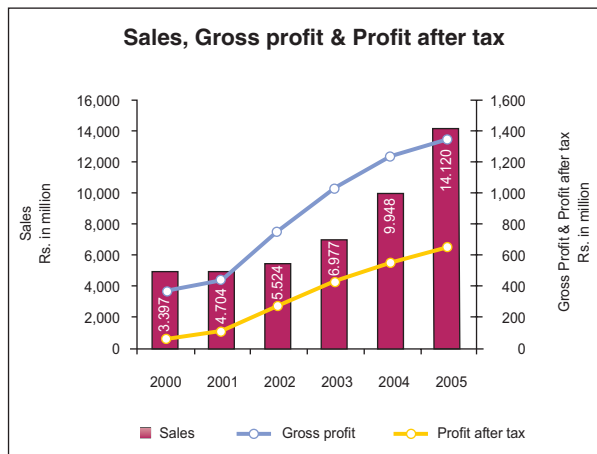
Atlas Honda is focused on maximizing localization, as else where. In pursuit of this goal, 175 vendors are actively engaged with the company. Your company is steadily bridging the gap between the vendor's production volumes with that of the company itself. To share the company's vision and future strategies, periodic vendor meetings are being held. These help boost the vendors' confidence and provide them with training & development opportunities both locally as well as abroad. For example, recently eight selected vendors were sent to Thailand on a study tour of a sheet metal automotive vendor.

**Information Technology**

The company is in the process of developing and upgrading its management information system. Realizing the importance of information technology as well as achieving operational efficiency, your company has made a significant investment to implement SAP, an ERP system. SAP, in turn, will enhance the company's system capacity in terms of improved response times and ensuring the regular reporting on progress and efficiency. In a fast changing business environment, the successful implementation of an ERP system will prove to be a sustainable competitive advantage.

### Financial Results

The year 2004-05 was a difficult year as far as financial planning was concerned. Raw material prices globally reached an unprecedented high. Utility and oil prices became dearer without any respite in sight. Interest rates and inflation went way beyond the budgeted forecast. Under such trying circumstances, the company still achieved commendable results.



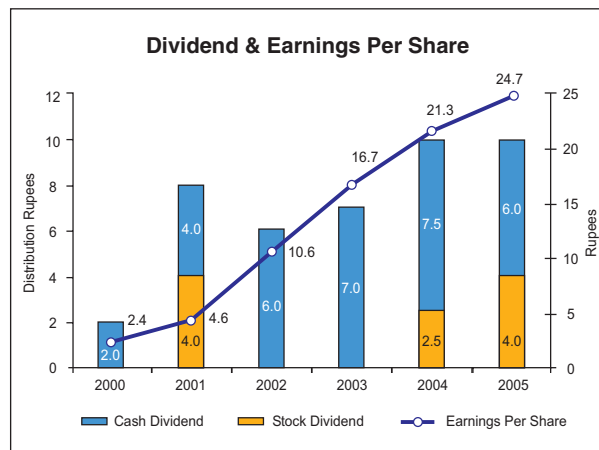
Improved profitability was largely due to the volume benefit generated by the sale of 287,184 motorcycles as compared to 190,395 units in the corresponding period of 2004, reflecting growth of 51 percent. During the year, the company's revenue increased to Rs. 14.12 billion as compared to Rs. 9.94 billion last year, showing a growth of 42 percent. The gross profit decreased to 9.52 percent from 12.41 percent as compared to last year, due to the price rationalization policy of the company. The net impact of the policy was compensated by an increase in sales volume, cost rationalization and benefits of localization. As a result, the company earned highest ever profit after tax of Rs. 630.4 million as against Rs. 544.7 million for the previous year.

The operating expenses for the year under review were Rs. 445.3 million as compared to Rs. 360.2 millions in the last corresponding period. The increase is largely due to the expansion in every

department's activities. Due to introduction of the new model - CD-100 sales promotional activities were, therefore, at a higher level. Due to the growth in units, the expenses related to packing & forwarding also increased. Service department also enhanced the activities by holding service camps at various places.

The increase in interest rates led to the increase in financial cost at Rs.68.1 millions as against Rs. 20.1 millions in the last corresponding period. Some burden was also due to the additional long-term loans obtained by the company for the targeted investment in expansion and localization.

Out of total profit of Rs. 631.9 million available for appropriation for the year, your directors have proposed a cash dividend of Rs. 6.0 per share and bonus share @ 40% (two bonus shares for every five shares held), absorbing Rs. 255.4 million. The remaining balance of Rs. 376.5 million is being carried forward to the reserves in order to comfortably carry out the proposed investment, production & export.



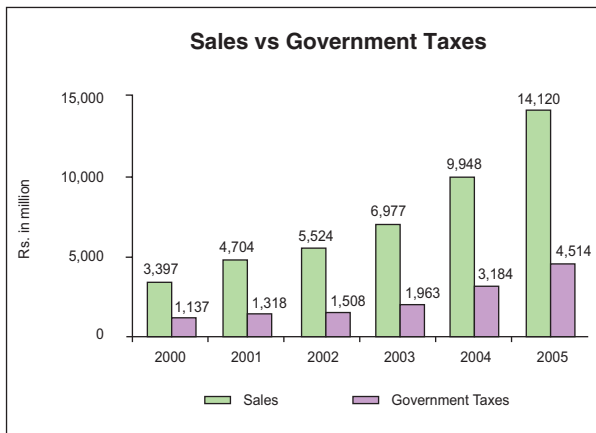
### Treasury operation

Surplus funds during the year were invested in high yielding deposits and mutual funds. The primary focus of the company was to invest its surplus funds efficiently. The returns earned by the company on



its treasury activity were outstanding with a contribution of over 10% of the total profits.

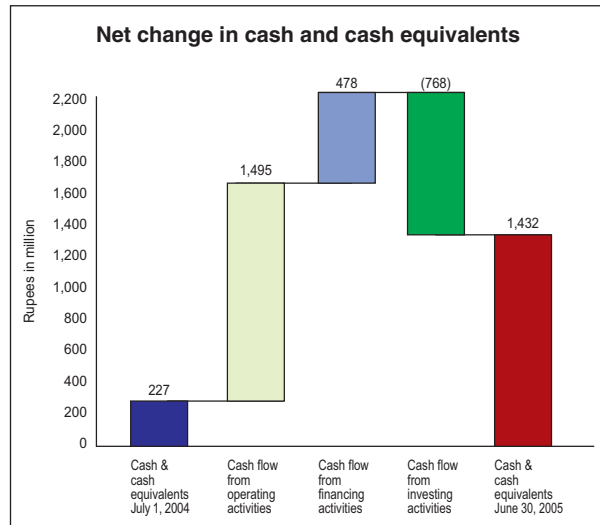
**Contribution to the national exchequer-**Your Company paid taxes to the national exchequer amounting to Rs. 4.5 Billion, the highest ever, on account of sales tax, income tax and custom duties as against Rs. 3.18 Billion contributed last year. Payment of these taxes was more than 7.5 times the net after tax earnings. The Company's contribution to the national economy by way of value addition this year amounts to Rs. 6.2 billion – 72.78 percent of net receipts from operations 40.3 percent higher as compared to last year. The Group, of which Atlas Honda is a constituent member, paid taxes of Rs. 12 billion which is almost 2 percent of the government total revenues. One of the group performance criteria is how much a group entity contributes to the Govt. exchequer – as a social responsibility.



**Cash Flow**

The cash flow generated through the operating activities was Rs. 1,494.7 million in 2005 as compared with Rs. 551.7 million during 2004. Net income after tax increased to Rs. 630.4 million in 2005 from Rs. 544.7 million in 2004, reflecting higher volume and localization impact.

Cash flow in 2005 has mainly been deployed for capital expenditure (Rs. 913.6 million), debt repayment (Rs. 120.0 million) and dividends paid (Rs. 151.5 million).



**Human Resources**

Your company believes that when the organization grows, the employees should also grow. During the year under review, 19 employees were sent abroad for training, 13 associates were sent on ATLAS-LUMS Diploma in Business Management which is an 18 months residence course at intervals - conducted at LUMS. Two were encouraged to do Executive MBA. Mr. Maqsood Basra won acceptance to the prestigious management development program at the Harvard Business School. Regular in-house and external trainings – managerial grid - were also arranged for associates. The company's long term and short term growth and operational needs are dovetailed with individual associates' growth plan. Hence, succession planning and potential assessment exercise up to the managers' level was carried out during the year under review. At the floor level, outstanding performances by the associates were regularly acknowledged in the form of ALAMAYAR awards and educational trips abroad.

At both the plants, the Charter of Demands with the C.B.A. was amicably settled within a minimum allocated time frame, resulting in enhanced capacity and productivity. The concept of a Green factory is also being focused. To create a good and healthy environment, 150 new trees were planted. Green



belts and new lawns have been developed all around the factories.

In order to strengthen your company, a new department has been created to deal with Corporate Affairs and Management Audit of the company. A seasoned General Manager is being entrusted with the job. He will lead the effort on behalf of the industry to create a new policy framework for the industry as a whole. The creation of the new policy framework, namely, the Tariff Based System, will be extremely important for the next phase of investment in the automobile industry. Additionally, Mr. Raffat Iqbal has re-joined your company as General Manager HR & Administration, after having served in Honda Atlas Cars (Pakistan) Ltd - a sister company - as Vice President for more than five years. He brings with him vast management experience which will be useful in the company's next phase of growth.

The tradition of Family Day functions is very popular amongst the associates and their families. This year Family Days were held at both the plants again, which were well attended by the families of the associates. In recognition of the long association with the company, 40 associates were given long service awards. 4 associates were also presented with Gold Medals on eve of their retirement.

#### **FUTURE OUTLOOK**

The upward momentum in the economic growth reflects the stability and growth in all sectors of the economy. The reduction in tariff rates, liberalization and the global image of Pakistan has resulted in substantial growth in foreign investment and exports. At the same time, there are significant challenges that can be a threat if not addressed timely. The company is faced with a great cost increase problem due to the continuous rise in input raw materials especially steel prices, rubber and POL products.

Future overall success for the company will be driven by increasing sales volume, saving costs, induction of new technology and localization. Since the future prospects of the economy in general look promising, the company is well poised to take advantages of these encouraging developments and therefore continue its strategy of balanced growth.

عہ کریں گے اہل نظر تازہ بستیاں آباد

(Those with foresight will continue to build a new stronger & sounder.)

#### **ACKNOWLEDGEMENT**

I would like to thank Honda Motor Company Ltd., Japan for their continued support in implementing the expansion project and cooperation in maintaining high standards of excellence. I also thank our bankers, Shareholders, Dealers, Vendors, Board of Directors, Group President, Mr. Aamir H. Shirazi, the Group Director Engineering, Mr. Jawaid Iqbal Ahmed, the CEO, Mr. Saquib H. Shirazi and his team – all staff and associates for their countless hours of work to build an even greater company in order to serve our valued customers better.

On behalf of the Board, I would like to acknowledge the contributions made by Mr. Koji Nakazono , the director who resigned from the Board during the year, and welcome Mr. Motohide Sudo who has replaced the outgoing director.

Karachi: September 09, 2005

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, 2005.

### Financial Results

The financial results of your company for the year ended June 30, 2005 under review are summarized as follows:

	2005	2004
	(Rupees in '000)	
Profit before taxation	938,965	842,487
Taxation		
Current	283,800	192,000
Prior Years	409	(763)
Deferred	24,300	106,500
	308,509	297,737
Profit after taxation	630,456	544,750
Unappropriated profit brought forward	1,508	1,126
Available for appropriation	631,964	545,876
Appropriation:		
Transfer to General Reserve	375,000	340,000
Cash Dividend 60% (2004: 75%)	153,276	153,276
Reserve for issue of bonus shares	102,184	51,092
	630,460	544,368
Unappropriated profit carried forward	1,504	1,508

### Earnings per Share

Basic earnings per share after tax is Rs.24.68 (2004 : Rs. 21.32).

### Dividend

Directors proposed cash dividend at the rate of Rs. 6.0 per share i.e. 60% and bonus shares issue @ 40% (two bonus share for every five shares held).

### 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, 2005 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. All the non executive directors are independent from management. During the year, Mr. Koji Nakazono resigned from the Board effective June 22, 2005, in his place, Mr. Motohide Sudo was appointed by the Board.

During the year the Board re-appointed the Chairman and Chief Executive Officer (CEO). The Board approved the remuneration of the Chairman at Rs. 9.5 million, CEO at Rs. 9.5 million and three Directors at Rs. 6.0 million. Bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2005-2006. Furnished accommodation, inclusive of utilities will also be provided to two Directors. The Company also makes contributions to the gratuity and provident funds for the Chairman, CEO and one director.



During the year five 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 (retired & re-elected)	5	6
2	Mr. Saquib H. Shirazi (retired & re-elected)	5	4
3	Mr. Sherali Mundrawala (retired & re-elected)	5	2
4	Mr. Sanaullah Qureshi (retired & re-elected)	4	4
5	Mr. Nurul Hoda (retired & re-elected)	5	1
6	Mr. Toshitsugu Kaneko (retired & re-elected)	3	2
7	Mr. Yoshitaka Kitamura (retired & re-elected)	3	1
8	Mr. Koji Nakazono (Resigned effective June 22, 2005)	-	-
9	Mr. Motohide Sudo (Appointed effective June 22, 2005)	-	2

### Auditors

The present Auditors M/s Hameed Chaudhri & Co., retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2005-06.

### Compliance with the Code of Corporate Governance & Transfer Pricing

The requirements of the Code of Corporate Governance & Transfer Pricing set out by the Karachi and Lahore Stock Exchanges in their Listing Rules, relevant for the year ended June 30, 2005 have been complied with. The directors confirm the compliance of Corporate Governance & Transfer Pricing and statements to these effects are 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.

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

Mr. Sanaullah Qureshi, Chairman	4
Mr. Sherali Mundrawala, Member	4
Mr. Nurul Hoda, Member	4

### 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 Human Resource Committee

The Group Human Resource 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 System 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.

### Communication

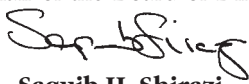
Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company also has a web site ([www.atlashonda.com.pk](http://www.atlashonda.com.pk)), which contains up to date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

### Code of Corporate Governance

- The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There is no doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A summary of key operating and financial data of the company is annexed.
- Information about taxes and levies is given in notes to the accounts.
- The Company operates a contributory provident fund scheme for all employees and Defined benefit gratuity fund scheme for its management/non-management employees. The value of investments based on their respective audited accounts are as follows

Provident Fund	Rs. 215.29 million (as at June 30, 2005)
<b>Gratuity Funds:</b>	
Management Staff	Rs. 53.05 million (as at June 30, 2005)
Non-Management Staff	Rs. 25.41 million (as at June 30, 2005)

On behalf of the Board of Directors



**Saquib H. Shirazi**  
Chief Executive Officer



## **STATEMENTS OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND TRANSFER PRICING**

### **A. 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 (Code) as required by the Stock Exchanges Listing Regulations. The following statement is being presented in compliance with the best practices of corporate governance.

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

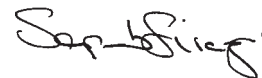
1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
2. Directors, except Mr. Sanaullah Qureshi who purchased 100 shares during the year, CEO, CFO, Company Secretary and their spouse and minor children have made no transactions of company's shares during the year.
3. 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 NBFII or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.
4. Executive directors of the company are not in excess of 75% of total number of directors.
5. The company has adopted a 'Statement of Ethics and Business Practices', which has been signed by directors and employees of the Company.
6. 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 along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has set-up an effective internal audit function manned by suitable experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

10. The Company had conducted an orientation course for its directors to apprise them of their duties, responsibilities and to update them with recent amendments in applicable laws.
11. One casual vacancy had occurred in the Board during the period under review which had been duly filled up.
12. The appointment of the Company secretary including his remuneration and terms & conditions of employment has been approved by the board.
13. 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.
14. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
15. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
16. The company has complied with all the corporate and financial reporting requirement of the Code.
17. 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.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations.
19. We confirm that all other material principles contained in the Code have been complied.

### **B. Statement of Compliance with the Best Practices on Transfer Pricing**

The company has fully complied with the Best Practices of Transfer Pricing as contained in the Listing Regulation of the Stock Exchanges.

On behalf of the Board of Directors

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

**Saquib H. Shirazi**

Chief Executive Officer

Karachi: September 09, 2005



Atlas Honda Limited



**HAMEED CHAUDHRI & CO.**

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

KARACHI CHAMBERS  
HASRAT MOHANI ROAD  
KARACHI

PHONES : 2412754 - 2424826

CABLE : "COUNSEL"

FAX : 2424835

E-MAIL : mcjeed@khi.comsats.net.pk

## **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, 2005.

Karachi: September 12, 2005

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS





HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

KARACHI CHAMBERS  
HASRAT MOHANI ROAD  
KARACHI

PHONES : 2412754 - 2424826

CABLE : "COUNSEL"

FAX : 2424835

E-MAIL : mcjleed@khi.comsats.net.pk

## AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed Balance Sheet of ATLAS HONDA LIMITED as at 30 June 2005 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, to 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 except for change as explained in note 5 to the accounts with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of company's business; and
  - (iii) the business conducted, investments made and the 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 2005 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: September 09, 2005

  
HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS




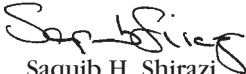
**BALANCE SHEET**

AS AT JUNE 30, 2005

	Note	2005	2004
		(Rupees in '000)	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Fixed assets	7	1,888,736	1,405,606
Intangible assets	8	18,725	1,525
Long term investments	9	-	-
Long term loans and advances	10	12,172	9,246
Long term deposits and prepayments	11	5,784	4,317
<b>CURRENT ASSETS</b>			
Stores, spares & loose tools	12	226,540	144,582
Stock in trade	13	1,567,530	1,285,043
Trade debts	14	139,701	70,322
Loans and advances	15	37,296	27,094
Trade deposits and Prepayments	16	6,802	14,126
Other Receivables	17	343,704	398,260
Accrued mark-up / interest	18	1,734	335
Investment - Available for sale	19	410,241	524,388
Bank balances	20	1,432,363	227,094
		4,165,911	2,691,244
<b>TOTAL ASSETS</b>		<b>6,091,328</b>	<b>4,111,938</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	21	255,460	204,368
Reserves & Unappropriated profit			
Reserves	22	1,190,809	1,235,485
Unappropriated profit		631,964	205,876
		1,822,773	1,441,361
Shareholders' Equity		2,078,233	1,645,729
<b>NON CURRENT LIABILITIES</b>			
Long Term Loans - secured	23	933,019	415,000
Deferred Liabilities			
Provision for gratuity	24	4,730	4,382
Compensated leave absences	25	27,988	25,269
Deferred taxation	26	163,800	139,500
		196,518	169,151
<b>CURRENT LIABILITIES</b>			
Trade and other payables	27	2,347,211	1,567,597
Accrued mark-up / interest	28	17,281	2,461
Short term borrowings	29	-	-
Current portion of long term loans	30	231,981	120,000
Provision for taxation	31	287,085	192,000
		2,883,558	1,882,058
<b>CONTINGENCIES &amp; COMMITMENTS</b>	32		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,091,328</b>	<b>4,111,938</b>

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

  
Yusuf H. Shirazi  
Chairman


  
Saquib H. Shirazi  
Chief Executive Officer

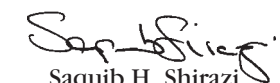
  
Sherali Mundrawala  
Director

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
		(Rupees in '000)	
SALES	33	14,120,847	9,948,094
COST OF SALES	34	12,776,676	8,713,899
GROSS PROFIT		1,344,171	1,234,195
DISTRIBUTION COST	35	302,252	241,651
ADMINISTRATIVE EXPENSES	36	143,018	118,546
		445,270	360,197
OPERATING PROFIT		898,901	873,998
OTHER OPERATING INCOME	37	171,513	51,442
		1,070,414	925,440
FINANCE COST	38	68,050	20,094
OTHER OPERATING EXPENSES	39	63,399	62,859
PROFIT BEFORE TAX		938,965	842,487
TAXATION			
Current year	31	283,800	192,000
Prior years	31	409	(763)
Deferred	26.1	24,300	106,500
		308,509	297,737
PROFIT AFTER TAX		630,456	544,750
BASIC EARNINGS PER SHARE	40	24.68	21.32

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

  
Yusuf H. Shirazi  
Chairman

  
Saquib H. Shirazi  
Chief Executive Officer

  
Sherali Mundrawala  
Director




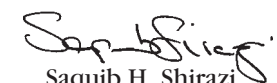
**CASH FLOW STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES	41	1,494,696	551,668
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital Expenditure		(913,672)	(1,114,129)
Investments		(744,878)	(997,127)
Sale proceeds of fixed assets		8,367	10,512
Sale proceeds of investments		878,511	499,464
Markup / interest received on deposits		25,254	29,072
Software development / acquisition cost		(21,431)	(1,701)
Cash used in investing activities		(767,849)	(1,573,909)
Net cash flow before financing activities		726,847	(1,022,241)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		(120,000)	(130,184)
Long term loan received		750,000	500,000
Repayment of lease rentals		-	(253)
Dividend paid		(151,578)	(141,454)
Net cash generated from financing activities		478,422	228,109
Increase / (Decrease) in cash & cash equivalent		1,205,269	(794,132)
Cash and cash equivalent as at July 1		227,094	1,021,226
Cash and cash equivalent as at June 30		1,432,363	227,094

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

  
Yusuf H. Shirazi  
Chairman

  
Saquib H. Shirazi  
Chief Executive Officer


  
Sherali Mundrawala  
Director

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED JUNE 30, 2005

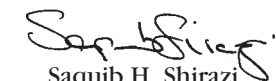
(Rupees in '000)

	Capital Reserves		Revenue Reserves		Unrealized gain/(loss)		Total	
	Share Capital	Share Premium	Gain on Sale of Land	General Reserve	Unappropriated Profit	on available for sale investments		on hedging instruments cash flow hedge
Balance as at June 30, 2003-as previously stated	204,368	39,953	165	831,000	1,126	-	-	1,076,612
Effect of change in accounting policy (Note 5)- Proposed dividend	-	-	-	-	143,058	-	-	143,058
Balance as at June 30, 2003 (Restated)	204,368	39,953	165	831,000	144,184	-	-	1,219,670
Profit for the year	-	-	-	-	544,750	-	-	544,750
Dividend	-	-	-	-	(143,058)	-	-	(143,058)
Increase in fair value of available for sale investments	-	-	-	-	-	20,167	-	20,167
Transfer to general reserve	-	-	-	340,000	(340,000)	-	-	-
Unrealized gain on remeasurement of forward foreign exchange contracts	-	-	-	-	-	-	4,200	4,200
Balance as at June 30, 2004 (Restated)	204,368	39,953	165	1,171,000	205,876	20,167	4,200	1,645,729
Profit for the year	-	-	-	-	630,456	-	-	630,456
Dividend	-	-	-	-	(153,276)	-	-	(153,276)
Issue of bonus shares	51,092	-	-	-	(51,092)	-	-	-
Net gain removed from equity and reported in net profit for the period	-	-	-	-	-	(49,940)	(4,200)	(54,140)
Net Increase in fair value of available for sale investments	-	-	-	-	-	16,605	-	16,605
Unrealized loss on remeasurement of forward foreign exchange contracts	-	-	-	-	-	-	(7,141)	(7,141)
Balance as at June 30, 2005	255,460	39,953	165	1,171,000	631,964	(13,168)	(7,141)	2,078,233

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



Yusuf H. Shirazi  
Chairman



Saqib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2005

### **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 992 persons (2004: 903 persons) at the balance sheet date.

### **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 the Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

### **3. BASIS OF PREPARATION**

The financial statements are presented in Pak Rupees, rounded to the nearest thousand. The financial statements have been prepared on historical cost basis except measurement of investments available-for-sale, derivatives at fair values and staff gratuity which is being valued at present value.

### **4. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors and authorized for issue on September 9, 2005.

### **5. CHANGE IN ACCOUNTING POLICIES**

During the year the Company has changed the following policies consequent to the substitution of Fourth Schedule to the Companies Ordinance, 1984 by the Securities & Exchange Commission of Pakistan (SECP):

- a) Recognition of Dividend proposed subsequent to the year end (Note 27.5).
- b) Capitalization of exchange differences (Note 6.10).

### **6. SIGNIFICANT ACCOUNTING POLICIES**

#### **6.1 Employee Benefits**

##### **Defined Benefit Plan**

The Company operates funded gratuity scheme for its management and non management staff.

Contributions under the schemes are made on the basis of actuarial valuation and are charged to Profit and Loss account. The valuation of both the schemes was carried out on June 30, 2005 using the "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized transitional liability and as reduced by the fair value of the plan assets.

Cumulative net unrecognized actuarial gain and loss at the end of the previous year which exceed 10% of the greater of present value of the Company's obligation and fair value of plan assets are amortized over the remaining service of employees expected to receive benefits.

#### **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.

### **6.2 Trade and other payables**

Trade and other payables are stated at their cost.

### **6.3 Taxation**

#### **Current year**

Provision for current year's taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax liability determined under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

#### **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 recognized 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 utilized.

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.

### **6.4 Property, plant & equipment**

#### **Owned and leased assets**

Property, plant & equipment are stated at cost less accumulated depreciation and impairment losses, if any. Property, plant & equipment 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.

Capital work in progress is stated at cost accumulated upto the balance sheet date.

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 Property, plant & equipment are determined as the difference between the sales proceeds and the carrying amount of asset and are included in the profit and loss account.



### **Depreciation**

Depreciation is charged to income on straight line method except Plant & machinery, Vehicles, Leased hold land and Building on leasehold land whereas depreciation on Plant & machinery, Vehicles, Leased hold land and building on leasehold land is charged to income on the basis of reducing balance method without considering extra shift workings. 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 property, plant & equipment 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.

### **6.5 Intangible Assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Cost associated with developing or maintaining computer software programs are recognized as an expense. 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 programs 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.

### **6.6 Leases**

Finance leases, which transfer to the Company, substantially all the risks and benefits incidental to ownership, 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.

### **6.7 Investments - Available for sale**

Investments including investment in associates held by the company are classified as available for sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. Until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in income.

### **6.8 Stores, spares and loose tools**

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

### **6.9 Stock-in-trade**

These are valued at lower of weighted average cost and net realizable value. Cost of Raw materials and Components represent invoice values plus other charges paid thereon. Cost in relation to Work in process and Finished goods represent direct cost of raw materials, wages and appropriate manufacturing overheads. Goods in transit are valued at cost accumulated upto balance sheet date.



#### 6.10 Trade debts and other receivables

These are originated by the company and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

#### 6.11 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 Pak 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. During the current year, the Company in pursuance of substituted Fourth Schedule to the Companies Ordinance, 1984, has changed its accounting policy with respect to capitalization of exchange differences. Previously exchange differences on foreign currency loans utilized for acquisition of fixed assets were capitalized and all other differences were charged to income.

The Company now charges all exchange differences to Profit & Loss Account. The change in policy has no effect on the amounts reported for the current year and corresponding year. All exchange differences are included in the Profit and Loss Account.

#### 6.12 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 the interest rate applicable.
- Dividend income from investments is recognized when the Company's right to receive dividend has been established i.e. book closure date of the company declaring dividend.

#### 6.13 Borrowing Cost

Borrowing cost 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 charge to income in the period in which they are incurred.

#### 6.14 Provisions

Provisions are recognized when the company has a present legal or constructive obligations 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.

#### 6.15 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.

#### 6.16 Financial Instruments

##### Financial assets

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



**Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include long term loans, short term borrowings, Trade and other payables. These are stated at nominal value.

**6.17 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances.

**6.18 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 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.

**6.19 Impairment**

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

**6.20 Related Party Transactions**

All transactions with related parties are carried out by the Company at arm's length prices.

**6.21 Derivative Financial Instruments**

In certain cases, the Company uses forward foreign exchange contracts and Currency options to hedge its risk associated primarily with foreign currency fluctuations relating to purchases of raw materials and fixed assets from overseas suppliers. These contracts (except those having immaterial financial impact) are included in the balance sheet at fair value and any resultant gain or loss is recognized in the Statement of Changes in Equity and subsequently adjusted against the value of raw materials and fixed assets. The fair value of forward foreign exchange contracts are included in "Other receivables" in case of favorable contracts and "Trade and other payables" in case of unfavorable contracts. The fair values of forward foreign exchange contracts are calculated by reference to current forward foreign exchange rates with similar maturity profiles.

**6.22 Carry Over Transactions**

Securities purchased under an agreement to resell (reverse repo) are included as receivable against carry over transactions. All carry over transactions are accounted for on settlement date. The difference between purchase and sale price is treated as income from carry over transactions in the Profit and Loss account and is recognized over the terms of transactions.

**7. FIXED ASSETS**

	Note	2005 (Rupees in '000)	2004
Property, plant and equipment	7.1	1,715,768	1,345,297
Capital work in progress	7.5	172,968	60,309
		<u>1,888,736</u>	<u>1,405,606</u>

**7.1 Property, plant and equipment**

Particulars	Cost			Depreciation				As at June 30, 2005	W.D.V. June 30, 2005	Rate %
	As at July 01, 2004	Additions	Disposals*	As at June 30, 2005	As at July 01, 2004	For the Year	Disposals*			
( R u p e e s i n ' 0 0 0 )										
<b>Owned Assets</b>										
Freehold Land	5,112	-	-	5,112	-	-	-	-	5,112	-
Leasehold Land	33,855	-	-	33,855	4,809	726	-	5,535	28,320	2.5
Building on freehold land	76,010	36,702	144	112,568	23,673	8,902	127	32,448	80,120	10
Building on leasehold land	38,315	7,853	-	46,168	25,006	2,116	-	27,122	19,046	10
Plant & machinery	1,489,832	446,404	1,889	1,934,347	462,707	147,308	1,447	608,568	1,325,779	10
Dies & jigs	337,723	219,932	1,208	556,447	227,736	219,929	1,184	446,481	109,966	50
Factory equipment	27,005	25,680	-	52,685	11,030	9,129	-	20,159	32,526	20
Office equipment	11,256	4,021	500	14,777	6,070	2,066	361	7,775	7,002	20
Computers & accessories	27,927	8,433	239	36,121	19,949	6,116	189	25,876	10,245	25
Furniture & fixtures	5,537	4,196	445	9,288	2,854	1,472	294	4,032	5,256	20
Fixture & equipment	1,300	-	-	1,300	1,226	19	-	1,245	55	20
Electric & gas fittings	58,615	12,890	201	71,304	29,719	9,797	181	39,335	31,969	20
Vehicles	85,353	34,902	13,334	106,921	37,868	15,074	6,314	46,628	60,293	20
Service equipment	389	-	-	389	285	25	-	310	79	20
<b>TOTAL - 2005</b>	<b>2,198,229</b>	<b>801,013</b>	<b>17,960</b>	<b>2,981,282</b>	<b>852,932</b>	<b>422,679</b>	<b>10,097</b>	<b>1,265,514</b>	<b>1,715,768</b>	
<b>2004</b>	<b>1,171,242</b>	<b>1,056,590</b>	<b>29,603</b>	<b>2,198,229</b>	<b>607,920</b>	<b>263,483</b>	<b>18,471</b>	<b>852,932</b>	<b>1,345,297</b>	

\* Includes assets written off

- Addition to Plant & machinery includes Rs. NIL (2004: Rs. 776 thousand) of borrowing costs capitalized during the year.

- Lease in respect of two plots is under execution.

**7.2 Allocation of depreciation**

	Note	2005 (Rupees in '000)	2004
Cost of goods manufactured	34.1	410,569	253,784
Administrative expenses	36	12,110	9,699
		<u>422,679</u>	<u>263,483</u>

7.3 Certain dies and moulds costing Rs. 65,937 thousand (2004: Rs. 57,262 thousand) are held with Electro Polymers (Private) Limited, Pak Polymer (Private) Limited, Sigma Industries (Private) Limited, Syed Bhaish (Private) Limited, Zahoor Die Casting Company, Pakistan Machine Tool Factory (Private) Limited and Allwin Engineering Industries Limited (Associated company) for production of components to be supplied to the Company.



#### 7.4 Disposal of Fixed Assets

(Rupees in '000)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/(Loss)	Mode of disposal	Particulars of Buyers
<b>Plant &amp; machinery</b>							
Air conditioner UAT 16	345	262	83	55	(28)	Auction	Saifullah Engineers, 105-Raja Market, Garden Town, Lahore
Injection Moulds & Dies	1,439	1,092	347	27	(320)	Auction	Saifullah Engineers, 105-Raja Market, Garden Town, Lahore
<b>Office Equipment</b>							
Photocopier Machine	315	231	84	75	(9)	Negotiation	Shirazi Trading Company, Nadir House, I. I.Chundrigar Road, Karachi, (Associated Company)
<b>Computers &amp; Accessories</b>							
Computers	100	50	50	79	29	Insurance Claim	Muslim Insurance Company Limited, Bank Square, The Mall, Lahore (Associated Company),
<b>Vehicle</b>							
CG 125	69	14	55	59	4	Company Policy	Mian Manzoor Hussain, Ex-employee
CG-125	69	-	69	62	(7)	Insurance Claim	Muslim Insurance Company Limited, Bank Square, The Mall, Lahore (Associated company)
CG-125	69	14	55	38	(17)	Negotiation	HH Autos, Shop # 6, Akber Road, Saddar, Karachi
CG-125	69	14	55	38	(17)	Negotiation	HH Autos, Shop # 6, Akber Road, Saddar, Karachi
CD-70	51	-	51	45	(6)	Company Policy	Adeel Abbas, Employee
Honda City	958	192	766	827	61	Insurance claim	Muslim Insurance Company Limited, Bank Square, The Mall, Lahore (Associated Company).
Honda City	807	291	516	516	-	Negotiation	Shirazi Trading Company, Nadir House, I. I.Chundrigar Road Karachi (Associated Company)
Honda Civic	940	555	385	385	-	Company Policy	Maqsood A. Basraa, Employee
Suzuki Cultus	224	-	224	224	-	Company Policy	Riaz Butt, Employee
Suzuki Cultus	437	213	224	224	-	Company Policy	Jamil A. Khan, Employee
Suzuki Cultus	437	213	224	224	-	Company Policy	Zaheer Minhas, Employee
Suzuki Mehran	339	228	111	139	28	Company Policy	M. Sarfaraz Mufti, Employee
Honda Civic	1,242	447	795	961	166	Company Policy	Mr. Jawaid H. Malik, Ex-employee
Suzuki Cultus	532	314	218	219	1	Company Policy	Mr. Habib Uddin Baqai, Employee
Diahatsu Coure	399	144	255	253	(2)	Insurance claim	Muslim Insurance Company Limited, Bank Square, The Mall, Lahore, (Associated Company)
Suzuki Margalla	453	334	119	352	233	Tender	Mohammad Haleem Ur Rehman, C-66/1, Block -B, Gulshan-e-Jamal, Karachi
Honda City	812	292	520	520	-	Company Policy	Shirazi Investments (Pvt.) Limited, 8th Floor, Adamjee House, Karachi, (Associated Company)
Diahatsu Coure	419	247	172	173	1	Company Policy	Waqar Matloob, Employee
Diahatsu Coure	439	259	180	180	-	Company Policy	Irshad Ahmed, Employee
Honda Civic	945	558	387	390	3	Company Policy	Mushtaq Alam, Employee
Honda Civic	945	558	387	390	3	Company Policy	Talha Saad, Employee
Items having book value less than Rs. 50,000	5,106	3,575	1,531	1,912	381		
<b>Total</b>	<b>17,960</b>	<b>10,097</b>	<b>7,863</b>	<b>8,367</b>	<b>504</b>		

#### 7.5 Capital work in progress

2005 2004  
(Rupees in '000)

Plant and Machinery	137,497	53,771
Advances to contractors / suppliers:		
Building	18,643	1,992
Dies & jigs	410	953
Factory Equipment	8,570	569
Vehicles	4,153	2,585
Computer & accessories	3,695	439
	<b>172,968</b>	<b>60,309</b>

#### 8. INTANGIBLE ASSETS

Particulars	Cost		Amortization		W.D.V. June 30, 2005
	As at July 01, 2004	As at June 30, 2005	As at July 01, 2004	As at June 30, 2005	
	( Rupees in ' 0 0 0 )				
Computer software licenses	6,380	6,810	4,855	4,231	4,104
ERP under development	-	14,621	-	-	14,621
	<b>6,380</b>	<b>21,431</b>	<b>4,855</b>	<b>4,231</b>	<b>18,725</b>
2005	6,380	21,431	4,855	4,231	18,725
2004	4,680	1,700	2,892	1,963	1,525

	Note	2005 (Rupees in '000)	2004
<b>9. LONG TERM INVESTMENTS</b>			
Available-for-sale			
Unquoted			
Arabian Sea Country Club Limited			
200,000 (2004: 200,000) ordinary shares of Rs. 10 each.		2,000	2,000
Less: Impairment in the value of investment		2,000	2,000
		-	-
Automotive Testing & Training Centre (Private) Limited			
50,000 (2004: 187,500) ordinary shares of Rs. 10 each	9.1	500	1,875
Less: Impairment in the value of investment		500	1,875
		-	-
		-	-

9.1 As a result of transformation of shares of Automotive Testing & Training Centre (Private) Limited into Engineering Development Board, the company has voluntarily surrendered 73.33 % of its holding to the Board. The surrender of investment did not have any impact on the profit, as the investment has already been fully provided.

#### 10. LONG TERM LOANS AND ADVANCES

Considered Good

Due from:

Executives	10.1	885	401
Non executives		20,983	14,879
		21,868	15,280
Less: Installments recoverable within twelve months:			
Executives		551	88
Non executives		9,145	5,946
		9,696	6,034
		12,172	9,246

#### 10.1 Reconciliation of loans and advances to executives

Balance at beginning of the year		401	489
Disbursement		696	-
		1,097	489
Less: Repayment during the year		212	88
		885	401

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

10.3 The maximum amount due from executives at the end of any month was Rs. 977 thousand (2004: Rs. 489 thousand).

#### 11. LONG TERM DEPOSITS AND PREPAYMENTS

Considered Good

Deposits		5,483	4,317
Prepayments		301	-
		5,784	4,317



	Note	2005	2004
(Rupees in '000)			
<b>12. STORES, SPARES &amp; LOOSE TOOLS</b>			
Consumables stores		49,302	36,205
Maintenance spares		59,680	39,284
Tools		123,967	60,474
Stores in transit (inter factories: Karachi / Sheikhpura)		884	13,681
		233,833	149,644
Less: Provision for slow moving stores		7,293	5,062
		<u>226,540</u>	<u>144,582</u>
<b>13. STOCK IN TRADE</b>			
Raw materials & components:			
In hand		869,729	544,126
With third parties		34,591	45,193
In transit (inter factories: Karachi / Sheikhpura)		17,805	25,070
		922,125	614,389
Work in Process		194,049	150,463
Finished Goods:			
Motorcycles		29,702	18,181
Spare parts		86,134	53,966
		115,836	72,147
Goods in transit		335,520	448,044
		<u>1,567,530</u>	<u>1,285,043</u>

13.1 Stock-in-trade and trade debtors upto a maximum amount of Rs. 1,255 million (2004: Rs. 1,255 million) are under hypothecation as security for the Company's short term finances (Note 29).

**14. TRADE DEBTS**

Considered Good			
Export - Secured		23,453	18,851
Local - Unsecured		116,248	51,471
		<u>139,701</u>	<u>70,322</u>

14.1 The bank has lien on export bills / contracts upto a maximum amount of Rs. 30 million (2004: Rs. 29.18 million) against foreign currency financing (Note 13.1 & Note 29).

**15. LOANS AND ADVANCES**

Loan and advances to non executive employees		1,893	4,754
Advances to employees for expenses			
- unsecured, Considered Good	15.1	2,003	1,645
Advances to suppliers, contractors and others			
- unsecured, Considered Good	15.2	23,704	14,661
Current portion of car / motorcycle loans	10	9,696	6,034
		<u>37,296</u>	<u>27,094</u>

15.1 Advances to employees for expenses include amount due from executives Rs. 22 thousand (2004: NIL).

15.2 Maximum amounts due from associated companies at the end of any month during the year was Rs. NIL (2004: Rs. 1,534 thousand).

	Note	2005	2004
(Rupees in '000)			
<b>16. TRADE DEPOSITS AND PREPAYMENTS</b>			
Trade deposits		4,020	6,591
Prepayments		2,782	7,535
		6,802	14,126
<b>17. OTHER RECEIVABLES</b>			
Unrealized gain on remeasurement of forward foreign exchange contracts		-	4,200
Receivable from Government:			
- Income tax deducted at source / paid in advance		183,022	263,530
- Advance Sales Tax - Motorcycles		143,817	93,766
- Raw Materials		2,533	17,000
Other receivables	17.1	14,332	19,764
		343,704	398,260
Other receivable- Considered doubtful		615	619
		344,319	398,879
Provision for doubtful receivable		615	619
		343,704	398,260

17.1 Other receivables include Rs. 13,768 thousand (2004: Rs. 19,550 thousand) duty draw back receivable from Collector of Customs.

**18. ACCRUED MARK-UP / INTEREST**

Interest accrued on savings deposit accounts		1,734	335
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**19. INVESTMENTS - AVAILABLE FOR SALE**

	No of Units		2005	2004
	2005	2004		
<b>Related parties:</b>				
Atlas Stock Market Fund	198,390	-	111,771	-
Atlas Income Fund	183,196	-	100,010	-
Atlas Fund of Funds	7,941,000	-	78,616	-
<b>Others:</b>				
United Money Market Fund	-	1,494,440	-	157,043
UTP - Income Fund	-	195,196	-	105,064
Pakistan Stock Market Fund	603,316	-	69,442	-
Pakistan Income Fund	919,751	4,811,613	50,402	262,281
			410,241	524,388



	Note	2005	2004
(Rupees in '000)			
<b>20. BANK BALANCES</b>			
Cash with banks:			
In current account		167,506	117,058
In savings deposit accounts		1,264,857	110,036
		<u>1,432,363</u>	<u>227,094</u>

**21. ISSUED, SUBSCRIBED & PAID-UP CAPITAL**

No. of ordinary shares of Rs. 10 each				
2005	2004			
6,352,748	6,352,748	Fully paid-up in cash	63,528	63,528
18,933,972	13,824,768	Issued as fully paid bonus shares	189,339	138,247
259,300	259,300	Issued against consideration other than cash	2,593	2,593
<u>25,546,020</u>	<u>20,436,816</u>		<u>255,460</u>	<u>204,368</u>

21.1 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.

21.2 On October 02, 2004 a capitalization issue of one bonus shares for every four shares held resulted in an increase in issued capital of Rs. 51,092 thousands.

21.3 13,658,670 (2004: 10,879,537) ordinary shares of Rs. 10/- each were held by associated companies at the year end.

	Note	2005	2004
(Rupees in '000)			
<b>22. RESERVES</b>			
Capital Reserves		40,118	40,118
General Reserve		1,171,000	1,171,000
Unrealized (loss) / gain on remeasurement		(20,309)	24,367
		<u>1,190,809</u>	<u>1,235,485</u>

**23. LONG TERM LOAN-SECURED**

**Banking companies:**

Bank of Tokyo - Mitsubishi Limited	23.1	225,000	-
Habib Bank Limited	23.2	150,000	200,000
MCB Bank Limited	23.3	213,019	-
National Bank of Pakistan - (Loan I)	23.4	125,000	175,000
National Bank of Pakistan - (Loan II)	23.5	200,000	-
Union Bank Limited	23.6	20,000	40,000
		<u>933,019</u>	<u>415,000</u>



	Note	2005 (Rupees in '000)	2004
<b>23.1 Bank of Tokyo - Mitsubishi Limited</b>			
Balance at beginning		-	-
Disbursed during the year		250,000	-
Less: Repaid during the year		-	-
		<u>250,000</u>	<u>-</u>
Less: Installments due within the following twelve months	30	25,000	-
		<u>225,000</u>	<u>-</u>
(a)		The Company has arranged a loan amounting to Rs. 250 million from Bank of Tokyo - Mitsubishi Limited to finance expansion and capacity enhancement of the company.	
(b)		The loan is repayable in 10 half yearly installments commencing on January 05, 2006 and ending on April 20, 2010.	
(c)		The loan carries mark up at the base rate plus 50 basis points. Base rate has been defined as average rate of ASK SIDE of the six months KIBOR. Base rate will be set at the beginning of each six months period for profit presently 8.39 percent per annum due at the end of the six month period.	
(d)		The loan is secured against a first equitable mortgage charge ranking pari passu on immovable properties of the company, first ranking pari passu charge by way of hypothecation of fixed assets of the company and a demand promissory note.	

	Note	2005 (Rupees in '000)	2004
<b>23.2 Habib Bank Limited</b>			
Balance at beginning		250,000	-
Disbursed during the year		-	250,000
Less: Repaid during the year		50,000	-
		<u>200,000</u>	<u>250,000</u>
Less: Installments due within the following twelve months	30	50,000	50,000
		<u>150,000</u>	<u>200,000</u>
(a)		The Company has arranged a loan amounting to Rs. 250 million from Habib Bank Limited to finance capital expenditure program.	
(b)		The loan is repayable in 10 half yearly installments commencing on October 08, 2004 and ending on April 08, 2009.	
(c)		The loan carries mark up at the base rate plus 125 basis points with a Cap of 5.85 percent and no floor. Cap to be effective for the first two years from the date of disbursement after which there will be no Cap and the rate will be completely floating. Base rate has been defined as six months treasury bills. Base rate will be set at the beginning of each six months period for profit presently 5.85 percent per annum due at the end of the six months period.	
(d)		The loan is secured against first parri passu charge on the fixed assets of the Company.	

	Note	2005 (Rupees in '000)	2004
<b>23.3 MCB Bank Limited</b>			
Balance at beginning		-	40,184
Disbursed during the year		250,000	-
Less: Repaid during the year		-	40,184
		<u>250,000</u>	<u>-</u>
Less: Installments due within the following twelve months	30	36,981	-
		<u>213,019</u>	<u>-</u>
a)		MCB Bank Limited has sanctioned a loan amounting to Rs. 250 million to finance expansion and capacity enhancement of the company.	
b)		The loan is repayable in 10 half yearly installments commencing on September 27, 2005 and ending on March 28, 2010.	
c)		The loan carries mark up at the base rate plus 50 basis points. Base rate has been defined as average rate of ASK SIDE of the six months KIBOR. Base rate will be set at the beginning of each six months period for profit presently 7.14 percent per annum due at the end of the six month period.	
d)		The loan is secured against a first equitable mortgage charge ranking pari passu on immovable properties of the company, a first ranking pari passu charge by way of hypothecation of fixed assets of the company and a demand promissory note.	

	Note	2005 (Rupees in '000)	2004
<b>23.4 National Bank of Pakistan - (Loan I)</b>			
Balance at beginning		225,000	-
Disbursed during the year		-	250,000
Less: Repaid during the year		50,000	25,000
		<u>175,000</u>	<u>225,000</u>
Less: Installments due within the following twelve months	30	50,000	50,000
		<u>125,000</u>	<u>175,000</u>
(a)		National Bank of Pakistan has sanctioned a loan amounting to Rs. 500 million to finance expansion and capacity enhancement of the Company out of which the Company has withdrawn Rs. 250 million.	
(b)		The loan is repayable in 10 half yearly installments commencing on June 28, 2004 and ending on December 28, 2008.	
(c)		The loan carries mark up base rate plus 125 basis points with a cap of 5.85 percent and no floor. Cap to be effective for the first two years from the date of disbursement after which there will be no cap and the rate will be completely floating. Base rate has been defined as six month treasury bills. Base rate will be set at the beginning of each six months period for profit presently 5.85% per annum due at the end of the six months period.	
(d)		The loan is secured against first mortgage charge ranking parri passu on immovable properties of the company, first ranking parri passu charge by way of hypothecation of all fixed assets of the company and a demand promissory note.	

	Note	2005 (Rupees in '000)	2004
<b>23.5 National Bank of Pakistan - (Loan II)</b>			
Balance at beginning		-	-
Disbursed during the year		250,000	-
Less: Repaid during the year		-	-
		<hr/>	<hr/>
		250,000	-
Less: Installments due within the following twelve months	30	50,000	-
		<hr/>	<hr/>
		200,000	-
		<hr/> <hr/>	<hr/> <hr/>

- National Bank of Pakistan has sanctioned loan amounting to Rs.250 million to finance expansion and capacity enhancement of the company.
- The loan is repayable in 10 half yearly installments commencing on September 30, 2005 and ending on March 31, 2010.
- The loan carries mark up at the base rate plus 50 basis points. Base rate has been defined as average rate of ASK SIDE of the six months KIBOR. Base rate will be set at the beginning of each six months period for profit presently 7.17 percent per annum due at the end of the six month period.
- The loan is secured against a first mortgage charge ranking pari passu on immovable properties of the company and first ranking pari passu charge by way of hypothecation of all fixed assets of the company.

	Note	2005 (Rupees in '000)	2004
<b>23.6 Union Bank Limited</b>			
Balance at beginning		60,000	80,000
Less: Repaid during the year		20,000	20,000
		<hr/>	<hr/>
		40,000	60,000
Less: Installments due within the following twelve months	30	20,000	20,000
		<hr/>	<hr/>
		20,000	40,000
		<hr/> <hr/>	<hr/> <hr/>

- The Company has arranged Demand Finance amounting to Rs. 100 million from Union Bank Limited for import of machinery.
- The Demand Finance is repayable in 10 half yearly installments commenced on January 04, 2003 and ending on June 25, 2007.
- The Demand Finance carries mark up at the rate of 0.75 percent over Treasury Bills to be fixed on six monthly basis, presently 8.73 percent.
- The Demand Finance is secured against first mortgage charge ranking parri passu on immovable properties of the company, first ranking parri passu charge by way of hypothecation of all fixed assets of the company and a demand promissory note.



	Note	2005 (Rupees in '000)	2004
<b>24. PROVISION FOR GRATUITY</b>			
Balance at beginning		4,382	23,948
Add: Provision for the year	24.2	4,730	6,617
		9,112	30,565
Less : Payments during the year		4,382	26,183
	24.1	4,730	4,382

24.1 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:

	Note	Management		Non-management		Total	
		Funded					
		2005	2004	2005	2004	2005	2004
		(Rupees in 000's)					
Present value of defined benefit obligation (actuarial liability)	74,118	62,225	22,507	21,101	96,625	83,326	
Fair value of plan assets	(53,048)	(48,752)	(27,250)	(24,756)	(80,298)	(73,508)	
Payable to /(Receivable from) associated companies in respect of transferees	122	-	-	-	122	-	
Unrecognized actuarial gain / (loss)	(16,812)	(10,989)	5,093	5,553	(11,719)	(5,436)	
Balance at end	4,380	2,484	350	1,898	4,730	4,382	
Net Liability at the beginning of the year	2,484	(1,793)	1,898	25,741	4,382	23,948	
Charge for the year	4,380	4,277	350	2,340	4,730	6,617	
Contributions	(2,484)	-	(1,898)	(26,183)	(4,382)	(26,183)	
Net liability at the end of the year	4,380	2,484	350	1,898	4,730	4,382	

24.2 The expense is recognized in the following line items in the income statement:

Cost of sales	34.4	1,752	1,625	350	2,340	2,102	3,965
Distribution cost	35.2	660	728	-	-	660	728
Administrative expenses	36.2	1,968	1,924	-	-	1,968	1,924
		4,380	4,277	350	2,340	4,730	6,617

Principal actuarial assumptions at the balance sheet date for:

Discount rate	9%	8%	9%	8%
Future salary increases	8%	7%	8%	7%
Return on investment	9%	8%	9%	8%

	Note	2005 (Rupees in '000)	2004
<b>25. COMPENSATED LEAVE ABSENCES</b>			
Balance at beginning		25,269	22,915
Add: Provision for the year		3,386	3,094
		<u>28,655</u>	<u>26,009</u>
Less : Payments during the year		667	740
		<u>27,988</u>	<u>25,269</u>
<b>26. DEFERRED TAXATION</b>			
The liability for deferred taxation comprises of timing differences relating to:			
Deferred credit arising in respect of accelerated tax depreciation allowance		182,902	153,159
Deferred debit arising in respect of various provisions		(19,102)	(13,659)
		<u>163,800</u>	<u>139,500</u>
26.1 The movement for the year in the Company's net deferred tax position was as follows:			
Balance at beginning		139,500	33,000
Increase in deferred tax liabilities		29,777	99,476
Decrease in deferred tax assets		(5,477)	7,024
Charge to income for the year		24,300	106,500
		<u>163,800</u>	<u>139,500</u>
<b>27. TRADE AND OTHER PAYABLES</b>			
Trade creditors		648,528	472,090
Accrued liabilities	27.1	420,227	260,791
Provision for warranty	27.2	9,500	5,500
Customers advances & credit balances		1,151,884	749,991
Advance for scrap sales		-	420
Retention money		761	1,463
Withholding tax payable		-	1,145
Sales tax payable		23,260	3,313
Workers' Profit Participation Fund	27.3	50,433	45,531
Workers' Welfare Fund	27.4	19,026	17,174
Unrealized loss on remeasurement of Forward Foreign Exchange Contracts		7,141	-
Unclaimed dividend	27.5	8,395	6,696
Other liabilities	27.6	8,056	3,483
		<u>2,347,211</u>	<u>1,567,597</u>



## Atlas Honda Limited

27.1 Accrued liabilities include marking fees amounting to Rs. 30,009 thousands payable to Pakistan Standard and Quality Control Authority.

	Note	2005	2004
(Rupees in '000)			
<b>27.2 Provision for Warranty</b>			
Balance at beginning		5,500	7,000
Provided during the year		4,000	-
		9,500	7,000
Paid / reversed during the year		-	1,500
		9,500	5,500
<b>27.3 Workers' Profit Participation Fund</b>			
Balance as at beginning		45,531	35,324
Add : Interest credited		4,131	2,775
		49,662	38,099
Less : Payment made during the year		49,297	37,763
		365	336
Contributions for the year @ 5%		50,068	45,195
		50,433	45,531

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.

	Note	2005	2004
(Rupees in '000)			
<b>27.4 Workers' Welfare Fund</b>			
Balance at beginning		17,174	13,295
Paid during the year		10,470	12,345
		6,704	950
Charge for the current year		19,026	17,174
(Adjustment) / Prior year		(6,704)	(950)
		12,322	16,224
		19,026	17,174
<b>27.5 Unclaimed dividend</b>			
Dividends		8,366	6,686
Bonus fractions		29	10
		8,395	6,696

The Securities and Exchange Commission of Pakistan has substituted the Fourth Schedule to the Companies Ordinance, 1984 which is effective from the financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to recognition of dividend declared

subsequent to the year end. As per new policy the proposed dividend remains included in the revenue reserves until finally approved by the shareholders. Previously the dividend proposed by the board of directors was accounted for as current liability. The change in accounting policy has been accounted for retrospectively and the comparative information has been restated in accordance with the benchmark treatment specified in International Accounting Standard 8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Had there been no change in the accounting policy, the unappropriated profit carried forward would have been lower by Rs. 204,368 million and the dividend payable and reserve for issue of Bonus shares would have been higher by Rs. 153,276 million and Rs. 51,092 million respectively. The effect of the change in accounting policy has been reflected in the Statement of Changes in Equity. The change in accounting policy has not resulted in any change in the profit for the periods.

The board of directors have proposed a cash dividend at the rate of Rs. 6.0 (2004: Rs.7.5) per share and bonus shares issue at the rate of 40% i.e. two bonus shares for every five shares held (2004: 25% i.e. one bonus share for every four shares held), amounting to Rs.255.460 million at their meeting held on September 09, 2005 for approval of the members at the Annual General Meeting to be held on October 13, 2005. These financial statements do not reflect this dividend payable as explained above.

27.6 Other liabilities include vehicle deposits / installments under company vehicle policy amounting to Rs. 2,925 thousands (2004: 2,509 thousands).

	2005	2004
	(Rupees in '000)	
<b>28. ACCRUED MARK-UP ON BANK LOANS</b>		
Accrued mark-up on long term loans	16,037	1,778
Accrued mark-up on short term finances	1,244	683
	17,281	2,461
<b>29. SHORT TERM BORROWINGS</b>		
Balance at beginning and at end	-	-

The Company has facilities for short-term running finance under mark-up arrangements amounting to Rs. 735 million (2004: Rs. 755 million). The facilities carry mark-up at the rate of Re 0.1721 to Re 0.2241 (2004: Re. 0.0822 to Re. 0.1370) 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 (2004: Rs. 1,255 million). These facilities are expiring on various dates by March 31, 2006. The markup on running finance facilities is payable on quarterly basis.

The facility for opening letters of credit and guarantees as at June 30, 2005 amounted to Rs. 1,975 million (2004: Rs. 1,160 million) of which the amount remaining unutilized at the year-end was Rs. 1,068 million (2004: Rs. 650 million).

The facility for post shipment export refinance as at June 30, 2005 amounted to Rs. 15 million (2004: Rs. 15 million). This facility is secured against lien on export bills / contract. The Company has facility for foreign currency finance amounting to Rs. 30 million (2004: Rs. 29.18 million) which is secured against lien on export bills / contracts.



	Note	2005 (Rupees in '000)	2004
<b>30. CURRENT PORTION OF LONG TERM LOANS</b>			
Bank of Tokyo - Mitsubishi Limited	23.1	25,000	-
Habib Bank Limited	23.2	50,000	50,000
MCB Bank Limited	23.3	36,981	-
National Bank of Pakistan - (Loan I)	23.4	50,000	50,000
National Bank of Pakistan - (Loan II)	23.5	50,000	-
Union Bank Limited	23.6	20,000	20,000
		<u>231,981</u>	<u>120,000</u>
<b>31. PROVISION FOR TAXATION</b>			
Balance at beginning		192,000	220,000
Add: Provision made during the year			
Current year		283,800	192,000
Prior year		409	(763)
		284,209	191,237
Less: Payment during the year		189,124	219,237
		<u>287,085</u>	<u>192,000</u>
31.1 The charge for the year can be reconciled to the profit as per the income statement as follows:			
Profit before tax		<u>938,965</u>	<u>842,487</u>
Tax at the applicable income tax rate	35.00%	328,638	294,870
Tax effect of expenses that are not deductible in determining taxable profit as under:			
Gratuity	0.03%	322	(6,827)
Leave encashment	0.04%	393	824
Depreciation	-3.51%	(32,955)	(107,126)
Gain on disposal of fixed assets	0.04%	359	217
Other	0.91%	8,511	11,173
Gain on sale of investment	-1.97%	(18,488)	-
Effect of difference in tax rates under normal assessment and presumptive tax regime	-0.14%	(1,306)	(1,131)
Effect of difference in tax rates under normal assessment and tax on dividend for companies	-0.18%	(1,674)	-
		<u>30.22%</u>	<u>192,000</u>

The income tax assessments of the Company have been finalized upto and including Tax Year 2004 (income year ended June 30, 2004).

### 32. CONTINGENCIES & COMMITMENTS

#### CONTINGENCIES

32.1 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, National Industrial Relation Commission and the Sindh Labour courts. The management is confident that the outcome of these cases will be in the Company's favor.



	Note	2005 (Rupees in '000)	2004
<b>32.2 Guarantees</b>			
Issued by bank		44,553	49,026
Guarantees are issued to Collector of Customs and Government institutions and shall be released on delivery of motorcycles. These are issued under normal operations.			
<b>COMMITMENTS</b>			
Confirmed letters of credit relating to raw materials		799,653	466,950
Plant and equipment		103,032	45,354
Forward foreign exchange contracts		485,558	219,122
<b>33. SALES - NET</b>			
Motorcycles & spare parts		16,855,150	11,455,782
Less: Trade discount & commission		78,982	30,281
Sales Tax		2,655,321	1,477,407
		14,120,847	9,948,094
Commission to associated company on export sales amounting to Rs. 6,164 thousand (2004: Rs. 4,781 thousand) is included in trade discount.			
<b>34. COST OF SALES</b>			
Stock at beginning		72,147	58,312
Cost of goods manufactured	34.1	12,449,391	8,471,838
Purchases		370,974	255,896
		12,820,365	8,727,734
		12,892,512	8,786,046
Stocks at end	13	115,836	72,147
		12,776,676	8,713,899
<b>34.1 Cost of goods manufactured</b>			
Work in process at beginning		150,463	80,942
Raw materials & components consumed	34.2	10,451,061	7,310,958
Direct labour	34.3	146,778	103,235
Technical Director's Remuneration	44.1	953	1,064
Salaries, wages & benefits	34.4	241,769	136,045
Stores consumed		232,153	146,207
Light, heat & water		98,665	67,782
Insurance		25,105	17,932
Rent, rates & taxes		5,276	4,256
Repair & maintenance		84,817	31,495
Royalty		613,402	345,833
Technical assistance		96,476	65,728
Traveling, conveyance and entertainment		30,376	24,517
Postage & telephone		8,613	6,209
Printing & stationery		6,274	2,589
Vehicle running		5,415	3,256
Depreciation	7.2	410,569	253,784
Canteen		22,491	14,852
Newspapers, magazines & subscription		1,114	982
Staff training		7,839	3,423
Intangible assets amortized		3,388	958
Other manufacturing expenses		443	254
		12,643,440	8,622,301
Work in Process at end	13	194,049	150,463
		12,449,391	8,471,838



	Note	2005	2004
(Rupees in '000)			
<b>34.2 Raw material &amp; components consumed</b>			
Stock at beginning		614,389	290,977
Purchases	34.5	10,758,797	7,634,370
		<u>11,373,186</u>	<u>7,925,347</u>
Stock at end	13	922,125	614,389
		<u>10,451,061</u>	<u>7,310,958</u>
<b>34.3</b> Direct labour and salaries & benefits include Rs. 6,951 thousand (2004: Rs. 6,139 thousand) in respect of provident fund contributions.			
<b>34.4</b> The following amounts have been charged to cost of sales during the year in respect of gratuity schemes:			
Current service cost		2,066	1,892
Interest costs		3,516	2,584
Expected return on Plan Assets		(3,419)	(511)
Amortization of gain		(61)	-
		<u>2,102</u>	<u>3,965</u>
<b>34.5</b> Purchases include custom duty rebates net-off aggregating Rs.10,027 thousand (2004: Rs.16,283 thousand).			

**35. DISTRIBUTION COST**

Directors' remuneration	44.1	11,562	10,960
Salaries & benefits	35.1	51,378	40,900
Traveling, conveyance, entertainment & vehicle running		18,261	20,624
Rent, rates & taxes		4,178	3,665
Advertisement & publicity		104,873	83,342
Repairs & maintenance		1,353	929
Gas & electricity		1,082	1,217
Freight & forwarding		63,543	48,190
Printing & stationery		3,083	1,485
Postage & telephone		7,937	5,207
Sales promotion		13,030	9,299
Services charges		18,753	13,078
Insurance		1,619	1,653
Newspapers, magazines & subscription		250	353
Others		1,350	749
		<u>302,252</u>	<u>241,651</u>
<b>35.1</b> Salaries and benefits include Rs. 2,175 thousand (2004: Rs. 1,843 thousand) in respect of provident fund contributions.			
<b>35.2</b> The following amounts have been charged to distribution cost during the year in respect of gratuity:			
Current service cost		461	462
Interest costs		688	494
Expected return on Plan Assets		(549)	(228)
Amortization of loss		60	-
		<u>660</u>	<u>728</u>

	Note	2005 (Rupees in '000)	2004
<b>36. ADMINISTRATIVE EXPENSES</b>			
Directors' Remuneration	44.1	6,170	6,156
Directors' meeting fee	44.2	5	5
Salaries & benefits	36.2	81,765	71,356
Traveling, conveyance & entertainment		10,562	11,314
Rent, rates & taxes		3,039	2,983
Insurance		1,791	1,755
Repairs & maintenance		4,421	3,390
Legal & professional charges		2,434	714
Gas & electricity		986	1,198
Fees & subscription		1,618	1,707
Postage & telephone		5,058	3,099
Printing & stationery		1,369	1,236
Vehicle running		2,532	1,804
Training expense		4,259	441
Depreciation	7.2	12,110	9,699
Donation	36.3	3,000	170
Intangible assets amortized		843	1,006
Others		1,056	513
		<u>143,018</u>	<u>118,546</u>
36.1 Salaries and benefits include Rs. 3,233 thousand (2004: Rs. 2,894 thousand) in respect of provident fund contributions.			
36.2 The following amounts have been charged to administration expenses during the year in respect of gratuity schemes:			
Current service cost		1,374	1,223
Interest costs		2,052	1,306
Expected return on Plan Assets		(1,636)	(605)
Amortization of loss		178	-
		<u>1,968</u>	<u>1,924</u>
36.3 Donations include Rs. 3,000 thousand (2004: 100 thousand) paid to Atlas Foundation (formerly Shirazi Foundation). Mr. Yusuf H. Shirazi, Chairman and Mr. Saquib H. Shirazi, Chief Executive Officer are on the Board of the Foundation.			
<b>37. OTHER OPERATING INCOME</b>			
<b>Income from financial assets:</b>			
Interest on Deposits:			
Associated Company		23,614	16,010
Others		3,039	11,263
		26,653	27,273
Dividend Income		5,579	-
Income from carry over transactions		54,656	-
Gain on sale of investments		52,822	6,558
Exchange gain		747	785
<b>Income from non financial assets:</b>			
Other income		88	253
Scrap sales		30,464	16,573
Gain on sale of fixed assets	7.4	504	-
		<u>171,513</u>	<u>51,442</u>
<b>38. FINANCE COST</b>			
Interest / mark-up on:			
Short term loans		5,748	1,212
Long term loans		34,921	10,501
Workers' profit participation fund	27.3	4,131	2,775
Other financial charges		14,287	5,606
Exchange risk fee		8,963	-
		<u>68,050</u>	<u>20,094</u>



	Note	2005 (Rupees in '000)	2004
<b>39. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	39.1	1,009	820
Loss on sale of fixed assets		-	620
Workers' profit participation fund	27.3	50,068	45,195
Workers' welfare fund	27.4	12,322	16,224
		<u>63,399</u>	<u>62,859</u>
<b>39.1 Auditor's Remuneration</b>			
Audit fee		369	335
Provident fund /Workers' profit participation fund audit and certification		581	432
Out of pocket expenses		59	53
		<u>1,009</u>	<u>820</u>
<b>40. EARNINGS PER SHARE</b>			
<b>Basic earnings per share</b>			
Earnings for purposes of basic earnings per share (Profit after tax)		630,456	544,750
Weighted average number of ordinary shares for the purposes of basic earnings per share		<u>25,546,020</u>	<u>25,546,020</u>
Basic earnings per share - Rupees		<u>24.68</u>	<u>21.32</u>
There is no dilutive effect on basic earning per share of the company.			
<b>41. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		938,965	842,487
<b>Adjustment for:</b>			
Depreciation		422,679	263,483
Foreign exchange gain		(747)	(785)
Gain on sale of investment		(52,822)	(6,558)
Interest income		(26,653)	(27,273)
Interest expense		40,669	11,713
Amortization		4,231	1,964
Provision for employee compensated absences		3,386	3,094
Gratuity provision		4,730	6,617
(Gain) / loss on sale of fixed assets		(504)	620
<b>Operating profit before working capital changes</b>		<u>1,333,934</u>	<u>1,095,362</u>
<b>Working capital changes:</b>			
(Increase)/decrease in current assets			
Stores, spares & loose tools		(81,958)	(51,715)
Stock in trade		(282,487)	(727,763)
Trade debtors		(69,379)	(20,703)
Loans and advances		(10,202)	(12,522)
Trade deposits and prepayments		7,324	(53,949)
Other receivables		(30,152)	(2,932)
Increase in current liabilities		(466,854)	(869,584)
Trade and other payables		770,773	595,901
<b>Cash generated from operations</b>		<u>1,637,853</u>	<u>821,679</u>
Interest paid		(25,101)	(10,529)
Income taxes paid (including tax deducted at source)		(108,615)	(233,183)
Gratuity paid		(4,381)	(26,183)
Compensated absences paid		(667)	(740)
Long term loans and advances		(2,926)	357
Long term deposits and prepayments		(1,467)	267
<b>Cashflow from operating activities</b>		<u>1,494,696</u>	<u>551,668</u>

## 42. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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, 2005 are summarized as follows:

	(Rupees in '000)							
	2005						2004	
	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			
<b>Financial assets</b>								
Long term loans and advances	-	-	-	9,696	12,172	21,868	21,868	15,280
Long term deposits	-	-	-	-	5,483	5,483	5,483	4,317
Trade debtors	-	-	-	139,701	-	139,701	139,701	70,322
Loans and advances	-	-	-	37,296	-	37,296	37,296	27,094
Trade deposits	-	-	-	4,020	-	4,020	4,020	6,591
Other receivables	-	-	-	14,332	-	14,332	14,332	23,964
Accrued mark-up / interest	-	-	-	1,734	-	1,734	1,734	335
Short term investments	410,241	-	410,241	-	-	-	410,241	524,388
Bank balances	1,264,857	-	1,264,857	167,506	-	167,506	1,432,363	227,094
	1,675,098	-	1,675,098	374,285	17,655	391,940	2,067,038	899,385
<b>Financial liabilities</b>								
Long term loan	231,981	933,019	1,165,000	-	-	-	1,165,000	535,000
Trade and other payables	-	-	-	2,304,925	-	2,304,925	2,304,925	1,572,378
Accrued mark-up / interest				17,281				2,461
	231,981	933,019	1,165,000	2,322,206	-	2,304,925	3,469,925	2,109,839
On-balance sheet gap	1,443,117	(933,019)	510,098	(1,947,921)	17,655	(1,912,985)	(1,402,887)	(1,210,454)

	2005	2004
	%	%
<b>42.1 Effective interest rate</b>		
<b>Assets</b>		
Short term investments	9.70 to 10	4.8 to 9.0
Cash at bank	2.0 to 5.0	0.60 to 2.75
<b>Liabilities</b>		
Long term loan	5.85 to 8.73	3.41 to 9.0



**42.2 Concentration of credit risks**

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

2005	2004
(Rupees in '000)	
2,067,038	899,385

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.

**42.3 Foreign Risk Management**

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

**42.4 Fair value of the financial instruments**

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

**42.5 Rates on short term finances are effectively fixed.**

**42.6 Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.**

2005	2004
(Rupees in '000)	

**43. RELATED PARTY TRANSACTIONS**

Sales	15,749	14,368
Fixed assets sold	1,528	4,273
Purchases	2,461,160	2,042,565
Fixed assets purchased	90,407	189,809
Royalty	584,622	321,619
Export commission	4,112	4,781
Technical Fees	48,404	54,030
Interest income	5,823	16,010
Lease rental payment	-	1
Brokerage fees	4,837	24
Rent of premises	8,477	6,880
Insurance premium	71,498	60,898
Insurance claim	8,236	781
Donation	3,000	100
Actual reimbursement of expenses - net	2,432	3,622

All transactions were carried out on commercial terms and conditions and were valued at arm's length price. Reimbursement of expenses were on actual basis. Remuneration and benefits to key management personnel under the terms of their employment are given in note 44.1.

#### 44. DIRECTORS' AND EXECUTIVES' REMUNERATION

44.1 The aggregate amounts charged in the accounts for remuneration including certain benefits to the Chairman, Chief Executive Officer, working Directors and Executives of the company were as follows:

	Chairman		Chief Executive Officer		Directors		Executives	
	2005	2004	2005	2004	2005	2004	2005	2004
Remuneration	3,326	3,326	4,219	4,368	2,878	2,903	21,048	17,338
Rent and Utilities	1,197	1,198	1,926	1,573	967	815	9,826	6,242
Bonus	887	887	1,223	1,165	586	521	5,483	4,054
Provident Fund & Gratuity	293	293	404	384	193	172	1,998	1,526
Medical and Others	107	92	21	123	-	-	190	140
Reimbursement of Expenses	360	360	-	-	98	-	-	-
<b>Total</b>	<b>6,170</b>	<b>6,156</b>	<b>7,793</b>	<b>7,613</b>	<b>4,722</b>	<b>4,411</b>	<b>38,545</b>	<b>29,300</b>
Number of Persons	1	1	1	1	3	3	19	14

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

#### 44.2 Remuneration to other directors


Aggregate amount charged in the accounts for the year for fees to two directors was Rs. 5 thousand (2004: Rs 5 thousand).

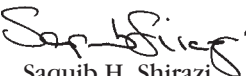
#### 45. PLANT CAPACITY

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

#### 46. CORRESPONDING FIGURES

Consequent to the substitution of the Fourth Schedule to the Companies Ordinance, 1984 as described in Note 5, certain reclassifications and rearrangements have been made in prior year's balances which mainly include reclassification of corresponding figures. The significant change occurred in disclosure requirements related to executives wherever required in these financial statements due to the change in definition of 'Executives'. During the year employee compensated absences are also reclassified from current liabilities to deferred liabilities.

  
Yusuf H. Shirazi  
Chairman

  
Saquib H. Shirazi  
Chief Executive Officer

  
Sherali Mundrawala  
Director



**PATTERN OF SHAREHOLDING**

AS AT JUNE 30, 2005

No. of Shareholders	Shareholdings			Total Shares held	
332	From	1	To	100	10,756
172	From	101	To	500	43,780
83	From	501	To	1,000	59,322
192	From	1,001	To	5,000	471,562
39	From	5,001	To	10,000	270,357
21	From	10,001	To	15,000	243,154
4	From	15,001	To	20,000	72,929
3	From	20,001	To	25,000	67,189
3	From	25,001	To	30,000	85,650
1	From	30,001	To	35,000	30,131
3	From	35,001	To	40,000	114,220
2	From	40,001	To	45,000	83,714
2	From	50,001	To	55,000	104,545
2	From	55,001	To	60,000	112,489
1	From	75,001	To	80,000	78,305
1	From	85,001	To	90,000	85,883
1	From	110,001	To	115,000	112,526
1	From	135,001	To	140,000	139,209
1	From	170,001	To	175,000	173,270
1	From	185,001	To	190,000	188,825
1	From	250,001	To	255,000	253,940
1	From	720,001	To	725,000	724,268
1	From	855,001	To	860,000	856,231
4	From	2,055,001	To	2,060,000	8,229,363
1	From	3,990,001	To	3,995,000	3,993,294
1	From	8,940,001	To	8,945,000	8,941,108
874					25,546,020

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, CEO their spouse and minor children	8,311,443	32.54
** Associated Companies, undertakings and related parties	13,658,670	53.47
NIT and ICP	140,214	0.55
Banks, Development Finance Institutions, Non-Banking Finance Institutions	-	0.00
* Insurance Companies	-	-
Modarabas and Mutual Funds	-	0.00
** Shareholders holding 10%	-	-
General Public:		
Local	2,530,145	9.90
Foreign	-	-
Others:		
Corporate Law Authority (SECP)	1	0.00
Joint Stock Companies	37,612	0.15
Cooperative Society	242	0.00
Trusts	11,462	0.04
JPMorgan Chase Bank	856,231	3.35
	25,546,020	100.00

Note : Included in Associated Companies

\* Muslim Insurance Co. Ltd. 724,268 shares

\*\* Honda Motor Company Ltd. 8,941,108 shares, Shirazi Investments (Pvt) Ltd. 3,993,294 shares



**PATTERN OF SHAREHOLDING  
ADDITIONAL INFORMATION**

AS AT JUNE 30, 2005

Shareholders Category	No. of Shares held	Percentage
<b>Associated Companies, Undertakings and related Parties:</b>		
Muslim Insurance Company Limited	724,268	2.84
Shirazi Investments (Pvt) Limited	3,993,294	15.63
Honda Motor Company Limited	8,941,108	35.00
	13,658,670	53.47
<b>NIT and ICP:</b>		
National Bank Of Pakistan Trustee Depptt.	139,209	0.55
Investment Corporation Of Pakistan	1,005	0.00
	140,214	0.55
<b>Directors, CEO and their Spouses and minor children</b>		
Mr. Yusuf H. Shirazi & Associates	6,250,328	24.47
Mr. Saquib H. Shirazi (CEO)	2,057,340	8.05
Mr. Sanaullah Qureshi	100	0.00
Mr. Sherali Mundrawala	3,675	0.02
	8,311,443	32.54
<b>Executives</b>	-	-
<b>Public Sector Companies and Corporations</b>	-	-
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds.</b>	-	-
<b>Individuals</b>	2,530,145	9.90
<b>Others</b>	905,548	3.54
<b>Total</b>	25,546,020	100.00

**Shareholders holding 10% or more voting interest**


Shirazi Investments (Pvt) Limited	3,993,294	15.63
Honda Motor Company Limited	8,941,108	35.00

**Details of Trading in the shares by Directors**

Name	No. of Shares Purchased	Date of Purchase	Price per Share
Mr. Sanaullah Qureshi	100	03-06-2005	300.25



**ATLAS GROUP COMPANIES**

		Year of Establishment/ Acquisition*
	Shirazi Investments (Private) Limited	1962
	Atlas Honda Limited	1962
	Atlas Battery Limited	1966
	Shirazi Trading Company (Private) Limited	1973
	Muslim Insurance Company Limited	1980*
	Allwin Engineering Industries Limited	1981*
	Atlas Investment Bank Limited	1990
	Honda Atlas Cars (Pakistan) Limited	1992
<b>HONDA</b>	Honda Atlas Power Product (Private) Limited	1997
	Total Atlas Lubricants Pakistan (Private) Limited	1997
	Atlas Asset Management Limited	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 41st Annual General Meeting  
of the company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Thursday,  
October 13, 2005 at 10.30 a.m. and at every adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2005  
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.

AFFIX  
POSTAGE

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

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Fold Here

Fold Here