

ANNUAL REPORT
2009



Organisation
development
through
self development



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VISION

Market leader in the motorcycle industry as a global competitive centre of production and exports.

MISSION

A dynamic growth oriented company through market leadership, excellent in quality and service and maximizing export, ensuring attractive returns to equity holders, rewarding associates according to their ability and performance, fostering a network of engineers and researchers ensuing unique contribution to the development of the industry, customer satisfaction and protection of the environment by producing emission friendly green products as a good corporate citizen fulfilling its social responsibilities in all respects.



STRATEGIC GOALS

Customer

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

Quality

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

Local Manufacturing

To be the industry leader in indigenization of motorcycle parts.

Technology

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

Shareholders

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

Employees

To enhance and continuously 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, rules and regulations, to maintain a high standard of ethics in all operations and to act as a responsible member of the society.



CODE OF ETHICS

(Summary)

Business principles

- Compliance with business principles is an essential element.
- The Board of Directors is responsible for ensuring that principles are communicated to and understood and observed by all employees.
- Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by Audit Committee of the Board. The Board of Atlas Honda Limited (AHL) expects employees to bring to their attention, or to that of senior management, any breach of these principles. Compliance of business principles is monitored and assurance is given each year.

Honesty, integrity and openness

- Conduct operations with honesty, integrity and openness, and with respect for human rights and interests of the employees.
- Respect the legitimate interests of all those with whom it has relationship.
- Compliance with laws, rules and regulations of Pakistan.
- Create working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of the company.
- Equal opportunity employer.
- Safe and healthy working conditions for all employees.
- Restriction on any form of forced, compulsory or child labour.
- Provide branded products and services and offering value in terms of price and quality.
- Products and services are accurately and properly labeled, advertised and communicated.



CODE OF ETHICS *(Continued..)* *(Summary)*

Corporate governance

- Operations in accordance with principles of good corporate governance.
- Supply of timely, regular and reliable information to all shareholders.

Relations with stakeholders

- Committed to establish mutually beneficial relations with its suppliers, customers and business partners.

Corporate citizen

- Strives to be a trusted corporate citizen and fulfill its responsibilities to the societies and communities.

Environmental

- Continuous improvements in the management of environmental impact.
- Works in partnership with others to promote environmental issues and disseminate good practice.

Innovation

- Innovations to meet consumer needs and respects the concerns of consumers and society.
- Works on the basis of sound research and applying high quality standards.

Competition

- Believes in fair competition and supports development of appropriate competition laws.
- Employees will conduct operations in accordance with the principles of fair competition.

QUALITY POLICY

- Commitment to provide high quality motorcycles and parts.
- Right work in first attempt and on time.
- Maintain and continuously improve quality.
- Training of manpower and acquisition of latest technology.
- Safe, clean and healthy environment.
- Market leadership and prosperity for all.



ENVIRONMENTAL POLICY

- Reduce and prevent the generation of waste and pollution in our production system.
- Establish management program to promote energy conservation and reduce waste.
- Comply with requirements of environmental legislation and local regulations as a responsible corporate citizen.
- Promote relevant environmental protection knowledge and activities through education and training.
- Initiate and extend environmental improvement activities from the company itself to its business partners including parts manufacturers, general suppliers and dealers.



COMPANY INFORMATION

BOARD OF DIRECTORS

Yusuf H. Shirazi
Chairman

Koji Takamatsu
Director

Masahiro Takedagawa
Director

Nurul Hoda
Director

Osamu Ishikawa
Director

Sanaullah Qureshi
Director

Sherali Mundrawala
Director

Saqib H. Shirazi
Chief Executive Officer

Rashid Amin
Company Secretary

AUDIT COMMITTEE

Sanaullah Qureshi
Chairman

Sherali Mundrawala
Member

Nurul Hoda
Member

Zaheer Ul Haq
Head of Internal Audit

Syed Tanvir Hyder
Secretary

MANAGEMENT COMMITTEE

Saqib H. Shirazi
Chief Executive Officer

Nurul Hoda
Vice President Marketing

Osamu Ishikawa
Vice President Technical

Suhail Ahmed
Chief Financial Officer

Muhammad Khalid Aziz
General Manager Plants

Sultan Ahmed
General Manager Quality Assurance

Koji Takamatsu
General Manager Research & Development

Mushtaq Alam
General Manager Information Technology

Javed Afghani
General Manager Marketing

Razi ur Rahman
General Manager Human Resources

Amir Ali Bawa
General Manager Planning & Commercial

Shakeel Mirza
General Manager Supply Chain

Afaq Ahmed
General Manager Engineering & Projects

COMPANY INFORMATION

AUDITORS

Hameed Chaudhri & Co.

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Agha Faisal - Barrister at Law

TAX ADVISOR

Ford Rhodes Sidat Hyder & Co.

SHARE REGISTRAR

Hameed Majeed Associates (Pvt.) Limited
H. M. House, 7-Bank Square,
Shahrah-e-Quaid-e-Azam, Lahore
Tel: (92-42) 7235081-82
Fax: (92-42) 7358817

LENDING INSTITUTIONS

Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Tokyo-Mitsubishi UFJ Limited

BANKERS

Atlas Bank Limited
Allied Bank Limited
Bank Al-Habib Limited
Deutsche Bank AG
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Tokyo-Mitsubishi UFJ Limited
United Bank Limited

REGISTERED OFFICE

1-McLeod Road, Lahore-54000
Tel : (92-42) 7225015-17, 7233515-17
Fax : (92-42) 7233518, 7351119
E-mail : ahl@atlas.com.pk
Website: www.atlashonda.com.pk

FACTORIES

F-36, Estate Avenue, S.I.T.E., Karachi-75730
Tel : (92-21) 2575561-65 Fax : (92-21) 2563758
E-mail : ahl@atlas.com.pk

26-27 KM, Lahore-Sheikhupura Road,
Sheikhupura-39321
Tel : (92-56) 3406501-8
Fax : (92-56) 3406009
E-mail : ahl@atlas.com.pk

BRANCH OFFICES

Azmat Wasti Road, Multan
Tel : (92-61) 4540054, 4540028,
4571989, 4572898
Fax : (92-61) 4541690

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

4B, Zamindara Colony, Rahim Yar Khan
Tel: (92-68) 5888809

SHOW ROOM

West View Building, Preedy Street, Saddar,
Karachi. Tel : (92-21) 2720833, 2727607

SPARE PARTS DIVISION

D-181/A, S.I.T.E., Karachi-75730
Tel : (92-21) 2576690

WARRANTY & TRAINING CENTRES

7-Pak Chambers, West Wharf Road,
Karachi, Tel : (92-21) 2310142

28 Mozang Road, Lahore
Tel : (92-42) 6375360, 6303366

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

HISTORY IN MAKING

Someone sitting in shelter today.....
because someone planted a tree
long time ago.....

The company is engaged in the manufacturing and marketing of motorcycles and auto parts. Since its inception the company has experienced an unprecedented growth in its operations from a small manufacturing company to the leading motorcycle manufacturer of Pakistan. Following is the summary of major events occurred in the history of the company:



Mr. Soichiro Honda, founder Honda Motor Company Ltd. Japan, (Right) welcoming Mr. Yusuf H. Shirazi, founder Atlas Group of Companies Pakistan at the occasion of signing of Technical Collaboration agreement in 1962, at Honda Motor Company Ltd. Japan.

2002-2009

- | | |
|--|--|
| <p>2009 Launched new model of CD 100 Euro 2</p> <p>2009 Acquired ISO 14001-2004 Environment Certificate</p> <p>2008 Established Delivery Control Center (DCC) at Karachi Plant</p> <p>2007 Production capacity expansion 500K</p> <p>2007 Successfully implemented Enterprise Resource Planning (ERP) SAP</p> <p>2006 Launched new 125cc premium model CG 125 Deluxe</p> <p>2006 Received top 25 company award by Karachi Stock Exchange</p> <p>2006 Established Delivery Control Center (DCC) at Sheikhpura Plant</p> | <p>2005 Technical Assistance Agreement signed with Denso Corporation Japan for ACG Fly Wheel</p> <p>2004 Received top 25 company award by Karachi Stock Exchange</p> <p>2004 Technical Assistance Agreement signed with Asktechnica Corporation, Japan for Brake Lining</p> <p>2004 Technical Assistance Agreement signed with Atsumitec Corporation, Japan for Drum Gear Shift</p> <p>2004 Launched new 100cc motorcycle CD 100</p> <p>2003 Technical Assistance Agreement signed with Kehin Corporation, Japan for Fuel Cock</p> <p>2002 Deletion level reached to 87% and 80% for CD70 and CG125 respectively</p> |
|--|--|

1992-2001

- | | |
|--|--|
| <p>2001 Launched concept of 5S dealership - Sales, Service, Spare parts, Second hand exchange and Special (Credit) sales</p> <p>2001 Technical Assistance Agreement signed with Toyo Denso Corporation, Japan for Switch Assembly and Ignition Coil</p> <p>2000 Investment in Crankshaft Project</p> <p>1999 Acquisition of ISO 9002 certification for Sheikhpura and Karachi plants</p> | <p>1995 Export of motorcycles to Bangladesh</p> <p>1994 Mr. Kawamoto, President Honda Motor Company Limited, visited Atlas Honda Limited (AHL)</p> <p>1992 Change of name to Atlas Honda Limited</p> |
|--|--|

1982-1991

- | | |
|--|---|
| <p>1991 Inauguration of CG125 Engine Project at Sheikhpura Factory</p> <p>1989 Export of motorcycles to Nepal</p> <p>1988 Merger of Panjdarya Limited into Atlas Autos Limited</p> <p>1988 Production capacity expansion III</p> | <p>1988 Technical Assistance Agreement signed with Showa Corporation Japan for Cushion</p> <p>1988 Joint Venture agreement signed with Honda Motor Company Limited</p> <p>1987 Inauguration of CD70 Engine Project at Karachi Factory</p> |
|--|---|

1972-1981

- | | |
|---|---|
| <p>1981 Production capacity expansion II</p> <p>1981 Commencement of commercial production at Panjdarya Limited</p> | <p>1979 Incorporation of Panjdarya Limited as Joint Venture with Honda Motor Company Limited, Japan</p> <p>1976 Production capacity expansion I</p> |
|---|---|

1962-1971

- | | |
|---|---|
| <p>1965 Public offering of Shares</p> <p>1964 Commencement of commercial production</p> | <p>1962 Technical Assistance Agreement signed with Honda Motor Company Limited Japan</p> <p>1962 Incorporation of Atlas Autos Limited</p> |
|---|---|

SHAREHOLDERS' INFORMATION

Registered Office

1-McLeod Road
Lahore
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 2009-10 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.

Statutory Compliance

During the period 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: June 23, 2009
Time: 11:00 A.M.
Venue: Registered Office at 1-McLeod Road, Lahore.

Financial Calendar

Audited annual results for period ended March 31, 2009.

- First half of May

Mailing of annual reports
- First half of June

Annual General Meeting
- Second half of June

Unaudited first quarter financial results
- Second half of July

Unaudited half year financial results
- Second half of November

Unaudited third quarter financial results
- Second half of January

Dividend Announcement

The board of directors of the Company has proposed a final cash dividend of Rs. 3.0 per share (30%) and Bonus shares @ 15% (three bonus shares for every twenty shares held) for period ended March 31, 2009, subject to approval by the shareholders of the Company at the annual general meeting.

Dividend paid for the previous year ended June 30, 2008 was cash dividend Rs. 6.5 per share (65%) only.

Dates of Book Closure

The register of members and shares transfer books of the Company will remain closed from June 13, 2009 to June 23, 2009 (both days inclusive).

Date of Dividend Payment

The payment of dividend, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after June 23, 2009.

Last year your company dispatched the cash dividend within 24 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/share registrar 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 atleast once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all shareholders atleast 21 days before the meeting and also advertised in atleast 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 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 office of the company not less than forty eight hours before the meeting.

Website of the Company

Your company is operating website www.atlashonda.com.pk containing updated information regarding the company. The website contains the financial results of the company together with 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 08	211.80	172.90	211.80	180.00
August 08	189.99	169.67	185.00	171.00
September 08	184.99	184.99	184.99	184.99
October 08	184.99	184.99	184.99	184.99
November 08	184.99	184.99	184.99	184.99
December 08	184.99	184.99	184.99	184.99
January 09	169.57	169.57	184.99	169.57
February 09	161.10	153.05	169.57	153.05
March 09	145.40	87.40	153.05	90.03

Change of Address / E-mail Address

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

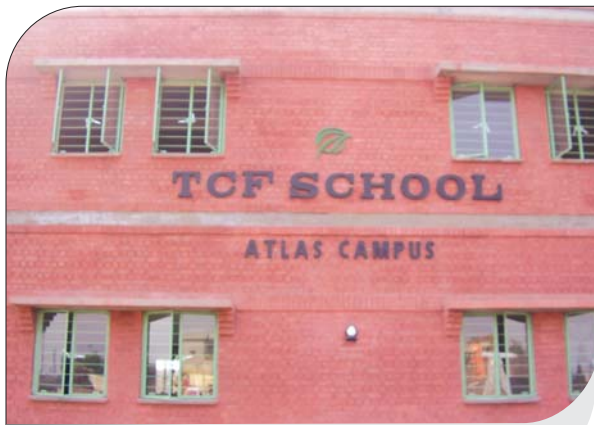
Shares Registrar

M/s. Hameed Majeed Associates (Pvt.) Limited.
H. M. House, 7-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore
Tel: (92-42) 7235081-82, Fax: (92-42) 7358817

CORPORATE SOCIAL RESPONSIBILITIES

Donating to Social Welfare

During the year, Atlas Foundation on behalf of Atlas Honda Limited (AHL) sponsored a primary school in a village near the Sheikhpura factory. The school built in collaboration with The Citizen Foundation (TCF) has a capacity for about 210 students at present. There are already about 120 children enrolled in the school. Most of the children belong to poor families of farmers and labourers living in the village and neighbouring remote areas around the factory.



TCF (Atlas Campus) School at Sheikhpura



TCF (Atlas Campus) School at Sheikhpura

Protecting the Environment

Worldwide change in climate is a fact. As a responsible citizen of the society, AHL introduced the first



CD-100 EURO-2 Launching Ceremony

Euro 2 compliant motorcycle in Pakistan. The Euro 2 emission standards were first introduced in Europe. These are considered to be amongst the strictest environmental standards worldwide. CD-100 motorcycle is recognized as the first Euro 2 motorcycle. The company envisages upgrading Euro Standards in all of its motorcycles.

Providing Resources & Training for Students

Students in Vocational Training Institutes are the future of the industry. AHL has arrangements with different educational institutions for providing tools, motorcycle engines and other resources free of cost. The company also offers internship programs, study tours, and allows student engineers to do projects at the factory premises, so that they may become technically sound and be able to become productive members of the society.



Technical Institute students at AHL

Roshan Pakistan

In order to minimise road accidents and to save precious lives, especially in the foggy season, it is imperative that all the electrical systems, lights and indicators be in perfect working conditions. For this it is necessary to create awareness and importance of checking backlight and all indicators while driving on the road. For this reason a joint activity with the Traffic Police is being carried out in different parts of the country, where fuse bulbs of backlight and indicators are being replaced free of cost.



Camp on importance of brake lights

Safety and Traffic Education Mobile Van

To ensure the safety of its customers, residing in remote and small towns, AHL has introduced a unique concept of Safety and Traffic Education Mobile Van in Pakistan. It is helping in creating awareness about safety techniques and traffic rules. The Van is equipped with latest training equipments and can carry 8 motorcycles.



Traffic Education Mobile Van

undertake study tours to AHL plants at Karachi and Sheikhpura from time to time. In the current year, AHL arranged 11 camps for training of 5-S dealer mechanics and general mechanics. These programs play a very vital role in developing latest technical knowledge and skills for these mechanics, and keep them updated with internationally accepted best practices and safe methods for servicing motorcycles. The mechanics are also given training to use proper tools. This enables them to perform their work safely and effectively without causing damage to themselves as well as parts of motorcycle.

Contributing to Technical / Skill Development of Motorcycle Mechanics

Every year Atlas Honda Limited (AHL) arranges a number of training workshops through out the country for motorcycle mechanics. Moreover, mechanics also



Motorcycle mechanics at training workshops



ENVIRONMENTAL ACTIVITIES

Atlas Honda Limited (AHL) is committed to minimize the impact on environment resulting from its activities. In 2008-09 the company has progressed in its environment friendly activities. Following are the two important milestones achieved during the year:

Acquisition of ISO 14001-2004 certification

In Dec 2008, the company obtained ISO 14001-2004 certification after under going rigorous criteria for meeting the specified standards.

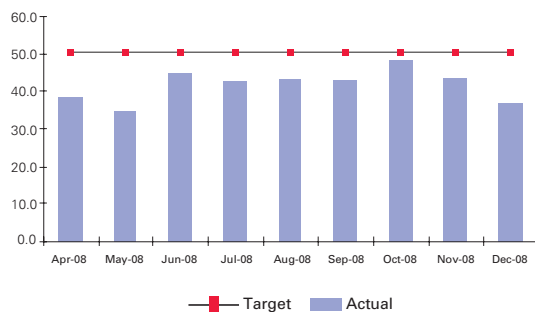


Launching of CD 100 Euro II Model

The company successfully developed and launched the First Euro 2 compliant motorcycle in Pakistan market in the shape of CD-100 Euro 2 in September 2008. Atlas Honda Limited is the pioneer in the motorcycle industry to have a Euro 2 Compliant model. This shows the commitment of the company to the protection of the environment.

The company continuously focused on all the four environment related business domains i.e. Product development, Purchasing, Production and End of Life Vehicles (ELV), respectively in line with the standards set by Honda Motor Company, Japan.

During the year, the company also continued to focus on further reducing potentially environmental hazardous emissions from its factory. CO₂ and VOC reductions were targeted in particular.



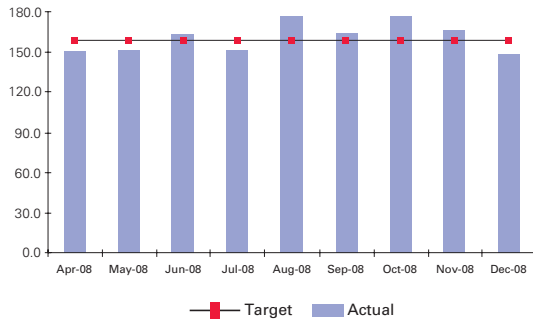
CO₂ Reduction (KgCO₂/Vehicle)

In the production domain, AHL has aggressively reduced the use of energy and resources making progress toward zero emission based on Green factory initiative. CO₂ emission attributable to energy used in

production was reduced by 21 percent against the target of 3 percent. Main energy saving measures are:

- Energy Saving Unit installation
- Compressors load shifting to Gas Gen-set
- HVAC, lights and fans optimum utilization
- Reduction in compressed air leakages
- Optimum use of paint baking ovens

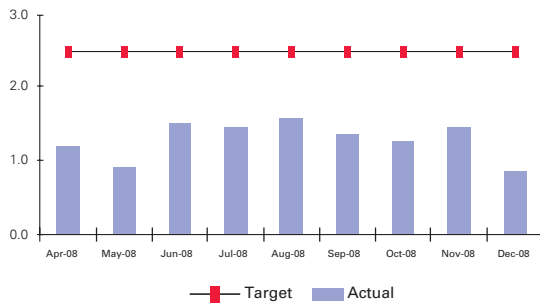
VOC Reduction (Gm/m²)



Major sources of VOC emission are solvents used in the painting process. Several measures were implemented to reduce VOC:

- Exhaustive reduction in waste and loss at both plants by improving in recovery of thinner for cleaning purpose.
- Converted clear lacquer coating on Fuel Tank painting line, to diaphragm pumps, with HPLV system at 2 Bars.
- Improvement in coating efficiency.

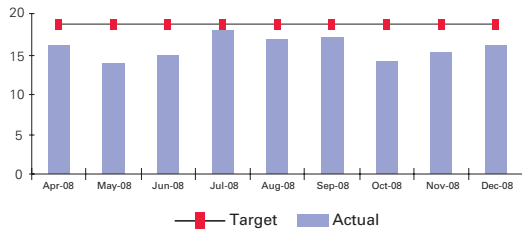
Water consumption (m³/Veh)



Water is one of the most precious natural resources and its recycling, re-use and reduction in its consumption is an important part of the company's strategy. Atlas Honda again has taken a lead in this direction and implemented the following actions during the year:

- Installed a water recycling unit on the fuel tank welding line, enabling to recycle 132 gallons/minute.
- Treatment plant discharged water re-used for gardening purpose.

General and Hazardous waste reduction (Kg/Veh)



- Re-use of scrap trolleys and utilized about 5 Tons of steel sheets and pipes material.
- Aluminium HS1S material recycling by separating steel net from Cylinder Head casting gates.
- RCS (Resin Coated Sand) recycled as 10% with new sand. A total of 3.64 ton in 6 months was recycled.

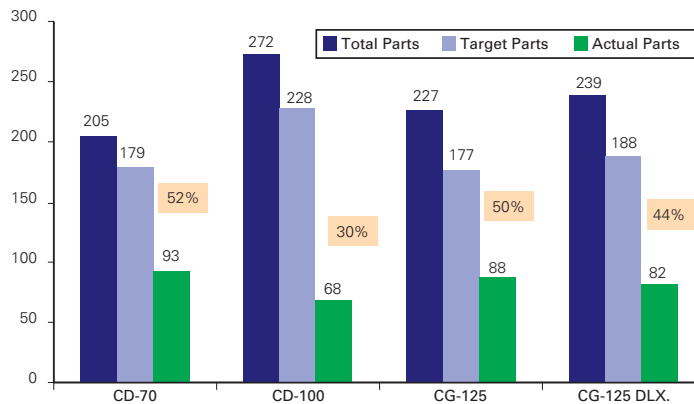
Results of all above targets have not only been achieved but in most cases exceeded the set standards. 3R concept has been embedded in our culture i.e. Reduce, Re-use, Recycle the natural resources and materials.

The company will continuously strengthen the measures to achieve the challenging environment goals that have been established.

End of Life Vehicle (ELV)

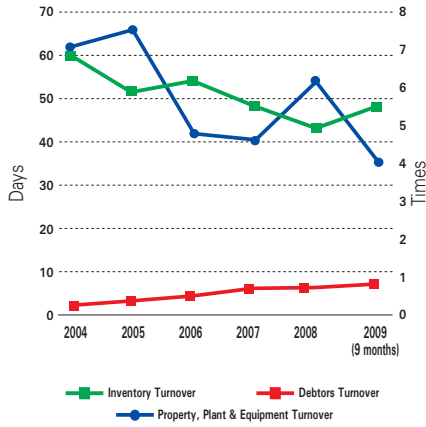
1st Phase Cr + 3 Implementation Effect

Model	CD-70	CD-100	CG-125	CG-125 DLX.
Total Parts	205	272	227	239
Target Parts	179	228	177	188
Actual Parts	93	68	88	82

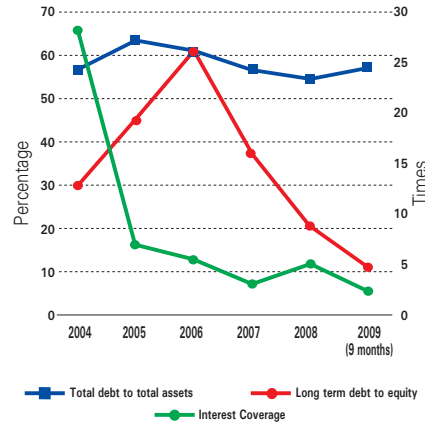


GRAPHICAL PRESENTATION OF FINANCIAL INFORMATION

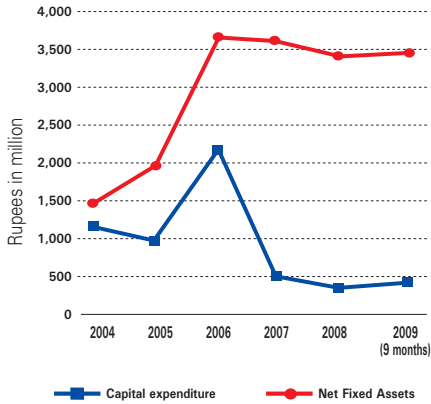
Asset Management



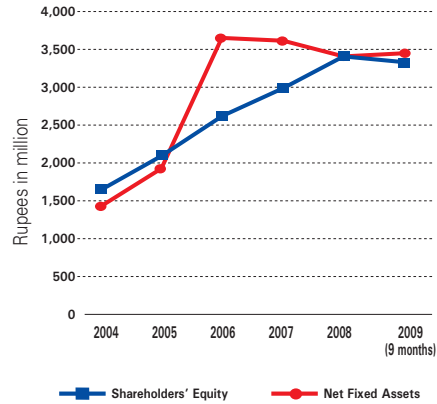
Debt Management



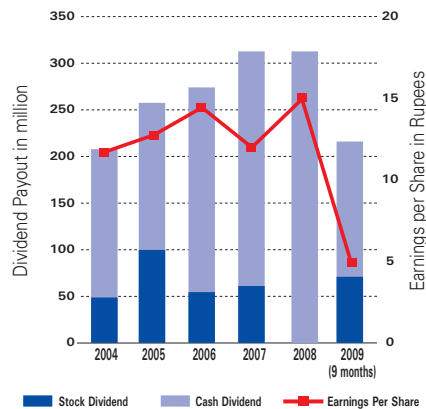
Capital Expenditure Vs Net Fixed Assets



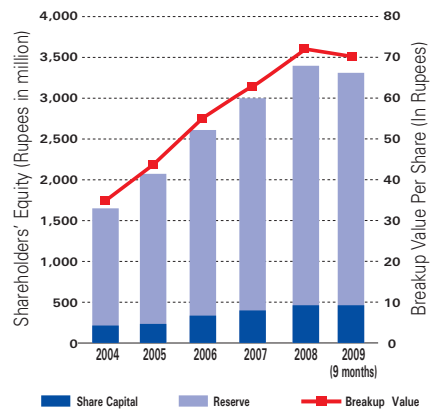
Shareholders' Equity Vs Net Fixed Assets



Dividend Payout & Earnings per share



Shareholders' Equity and Breakup Value



TEN YEARS AT A GLANCE

(Rupees in million)

Particulars	2009 (Nine months)	2008	2007	2006	2005	2004	2003	2002	2001	2000
Condensed Balance Sheet										
Assets										
Non Current Assets										
Property, plant & equipment										
incl. intangible assets	3,429.5	3,391.4	3,591.2	3,627.8	1,907.5	1,405.6	566.1	536.0	450.7	490.3
Other non current assets	23.3	27.6	80.6	28.1	18.0	15.1	15.7	22.5	22.6	16.0
Current Assets										
Inventory	2,220.2	2,279.6	1,988.6	2,317.1	1,794.1	1,429.6	650.2	500.3	569.0	443.5
Investments & bank balances	1,092.2	1,881.4	1,784.5	1,009.4	1,842.5	751.5	1,021.0	406.8	159.3	252.4
Other current assets	719.8	1,124.6	591.9	647.8	529.2	510.1	404.1	366.0	285.6	217.1
Total Assets	7,485.0	8,704.6	8,036.8	7,630.2	6,091.3	4,111.9	2,657.1	1,831.6	1,487.2	1,419.3
Equity & Liabilities										
Share capital	473.0	473.0	411.3	357.6	255.5	204.4	204.4	204.4	146.0	146.0
Reserves	2,848.3	2,931.2	2,564.5	2,251.3	1,822.8	1,441.3	872.2	587.9	498.4	439.0
Non current liabilities	950.7	1,268.5	1,668.7	2,009.8	1,124.8	584.1	172.3	113.8	156.8	208.7
Current Liabilities										
Creditors & provisions	2,718.6	3,297.1	2,828.2	2,478.3	2,369.2	1,570.1	990.0	591.0	476.4	394.0
Other current liabilities	494.4	734.8	564.1	533.2	519.0	312.0	418.2	334.5	209.6	231.6
Total Equity & Liabilities	7,485.0	8,704.6	8,036.8	7,630.2	6,091.3	4,111.9	2,657.1	1,831.6	1,487.2	1,419.3
Condensed profit & loss a/c										
Sales	13,747.8	20,855.5	16,608.4	17,420.2	14,120.8	9,948.1	6,977.4	5,524.0	4,704.5	3,397.4
Cost of sales	12,782.2	19,299.0	15,044.6	15,790.5	12,776.7	8,713.9	5,949.6	4,788.5	4,246.1	3,044.5
Gross profit	965.6	1,556.5	1,563.8	1,629.7	1,344.1	1,234.2	1,027.8	735.5	458.4	352.9
Operating expenses	437.0	495.2	580.8	528.4	445.2	360.2	360.0	322.4	237.8	199.0
Operating profit	528.6	1,061.3	983.0	1,101.3	898.9	874.0	667.8	413.1	220.6	153.9
Other charges (net of other income)	175.9	57.1	179.5	54.3	(6.7)	31.5	16.9	18.6	17.7	52.1
Profit before tax	352.7	1,004.2	803.5	1,047.0	905.6	842.5	650.9	394.5	202.9	101.8
Taxation	128.2	301.2	249.9	370.2	308.5	297.8	223.5	124.0	85.1	41.7
Profit after taxation	224.5	703.0	553.6	676.8	597.1	544.7	427.4	270.5	117.8	60.1

TEN YEARS AT A GLANCE

Particulars	2009 (Nine months)	2008	2007	2006	2005	2004	2003	2002	2001	2000
Profitability Ratios										
Gross profit (%)	7.0	7.5	9.4	9.4	9.5	12.4	14.7	13.3	9.7	10.4
Profit before tax (%)	2.6	4.8	4.8	6.0	6.4	8.5	9.3	7.1	4.3	3.0
Profit after tax (%)	1.6	3.4	3.3	3.9	4.2	5.5	6.1	4.9	2.5	1.8
Return on capital employed (%)	14.1	24.6	20.9	24.6	30.4	38.3	53.6	44.5	16.7	8.8
Interest cover ratio (Times)	2.4	5.0	3.1	5.5	6.9	28.1	17.2	11.2	3.6	2.0
Earnings before interest, tax, depreciation & amortisation (EBITDA) (Rs in million)	849.8	1,631.0	1,537.2	1,586.5	1,373.2	1,119.7	761.1	492.6	294.1	188.5
EBITDA Margin (%)	6.2	7.8	9.3	9.1	9.7	11.3	10.9	8.9	6.3	5.5
Return to Shareholders										
ROE - before tax (%)	14.2	29.5	27.0	40.1	43.6	51.2	60.5	49.8	31.5	17.4
ROE - after tax (%)	9.0	20.7	18.6	25.9	28.7	33.1	39.7	34.1	18.3	10.3
EPS - after tax (Rs)	4.75	14.9	11.7	14.3	12.6	11.5	9.0	5.7	2.5	1.3
Price Earning Ratio (Times)	18.7	14.1	13.5	15.5	24.2	15.2	8.9	7.0	10.0	15.2
Market Price (Rs)	88.8	210.0	158.0	221.1	305.0	175.0	80.0	40.1	25.0	19.3
Break up value per share (Rs)	70.2	72.0	62.9	55.2	43.9	34.8	22.8	16.8	13.6	12.4
Dividend										
Cash dividend (Rs)	3.0	6.5	6.0	6.0	6.0	7.5	7.0	6.0	4.0	2.0
Stock dividend (Rs)	1.5	-	1.5	1.5	4.0	2.5	-	-	4.0	-
Dividend yield (%)	5.1	3.1	4.7	3.4	3.3	5.7	8.8	15.0	32.0	10.4
Dividend cover (Times)	1.1	2.3	1.6	1.9	1.3	1.2	1.3	1.0	0.3	0.6
Dividend pay out (%)	94.8	43.7	55.7	39.6	42.8	39.0	33.5	45.3	99.2	48.6
Plough back ratio (%)	5.2	56.3	44.3	60.4	57.2	61.0	66.5	54.7	0.8	51.4
Asset Utilization										
Total assets turnover (Times)	1.8	2.4	2.1	2.3	2.3	2.4	2.6	3.0	3.2	2.4
Fixed assets turnover (Times)	4.0	6.1	4.6	4.8	7.5	7.1	12.3	10.3	10.4	6.9
Inventory turnover (Times)	6.2	9.1	7.6	6.7	7.1	6.1	9.1	9.6	7.5	7.7
Debtor turnover (Times)	42.9	51.2	58.9	62.1	101.1	141.5	140.4	33.2	109.9	85.6
Capital employed turnover (Times)	3.7	5.1	4.1	4.1	4.7	4.8	6.5	7.0	7.3	5.8
Working Capital Cycle										
Inventory holding period (Days)	48	43	48	54	51	60	40	38	49	53
Trade debtors period (Days)	7	6	6	4	3	2	6	7	3	4
Creditors period (Days)	(64)	(57)	(65)	(54)	(55)	(49)	(47)	(41)	(36)	(43)
Working capital cycle (Days)	(9)	(8)	(11)	4	(1)	13	(1)	4	16	14
Liquidity/ Leverage										
Current Ratio (Times)	1.25	1.31	1.29	1.32	1.44	1.43	1.47	1.38	1.48	1.46
Quick Ratio (Times)	0.56	0.75	0.70	0.55	0.82	0.62	1.03	0.90	0.68	0.73
Long Term debts to Equity (Times)	0.11	0.20	0.37	0.61	0.45	0.30	0.10	0.10	0.10	0.30
Total Liabilities to Equity (Times)	1.25	1.56	1.70	1.92	1.90	1.80	1.50	1.30	1.30	1.40

**ANALYSIS OF FINANCIAL STATEMENTS
BALANCE SHEET**

Particulars				Vertical Analysis Composition of Balance Sheet			Horizontal Analysis % Change Year to Year		
	2009	2008	2007	2009	2008	2007	2009 vs 2008	2008 vs 2007	2007 vs 2006
	(Rupees in '000)			%	%	%	%	%	%
FIXED ASSETS									
Property, plant & equipment	3,412,901	3,376,605	3,566,931	45.6	38.8	44.4	1.1	-5.3	-0.9
Intangible asset	16,601	14,813	24,324	0.2	0.2	0.3	12.1	-39.1	-16.4
OTHERS - NON CURRENT ASSETS									
Investments - Available for sale	-	-	51,761	0.0	0.0	0.6	0.0	-100.0	100.0
Long term loans and advances	14,359	14,043	12,943	0.2	0.2	0.2	2.3	8.5	-24.3
Long term deposits and prepayments	8,964	13,503	15,900	0.1	0.2	0.2	-33.6	-15.1	44.2
TOTAL NON-CURRENT ASSETS	3,452,825	3,418,964	3,671,859	46.1	39.3	45.7	1.0	-6.9	0.4
CURRENT ASSETS									
Stores, spares and loose tools	428,188	417,564	407,730	5.7	4.8	5.1	2.5	2.4	7.5
Stock in trade	1,792,036	1,862,069	1,580,925	23.9	21.4	19.7	-3.8	17.8	-18.4
Trade debts	320,180	407,354	282,249	4.3	4.7	3.5	-21.4	44.3	0.6
Loans and advances	37,646	39,354	20,553	0.5	0.5	0.3	-4.3	91.5	-60.0
Trade deposits and prepayments	64,637	223,229	5,075	0.9	2.6	0.1	-71.0	4298.6	69.3
Investments at fair value through P&L	455,816	1,377,300	864,989	6.1	15.8	10.8	-66.9	59.2	164.3
Accrued mark-up/ interest	520	812	90	0.0	0.0	0.0	-36.0	802.2	-83.4
Other receivables	296,790	453,867	283,552	4.0	5.2	3.5	-34.6	60.1	-9.2
Cash and bank balances	636,426	504,138	919,623	8.5	5.8	11.4	26.2	-45.2	34.8
TOTAL CURRENT ASSETS	4,032,239	5,285,687	4,364,786	53.9	60.7	54.3	-23.7	21.1	9.8
TOTAL ASSETS	7,485,064	8,704,651	8,036,645	100.0	100.0	100.0	-14.0	8.3	5.3
EQUITY & LIABILITIES									
SHARE CAPITAL & RESERVES									
Share capital	472,985	472,985	411,291	6.3	5.4	5.1	0.0	15.0	15.0
Reserves	2,622,118	2,227,118	2,009,004	35.0	25.6	25.0	17.7	10.9	26.7
Unappropriated profit	226,159	704,066	555,526	3.0	8.1	6.9	-67.9	26.7	-16.5
TOTAL SHARE CAPITAL & RESERVES	3,321,262	3,404,169	2,975,821	44.4	39.1	37.0	-2.4	14.4	14.1
LONG TERM LIABILITIES									
Long term liabilities	375,000	697,517	1,109,267	5.0	8.0	13.8	-46.2	-37.1	-30.2
Deferred liabilities	575,862	571,004	559,487	7.7	6.6	7.0	0.9	2.1	33.3
TOTAL LONG TERM LIABILITIES	950,862	1,268,521	1,668,754	12.7	14.6	20.8	-25.0	-24.0	-17.0
TOTAL EQUITY & LONG TERM LIABILITIES	4,272,124	4,672,690	4,644,575	57.1	53.7	57.8	-8.6	0.6	0.6
CURRENT LIABILITIES									
Trade and other payables	2,646,221	3,247,381	2,770,966	35.4	37.3	34.5	-18.5	17.2	15.0
Accrued mark-up / interest	72,328	49,829	57,035	1.0	0.6	0.7	45.2	-12.6	-17.4
Short term borrowings	-	-	-	0.0	0.0	0.0	0.0	0.0	-100.0
Current portion of long term liabilities	389,980	436,751	465,829	5.2	5.0	5.8	-10.7	-6.2	26.3
Provision for taxation	104,411	298,000	98,240	1.4	3.4	1.2	-65.0	203.3	-32.7
TOTAL CURRENT LIABILITIES	3,212,940	4,031,961	3,392,070	42.9	46.3	42.2	-20.3	18.9	12.6
TOTAL EQUITY AND LIABILITIES	7,485,064	8,704,651	8,036,645	100.0	100.0	100.0	-14.0	8.3	5.3

ANALYSIS OF FINANCIAL STATEMENTS
PROFIT & LOSS ACCOUNT

Particulars	2009 (Nine months)			Vertical Analysis Composition of P&L			Horizontal Analysis % Change Year to Year		
	2009	2008	2007	2009	2008	2007	2009 vs 2008	2008 vs 2007	2007 vs 2006
	(Rupees in '000)			%	%	%	%	%	%
PROFIT & LOSS ACCOUNT									
Sales	13,747,820	20,855,535	16,608,413	100.0	100.0	100.0	-34.1	25.6	-4.7
Cost of sales	(12,782,165)	(19,298,994)	(15,044,640)	-93.0	-92.5	-90.6	-33.8	28.3	-4.7
Gross Profit	965,655	1,556,541	1,563,773	7.0	7.5	9.4	-38.0	-0.5	-4.0
Distribution cost	(271,346)	(267,483)	(371,569)	-2.0	-1.3	-2.2	1.4	-28.0	8.3
Administrative expenses	(165,648)	(227,759)	(209,261)	-1.2	-1.1	-1.3	-27.3	8.8	13.0
Other operating income	89,744	263,870	150,681	0.7	1.3	0.9	-66.0	75.1	-12.9
Other operating expenses	(13,849)	(68,878)	(60,772)	-0.1	-0.3	-0.4	-79.9	13.3	-19.8
Profit from operations	604,556	1,256,291	1,072,852	4.4	6.0	6.5	-51.9	17.1	-10.5
Finance cost	(251,777)	(252,091)	(269,337)	-1.8	-1.2	-1.6	-0.1	-6.4	77.7
Profit Before Tax	352,779	1,004,200	803,515	2.6	4.8	4.8	-64.9	25.0	-23.3
Taxation	(128,246)	(301,191)	(249,924)	-0.9	-1.4	-1.5	-57.4	20.5	-32.5
Profit After Tax	224,533	703,009	553,591	1.6	3.4	3.3	-68.1	27.0	-18.2

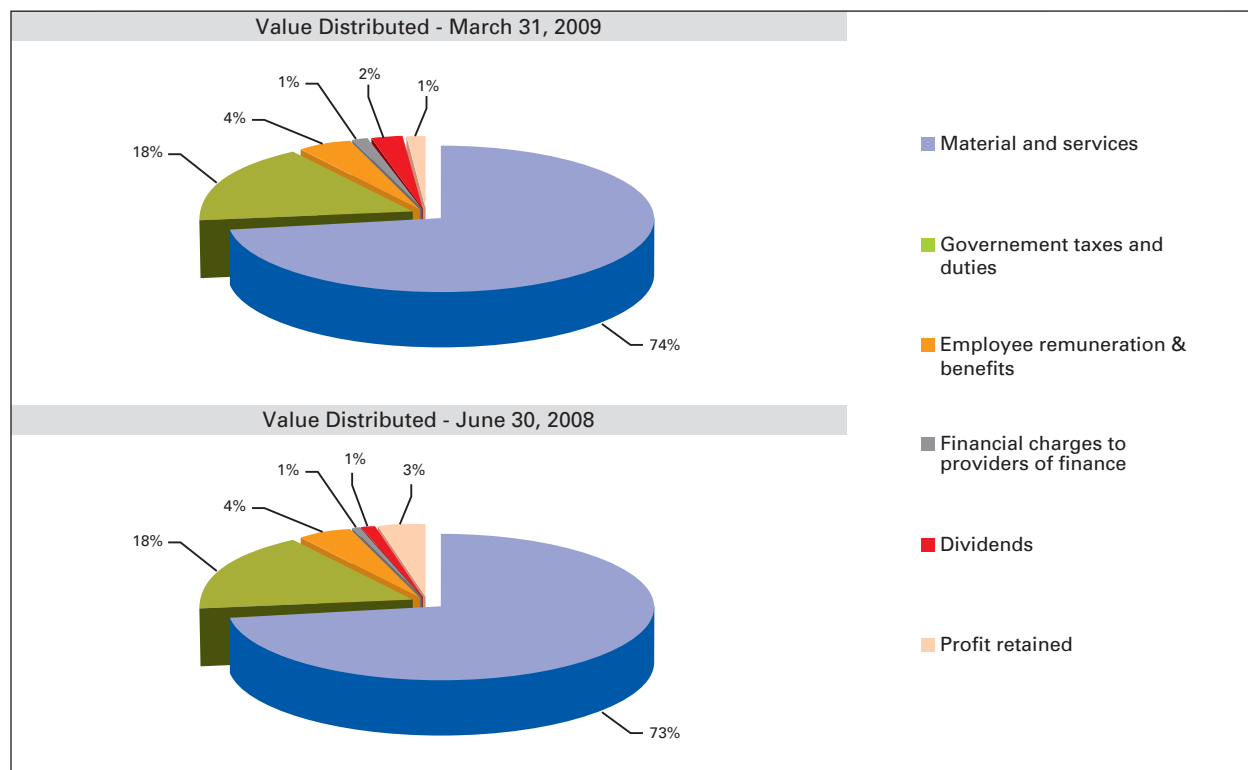
CASH FLOW STATEMENT

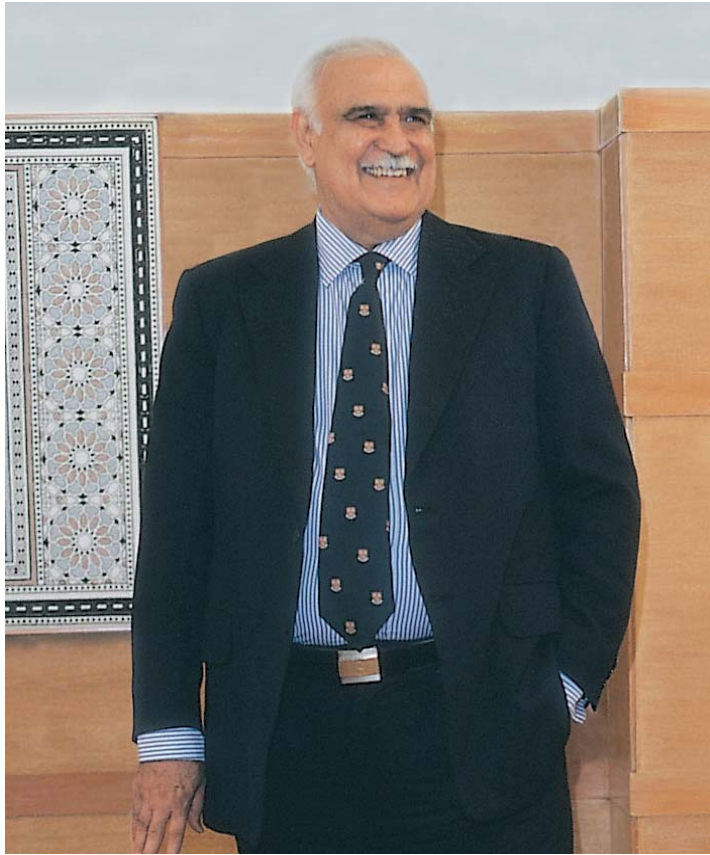
Particulars	2009 (Nine months)			Vertical Analysis Composition of Cash Flow			Horizontal Analysis % Change Year to Year		
	2009	2008	2007	2009	2008	2007	2009 vs 2008	2008 vs 2007	2007 vs 2006
	(Rupees in '000)			%	%	%	%	%	%
Cash flow from operating activities	215,340	842,189	1,780,564	162.8	-202.7	749.6	-74.4	-52.7	227
Cash flow from investing activities	592,284	(572,029)	(923,751)	447.7	137.7	-388.9	-203.5	-38.1	-52.9
Cash flow from financing activities	(675,336)	(685,645)	(619,278)	-510.5	165.0	-260.7	-1.5	10.7	-192.6
Increase/(decrease) in cash & cash equivalent	132,288	(415,485)	237,535	100.0	100.0	100.0	-131.8	-274.9	-131.7

STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

FOR THE NINE MONTHS PERIOD FROM JULY 1, 2008 TO MARCH 31, 2009

	Nine months ended March 31, 2009		Year ended June 30, 2008	
		%		%
(Rupees in '000)				
Value Addition				
Net sales including sales tax	16,061,694	99%	24,274,447	99%
Other operating income	89,744	1%	263,870	1%
	<u>16,151,438</u>	<u>100%</u>	<u>24,538,317</u>	<u>100%</u>
Value Distribution				
Material and services	11,847,005	74%	17,914,348	73%
Government taxes and duties	2,922,072	18%	4,310,561	18%
Employee remuneration & benefits	667,950	4%	997,580	4%
Financial charges to providers of finance	180,983	1%	153,675	1%
Dividends	307,440	2%	246,775	1%
Profit retained	225,988	1%	915,378	3%
Total Value Distributed	<u>16,151,438</u>	<u>100%</u>	<u>24,538,317</u>	<u>100%</u>





CHAIRMAN'S REVIEW

It is my pleasure to present to you the 45th Annual Report of the performance of the company for the period ended March 31, 2009.

THE ECONOMY

The global economic crisis did have an impact on the economy of Pakistan. However, the fact that our economy is still predominantly agriculture based kept the worst away from us. The initial shocks of the global crisis were absorbed and it speaks volumes for the resilience of our people and the economy that it has managed to move on without a major crisis. The fact that the economy is already on its way to recovery is enough to establish the potential of this country. To this positive note, one must add that the challenges are still there

and while one needs to approach the future with hope and courage, it is important to plan well and thoroughly for the shocks that may still be in the offing.

The slowdown of the economy was only partially a result of the global impact. It was largely due to our own making. Political and social instability, deteriorating law and order situation and inconsistent and unclear Government policy have all contributed in eroding the entrepreneurs' confidence. The cumulative effect can be seen in the projected GDP growth rate of 2.5 percent for the year 2008-09. Initially it was projected to be 5.5 percent compared to 5.8 percent of last year. The major pressure in the economy has stemmed from inflation. The good news is that the State Bank of Pakistan has projected inflation slowing down in the final quarter of FY08-09. Controlled inflation may usher in lower interest rates and improved liquidity which is so necessary for growth of industry.

The economy has passed through its worst phase. International Monetary Fund (IMF) has disbursed the first two tranches of US \$ 3.1 billion. The World Bank and Asian Development Bank have pledged support and an independent overseas support group, Friends of Democratic Pakistan, in a recent meeting in Tokyo, pledged over US \$ 5 billion to support the economy of Pakistan. The stock market has started to win back confidence of the investors and, as a result, has improved by over 50 percent from its bottom. Foreign exchange reserves have crossed US \$ 11 billion. The commodity prices are reflective of an inherent demand in the economy. A bumper wheat crop and a good price received by the farmer have triggered substantial demand in the economy once again. What is needed is consistency in policies that reassures economic dynamism.

AUTOMOBILE INDUSTRY

The contraction of demand in the economy had a substantial impact on the auto industry as well. The automobile industry in the country experienced a steep slump in sales and production volumes as the demand eroded on the back of low consumer confidence. The ever changing Government policies and the levy of different taxes and duties on this sector contributed further in precipitating the slow down.

Other causes of the slow down include the escalating raw material prices, deteriorating parity of Pak Rupee against major world currencies, rising inflation and trade deficit and increasing lending rates of the banks coupled with the tightening of lending policies of the financial institutions. All these factors have increasingly affected the profitability of the industry. The sale of cars and Light Commercial Vehicles (LCVs) declined by 48% and 12% respectively. The production and sales of motorcycles is down by 20% which represents a sizeable decline.

In the world of today, changing models, improved fuel efficiency, cutting manufacturing cost and enhancing the user comfort without compromising on quality are the most crucial challenges for the auto industry. It is considered a mother industry for technology development and a major generator of employment. The government would do well to provide a conducive environment for restoring confidence of industry and the customer. This is essential for reviving this all important industry.

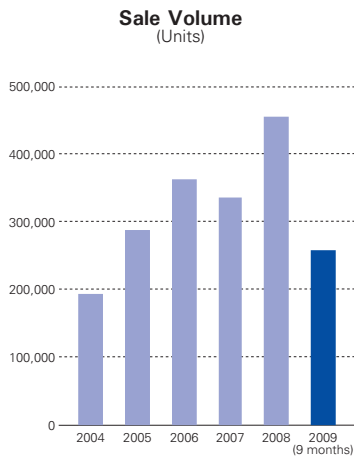
MOTORCYCLE INDUSTRY

On an annualized basis, the motorcycle industry declined from a base of about 1 million to less than 800,000 units. The 20% decline was largely due to the effects of economic downturn. Devaluation and higher interest rates forced most of the manufacturers to increase the prices of their products. Higher material prices and local inflation were further pressures on the cost of production. As a result of higher prices and reduced purchasing power, the industry witnessed a reduced customer base. Tighter liquidity conditions forced potential customers to defer the purchase of motorcycles. The second and third quarters of the year, therefore, led to a period of excess inventory for all manufacturers. Unfortunately, such conditions are perfect for the informal sector to indulge in further malpractices. Sales tax avoidance creates a 16% advantage in terms of pricing power compared to the formal sector. Price war in the informal sector, induced through tax evasion, has become the norm rather than the exception. The government seems to have turned the other cheek. However, at a time when revenue generation is getting weaker, this obvious source of collection must be brought into the net by checking the malpractices.

THE COMPANY

Marketing

The four model line-up of the company is a unique strength in the market. Presence in all three segments - Basic, Standard and Premium - creates a distinct competitive advantage for the company. All four models have been able to carve out distinct niches!



CD70 remains the dominant bike in the 70cc segment despite the presence of over 60 competitors. The strengths, due to better fuel consumption, re-sale value and durability mean that CD70 can still command a price premium for its higher quality. Over the period of thirty years, over 2 million CD70s have been sold in the Pakistan market. The competitor only copies this motorcycle, which reflects the Pakistan customer's fondness for it. Even this year, however, Atlas Honda maintained a 50% share in this segment by selling over 200,000 units in 9 months.

CG125 maintained its leadership in the 125cc segment by capturing a share of over 90%. Together with the premium CG125 Deluxe, the company sold over 50,000 units in this segment in the period under review. CD100 is slowly but surely making an impact in 100cc segment. Atlas Honda historically did not position a motorcycle in this segment but having CD100 in this category is already proving worthwhile. The company hopes to be a leader in this segment in due course.

After Sales Service and Spare Parts

Over the years, another distinct advantage of the company has been its countrywide service and spare parts network. In order to better leverage it as a source of the product's premium, the company executed two important business plans during the year. First, through the effective utilization of warranty dealers' network, the company was able to settle the targeted 72% of warranty related claims within 24 hours. This is a level of service difficult for others to emulate. The re-sale value of the product as well as the ability of the product to save Rs.24,000 more in terms of fuel and maintenance over its competition is an advantage that is being successfully highlighted through the network in a highly visible campaign.

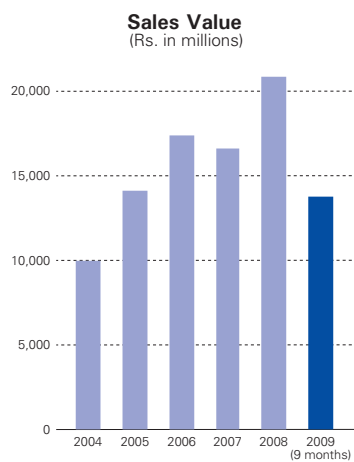
Second, the target to sell over Rs.1 billion spare parts in a 12 months period was finally achieved during the year under review. The company feels spare parts is becoming an important Strategic Business Unit for the company. The potential of this area is still largely untapped. With more localization, the availability and affordability of spare parts is becoming a reality. The company hopes to grow the business to over Rs.2 billion in a couple of years.

Distribution

The company is aggressively expanding its network through a five pronged strategy. Its primary reliance is still on the 5'S' dealership, which grew by another 13 in number, during the year. Currently the company has over 200 5'S' dealers. In addition, the company expanded its installment

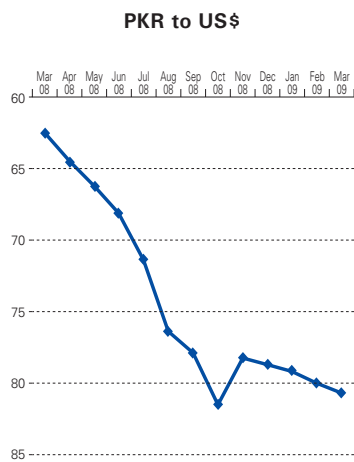
dealership by 8 and Smart Sales Point by 4. The latter is especially effective in countering the competition in the rural areas. The company is also now exploring the idea of starting a Used Motorcycle network under the brand name HUMS. The company feels that customers' increasingly value exclusive re-sale outlets as a part of the company's official network. Also an important distribution partner is the vast service and spare parts network comprising mechanics and warranty dealers. The company is integrating all these into a singular focus from next year.

FINANCIAL HIGHLIGHTS



The company has changed its accounting year from June 30 to March 31, in order to facilitate consolidation of accounts with Honda Motor Co. Ltd, Japan, it's foreign associate. As such these accounts have been prepared for the nine months period ended March 31, 2009 as compared to full year ended June 30, 2008.

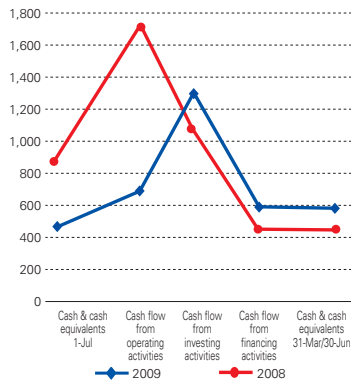
The company registered sales of Rs. 13.74 billion during nine months as against Rs. 20.85 billion achieved during the 12 months period last year. The cost of goods sold was registered at Rs.12.78 billion. Gross profit percentage has slightly decreased from 7.5% of last year to 7.02% for the period under review due to depreciation of Pak Rupee, high steel prices and lower production volume. The effect has been further aggravated by high inflation, which created pressure on manufacturing cost. Although the company increased the selling price to counter the cost pressures, it was not able to pass on the whole impact to customers.



The distribution cost and administrative expenses for the period were Rs. 436.99 million. These expenses, if compared as a percentage of sales, were higher at 3.18% as compared to 2.37% of the previous year. The higher relative expenses were to support more aggressive sales activities to counter the effects of the economic downturn. The positive results would hopefully be reflected in the next year's results.

The operating profit for the period was Rs. 604.55 million which was 4.4% of sales as against 6.02% of last year. During the period, financial charges increased from Rs. 252.09 million in the nine months due to the higher borrowings to meet higher working capital requirements. At the same time, the company reduced its investments to generate liquidity. As a result, other income was sharply lower at Rs. 89 million as compared to Rs. 263 million in last year. However, the company feels that this was a temporary reduction. With adjustment in inventory and improved sales, the company once again reduced all its short term borrowings by the end

Net Change in Cash & Cash Equivalents
(Rs. in millions)



of period under review. At the beginning of the new year, the company is once again sitting on substantial liquidity, which augurs well for increase in other income next year.

As a result of the improved inventory and liquidity position by the end of the year, the company generated positive cash flow in excess of Rs. 200 million for its operating activities. The company also continued to be one of the leading contributors to the exchequer, generating nearly Rs. 3 billion in respect of sales tax, income tax and custom duties. This makes Atlas Honda one of the biggest tax payers in the country.

PRODUCTION

Contribution to National Exchequer
(Rs. in millions)



During the nine month period of 2008-09, company produced 255,344 units as per sales demand, despite energy shortages and inflationary pressures. In response to the market conditions, two shifts operation, at the Sheikhpura plant, was replaced by an expanded single shift working. Productivity per man and machine was enhanced by increasing the line speed thereby saving production overheads. Seamless integration of Karachi and Sheikhpura plants and Kaizen activities in all production units of plants, minimized rejections, improved quality and reduction in production costs helped the company to counter the economic pressure. The company's initiative of installing LPG storage facility, as back up of natural gas, helped save production during natural gas suspension period. The company maximized utilization of its plant capacity and is offering its manufacturing facilities and expertise to Honda Atlas Cars (Pakistan) Limited by manufacturing engine parts of Honda City car since January 2009.

Being an ISO 9001:2000 (Quality Management Systems) and ISO 14001 (Environment Management Systems) compliant organization, the company periodically updates its processes and procedures through audits conducted by independent auditors.

INFORMATION TECHNOLOGY

The company remained distinctly ahead in terms of Information Technology System not only among motorcycle manufacturers but in the manufacturing sector as a whole. Enterprise Resource System (ERP) SAP, is providing coordination among departments. The company is always exploring dynamic features to improve services to its dealers and customers by optimizing available resources of information technology. Next year, the company is planning to launch its Business to Business (B2B) services to its business partners in order to improve efficiency and reduce lead-times.

SUPPLY CHAIN

Managing the supply chain in an increasingly globalized environment is proving to be a huge challenge and potentially a source of competitive advantage. The company has strengthened its local vendor base continuously. It is striving to upgrade and modernize its machines and processes while ensuring a reduction in vendor costs. There are some hurdles as the mindset requires a change but Atlas, with the help of Honda, is committed to this process. At the same time, the company has now improved its systems effectively to be in a position to procure globally from any Honda factory if Quality, Cost and Delivery are guaranteed. Having this flexibility will ensure greater cost competitiveness in the long run.

HUMAN RESOURCE

Adapting to change is essential to any organization, especially when the growth is exponential or contraction in sales and production is steep. It is indeed the strength of company that it was able to take necessary measures and realigned all resources, including human resources, to remain competitive in industry.

The company recognized the importance of training and continued the policy of developing its most important asset, the human resource. However, the emphasis was given to in-house training. The in-house training program proved effective and some new initiatives at the group level will help to fulfill the training needs. A total of 257 associates participated in the in-house programs, 8 senior executives attended the Leadership Grid Training program.

Core objective was to improve systems and procedures during the period. Integration of HRIS with Group HR data base was achieved and data is now being shared regularly. Human Resource ISO manual has been registered with ISO cell.

Ala'mayar circles activities in the company proved excellent demonstration of real Plan, Do, Check and Action (PDCA) management cycle implementation. The company was able to widen its domain and a record number of circles participated in this activity during the year.

During the year Mr. Razi ur Rahman has rejoined the company as General Manager Human Resource after having served in Honda Atlas Cars (Pakistan) Limited, an associated company. He brings with him vast management experience which will be useful for the company.



KSE TOP 25 COMPANIES AWARD

The company has once again received one of the most prestigious awards of the Corporate Sector - "KSE Top 25 Companies Award 2006" in recognition of the company's policies, its payouts to the stakeholders, financial strength, conformity of Corporate Governance and other corporate laws.

FUTURE OUTLOOK

With consistent and business friendly policies, the business environment is likely to improve. Pakistan presently is at the epicentre of international concern. This has resulted in continued support from the international community. Increased assistance from IMF, Friends of Democratic Pakistan, the USA and other friends of Pakistan have helped stabilise the economy to a large extent. Further economic consolidation is likely in the near future. The foreign exchange reserves are expected to continue to build-up on the back of imports contraction and stable growth in remittances. Positive indicators like decreasing inflation, decrease in interest rates, a stable exchange rate and improved performance of agriculture sector point to an increased pace of recovery for the economy. The industry is taking heart from the reduction in oil and material prices in the international market as the reduced cost of production bodes well for the industry in general.

The automobile industry is going through testing times and needs immediate policy reforms. The auto industry is considered to be the mother of all industries. When it flourishes, it leads to the growth in other ancillary industries as well. One is hopeful that motorcycle industry has seen the bottom. The sales of the first quarter are already showing marked improvement. With a stable government and improved finances, the economy may well show better than expected results sooner than imagined:

باز بچہ اطفال ہے دنیا مرے آگے

(We overcome changing situations successfully)

ACKNOWLEDGMENT

I would like to thank Honda Motor Company Ltd. Japan, for their continued support and cooperation in maintaining high standards of excellence.

On behalf of the Board, I would like to acknowledge the contributions made by Mr. Takatoshi Akiyoshi who resigned from the Board during the period and welcome Mr. Koji Takamatsu who has replaced the outgoing director.

I also thank our Bankers, Shareholders, Dealers, Vendors, Board of Directors, Group Executive Committee, Mr. Saquib H. Shirazi and his team - all staff and associates for their countless hours of works to build an even greater company in order to serve our valued customers, better.



Yusuf H. Shirazi

Date: May 15, 2009

Directors' Report to Shareholders

The directors of your company take pleasure in presenting their report together with the company's annual audited financial statements for the period ended March 31, 2009. The director's report, prepared under section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance, will be put forward to the members at the Forty fifth Annual General meeting of the company to be held on June 23, 2009.

Operating Results

The operating results of your company for the period ended March 31, 2009 under review are summarized as follows:

	Nine Months ended March 31, 2009	Year ended June 30, 2008
	(Rupees in '000)	
Profit before taxation	352,779	1,004,200
Taxation		
Current	104,411	298,000
Prior Years	34,016	(1,009)
Deferred	(10,181)	4,200
	128,246	301,191
Profit after taxation	<u>224,533</u>	<u>703,009</u>

Subsequent appropriations:

The directors have recommended a final cash dividend of Rs.3.0 (2008: Rs. 6.5) per share along with a 15% (2008: Nil) bonus issue. Accordingly the following appropriations have been made:

	Nine Months ended March 31, 2009	Year ended June 30, 2008
	(Rupees in '000)	
Profit Available for appropriation	226,159	704,066
Appropriation:		
Transfer to General Reserve	-	395,000
Cash Dividend 30% (2008: 65%)	141,895	307,440
Bonus shares 15% (2008: NIL)	70,948	-
	212,843	702,440
Un-appropriated profit carried forward	<u>13,316</u>	<u>1,626</u>

Earnings per Share

The Basic and Diluted earnings per share after tax is Rs. 4.75 (2008: Rs. 14.86).

Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the performance of the company for the period ended March 31, 2009 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. The directors of the company were elected in Extra Ordinary general meeting of the company held on March 24, 2008.

The Board approved the remuneration of the Chairman, CEO and the three directors at Rs. 5.0 million, Rs. 9.0 million and Rs. 7.32 million respectively, bonus and other benefits like free transportation, telephone facility, medical expenses etc. are as per company's policy for the year 2009-2010. 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, four Board meetings were held. The attendance of the directors and the number of their directorships in listed companies, including Atlas Honda Limited (AHL) is as follows:

S. No.	Name of Directors	Attendance	Number of directorships in listed companies, including AHL
1	Mr. Yusuf H. Shirazi	4	7
2	Mr. Saquib H. Shirazi	4	4
3	Mr. Sherali Mundrawala	4	1
4	Mr. Sanauallah Qureshi	4	3
5	Mr. Nurul Hoda	4	1
6	Mr. Osamu Ishikawa	3	1
7	Mr. Takatoshi Akiyoshi (Resigned effective February 27, 2009)	-	-
8	Mr. Koji Takamatsu (Appointed in place of Mr. Takatoshi Akiyoshi)	1	1
9	Mr. Masahiro Takedagawa	-	1

Auditors

The present Auditors M/s Hameed Chaudhri & Co., retire and being eligible, offer themselves for re-appointment. The Audit Committee of the company has recommended their re-appointment as auditors of the Company for the year 2009-10.

Our Corporate Governance Principles

The Board of Directors of Atlas Honda Limited is committed to the principles of Good Corporate Governance. The stakeholders expect that the company is managed and supervised responsibly and proper internal controls and risk management policy and procedures are in place for efficient and effective operations of the company, safeguarding of assets of the company, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards.

The Company has a number of committees to oversee key areas of the company's operations. The following is the summary of the Role and Term of Reference of each committee.

Audit Committee

This is the committee of the Board that reviews the financial and internal reporting process, the system of internal controls, management of risks and the internal and external audit processes. It also proposes the appointment of external Auditors to the shareholders and is directly responsible for their remuneration and oversight of their work. An independent Internal Audit function reports to the committee regarding Risks and Internal controls across the organization. The Audit committee receives reports from external auditors on any accounting matters that might be regarded as critical. The detailed Charter of the Audit Committee developed in accordance with the Code of Corporate Governance contained in the listing regulations of the stock exchanges.

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

The Audit Committee met three times in the nine months period ended March 31, 2009. The Audit committee reviewed the quarterly, half yearly and annual financial statements, besides the internal audit plan, material audit findings and recommendations of the Internal auditor.

During the period, three Audit Committee meetings were held and attended as follows:

Mr. Sanaullah Qureshi, Chairman	3
Mr. Sherali Mundrawala, Member	3
Mr. Nurul Hoda, Member	3

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. The committee is organized on a functional basis and meets monthly to review the performance of each function of the company against its targets set at the beginning of the year.

Environment, Health and Safety Committee

The Company maintain its commitment to higher standards of Environment, Health and Safety. Atlas Honda Limited recognizes its responsibility to protect and maintain the quality of the environment and the health and safety of its employees and the public. The primary responsibility for assuring the company's compliance with applicable Environmental, Health, Safety and Security ("EHS&S") laws and regulations is vested in the operating management of the Company. The management believes that the Company must continuously earn the trust and confidence of its employees, customers, shareholders and neighboring communities and other stakeholders in its EHS&S performance.

Material changes

There have been no material changes since March 31, 2009 to date of the report and the company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the company.

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

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), which contains up to date information of the company's activities.

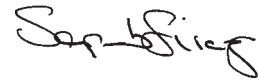
Corporate and Financial reporting framework

The directors confirm under clause (xix) of the Code of Corporate Governance that:

- 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 Financial Reporting 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 as at March 31, 2009 based on their respective accounts are as follows:
- | | |
|------------------------|--------------------|
| • Provident Fund | Rs. 427.29 million |
| • Gratuity Fund | |
| • Management Staff | Rs. 74.29 million |
| • Non-Management Staff | Rs. 27.36 million |

On behalf of the Board of Directors



Saquib H. Shirazi
Chief Executive Officer

Karachi: May 15, 2009

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

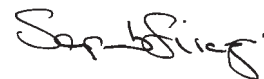
This statement is being presented to comply with the Code of Corporate Governance in the listing regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes three non-executive directors.
- The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- Directors, CEO, CFO, Company Secretary and their spouse and minor children have not made transactions of the Company's shares during the year.
- All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
- Casual vacancy occurred in the Board during the year, was timely filled by the continuing Directors.
- Executive directors of the Company are not in excess of 75% of total number of directors.
- The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
- The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- The Board members have attended orientation courses on changes in International Financial Reporting Framework and other regulatory changes during the year.

- The directors' report for the period ended March 31, 2009 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- The directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
- The company has complied with all the corporate and financial reporting requirements of the Code.
- The Board has already formed an Audit Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.
- The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code.
- The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.
- The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program 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 Institute of Chartered Accountants of Pakistan.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

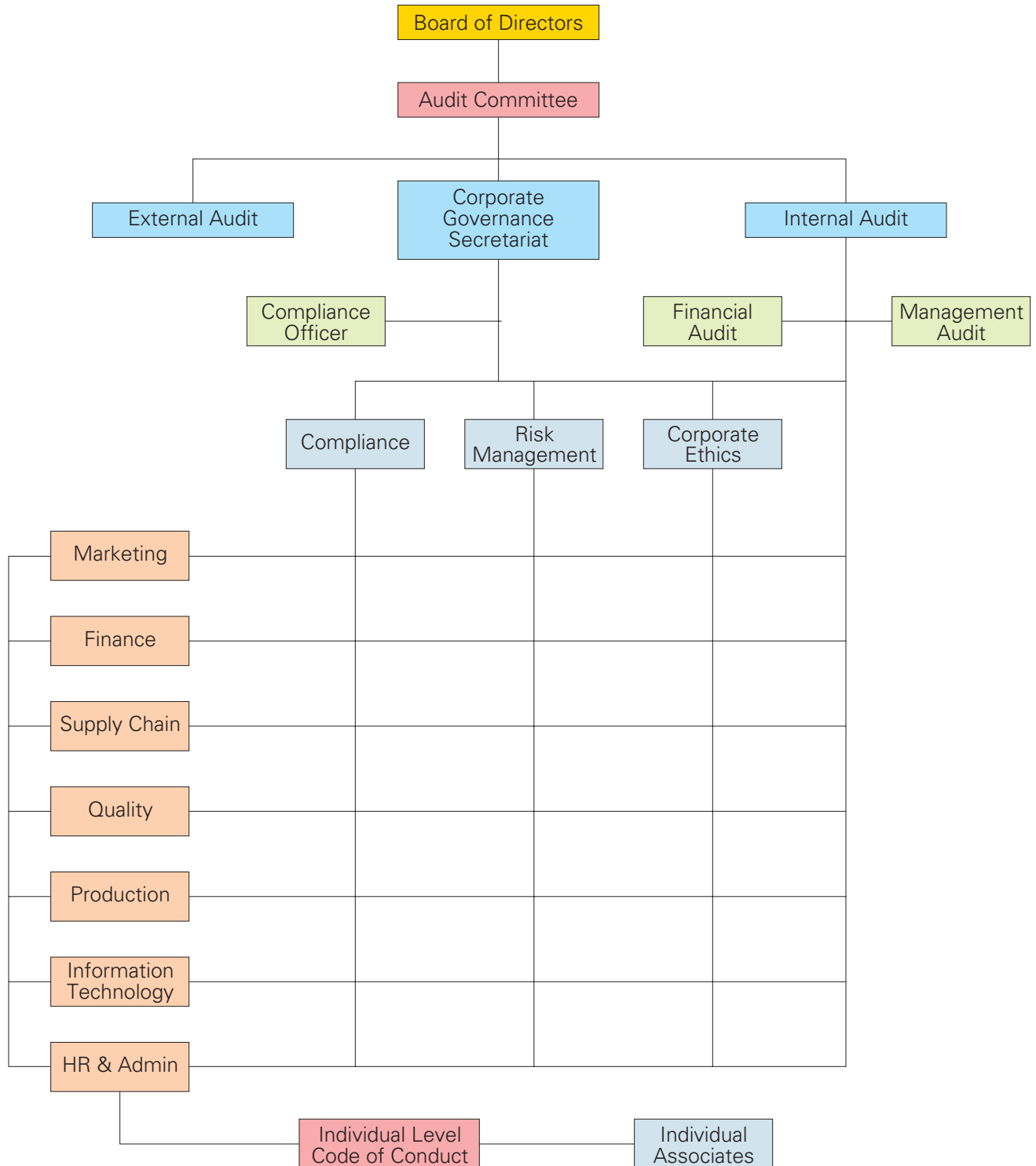


Saquib H. Shirazi
Chief Executive Officer

Karachi: May 15, 2009

Corporate Governance Practices

(Organization Structure)



NOTICE OF 45th ANNUAL GENERAL MEETING

Notice is hereby given that the forty fifth Annual General Meeting of the members of Atlas Honda Limited will be held on Tuesday June 23, 2009, at 11:00 a.m., at 1-McLeod Road, Lahore, to transact the following businesses after recitation from the Holy Quran:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting held on September 27, 2008.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the period ended March 31, 2009 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending March 31, 2010. The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To consider and approve the final cash dividend of Rs.3.0 per share i.e.30% for the period ended March 31, 2009 as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To consider and approve the bonus shares issue @ 15% (three bonus shares for every twenty shares held) for the period ended March 31, 2009 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. 70,947,680/- of Company's profit be capitalized for issuing 7,094,768 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 June 12, 2009 in the proportion of three bonus shares for every twenty 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."

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

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

By Order of the Board



Rashid Amin
Company Secretary

Karachi: June 1, 2009.

NOTES:

1. The share transfer books of the company will remain close from June 13, 2009 to June 23, 2009 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his / her CNIC or passport along with their CDC account number to prove his / her identity and in case of Proxy must enclose an attested copy of his/her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. The members are requested to notify the company immediately of the change in addresses, if any.
5. Members are requested to provide by mail or fax, photocopy of their CNIC or Passport, if foreigner, (unless it has been provided earlier) and e-mail address to enable the company to comply with the relevant laws.
6. For the convenience of the members 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 Fifth Annual General Meeting of Atlas Honda Limited to be held on June 23, 2009 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 @ 15% for the period ended March 31, 2009 and thereby capitalize a sum of Rs. 70,947,680/-

Directors are interested in the business only to the extent of their entitlement of bonus shares as shareholders.

Status of Approval for investment in Associated Company

As required by the SRO No 865 (1)/2000 dated December 06, 2000, the position of investments in associated companies against approval held by the company is as under:

Atlas Power Limited

Against approval of Rs. 200 Million the company has made no investment as the investee has not yet offered its shares. There was no major change in the financial position of the investee company.

**HAMEED CHAUDHRI & CO.****HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS**KARACHI CHAMBERS,
HASRAT MOHANI ROAD,
KARACHI.

PHONES : 242 4826 - 241 2754

FAX : 242 4835

E-MAIL : majeed@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 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.

A part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 period ended March 31, 2009.

Karachi: May 15, 2009

Audit engagement partner: Abdul Majeed Chaudhri

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

**HAMEED CHAUDHRI & CO.****HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS**KARACHI CHAMBERS,
HASRAT MOHANI ROAD,
KARACHI.

PHONES : 242 4826 - 241 2754

FAX : 242 4835

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Atlas Honda Limited as at March 31, 2009 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 period from July 1, 2008 to March 31, 2009 and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the period 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 confirm with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at March 31, 2009 and of the profit, its cash flows and changes in equity for the period then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: May 15, 2009

Audit engagement partner: Abdul Majeed Chaudhri


HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

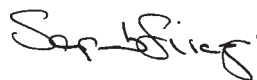
**BALANCE SHEET
AS AT MARCH 31, 2009**

	Note	March 31, 2009	June 30, 2008
(Rupees in '000)			
ASSETS			
NON CURRENT ASSETS			
FIXED ASSETS			
Property, plant and equipment	9	3,412,901	3,376,605
Intangible assets	10	16,601	14,813
		<u>3,429,502</u>	<u>3,391,418</u>
Investments - Available for sale	11	-	-
Long term loans and advances	12	14,359	14,043
Long term deposits and prepayments	13	8,964	13,503
CURRENT ASSETS			
Stores, spares and loose tools	14	428,188	417,564
Stock in trade	15	1,792,036	1,862,069
Trade debts	16	320,180	407,354
Loans and advances	17	37,646	39,354
Trade deposits and prepayments	18	64,637	223,229
Investments at fair value through profit and loss	19	455,816	1,377,300
Accrued mark-up / interest	20	520	812
Other receivables	21	296,790	453,867
Cash and bank balances	22	636,426	504,138
		<u>4,032,239</u>	<u>5,285,687</u>
		<u>7,485,064</u>	<u>8,704,651</u>

The annexed notes 1 to 48 form an integral part of the financial statements.



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer




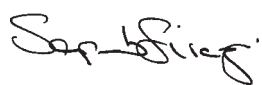
Sherali Mundrawala
Director

BALANCE SHEET
AS AT MARCH 31, 2009

	Note	March 31, 2009	June 30, 2008
(Rupees in '000)			
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Share capital	23	472,985	472,985
Reserves	24	2,622,118	2,227,118
Unappropriated profit		226,159	704,066
		<u>3,321,262</u>	<u>3,404,169</u>
NON CURRENT LIABILITIES			
Long term liabilities	25	375,000	697,517
Deferred liabilities	26	575,862	571,004
		<u>950,862</u>	<u>1,268,521</u>
CURRENT LIABILITIES			
Trade and other payables	27	2,646,221	3,247,381
Accrued mark-up / interest	28	72,328	49,829
Current portion of long term liabilities	30	389,980	436,751
Provision for taxation	31	104,411	298,000
		<u>3,212,940</u>	<u>4,031,961</u>
CONTINGENCIES & COMMITMENTS	32		
		<u><u>7,485,064</u></u>	<u><u>8,704,651</u></u>

The annexed notes 1 to 48 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

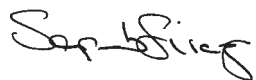
FOR THE NINE MONTHS PERIOD FROM JULY 1, 2008 TO MARCH 31, 2009

	Note	Nine months ended March 31, 2009	Year ended June 30, 2008
(Rupees in '000)			
Sales	33	13,747,820	20,855,535
Cost of sales	34	(12,782,165)	(19,298,994)
Gross profit		965,655	1,556,541
Distribution cost	35	(271,346)	(267,483)
Administrative expenses	36	(165,648)	(227,759)
Other operating income	37	89,744	263,870
Other operating expenses	38	(13,849)	(68,878)
Profit from operations		604,556	1,256,291
Finance cost	39	(251,777)	(252,091)
Profit before tax		352,779	1,004,200
Taxation	40	(128,246)	(301,191)
Profit after tax		224,533	703,009
Basic & Diluted earnings per share - Rupees	41	4.75	14.86

The annexed notes 1 to 48 form an integral part of the financial statements.



 Yusuf H. Shirazi
Chairman



 Saquib H. Shirazi
Chief Executive Officer



 Sherali Mundrawala
Director

CASH FLOW STATEMENT

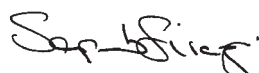
FOR THE NINE MONTHS PERIOD FROM JULY 1, 2008 TO MARCH 31, 2009

	Note	Nine months ended March 31, 2009	Year ended June 30, 2008
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES	42	215,340	842,189
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(356,315)	(293,604)
Investments acquired		(80,000)	(3,113,239)
Sale proceeds of fixed assets		12,934	20,991
Sale proceeds of investments		1,025,934	2,806,065
Dividend received		-	13,341
Software development / acquisition cost		(10,269)	(5,583)
Cash used in investing activities		592,284	(572,029)
Net cash flow before financing activities		807,624	270,160
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term loan		(356,440)	(434,020)
Payment of lease rentals		(13,317)	(7,966)
Dividend paid		(305,579)	(243,659)
Net cash used in financing activities		(675,336)	(685,645)
Increase/(decrease) in cash & cash equivalent		132,288	(415,485)
Cash and cash equivalent as at July 1		504,138	919,623
Cash and cash equivalent as at March 31 / June 30		636,426	504,138

The annexed notes 1 to 48 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

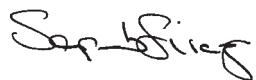
FOR THE NINE MONTHS PERIOD FROM JULY 1, 2008 TO MARCH 31, 2009

(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
Balance as at June 30, 2007	411,291	39,953	165	1,941,000	555,526	1,761	26,125	2,975,821
Profit for the year	-	-	-	-	703,009	-	-	703,009
Final dividend (2007) @ Rs. 6 per share	-	-	-	-	(246,775)	-	-	(246,775)
Issue of bonus shares	61,694	-	-	-	(61,694)	-	-	-
Transfer to general reserve	-	-	-	246,000	(246,000)	-	-	-
Unrealized gain on remeasurement of hedging instruments	-	-	-	-	-	-	25,728	25,728
Unrealized gain on remeasurement of investments	-	-	-	-	-	202	-	202
Removed from equity and transferred to Profit & Loss	-	-	-	-	-	(1,963)	(51,853)	(53,816)
Balance as at June 30, 2008	472,985	39,953	165	2,187,000	704,066	-	-	3,404,169
Profit for the year	-	-	-	-	224,533	-	-	224,533
Final dividend (2008) @ Rs. 6.5 per share	-	-	-	-	(307,440)	-	-	(307,440)
Transfer to general reserve	-	-	-	395,000	(395,000)	-	-	-
Balance as at March 31, 2009	472,985	39,953	165	2,582,000	226,159	-	-	3,321,262

The annexed notes 1 to 48 form an integral part of the financial statements


Yusuf H. Shirazi
 Chairman


Saquib H. Shirazi
 Chief Executive Officer


Sherali Mundrawala
 Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD FROM JULY 1, 2008 TO MARCH 31, 2009

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. The 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 centers at Karachi, Multan, Lahore and Rawalpindi. The company is principally engaged in progressive manufacturing and marketing of motorcycles and auto parts.

2. CHANGE IN REPORTING PERIOD

The financial year of the company has been changed from June 30 to March 31. Accordingly, these financial statements cover the period of nine months from July 1, 2008 to March 31, 2009. This change has been made to bring the financial year of the company in line with the financial year followed by Honda Motor Company Limited, Japan, an associated company.

The permission for the above change has been obtained from the Commissioner of Income Tax. The corresponding figures shown in these financial statements pertain to the year ended June 30, 2008 and therefore are not comparable.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS

3.1 Standards, interpretations and amendments to the published approved accounting standards that are effective in the current accounting period

The following standards, interpretations and amendments have been published that are mandatory and relevant for the company's accounting period beginning on July 1, 2008:

- IFRS 7 'Financial instruments-Disclosures' -The Securities & Exchange Commission of Pakistan (SECP) vide SRO 411(I)/2008 dated April 28, 2008 notified the adoption of IFRS 7 which is mandatory for the company's accounting periods beginning on or after the date of notification i.e. April 28, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.
- Other new standards, interpretations and amendments to existing standards that are mandatory for accounting periods beginning on or after July 1, 2008 which are not considered relevant nor have any significant effect on company's operations are not detailed in these financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after January 1, 2009:

- Revised IAS 1 'Presentation of Financial Statements (2007)' introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the company's 2010 financial statements, is expected to have a significant impact on the presentation of the financial statements.

- IAS 19 (Amendment), 'Employee benefits'. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of defined benefit obligation.

The distinction between short term and long term employee benefits will be based whether benefits are due to be settled within or after twelve months of employee service being rendered.

- Revised IAS 23 'Borrowing Costs' removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.
- Amended IAS 27 'Consolidated and Separate Financial Statements (2008)' requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27 will have no impact on these financial statements.
- Amendments to IAS 32 'Financial Instruments'. Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will have no impact on financial statements of the company.
- IAS 36 (Amendment), 'Impairment of assets'. As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the company's financial statements.

- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.
- IAS 38 (Amendment), 'Intangible assets'. The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the company's financial statements.
- IFRS 8 'Operating Segments' introduces the "management approach" to segment reporting. IFRS 8, requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the company's decision makers in order to assess each segment's performance and to allocate resources to them. This IFRS will have no impact on the financial statements of the company.
- Amendment to IFRS 2 'Share-based Payment - Vesting Conditions and Cancellations' clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will have no impact on the company's financial statements as the company has no such share based payments.
- Revised IFRS 3 'Business Combination' which is effective for annual periods beginning on or after July 1, 2009, broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than the share and debt issue costs to be expensed, any pre existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction by transaction basis. However, it has no impact on the company's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the company's operations and are therefore not detailed in these financial statements.

4. STATEMENT OF COMPLIANCE

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

5. BASIS OF PREPARATION

5.1 Measurement

These financial statements have been prepared under the historical cost basis, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

5.2 Significant accounting judgments and estimates

The company's significant accounting policies are stated in Note 6. Not all of these significant policies require the management to make subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The area involving higher degree of judgments, Complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Retirement benefit obligations
- b) Provision for taxation
- c) Provisions and Contingencies
- d) Useful life of property, plant and equipment / intangible assets
- e) Provision for doubtful receivables and slow moving inventories

5.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the company's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand.

6. SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Employee Benefits

Defined Benefit Plan

The company has established 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 schemes was carried out on March 31, 2009 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.

The Provident Fund Rules were amended through Supplementary Trust Deed dated September 11, 2008 which was approved by the Commissioner (Legal Division) Large Taxpayer Unit, Karachi vide letter no. CIT/Legal Div/LTU/2008 dated October 7, 2008.

As per amended Rule, the employees were given option to transfer the complete amount or any portion thereof standing to credit of his accumulated balance in the Fund, to any of the Voluntary Pension Schemes managed by the Atlas Asset Management Company Limited, an associated company under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Fund and Atlas Pension Islamic Fund by a request to the Trustees of fund, in writing. Equal monthly contributions at the rate of 11% of basic salary are made to the Funds under Voluntary Pension Scheme both by the company and employees. If the member voluntarily opts to become a participant of Atlas Pension Fund or Atlas Islamic Fund managed by the Atlas Asset Management Company Limited, an associated company, the company shall not be required to make an equal monthly contribution to the Fund. In such case the company's equal contribution shall be made to the Atlas Pension Fund or Atlas Pension Islamic Fund, as applicable, with effect from the month in which he exercises such option, in full and final discharge of company's liability towards members' retirement benefits.

Employee Compensated Absences

Employee's entitlement to annual leave is 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

Liability for trade and other payables are carried at cost which is the fair value of goods and services.

6.3 Leases

Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset is classified as finance lease. Assets on finance lease are capitalised at the commencement of the lease term at the

lower of the fair value of leased assets and the present value of minimum lease payments. Finance costs under lease arrangements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Operating leases / Ijarah

Operating leases / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases/Ijarah. Payments made during the period are charged to profit and loss on a straight-line basis over the period of the lease / Ijarah.

6.4 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.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences arising from differences between tax bases of assets and liabilities and their carrying amount for financial statements reporting purpose. 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 realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.5 Property, plant & equipment

Owned and leased assets

The company has adopted the cost model for its Property, plant & equipment. Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost less impairment loss if any. Cost includes expenditure that is directly attributable to bringing the asset to a working condition for its intended use. 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, if any. Individual Item of property, plant & equipment costing Rs 25,000 or less are not capitalized and charged off in the year of purchase.

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

Depreciation

Depreciation is charged to income on written down value method except Dies & jigs, office equipment, computer & accessories, furniture & fixtures and service equipment, without considering extra shift workings.

Depreciation on dies & jigs, office equipment, computer & accessories, furniture & fixtures and service equipment is charged to income on the basis of reducing balance method.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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.

During the period the company has reviewed the useful life of 'Electric & Gas Fittings and Factory Equipment' and the pattern in which asset's future economic benefits are expected to be consumed by the company. Consequently, the depreciation rate has been revised from 20% on straight line basis to 10% on Written Down basis to reflect the useful life and pattern in which the asset's economic benefits are expected to be consumed by the company. The change in accounting estimate has resulted in decrease in depreciation charge for the period by Rs 25.27 million with corresponding increase in carrying value of Property, Plant & Equipment and profit before tax by the same amount.

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.

6.6 Intangible assets

Intangible assets are stated at cost less accumulated amortization and identified impairment loss.

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. Software licenses are amortised using the straight line method over the period of two years from the month the license is acquired. Whereas, ERP (SAP) implementation cost is amortised using the straight line method over the period of five years from the month ERP is available for use or from the month the extended support cost is incurred.

6.7 Impairment loss

The carrying amounts of the company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

6.8 Investments

Investments at fair value through profit or loss are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments, for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Realised and unrealised gains and losses arising from changes in fair value are included in the net profit or loss for the period in which they arise.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase excludes transaction cost.

At each reporting date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income.

Investments which are not classified as held to maturity investments, financial assets at fair value through profit and loss or loans and advances are classified as available for sale investments.

All investments are initially recognized at cost, being the fair value of the consideration given. After initial recognition, investments which are classified as available for sale are remeasured at fair value. Unrealised gain and losses, on available for sale investments, are recognized in equity until the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

6.9 Stores, spares and loose tools

Stores, spares and 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.

6.10 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 up to the balance sheet date.

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

6.11 Trade debts and other receivables

Trade debts are recognized initially at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

6.12 Foreign currency transactions

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. All exchange differences are charged to profit & loss account.

6.13 Revenue recognition

Sales of motorcycles and spare parts are recognized as revenue when goods are despatched and invoiced to customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income is recognized when the company's right to receive dividend has been established.

6.14 Borrowing and borrowing cost

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period

of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

6.15 Provisions

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

6.16 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.

6.17 Dividend

Dividend is recognized as liability in the period in which it is approved by the shareholders.

6.18 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and derecognized when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities are included in the profit and loss for the year. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

6.19 Cash and cash equivalents

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

6.20 Interest / Mark-up bearing loans and borrowings

Loans and borrowings are recorded at the proceeds received, net of direct issue costs, if any. Finance charges are accounted for on an accrual basis.

6.21 Related party transactions

All transactions with related parties are carried out by the company on commercial terms and conditions.

6.22 Off setting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the company intends either to settle on a net basis, or to realize the assets and to settle the liability simultaneously.

6.23 Derivative financial instruments

The company uses cross currency interest rate swaps to hedge its risks associated with interest rate fluctuations on its long term loans. Such derivative financial instruments are stated at fair value. The fair value of cross currency interest rate swap is the estimated amount that the company would receive or pay to sell the swap at the balance sheet date and taking into account the current interest rates.

In relation to fair value hedges, which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the profit and loss account. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss account.

In relation to cash flow hedges, which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion is recognised in the profit and loss account. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Company also 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 or which do not meet criteria for hedge accounting) 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 values 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.

6.24 Earnings per share

The company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

7. FINANCIAL RISK MANAGEMENT

The company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of company's risk management framework.

7.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or a counterparty to a financial Instrument fails to meet its contractual obligations and arises principally from trade receivables and Investments.

Trade debts

Major part of the sales of the company is against advance payments. Significant receivable balances relate to the balances due from the Government of Pakistan and other government departments. The company believes that it is not exposed to any specific credit risk in respect of these balances.

Investments and cash & bank balances

Credit risk for balances at banks and Investments are limited by dealing with various banks and fund managers with reasonably high credit rating. Investments are made in mutual funds/companies having reasonably high credit rating by PACRA and JCR-VIS. Management does not expect any counter party to fail to meet its obligations.

The company has facilities for short term running finance under mark-up arrangements amounting to Rs. 2,305 million (2008: Rs.1,855 million). The facilities carry mark-up at the rate of Re 0.3326 to Re 0.4932 (2008: Re 0.2764 to Re 0.4008) per thousand per day on daily product basis. These facilities are secured against joint hypothecation charge on stocks-in-trade and trade debts.

7.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding to an adequate amount of committed credit facilities. The company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

7.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity price will affect the company's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The company manages its currency risk by managing the borrowings in the functional currency. The company has long term Rupee based loans at variable rates. Rates on short term finances are effectively fixed. The company also enters into cross currency and interest rate swap agreements with commercial banks to militate against the adverse movement of interest rates. Currency risk arises mainly where receivables and payables exist due to foreign transactions with foreign undertakings. Payables exposed to foreign risks are covered through forward exchange contracts, wherever required.

The company's ability to mitigate foreign exchange risk has however been curtailed by the State Bank of Pakistan which has disallowed issuance of new forward covers against letter of credit.

8. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issues new shares and other measures commensurating to the circumstances. The Board of Directors also monitors the level of dividends to ordinary shareholders. The company has declared a dividend of Rs. 141.895 million i.e Rs. 3 per share (2008: Rs. 307.44 million i.e Rs. 6.5 per share) to its shareholders.

In line with others in the industry and the requirements of lenders, the company monitors its capital structure on the basis of gearing ratio. The ratio is calculated by dividing borrowings by total capital employed. Borrowings represent long term loans obtained by the company whereas total capital employed includes equity and borrowings. There were no change in the company's approach to capital management during the year and the company is not subject to externally imposed capital requirement. Gearing ratio as at period/year ended March 31, 2009 and June 30, 2008 are as follows:

	March 31, 2009	June 30, 2008
	(Rupees in '000)	
Borrowings	764,980	1,134,268
Equity	3,321,262	3,404,169
Capital employed	<u>4,086,242</u>	<u>4,538,437</u>
Gearing ratio	<u>19%</u>	<u>25%</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Note	March 31, 2009	June 30, 2008
Operating fixed assets		3,225,740	3,358,226
Capital work in progress	9.6	187,161	18,379
		<u>3,412,901</u>	<u>3,376,605</u>

(Rupees in '000)

9.1 Operating fixed assets

	Owned														Leased		Total
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Plant & Machinery	Dies & Jigs	Factory Equipment	Office Equipment	Computer & Accessories	Furniture & Fixture	Fixture & Equipment	Electric & Gas Fitting	Vehicle	Service Equipment	Electric & Gas Fitting		
At June 30, 2007																	
Cost	5,112	34,132	344,699	78,861	3,886,953	743,604	113,045	14,763	72,115	14,203	1,300	133,290	163,303	389	30,000	5,635,769	
Accumulated depreciation	-	6,556	70,255	34,106	1,083,870	636,676	50,089	11,371	48,232	7,504	1,282	69,659	54,870	362	10,000	2,084,832	
Book value	5,112	27,576	274,444	44,755	2,803,083	106,928	62,956	3,392	23,883	6,699	18	63,631	108,433	27	20,000	3,550,937	
Year ended June 30, 2008																	
Additions	-	-	4,275	6,504	48,633	143,766	25,853	980	2,589	475	-	14,513	43,631	-	-	291,219	
Disposals:																	
- Cost	-	-	-	-	31,914	11,988	211	27	3,034	105	-	147	30,344	-	-	77,770	
- depreciation	-	-	-	-	(26,786)	(9,627)	(29)	(26)	(3,034)	(97)	-	(142)	(13,243)	-	-	(52,984)	
	5,112	27,576	278,719	51,259	2,846,588	248,333	88,627	4,371	26,472	7,166	18	78,139	134,963	27	20,000	3,817,370	
Depreciation charge	-	511	27,504	4,835	282,023	48,830	24,197	2,229	11,546	2,491	18	23,862	25,073	25	6,000	459,144	
Net book value as at June 30, 2008																	
	5,112	27,065	251,215	46,424	2,564,565	199,503	64,430	2,142	14,926	4,675	-	54,277	109,890	2	14,000	3,358,226	
Period ended March 31, 2009																	
Additions	-	-	1,615	8,972	44,421	108,844	5,151	670	5,467	440	-	2,869	9,084	-	-	187,533	
Transfers from leased to owned	-	-	-	-	-	-	-	-	-	-	-	14,000	-	-	(14,000)	-	
Disposals:																	
- Cost	-	-	-	-	12,827	49,167	26	-	1,041	-	-	-	15,530	-	-	78,591	
- depreciation	-	-	-	-	11,114	49,167	26	-	1,025	-	-	-	6,135	-	-	67,467	
	5,112	27,065	252,830	55,396	2,607,273	308,347	69,581	2,812	20,377	5,115	-	71,146	109,579	2	-	3,534,635	
Depreciation charge	-	380	18,912	3,834	193,888	54,323	5,075	956	7,953	1,535	-	5,267	16,770	2	-	308,895	
Net book value at March 31, 2009																	
	5,112	26,685	233,918	51,562	2,413,385	254,024	64,506	1,856	12,424	3,580	-	65,879	92,809	-	-	3,225,740	
As at June 30, 2008																	
Cost	5,112	34,132	348,974	85,365	3,903,672	875,382	138,687	15,716	71,670	14,573	1,300	147,656	176,590	389	30,000	5,849,218	
Accumulated depreciation	-	7,067	97,759	38,941	1,339,107	675,879	74,257	13,574	56,744	9,898	1,300	93,379	66,700	387	16,000	2,490,992	
Book value	5,112	27,065	251,215	46,424	2,564,565	199,503	64,430	2,142	14,926	4,675	-	54,277	109,890	2	14,000	3,358,226	
As at March 31, 2009																	
Cost	5,112	34,134	350,590	94,337	3,935,268	935,059	143,812	16,385	76,096	15,012	1,300	180,524	170,143	389	-	5,958,161	
Accumulated depreciation	-	7,449	116,672	42,775	1,521,883	681,035	79,306	14,529	63,672	11,432	1,300	114,645	77,334	389	-	2,732,421	
Book value	5,112	26,685	233,918	51,562	2,413,385	254,024	64,506	1,856	12,424	3,580	-	65,879	92,809	-	-	3,225,740	
Depreciation rate (%)	-	1.79	10	10	10	25	10	20	25	20	20	10	20	20	10		

- 9.2 Building on leasehold land and plant & machinery include Rs. 388 thousand (2008:nil) and Rs 2,838 thousand(2008:nil) respectively borrowing cost capitalised at the weighted average capitalisation rate of 16.43% per annum (2008:nil)

Note **Nine Months** Year ended
ended March 31, **June 30,**
2009 **2008**
(Rupees in '000)

9.3 Allocation of depreciation

Depreciation has been allocated as follows:

Cost of goods manufactured	34.1	289,294	429,166
Administrative expenses	36	19,601	29,978
		308,895	459,144

- 9.4 Certain dies and moulds having cost and book value of Rs: nil (2008: Cost of Rs 109,010 thousand and book value of Rs. 26,371 thousand) were held with vendors for production of components to be supplied to the Company.

9.5 Disposal of fixed assets

Particulars of operating fixed assets having written down value (WDV) exceeding Rs 50,000 each disposed off during the period are as follows:

(Rupees in '000)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/ (Loss)	Mode of disposal	Particulars of Buyers
PLANT & MACHINERY							
Equipment for painting	1,165	1,048	117	150	33	Negotiation	Sigma Industries (Pvt) Ltd , Plot 25, Sector 28 Korangi , Karachi
2-Way Spindle Fine Boring Machine	7,736	6,647	1,089	1,100	11	Negotiation	Habib-Ur-Rehman Engineering Works, Plot No B-208, Hasrat Mohani Colony, Mangoh Peer Road, Karachi
Special Rotary Milling Machine	3,737	3,241	496	500	4	Negotiation	Habib-Ur-Rehman Engineering Works, Plot No B-208, Hasrat Mohani Colony, Mangoh Peer Road, Karachi
	12,638	10,936	1,702	1,750	48		

9.5 Disposal of fixed assets (Continued..)

(Rupees in '000)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/ (Loss)	Mode of disposal	Particulars of Buyers
VEHICLES							
Honda Accord	2,976	783	2,193	2,400	207	Negotiation	Mr. Khurram Imtiaz, 18K, Gulberg II, Lahore
Honda Civic (3 units)	3,505	1,423	2,082	2,082	-	Company Policy	Company Employees
Honda Civic	399	270	129	312	183	Negotiation	Mr. Imran Mustaqeem, House No. 13-B First Central lane Phase-2, DHA Karachi
Honda Civic	1,098	923	175	554	379	Negotiation	Mr. Akhtar Ali Virk, H-4, Housing Colony, Sheikhpura
Honda City	923	306	617	617	-	Company Policy	Company Employee
Suzuki Alto (2 units)	1,018	438	580	602	22	Company Policy	Company Employees
Suzuki Mehran (6 units)	2,395	657	1,738	1,738	-	Company Policy	Company Employees
Suzuki Mehran	408	71	337	337	-	Insurance Claim	Atlas Insurance Company Ltd., (Associated Company), Federation House, Shara-e-Firdiوسي, Clifton, Karachi.
Honda CG 125 (2 units)	134	32	102	102	-	Company Policy	Company Employees
Honda CG 125 (2 units)	212	35	177	177	-	Insurance Claim	Atlas Insurance Company Ltd., (Associated Company), Federation House, Shara-e-Firdiوسي, Clifton, Karachi.
Honda CD 100	58	8	50	50	-	Insurance Claim	Atlas Insurance Company Ltd., (Associated Company) Federation House, Shara-e-Firdiوسي, Clifton, Karachi.
	<u>13,126</u>	<u>4,946</u>	<u>8,180</u>	<u>8,971</u>	<u>791</u>		
Aggregate values of items where WDV is less than Rs. 50,000							
	<u>52,827</u>	<u>51,585</u>	<u>1,242</u>	<u>2,213</u>	<u>971</u>	Tender/Co Policy	Various
2009	<u>78,591</u>	<u>67,467</u>	<u>11,124</u>	<u>12,934</u>	<u>1,810</u>		
2008	<u>77,770</u>	<u>52,984</u>	<u>24,786</u>	<u>20,991</u>	<u>3,795</u>		

Note **March 31,** **June 30,**
 2009 **2008**
 (Rupees in '000)

9.6 Capital work in progress

Plant and Machinery / dies & jigs	9.7	186,614	10,242
Building		-	5,090
Factory Equipment		-	490
Electric & gas fittings		-	996
Advance for vehicles		547	1,561
		<u>187,161</u>	<u>18,379</u>

9.7 Includes Rs 12,949 thousand (2008:nil) borrowing cost capitalised at the weighted average capitalisation rate of 16.43% per annum (2008:nil)

	Software licenses	SAP implementation cost (Rupees in '000)	Total
10. INTANGIBLE ASSETS			
At June 30, 2007			
Cost	22,136	35,791	57,927
Accumulated amortisation	14,681	18,922	33,603
Book value	7,455	16,869	24,324
Year ended June 30, 2008			
Additions	5,583	-	5,583
Amortisation	6,308	8,786	15,094
Net book value as at June 30, 2008	6,730	8,083	14,813
Period ended March 31, 2009			
Additions	10,269	-	10,269
Amortisation	5,503	2,978	8,481
Net book value as at March 31, 2009	11,496	5,105	16,601
As at June 30, 2008			
Cost	27,719	35,791	63,510
Accumulated amortisation	20,989	27,708	48,697
Book value	6,730	8,083	14,813
As at March 31, 2009			
Cost	37,988	35,791	73,779
Accumulated amortisation	26,492	30,686	57,178
Book value	11,496	5,105	16,601

	March 31, 2009	June 30, 2008
11. INVESTMENTS - AVAILABLE FOR SALE		
(Rupees in '000)		

Unquoted

Arabian Sea Country Club Limited
200,000 (2008: 200,000) ordinary shares of Rs. 10 each.
Less: Impairment in the value of investment

2,000	2,000
2,000	2,000
-	-

Automotive Testing & Training Centre (Private) Limited
50,000 (2008: 50,000) ordinary shares of Rs. 10 each
Less: Impairment in the value of investment

500	500
500	500
-	-
-	-

	Note	March 31, 2009	June 30, 2008
12. LONG TERM LOANS AND ADVANCES			
Considered Good			
Due from:			
Executives	12.1	5,640	6,714
Non executives		26,496	26,898
		<u>32,136</u>	<u>33,612</u>
Less: Installments recoverable within twelve months			
Executives		5,011	6,381
Non executives		12,766	13,188
	17	<u>17,777</u>	<u>19,569</u>
		<u>14,359</u>	<u>14,043</u>
12.1 Reconciliation of loans and advances to executives			
Balance at beginning of the year		6,714	2,426
Add: Disbursement / addition		5,589	10,566
		<u>12,303</u>	<u>12,992</u>
Less: Recovered during the year		6,663	6,278
		<u>5,640</u>	<u>6,714</u>

12.2 These interest free loans and advances have been provided to executives and employees for personal use and for purchase of motorcycles. Advances are unsecured and repayable in eighteen monthly installments whereas motorcycles loans are repayable in equal monthly installments within a maximum period of four years. These include motorcycle loans amounting to Rs. 22,022 thousand (2008: Rs.21,121 thousand) which are secured against motorcycles registered in the name of the company.

12.3 Maximum amount due from executives at the end of any month in respect of long and short term loans and advances was Rs.7,139 thousand (2008: Rs.6,714 thousand) and due from associated companies at the end of any month was NIL (2008: NIL).

	March 31, 2009	June 30, 2008
13. LONG TERM DEPOSITS AND PREPAYMENTS		
Considered Good		
Deposits	8,964	12,903
Prepayments	-	600
	<u>8,964</u>	<u>13,503</u>

	Note	March 31, 2009	June 30, 2008
14. STORES, SPARES & LOOSE TOOLS			
(Rupees in '000)			
Consumables stores		68,561	74,921
Maintenance spares		155,435	134,118
Loose tools		217,532	220,557
		441,528	429,596
Less: Provision for slow moving stores	15.1	13,340	12,032
		428,188	417,564
15. STOCK IN TRADE			
Raw materials & components			
In hand		1,372,717	1,469,143
With third parties		88,425	117,926
		1,461,142	1,587,069
Work in Process		2,063	8,305
Finished Goods			
Motorcycles		17,475	27,605
Spare parts		103,266	87,878
	34	120,741	115,483
Goods in transit		232,019	174,552
		1,815,965	1,885,409
Less: Provision for slow moving stocks	15.1	23,929	23,340
		1,792,036	1,862,069
15.1 Provision for slow moving stocks			
		Stores, spares & loose tools	
		March 31, 2009	June 30, 2008
		(Rupees in '000)	
Balance at beginning		12,032	9,847
Add: Provision for the year		3,869	3,806
Less: Reversal during the year		(2,561)	(1,621)
		13,340	12,032
		Stock in trade	
		March 31, 2009	June 30, 2008
		(Rupees in '000)	
Balance at beginning		23,340	27,415
Add: Provision for the year		5,590	6,540
Less: Reversal during the year		(5,001)	(10,615)
		23,929	23,340

15.2 Stock-in-trade and trade debtors upto a maximum amount of Rs. 3,287 million (2008: Rs. 2,529 million) are under hypothecation as security for the company's short term finances (Note 29).

	Note	March 31, 2009	June 30, 2008
16. TRADE DEBTS			
(Rupees in '000)			
Considered Good			
Export - Secured		45,190	26,275
Local - Unsecured		274,990	381,079
		<u>320,180</u>	<u>407,354</u>

16.1 The bank has lien on export bills / contracts upto a maximum of Rs. 400 million (2008: Rs. 250 million) against foreign currency financing (Note 15.2 & Note 29).

16.2 Amount due from related parties, directors, Chief Executive and executives were NIL (2008:NIL).

17. LOANS AND ADVANCES

Considered good

Loan and advances to employees other than executives		417	324
Advances to employees for expenses - unsecured	17.1	282	2,346
Advances to suppliers, contractors and others - unsecured		19,170	17,115
Current portion of loans and advances	12	17,777	19,569
		<u>37,646</u>	<u>39,354</u>

17.1 Advances to employees for expenses include amount due from executives was nil (2008: nil).

17.2 Amount due from related parties, Directors and Chief Executive was nil (2008:nil).

18. TRADE DEPOSITS AND PREPAYMENTS

Trade deposits	30,488	219,297
Prepayments	34,149	3,932
	<u>64,637</u>	<u>223,229</u>

19. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

No of Units		Related Parties	March 31, 2009	June 30, 2008
2009	2008			
789,529	1,937,407	Atlas Income Fund	401,696	1,013,923
Others				
1,530	921,063	First Habib Income Fund	156	94,252
-	2,984,481	POBOP Advantage Plus Fund	-	159,395
-	1,054,388	UTP Income Fund	-	109,730
5,388,559	-	ABL Income Fund	53,964	-
<u>6,179,618</u>	<u>6,897,339</u>		<u>455,816</u>	<u>1,377,300</u>

	Note	March 31, 2009	June 30, 2008
20. ACCRUED MARKUP / INTEREST			
(Rupees in '000)			
Interest accrued on savings deposit accounts		520	812
21. OTHER RECEIVABLES			
Receivable from Government:			
- Income tax deducted at source / paid in advance		195,719	284,029
- Sales Tax		61,262	149,550
		256,981	433,579
Fair value of interest rate swaps		1,094	-
Other receivable	21.1	38,715	20,288
		296,790	453,867
Other receivable- Considered doubtful		615	615
		297,405	454,482
Provision for doubtful receivable		615	615
		296,790	453,867

21.1 Other receivables include Rs. 13,832 thousand (2008: Rs. 17,674 thousand) duty draw back receivable from Collector of Customs.

22. CASH AND BANK BALANCES

In current account	285,414	401,879
In savings deposit accounts	23,728	24,282
Term deposits	300,000	-
Cheques in hand	27,284	77,977
	636,426	504,138

22.1 Cash and bank includes Rs 2.11 million (2008: Rs 28.55 million) held with Atlas Bank Limited (as associated company)

23. SHARE CAPITAL

March 31, 2009	June 30, 2008			
		(No of Shares)	Authorised Capital	
100,000,000	100,000,000		Ordinary shares of Rs. 10 each	1,000,000
				1,000,000

		March 31, 2009		June 30, 2008	
		(No of Shares)		(Rupees in '000)	
23. SHARE CAPITAL (Continued..)					
		March 31, 2009	June 30, 2008		
				Issued, subscribed and paid up capital	
		6,352,748	6,352,748		
	Ordinary shares of Rs. 10 each fully paid-up in cash			63,528	63,528
	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	40,686,407	40,686,407	406,864	406,864
	Ordinary shares of Rs. 10 each issued against consideration other than cash	259,300	259,300	2,593	2,593
		<u>47,298,455</u>	<u>47,298,455</u>	<u>472,985</u>	<u>472,985</u>

23.1 Movement in share capital during the period / year

		2009		2008	
		(No. of shares)			
		47,298,455	41,129,092		
	Opening balance			472,985	411,291
	Issued ordinary shares of Rs 10 each as fully paid bonus shares	-	6,169,363	-	61,694
		<u>47,298,455</u>	<u>47,298,455</u>	<u>472,985</u>	<u>472,985</u>

23.2 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.

23.3 41,051,712 (2008: 41,051,712) ordinary shares of Rs. 10/- each were held by associated companies as on March 31, 2009.

24. RESERVES

Capital Reserves:					
	Share premium			39,953	39,953
	Gain on sale of land			165	165
	General Reserve			2,582,000	2,187,000
				<u>2,622,118</u>	<u>2,227,118</u>

25. LONG TERM LIABILITIES

Long term financing -Secured	25.1	375,000	691,968
Liabilities against assets subject to finance lease	25.2	-	5,549
		<u>375,000</u>	<u>697,517</u>

25.1 Long term financing-secured

Name of Banks	Sale price	Purchase price	No. of installments and date of commencement	Rate of markup	March 31, 2009 (Rupees in '000)	June 30, 2008
Bank of Tokyo-Mitsubishi UFJ Ltd (Loan I)	250,000	353,767	10 Half yearly 05-04-06	0.5% over 6 months Kibor	75,000	125,000
Bank of Tokyo-Mitsubishi UFJ Ltd (Loan II)	500,000	744,973	10 Half yearly 05-01-07	0.5% over 6 months Kibor	250,000	350,000
Habib Bank Limited	250,000	273,153	10 Half yearly 08-10-04	1.25% over 6 months T-bill	25,000	50,000
MCB Bank Limited	250,000	360,896	10 Half yearly 27-09-05	0.5% over 6 months KIBOR	64,980	121,420
National Bank of Pakistan (Loan I)	250,000	327,343	10 Half yearly 28-06-04	1.25% over 6 months T-Bill	-	25,000
National Bank of Pakistan (Loan II)	250,000	387,123	10 Half yearly 30-09-05	0.5% over 6 months KIBOR	75,000	100,000
National Bank of Pakistan (Loan III)	250,000	368,151	10 Half yearly 30-09-06	0.5% over 6 months KIBOR	150,000	175,000
National Bank of Pakistan (Loan IV)	250,000	368,151	10 Half yearly 02-01-07	0.5% over 6 months KIBOR	125,000	175,000
					764,980	1,121,420
Less: Current maturity shown under current liabilities - (Note 30)					389,980	429,452
					375,000	691,968

These loans are denominated in pak rupees. These loans are secured against first equitable mortgage charge ranking pari passu on immovable properties of the company, first pari passu charge by way of hypothecation of fixed assets of the company and demand promissory note. As at March 31, 2009 6 months KIBOR was 12.85 % (2008: 14.9%) and 6 months Tills was 11.76% (2008: 11.47 %).

25.2 Liabilities against assets subject to finance lease

	March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008
	(Rupees in '000)			
	Minimum lease payments		Present value of Minimum lease payments	
Year ended June 30, 2009	-	7,966	-	7,299
Year ended June 30, 2010	-	5,656	-	5,549
Total minimum lease payments	-	13,622	-	12,848
Less: Financial charges allocated to future periods	-	774	-	-
Present value of minimum lease payments	-	12,848	-	12,848
Current maturity shown under current liabilities-Note 30	-	7,299	-	7,299
	-	5,549	-	5,549

The above represents finance lease was entered into with Atlas Bank Limited , an associated undertaking for generators. Monthly lease payments include finance charge of 7% per annum which was used as a discounting factor. However, the balance of liability has been settled on November 28, 2008.

	Note	March 31, 2009	June 30, 2008
		(Rupees in '000)	
26. DEFERRED LIABILITIES			
Compensated leave absences	26.1	64,849	49,810
Deferred taxation	26.2	511,013	521,194
		<u>575,862</u>	<u>571,004</u>
26.1 Compensated leave absences			
Balance at beginning		49,810	42,493
Add: Provision for the year		20,127	13,693
		69,937	56,186
Less : Payments during the year		5,088	6,376
		<u>64,849</u>	<u>49,810</u>
26.2 Deferred taxation			
The liability for deferred taxation comprises of timing differences relating to:			
Deferred credit arising in respect of accelerated tax depreciation & amortisation		589,358	566,594
Deferred debit arising in respect of various provisions		(78,345)	(45,400)
		<u>511,013</u>	<u>521,194</u>

	Note	March 31, 2009	June 30, 2008
26.3 Movement of deferred tax liability			
(Rupees in '000)			
Opening balance		521,194	516,994
Increase in deferred tax liabilities		22,764	15,882
Decrease in deferred tax assets		(32,945)	(11,682)
Charge for the year		(10,181)	4,200
		<u>511,013</u>	<u>521,194</u>
27 TRADE AND OTHER PAYABLES			
Trade creditors		965,471	1,291,388
Accrued liabilities		703,119	471,587
Provision for warranty	27.1	6,350	11,400
Customers advances & credit balances		903,580	1,259,745
Federal Excise Duty payable		-	17,940
Fair value of cross currency swaps		-	63,822
Retention money		371	1,769
Special Excise Duty payable		1,974	7,726
Workers' Profit Participation Fund	27.2	18,248	53,287
Provision for gratuity	27.3	10,092	9,344
Workers' Welfare Fund	27.5	10,904	36,699
Unclaimed dividend	27.6	13,254	11,393
Other liabilities	27.7	12,858	11,281
		<u>2,646,221</u>	<u>3,247,381</u>

Accrued liabilities include Rs 503,080 thousands (2008: Rs. 85,036 thousands) due to Honda Motor Co. Limited, Japan - an associated company and due to Atlas Engineering Limited, an associated company amounting to Rs.15 thousand (2008:nil).

27.1 Provision for Warranty

Balance at beginning	11,400	9,600
Add: Provided during the year	3,650	1,800
	<u>15,050</u>	<u>11,400</u>
Less: Paid / reversed during the year	8,700	-
	<u>6,350</u>	<u>11,400</u>

27.2 Workers' Profit Participation Fund

Balance as at beginning	53,287	43,153
Add : Return on funds utilized by the company	-	879
	<u>53,287</u>	<u>44,032</u>
Less : Payment made during the year	53,287	44,032
	<u>-</u>	<u>-</u>
Contributions for the year	38 18,248	53,287
	<u>18,248</u>	<u>53,287</u>

	Note	March 31, 2009	June 30, 2008
27.3 Provision for Gratuity			
(Rupees in '000)			
Balance at beginning		9,344	6,776
Add: Provision for the year	27.4	10,092	9,344
		19,436	16,120
Less: Payments during the year		9,344	6,776
		10,092	9,344

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

	Management		Non-management		Total	
	March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008
	Funded		Funded			
(Rupees in '000)						
Present value of defined benefit obligation (actuarial liability)	130,642	109,157	22,588	21,189	153,230	130,346
Fair value of plan assets	(75,323)	(73,992)	(27,223)	(27,796)	(102,546)	(101,788)
Payable/(receivable) to associated companies in respect of transferees	(3,387)	(2,348)	562	4,872	(2,825)	2,524
Unrecognized actuarial gain / (loss)	(42,278)	(24,211)	4,511	2,473	(37,767)	(21,738)
Balance at end	9,654	8,606	438	738	10,092	9,344
Net Liability at the beginning of the year	8,606	6,366	738	410	9,344	6,776
Charge for the year	9,654	8,606	438	738	10,092	9,344
Contributions	(8,606)	(6,366)	(738)	(410)	(9,344)	(6,776)
Net Liability at the end of the period	9,654	8,606	438	738	10,092	9,344

Movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation	109,157	95,225	21,189	24,758	130,346	119,983
Current service cost	6,083	5,159	586	924	6,669	6,083
Interest cost	9,705	9,220	1,885	2,451	11,590	11,671
Benefit paid	(5,948)	(7,292)	(1,010)	(865)	(6,958)	(8,157)
Actuarial (gain) / loss	11,737	3,826	(62)	(1,568)	11,675	2,258
Receivable/ (payable) to associated companies in respect of transferees	(93)	3,019	-	(4,511)	(93)	(1,492)
Present value of defined benefit obligation	130,641	109,157	22,588	21,189	153,229	130,346

Management		Non-management		Total	
March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008
Funded		Funded			

(Rupees in '000)

Movement in the fair value of plan assets is as follows:

Fair value of plan assets as at June 30, 2008	73,992	70,384	27,796	26,704	101,788	97,088
Expected return on plan assets	6,966	6,696	2,032	2,637	8,998	9,333
Contributions	8,606	6,366	738	410	9,344	6,776
Benefits paid	(5,948)	(7,292)	(1,010)	(865)	(6,958)	(8,157)
Actuarial gain / (loss)	(7,160)	(707)	(1,972)	(1,090)	(9,132)	(1,797)
Receivable/(payable) to associated companies in respect of transferees	(1,132)	(1,455)	(361)	-	(1,493)	(1,455)
Fair value of plan assets as at March 31, 2009	75,324	73,992	27,223	27,796	102,547	101,788

Plan assets comprises:

Debt	41,333	44,014	10,646	11,340	51,979	55,354
Mutual funds units	31,739	29,809	15,700	15,700	47,439	45,509
Cash	2,252	169	877	756	3,129	925
	75,324	73,992	27,223	27,796	102,547	101,788

Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund for five years is as follows:

	March 31, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
Present value of defined benefit obligation	153,230	130,346	119,983	103,262	96,625
Fair value of plan assets	102,546	101,788	97,088	87,658	80,298
Surplus / (deficit)	(50,684)	(28,558)	(22,895)	(15,604)	(16,327)
Experience adjustment on obligation (gain)/loss	(11,675)	2,258	9,848	(3,004)	7,242
Experience adjustment on plan assets (gain)/loss	(7,096)	1,783	(35)	1,012	(782)

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

	Note	Management		Non-management		Total	Year ended June 30, 2008
		Nine Months	Year ended	Nine Months	Year ended		
		ended March 31,	June 30,	ended March 31,	June 30,		
		2009	2008	2009	2008		
		Funded		Funded		2009	2008
		(Rupees in '000)					
Cost of sales	34.4	3,585	3,196	438	738	4,023	3,934
Distribution cost	35.2	1,176	1,048	-	-	1,176	1,048
Administrative expenses	36.2	4,893	4,362	-	-	4,893	4,362
		9,654	8,606	438	738	10,092	9,344

Principal actuarial assumptions at the balance sheet date for:

Discount rate	15%	12%	15%	12%
Future salary increases	14%	11%	14%	11%
Return on investment	15%	12%	15%	12%

	Note	March 31, 2009	June 30, 2008
27.5 Workers' Welfare Fund			
(Rupees in '000)			
Balance at beginning		36,699	37,711
Less: Paid during the year		19,729	9,261
		16,970	28,450
Add: Charge for the current year		6,934	20,249
(Adjustment) / prior year		(13,000)	(12,000)
	38	(6,066)	8,249
		10,904	36,699
27.6 Unclaimed dividend			
Dividends		13,244	11,383
Bonus fractions		10	10
		13,254	11,393

The board of directors have proposed a final dividend for the period ended March 31, 2009 of Rs. 3 (2008: Rs. 6.5) per share and bonus shares issue at 15 % i.e three bonus shares for every twenty shares held (2008: NIL) , amounting to Rs. 70.948 million (2008: NIL) at their meeting held on May 15, 2009 for approval of the members at the Annual General Meeting to be held on June 23, 2009. These financial statements do not reflect this dividend payable as explained above.

27.7 Other liabilities include vehicle deposits under company vehicle policy amounting to Rs. 5,712 thousands (2008: 4,327 thousands).

	March 31, 2009	June 30, 2008
	(Rupees in '000)	
28. ACCRUED MARK-UP/INTEREST		
Long term financing	39,833	45,782
Short term borrowing	32,495	4,047
	<u>72,328</u>	<u>49,829</u>
29. SHORT TERM FINANCES		
Balances with banks	<u>-</u>	<u>-</u>

The Company has facilities for short-term running finance under mark-up arrangements amounting to Rs. 2,305 million (2008: Rs.1,855 million). The facilities carry mark-up at the rate of Re 0.3326 to Re 0.4932 (2008: Re 0.2764 to Re 0.4008) per thousand per day on daily product basis. These facilities are secured against joint hypothecation/ranking charge on stocks-in-trade and trade debts amounting to Rs. 3,287 million (2008: Rs. 2,529 million). These facilities are expiring on various dates by March 31, 2010 . The markup on running finance facilities is payable on quarterly basis. However, as at March 31, 2009 and as at June 30, 2008 no facilities were availed by the company.

The facility for opening letters of credit and guarantees as at March 31, 2009 amounted to Rs. 3,060 million (2008: Rs. 2,835 million) of which the amount remaining unutilized at the period end was Rs. 2,598 million (2008: Rs. 1,768 million)

This facility is secured against lien on export bills / contract. The Company has facility for foreign currency finance amounting to Rs. 400 million (2008: Rs.250 million) which is secured against lien on export bills / contracts.

	Note	March 31, 2009	June 30, 2008
		(Rupees in '000)	
30. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term loans	25.1	389,980	429,452
Current portion of liability against assets subject to finance lease	25.2	-	7,299
		<u>389,980</u>	<u>436,751</u>
31. PROVISION FOR TAXATION			
Balance at beginning		298,000	98,240
Add: Provision made during the year			
Current year	31.1	104,411	298,000
Prior year		34,016	(1,009)
		138,427	296,991
Less: Payment during the year		<u>332,016</u>	<u>97,231</u>
		<u>104,411</u>	<u>298,000</u>

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

	March 31, 2009	June 30, 2008
	(Rupees in '000)	
Profit before tax	352,779	1,004,200
Tax at the applicable income tax rate	123,472	351,470
Tax effect of expenses that are not deductible in determining taxable profit as under:		
Depreciation & amortisation	(2,112)	5,079
Effect of applicability of certain exemptions on certain income and other tax debits/credits	(8,115)	(52,624)
Ineffective portion of cash flow hedge	(21,468)	-
Effect of difference in tax rates under normal assessment and presumptive tax regime	12,633	(2,590)
Effect of difference in tax rates under normal assessment and tax on dividend for companies	-	(3,335)
	<u>104,410</u>	<u>298,000</u>

32. CONTINGENCIES & COMMITMENTS

32.1 Contingencies

Cases have been filed against the Company by some former employees for reinstatement of service. These cases are pending in different courts. The management is confident that the outcome of these cases will be in the Company's favour.

The company has filed appeal against an order passed by Additional Collector, Large Taxpayer Unit, Karachi challenging the levy of sales tax amounting to Rs 17,782 thousand along with additional tax and penalty on alleged violation of rule 59 of the Sales Tax Rules, 2005. The hearing of the case has been concluded and order reserved by Collector Appeals. In the opinion of the Sales Tax consultant, favourable outcome is expected. Simultaneously the company has also availed the amnesty scheme announced vide SRO 511 (I)/2008 dated June 5, 2008 and deposited the said amount under protest. To settle the dispute out of court, the Federal Board of Revenue has also constituted an Alternative Dispute Resolution Committee (ADRC) under section 47A of the Sales Tax Act, 1990. The ADRC is expected to commence its proceedings in due course of time.

32.2 Guarantees

	March 31, 2009	June 30, 2008
	(Rupees in '000)	
Issued by bank	61,577	70,390

- Guarantees are issued to Collector of Customs and Government institutions and shall be released on delivery of motorcycles. These are issued under normal operations.

	Note	March 31, 2009	June 30, 2008
32.3 Commitments (Rupees in '000)			
- Confirmed letters of credit relating to raw materials and parts		368,338	783,330
Plant and equipment		33,477	134,889
- The operating lease arrangement with associated undertaking is extendible after six months. Commitment of operating lease rentals in respect of electric and gas fittings is as follows:			
Due in one year		3,049	10,838
- The company has entered into Ijarah arrangement with Meezan Bank Limited for Electric & Gas fittings and with UBL Ameen for vehicles. Commitment of Ijarah rentals under these agreements are as follows:			
Due in one year		20,704	15,652
Due in one to five years		51,777	53,303

	Note	Nine Months ended March 31, 2009	Year ended June 30, 2008
33. SALES (Rupees in '000)			
Motorcycles & spare parts		16,081,454	24,301,710
Less: Trade discount & commission	33.1	19,760	27,263
Sales Tax & Special Excise Duty		2,313,874	3,418,912
		13,747,820	20,855,535

33.1 Commission to associated company on export sales amounting to Rs. 6,069 thousand (2008: Rs. 3,041 thousand) is included in trade discount.

34. COST OF SALES

Stock at beginning		115,483	100,889
Cost of goods manufactured	34.1	12,272,782	18,736,357
Purchases		514,641	577,231
		12,787,423	19,313,588
		12,902,906	19,414,477
Stocks at end	15	120,741	115,483
		12,782,165	19,298,994

	Note	Nine Months ended March 31, 2009	Year ended June 30, 2008
34.1 Cost of Goods Manufactured			
(Rupees in '000)			
Work in process at beginning		8,305	6,378
Raw materials & components consumed	34.2	10,138,007	15,646,957
Direct labour	34.3	229,795	395,551
Technical director's remuneration	45.1	1,118	1,201
Salaries, wages & benefits	34.3 & 34.4	229,363	296,632
Stores consumed		198,985	368,766
Light, heat & water		133,139	145,218
Insurance		43,001	56,354
Rent, rates & taxes		14,746	19,172
Operating lease rentals		9,335	11,337
Ijarah rentals		13,744	17,301
Repair & maintenance		107,604	113,433
Royalty		759,426	1,094,649
Federal Excise Duty on royalty		-	4,053
Technical assistance		12,134	13,803
Traveling, conveyance and entertainment		11,850	29,373
Postage & telephone		3,009	4,906
Printing & Stationery		2,779	4,904
Vehicle running		10,155	11,148
Depreciation	9.3	289,294	429,166
Canteen		26,744	24,551
Newspapers, Magazines & Subscription		1,180	1,389
Staff training		86	889
Intangible assets amortized		8,481	15,098
Provision for slow moving stocks		9,459	10,346
Marking fee		13,037	20,365
Other manufacturing expenses		69	1,722
		<u>12,274,845</u>	<u>18,744,662</u>
Work in Process at end	15	2,063	8,305
		<u>12,272,782</u>	<u>18,736,357</u>
34.2 Raw Materials & Components Consumed			
Stock at beginning		1,587,069	1,275,176
Purchases	34.5	10,012,080	15,958,850
		<u>11,599,149</u>	<u>17,234,026</u>
Stock at end	15	1,461,142	1,587,069
		<u>10,138,007</u>	<u>15,646,957</u>

34.3 Direct labour and salaries & benefits include Rs. 11,078 thousand (2008: Rs.12,370 thousand) in respect of retirement benefit contribution.

Note **Nine Months** **Year ended**
ended March 31, **June 30,**
2009 **2008**
(Rupees in '000)

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

Current service cost		2,284	3,348
Interest costs		5,489	6,220
Expected return on plan assets		(4,619)	(5,817)
Amortization of loss/(gain)		869	183
		<u>4,023</u>	<u>3,934</u>

34.5 Purchases include custom duty rebates netted-off aggregating Rs 17,673 thousand (2008: Rs.17,251 thousand).

35. DISTRIBUTION COST

Directors remuneration	45.1	14,502	18,969
Salaries & benefits	35.1 & 35.2	67,875	86,470
Traveling, conveyance, entertainment & vehicle running		31,365	41,482
Rent, rates & taxes		10,003	11,082
Advertisement and sales promotion		60,955	49,726
Repairs & maintenance		2,102	2,624
Gas & electricity		1,579	2,070
Freight & forwarding		43,734	4,610
Printing & stationery		1,318	3,165
Postage & telephone		5,739	6,846
Services charges		27,390	34,303
Insurance		3,930	3,935
Newspapers, magazines & subscription		793	1,377
Others		61	824
		<u>271,346</u>	<u>267,483</u>

35.1 Salaries and benefits include Rs. 4,159 thousand (2008: Rs. 4,406 thousand) in respect of retirement benefit contribution.

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

Current service cost		557	625
Interest costs		1,182	1,007
Expected return on Plan Assets		(849)	(713)
Amortization of loss		285	128
		<u>1,176</u>	<u>1,047</u>

	Note	Nine Months ended March 31, 2009	Year ended June 30, 2008
36. ADMINISTRATIVE EXPENSES			
(Rupees in '000)			
Directors' remuneration	45.1	3,680	6,358
Directors' meeting fee	45.2	80	70
Salaries & benefits	36.1 & 36.2	103,289	138,163
Traveling, conveyance & entertainment		4,124	9,390
Rent, rates & taxes		3,696	4,728
Insurance		3,244	3,469
Repairs & maintenance		3,674	7,279
Legal & professional charges		1,844	4,120
Gas & electricity		1,018	873
Fees & subscription		1,344	1,643
Postage & telephone		1,898	2,081
Printing & stationery		1,612	2,927
Vehicle running		5,679	7,096
Training expense		580	1,032
Depreciation	9.3	19,601	29,978
Donation	36.3	10,042	8,080
Others		243	472
		165,648	227,759

36.1 Salaries and benefits include Rs 4,662 thousand (2008: Rs. 4,968 thousand) in respect of retirement benefit contribution.

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

Current service cost	2,318	2,617
Interest costs	4,919	4,362
Expected return on Plan Assets	(3,531)	(3,053)
Amortization of loss	1,187	436
	4,893	4,362

36.3 Donations include Rs.10,042 thousand (2008: 8,040 thousand) paid to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi. Mr. Yusuf H. Shirazi, Chairman and Mr. Saquib H. Shirazi, Chief Executive Officer are on the Board of the Foundation.

	Note	Nine Months ended March 31, 2009	Year ended June 30, 2008
37. OTHER OPERATING INCOME			
Income from financial assets:			
Interest on Deposits:			
Associated Company		12,130	24,304
Others		2,331	7,209
		<u>14,461</u>	<u>31,513</u>
Dividend Income		-	13,341
Gain on sale of investments		3,710	99,673
Net change in fair value of investments at fair value through profit or loss		20,740	51,942
Exchange gain		6,929	3,814
Income from non financial assets:			
Other income		1,047	1,163
Reversal of provision for slow moving stocks		7,562	12,236
Reversal of Federal Excise Duty (FED) payable		2,925	-
Scrap Sales		30,560	48,083
Gain on sale of fixed assets		1,810	2,105
		<u>89,744</u>	<u>263,870</u>
38. OTHER OPERATING EXPENSES			
Auditors' remuneration	38.1	1,667	1,442
Workers' Profit Participation Fund (WPPF)	27.2	18,248	53,287
Workers' Welfare Fund	27.5	(6,066)	8,249
Fixed assets written off		-	5,900
		<u>13,849</u>	<u>68,878</u>
38.1 Auditor's Remuneration			
Audit fee		750	490
Half Yearly review of financial statements		212	212
Review of Code of Corporate Governance		91	91
Audits of gratuity funds, provident funds and WPPF		188	188
Certification of Royalty, technical fee and dividend		347	383
Out of pocket expenses		79	78
		<u>1,667</u>	<u>1,442</u>
39. FINANCE COST			
Interest / mark-up / return on:			
Short term loans		82,017	6,407
Long term loans		98,497	146,110
Workers' profit participation fund		-	879
Ineffective portion of cash flow hedge		61,486	85,215
Finance charge on finance lease		469	1,158
Other financial charges		9,308	12,322
		<u>251,777</u>	<u>252,091</u>

	Note	Nine Months ended March 31, 2009	Year ended June 30, 2008
40. TAXATION			
Current year		104,411	298,000
Prior years'		34,016	(1,009)
Deferred		(10,181)	4,200
		<u>128,246</u>	<u>301,191</u>
41. BASIC & DILUTED EARNINGS PER SHARE			
Basic and diluted earnings per share			
Earnings for purpose of basic earnings per share (net profit after tax for the period / year)		<u>224,533</u>	<u>703,009</u>
Weighted average number of outstanding ordinary shares for the purpose of basic earnings per share	23.1	<u>47,298,455</u>	<u>47,298,455</u>
Basic and diluted earnings per share - Rupees		<u>4.75</u>	<u>14.86</u>
42. CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit before taxation		352,779	1,004,200
Adjustment for:			
Depreciation		308,895	459,144
Unrealised (gain)/loss on remeasurement of investment		(20,740)	(51,942)
Gain on sale of investment		(3,710)	(99,673)
Interest income		(14,461)	(31,513)
Interest expense		180,514	152,517
Dividend income		-	(13,341)
Amortization		8,481	15,094
Finance cost on finance leased assets		469	1,158
Provision for employee compensated absences		20,127	13,693
(Gain) / loss on sale of fixed assets		(1,810)	(2,105)
Fixed assets written off		-	5,900
Reversal of Federal Excise Duty (FED) payable		(2,925)	-
Reversal of provision for slow moving stocks		(7,562)	(12,236)
Provision for slow moving stocks		9,459	10,346
Operating profit before working capital changes		<u>829,516</u>	<u>1,451,242</u>

42. CASH FLOW FROM OPERATING ACTIVITIES (Continued..)

Nine Months Year ended
ended March 31, June 30,
2009 2008
(Rupees in '000)

Working capital changes:		
(Increase)/decrease in current assets		
Stores, spares & tools	(10,624)	(9,834)
Stock-in-trade	68,136	(279,254)
Trade debtors	87,174	(125,105)
Loans and advances	1,708	(18,801)
Trade deposits and prepayments	158,592	(218,154)
Other receivables	68,767	(156,605)
	373,753	(807,753)
(Decrease)/increase in current liabilities		
Trade and other payables	(600,096)	477,552
Cash generated from operations	603,173	1,121,041
Interest paid	(158,015)	(159,723)
Markup / interest received on deposits	14,753	30,791
Income taxes paid (including tax deducted at source)	(243,706)	(144,841)
Compensated absences paid	(5,088)	(6,376)
Long term loans and advances	(316)	(1,100)
Long term deposits and prepayments	4,539	2,397
Cash flow from operating activities	<u>215,340</u>	<u>842,189</u>

43. FINANCIAL RISK MANAGEMENT

43.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	March 31, 2009	June 30, 2008
	(Rupees in '000)	
Long term loans and advances	14,359	14,043
Long term deposits	8,964	12,903
Trade debts	320,180	407,354
Loans and advances	37,646	39,354
Trade deposits	30,488	219,297
Investments at fair value through profit and loss	455,816	1,377,300
Accrued mark-up / interest	520	812
Other receivables	296,790	453,867
Cash and bank balances	<u>636,426</u>	<u>504,138</u>
	<u>1,801,189</u>	<u>3,029,068</u>

	Note	March 31, 2009	June 30, 2008
43.1 Credit risk (Continued..)		(Rupees in '000)	

The maximum exposure to credit risk for trade receivables on geographic basis:

Pakistan	274,988	381,076
Bangladesh	45,192	26,278
	320,180	407,354

The maximum exposure to credit risk for trade receivables at reporting date by type of counter party was:

Government departments	3,389	7,392
Defense institutions	262,788	368,696
Others	54,003	31,266
	320,180	407,354

The ageing of trade receivables at the reporting date is:

Not past due	222,504	268,401
Past due 0-30 days	90,135	127,609
Past due 31-60 days	7,541	11,344
	320,180	407,354

Based on past experience the company believes that no impairment allowance is necessary against amounts past due by 31 days and above as 97% of the amount is due from government departments and defense institutions and remaining amount is due from customers having good track record with the company.

43.2 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	2009						(Rupees in '000)
	Carrying Amount	Contractual cash flows	6 months or less	6-12 Months	1-2 years	2-5 years	
Non Derivative							
Financial Liabilities							
Long term loan	764,980	907,467	306,504	168,457	305,811	126,695	-
Liability under finance lease	-	-	-	-	-	-	-
Trade & other payables	2,617,069	2,617,069	2,617,069	-	-	-	-
Accrued markup / interest	72,328	72,328	72,328	-	-	-	-
	3,454,377	3,596,864	2,995,901	168,457	305,811	126,695	-

	2008						(Rupees in '000)
	Carrying Amount	Contractual cash flows	6 months or less	6-12 Months	1-2 years	2-5 years	More than 5 years
Non Derivative							
Financial Liabilities							
Long term loans	1,121,420	1,363,042	296,109	262,504	458,877	345,552	-
Liability under finance lease	12,848	13,622	3,650	3,650	6,323	-	-
Trade & other payables	3,139,455	3,139,455	3,139,455	-	-	-	-
Accrued markup / interest	49,829	49,829	49,829	-	-	-	-
	<u>4,323,552</u>	<u>4,565,948</u>	<u>3,489,043</u>	<u>266,154</u>	<u>465,200</u>	<u>345,552</u>	<u>-</u>
Derivative Financial Liabilities							
Fair value of derivatives	63,822	125,298	125,298	-	-	-	-
	<u>4,387,374</u>	<u>4,691,246</u>	<u>3,614,341</u>	<u>266,154</u>	<u>465,200</u>	<u>345,552</u>	<u>-</u>

43.3 Sensitivity Analysis

5% strengthening of Pak rupees against the following currencies at March 31 would have increased / (decrease) profit or loss by the amount shown below: The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak rupee against the above currencies at period ends would have had the equal but opposite effect on the above currencies to the amounts shown below, on the basis that all other variables remain constant.

Effect on profit or loss	Nine Months ended March 31, 2009	Year ended June 30, 2008
	(Rupees in '000)	
Japanese Yen	148,730	282,445
US \$	252,915	454,180

43.4 Interest Rate risk profile

At the reporting date the interest rate profile of the company's interest bearing financial instruments was:

	March 31, 2009	June 30, 2008
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	323,728	24,282
Variable rate instruments		
Financial liabilities	764,980	1,121,420

43.5 Market risk

Currency risk

The company's exposure to foreign currency risk is as follows:

	March 31, 2009		June 30, 2008	
	Japanese Yen	US\$	Japanese Yen	US\$
	(Rupees in '000)		(Rupees in '000)	
Trade debts	-	567	-	388
Trade payables and accruals	702,929	-	118,452	-
Net exposure	702,929	567	118,452	388

The following significant exchange rates have been applied:

	Average Rate		Reporting date rate	
	March 31, 2009	June 30, 2008	March 31, 2009	June 30, 2008
	(Rupees)			
Rs to Yen	0.79	0.57	0.81	0.64
Rs to USD	78.14	62.65	79.80	68.10

44. RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, staff retirement funds, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. All transactions with related parties have been carried out on commercial terms and conditions. Amount due from and to related parties, if any, shown under receivables and payables and remuneration of key management personnel is disclosed in the note no. 45. Other significant transactions with related parties are as follows:

Associated companies	Nine Months ended March 31, 2009	Year ended June 30, 2008
	(Rupees in '000)	
Sales	5,437	19,857
Sale of fixed assets	-	50
Purchases	2,391,861	3,837,423
Fixed assets purchased	7,543	16,731
Royalty	694,936	1,010,703

	Nine Months ended March 31, 2009	Year ended June 30, 2008
44. RELATED PARTY TRANSACTIONS (Continued..) (Rupees in '000)		
Export commission	6,069	3,043
Technical Fees	12,134	4,803
Interest on deposits	12,130	24,304
Interest expense	2,739	895
Lease rentals paid	12,654	18,807
Brokerage fees	-	417
Rent paid	27,097	23,472
Insurance premium	98,817	116,392
Insurance claim	5,525	10,905
Sale of investments	630,000	871,112
Purchase of investments	-	1,030,000
Actual reimbursement of expenses - net	25,117	24,670
Dividend paid	266,836	205,986
Donation paid	10,042	8,040
Dividend received	-	13,341
Contribution to staff retirement funds	29,992	31,088

45. DIRECTORS' AND EXECUTIVES' REMUNERATION

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

	Chairman		Chief Executive		Directors		Executive	
	Nine Months ended March 31, 2009	Year ended June 30, 2008	Nine Months ended March 31, 2009	Year ended June 30, 2008	Nine Months ended March 31, 2009	Year ended June 30, 2008	Nine Months ended March 31, 2009	Year ended June 30, 2008
Remuneration	2,405	3,326	5,294	5,294	3,820	3,866	78,861	65,200
Rent and Utilities	987	1,197	3,706	3,706	1,891	1,865	37,413	39,233
Bonus	-	1,508	-	3,000	-	1,510	-	34,811
Provident Fund & gratuity	220	293	582	582	297	293	7,482	6,757
Medical and others	68	34	-	54	30	-	2,941	2,771
Total	3,680	6,358	9,582	12,636	6,038	7,534	126,697	148,772
Number of Persons	1	1	1	1	3	3	115	74

The Chairman, the Chief Executive, 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.

45.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fees to two directors was Rs. 80 thousand (2008: Rs 70 thousand).

46. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on May 15, 2009.

47. PLANT CAPACITY

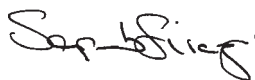
The production capacity of the plant cannot be determined as this depends upon relative proportion of various types of motorcycles and motorcycle components produced.

48. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. Significant reclassifications include long term loan and advances (note 12), current portion of loan and advances (note 17), comparative figure of Cross Currency Swaps that has been shown separately (note 27), merger/reclassification of certain line items in tax reconciliation (note 31.1) and advertisement and sales promotion expenses (note 35) for the corresponding period have been merged.



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer



Sherali Mundrawala
Director

**PATTERN OF SHAREHOLDING
ADDITIONAL INFORMATION**

AS AT MARCH 31, 2009

Shareholders Category	No. of Shares held	Percentage
Associated Companies, Undertakings and related Parties:		
Atlas Insurance Limited	1,340,981	2.84
Honda Motor Company Limited	16,554,460	35.00
Shirazi Investments (Pvt) Limited	11,556,671	24.43
Shirazi Capital (Pvt) Limited	11,599,600	24.52
	41,051,712	86.79
NIT and ICP:		
National Bank Of Pakistan Trustee Department	257,743	0.55
Investment Corporation Of Pakistan	531	0.00
IDBP (ICP Unit)	785	0.00
	259,059	0.55
Directors, CEO and their Spouses and minor children and Associates:		
Mr. Yusuf H. Shirazi & Associates	4	0.00
Mr. Saquib H. Shirazi (CEO)	1	0.00
Mr. Sanaullah Qureshi	185	0.00
Mr. Sherahli Mundrawala	6,803	0.01
Mr. Masahiro Takedagawa	1	0.00
	6,994	0.01
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds.	-	-
Individuals	4,090,552	8.65
Others	1,890,138	4.00
Total	47,298,455	100.00
Shareholders holding 10% or more voting interest:		
Honda Motor Company Limited	16,554,460	35.00
Shirazi Investments (Pvt) Limited	11,556,671	24.43
Shirazi Capital (Pvt) Limited	11,599,600	24.52

Details of trading in the shares by Directors

Name	No. of Shares Purchased	Date of Purchase	Price per Share
-	-	-	-

PATTERN OF SHAREHOLDING

AS AT MARCH 31, 2009

Pattern of Shareholding

No. of shareholders	Shareholdings				Total shares held
418	From	1	To	100	14,649
272	From	101	To	500	72,604
111	From	501	To	1,000	79,950
220	From	1,001	To	5,000	510,667
72	From	5,001	To	10,000	518,459
23	From	10,001	To	15,000	279,159
16	From	15,001	To	20,000	284,188
6	From	20,001	To	25,000	125,144
4	From	30,001	To	35,000	131,044
2	From	35,001	To	40,000	74,969
2	From	40,001	To	45,000	86,292
1	From	45,001	To	50,000	48,151
4	From	50,001	To	55,000	207,097
3	From	55,001	To	60,000	168,583
1	From	65,001	To	70,000	69,396
2	From	70,001	To	75,000	145,902
1	From	80,001	To	85,000	80,888
2	From	95,001	To	100,000	198,212
1	From	100,001	To	105,000	104,119
1	From	200,001	To	205,000	204,900
1	From	205,001	To	210,000	208,340
1	From	255,001	To	260,000	257,743
1	From	320,001	To	325,000	320,808
1	From	470,001	To	475,000	470,169
1	From	1,340,001	To	1,345,000	1,340,981
1	From	1,585,001	To	1,590,000	1,585,310
1	From	11,555,001	To	11,560,000	11,556,671
1	From	11,595,001	To	11,600,000	11,599,600
1	From	16,550,001	To	16,555,000	16,554,460
1,171					47,298,455

PATTERN OF SHAREHOLDING

AS AT MARCH 31, 2009

Categories of Shareholders	Shares held	Percentage
Directors, CEO their spouse and minor children and Associates	6,994	0.01
** Associated Companies, undertakings and related parties	41,051,712	86.79
NIT and ICP	259,059	0.55
Banks, Development Finance Institutions, Non-Banking Finance Institutions		
* Insurance Companies		
Modarabas and Mutual Funds		
** Shareholders holding 10%		
General Public		
Local	4,090,552	8.65
Foreign		
Others		
Corporate Law Authority (SECP)	1	0.00
Joint Stock Companies	99,434	0.22
Cooperative Society	446	0.00
Islamabad Stock Exchange	46	0.00
Loads Limited	1	0.00
Habib Bank AG Zurich, (Switzerland)	204,900	0.43
J.P. Morgan (Suisse) SA	1,585,310	3.35
	47,298,455	100.00

Note : Included in Associated Companies

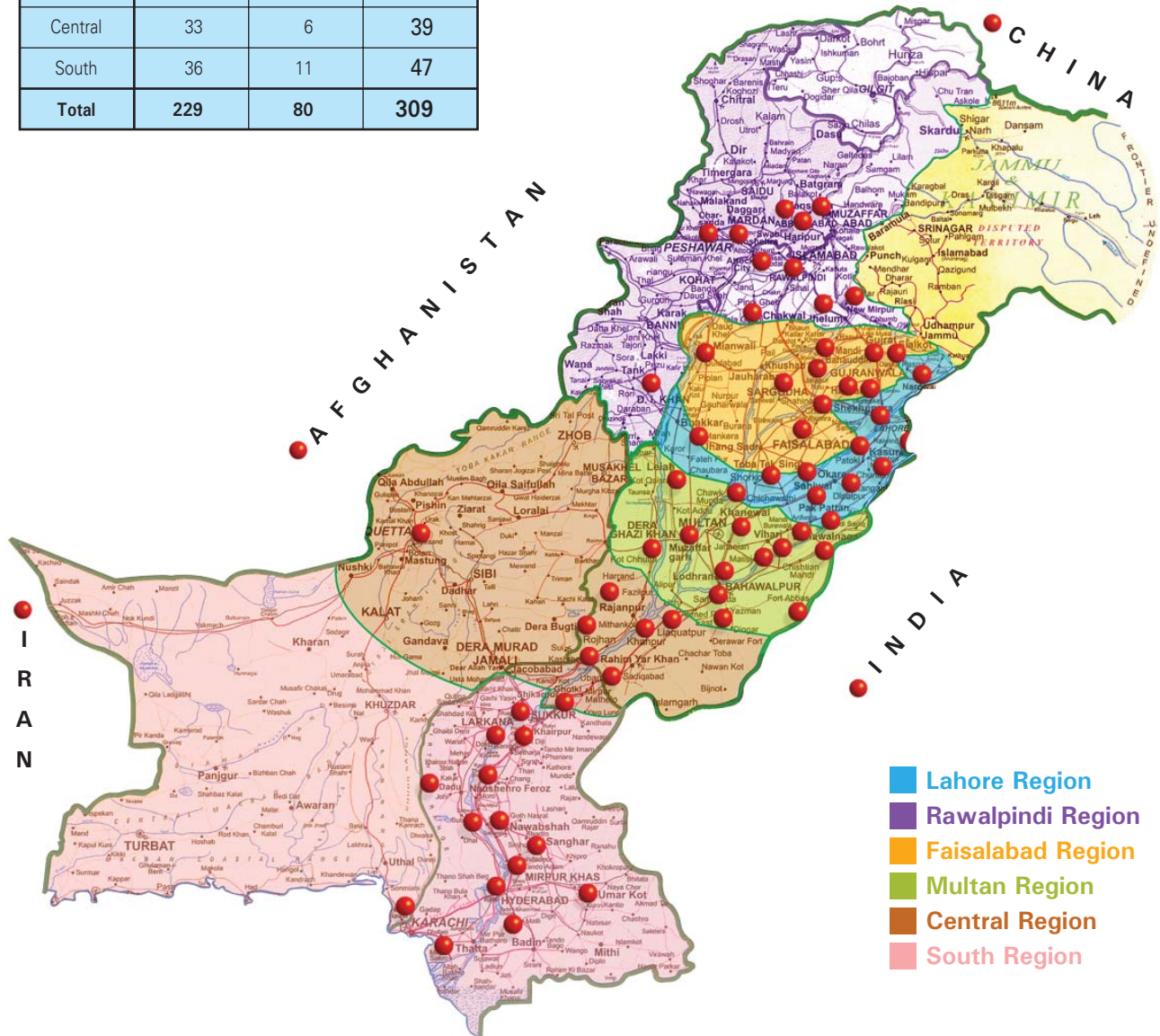
* Atlas Insurance Ltd. 1,340,981 shares

** Honda Motor Company Ltd. 16,554,460 shares, Shirazi Investments (Pvt) Ltd. 11,556,671 shares,
Shirazi Capital (Pvt) Ltd. 11,599,600 shares

DEALERSHIP NETWORK


2008-09

Region	5s Dealers	1-3s Dealers	Total
Lahore	43	18	65
Rawalpindi	27	16	43
Faisalabad	37	16	53
Multan	53	9	62
Central	33	6	39
South	36	11	47
Total	229	80	309



- Lahore Region
- Rawalpindi Region
- Faisalabad Region
- Multan Region
- Central Region
- South Region

Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1963
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Atlas Engineering	1981*
 Atlas Bank	1990
HONDA Honda Atlas Cars	1992
HONDA Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Shirazi Capital	2005
 Atlas Capital Markets	2006
 Atlas Power	2007



CD70



CG125



CD100

**CG125
DELUXE**



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 45th Annual General Meeting of the company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Tuesday, June 23, 2009 at 11:00 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2009
signed by the Said _____ in the presence of

(Witness)

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

Affix Revenue Stamp
Signature

NOTE:

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



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

AFFIX
POSTAGE

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Atlas Honda Limited

1-McLeod Road, Lahore-54000 **Ph** : (92-42) 7225015-17, 7233515-17 **Fax** : (92-42) 7233518, 7351119
E-mail : ahl@atlas.com.pk **Website**: www.atlashonda.com.pk