Annual Report 2011

Atlas Honda


HONDA

Our customers and us-

the two wheels of a bike!

We are proud that Honda has been a name synonymous with assurance. Our commitment to quality and reliability has always been in the forward gear, responding to the needs of the changing times. Past any achievement and even beyond excellence is our customers' trust, the foremost of all our prized assets.

At every turn in technology and every leap across challenges, we are perpetually driven towards strengthening this relationship.

Organisation
development
through
self development

Atlas Honda

CERTIFIED IQNet MANAGEMENT SYSTEM

PS Pakistan Standards

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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 and to maintain a high standard of ethics in all operations, and to act as a responsible member of the society.

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.

Company Information

Board of Directors

Yusuf H. Shirazi
Chairman

Hisao Kobayashi
Director

Koji Takamatsu
Director

Nurul Hoda
Director

Sanaullah Qureshi
Director

Sherali Mundrawala
Director

Takashi Nagai
Director

Saquib 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

Saquib H. Shirazi
Chief Executive Officer

Nurul Hoda
Vice President Marketing

Hisao Kobayashi
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,
Administration & Corporate Affairs

Amir Ali Bawa
General Manager Planning & Commercial

Shakeel Mirza
General Manager Supply Chain

Afaq Ahmed
General Manager Research,
Development & Projects

Auditors

Hameed Chaudhri & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.
Agha Faisal - Barrister at Law

Tax Advisor

Ernst & Young Ford Rhodes
Sidat Hyder, Chartered
Accountants

Shares Registrar

Hameed Majeed Associates (Pvt.) Limited
H. M. House, 7-Bank Square,
Shahrah-e-Quaid-e-Azam, Lahore
Tel: (92-42) 37235081-82
Fax: (92-42) 37358817

Lending Institutions

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

Bankers

Allied Bank Limited
Bank Al-Habib Limited
Barclays Bank PLC Pakistan
Deutsche Bank AG
Faysal Bank Limited
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) 37225015-17, 37233515-17
Fax: (92-42) 37233518, 37351119
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) 32575561-65
Fax: (92-21) 32563758

26-27 KM, Lahore-Sheikhupura Road,
Sheikhupura-39321
Tel: (92-56) 3406501-8
Fax: (92-56) 3406009

Show Room

West View Building, Preedy Street, Saddar,
Karachi, Tel: (92-21) 32720833, 32727607

Spare Parts Division

D-181/A, S.I.T.E, Karachi-75730
Tel: (92-21) 32576690

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

Warranty & Training Centres

7-Pak Chambers, West Wharf Road,
Karachi, Tel: (92-21) 32310142

28 Mozang Road, Lahore
Tel: (92-42) 36375360, 36303366

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

Board of Directors

Yusuf H. Shirazi

Chairman

Mr. Shirazi is a Law graduate (LLB) with BA (Hons) and JD (Diploma in Journalism) from Punjab University and AMP Harvard. He served in the financial services of the Central Superior Services of Pakistan for eight years. He is the author of five books including “Aid or Trade” adjudged by the Writers Guild as the best book of the year and continues to be a columnist, particularly on economy.

Mr. Shirazi is the Chairman of Atlas Group, which, among others, has joint ventures with Honda, GS Yuasa, MAN and Total. He has been the President of Karachi Chamber of Commerce and Industry for two terms. He has been the founder member of Karachi Stock Exchange, Lahore Stock Exchange and International Chamber of Commerce and Industry. He has been on the Board of Harvard Business School Alumni Association and is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has been a visiting faculty member at National Defense University, Navy War College and National School of Public Policy. He has been on the Board of Governors of LUMS, GIK and FC College (Chartered University) and Pakistan Institute of Management. Previously, he also served, among others, on the Board of Fauji Foundation Institute of Management and Computer Sciences (FFIMCS) and Institute of Space Technology - Space & Upper Atmosphere Research Commission (SUPARCO).

Sherali Mundrawala

Director (Non-Executive)

Mr. Sherali Mundrawala is one of the founder member of United Bank Limited. He has over 45 years experience to his credit in the financial and manufacturing sectors. He has served as an independent director on the Board of Atlas Honda Limited for over 35 years. Besides this, he has substantial experience as a Board member of various listed and unlisted companies.

Sanaullah Qureshi

Director (Non-Executive)

Mr. Sanaullah Qureshi qualified as a Chartered Accountant from Scotland and joined ICI Pakistan Limited in 1962. Worked in different capacities as General Manager and Director-in-charge of Finance, Human Resources and the various other business of ICI. He retired as the Deputy Chairman of ICI Pakistan in 1993. Mr. Qureshi joined as CEO of Forbes Forbes Campbell & Co. Limited, an old established Group dealing in shipping, trading and manufacturing. He retired from Forbes in 1995 and is now acting in advisory capacity with Captain-PQ Chemicals Industries Limited. He is the former President of Management Association of Pakistan. He holds directorship in BOC Pakistan Limited and MYK Associates (Private) Limited. He has been on the Board of Atlas Honda Limited since February 2001.

Takashi Nagai

Director (Non-Executive)

Mr. Takashi Nagai completed his education from Keio University, Japan. He joined Honda Motor Company Limited, Japan in 1982 and served across the globe on various stations being part of Honda Company. He has also served as General Manager, Overseas Operation Office No.1 and Executive Vice President of Asian Honda Motors Company Limited. He is currently acting as Operating Officer of Honda Motor Company Limited, Japan, President and Director of Honda Motor India (Private) Limited and President and Director of Honda Siel Cars India Limited. He has been on the Board of Atlas Honda Limited since March 2010.

Nurul Hoda

Director (Executive)

Mr. Nurul Hoda is associated with Atlas Honda Limited since 1975 and has over 35 years of experience of motorcycle industry. He is a graduate from N.E.D. University in mechanical engineering and M.B.A. from Institute of Business Administration. He has also attended Management Development Program from Harvard Business School. He has served in various capacities in production and marketing departments of Atlas Honda Limited. He is Vice President Marketing and a member of the Board of Atlas Honda Limited since February 2003. He is also member of Board of Arabian Sea Country Club since October 2010.

Hisao Kobayashi

Director (Executive)

Mr. Hisao Kobayashi was acting as Head of Automobile Product Planning Office, Japan before being appointed to Pakistan. He had stationed in U.S.A. for Motorcycle Production Planning & Logistics then assigned at Taiwan as Automobile Marketing and Product Planning Manager. He was also appointed as the Managing Director of Honda ICVS Singapore later on. He has diversified knowledge of Honda products and has experience of working in different cultures and with Honda Partners. He is Vice President Technical and a member of the Board of Atlas Honda Limited since June 2010.

Koji Takamatsu

Director (Executive)

Mr. Koji Takamatsu was Head of the Quality Assurance Division at Honda Kumamoto Factory before he was appointed to Pakistan in 2008. He has expertise in engine quality. His knowledge in this field is very unique and vital for Atlas Honda Limited. He has been General Manager for Research and Development and a member of the Board of Atlas Honda Limited since February 2008.

Saquib H. Shirazi

Chief Executive Officer

Mr. Saquib H. Shirazi has been the Chief Executive Officer of Atlas Honda Limited for the last ten years. He graduated from The Wharton School of Finance, before completing his Masters from the Harvard Business School. He has served as the President of Harvard Business School's Global Alumni Board of Directors. He has worked with the Bank of Tokyo-Mitsubishi in Japan and is the former CEO of Atlas Investment Bank Limited. At present, he is serving as a member on the Board of Pakistan Petroleum Limited, Pakistan Cables Limited and Cherat Cement Limited. Previously, he has been on the Boards of National Refinery Limited, Sui Southern Gas Company Limited, PERAC and the Privatization Commission of Pakistan. He has been on the Board of Atlas Honda Limited since November 2000.

Shareholders' Information

Registered Office

1-McLeod Road, Lahore
Tel: (92-42) 37225015-17, 37233515-17
Fax: (92-42) 37233518, 37351119

Exchange Listing

Atlas Honda Limited is listed on Karachi Stock Exchange (KSE) and Lahore Stock Exchange (LSE).

Stock Symbol

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

Listing Fees

The annual listing fees for the financial year 2011-12 have been paid to the KSE, LSE and Central Depository Company within the prescribed time limit.

Statutory Compliance

During the year, the 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, 2011
Time:	11:00 A.M.
Venue:	Registered Office at 1-Mcleod Road, Lahore

Dividend Announcement

The Board of Directors of the Company has proposed a final cash dividend of Rs. 6.5 per share (65%) and Bonus shares @ 15% (three bonus shares for every twenty shares held) for the year ended March 31, 2011, subject to approval by the shareholders of the Company at the Annual General Meeting.

Dividend paid for the year ended March 31, 2010 was cash dividend of Rs. 5.0 per share (50%) and Bonus shares @ 15% (three bonus shares for every twenty shares held).

Dates of Book Closure

The register of members and shares transfer books of the Company will remain closed from June 15, 2011 to June 23, 2011 (both days inclusive).

Date of Dividend Payment

The payment of dividend, upon approval by the shareholders at the forthcoming Annual General Meeting, will be made on or after June 23, 2011.

Last year, the Company had dispatched cash dividend and bonus shares within 24 hours after approval from the shareholders was obtained at the 46th Annual General Meeting.

Payment of Dividend

Cash dividend is paid through dividend warrants addressed to the shareholders whose names appear in the register of members at the date of book closure i.e. June 14, 2011. Shareholders are requested to deposit those warrants into their bank accounts.

Share Transfer System

Share transfers received by the Company's Shares Registrar are registered within 30 days from the date of receipt, provided the documents are complete in all respects.

Annual General Meeting

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

Calendar of Major Events

Month	Event
April 2011	Audited annual results for year ended March 31, 2011
June 2011	Mailing of annual reports
June 2011	Annual General Meeting
July 2011	Unaudited first quarter financial results
November 2011	Unaudited half year financial results reviewed by Auditors
January 2012	Unaudited third quarter financial results

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 on his/her behalf. 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 Registered Office of the Company / Shares Registrar not less than forty eight hours before the meeting.

Website of the Company

The 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.

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

Hameed Majeed Associates (Pvt.) Limited
H.M. House, 7-Bank Square,
Shahrah-e-Quaid-e-Azam, Lahore
Tel: (92-42) 37235081-82
Fax: (92-42) 37358817

Market Price Data

The following table shows the month wise share price of the Company that prevailed during the financial years 2009-10 and 2010-11 in the KSE and LSE:

	KSE				LSE			
Months	High	Low	High	Low	High	Low	High	Low
	2010-11		2009-10		2010-11		2009-10	
April	172.50	143.00	95.00	61.76	165.04	142.50	95.00	61.76
May	170.88	138.16	111.20	57.00	165.00	141.07	111.20	56.86
June	154.00	110.00	135.14	85.00	151.12	114.74	128.71	87.74
July	127.99	112.00	101.32	89.00	126.00	112.68	98.80	87.66
August	122.00	92.00	94.45	81.50	119.40	96.60	91.00	84.10
September	107.64	92.50	104.00	89.00	103.00	94.10	103.00	90.00
October	122.51	94.00	139.96	99.25	120.97	94.10	134.45	102.50
November	108.00	96.00	120.00	110.00	106.00	97.58	119.59	113.60
December	128.90	104.52	145.30	113.50	127.00	105.00	142.43	116.01
January	143.80	118.74	154.24	138.00	138.89	122.00	151.10	138.83
February	141.50	120.30	152.00	132.00	138.56	125.33	149.75	136.97
March	144.00	127.00	150.17	137.00	142.52	129.47	148.80	140.01

History that Speaks for Itself

A story of pride and excellence

1960s
The journey begins

1962
Atlas Autos Limited is incorporated as a public company.

Technical Collaboration Agreement is signed between Atlas Autos Limited and Honda Motor Company Limited, Japan. Mr. Siochiro Honda, the founder of Honda Motor Company Limited, graces the historical occasion and the journey of association with Honda begins.

1965
Atlas Autos Limited becomes the first two wheeler Pakistani company to get listed on stock exchange.

1965
Commercial production commences with sanctioned annual capacity of 6,000 units.

1969
An in-house engineering workshop is set up in Karachi and Company's dream of developing a completely localized product takes its first step.

1970s
Surviving the storms

1972
Mr. Zulfiqar Ali Bhutto, then President of Pakistan, visits the plant.

1975
Rapid acceleration in localization of imported components takes place despite anomalies in custom duty and taxes.

1976
Restriction on imported components is lifted, and Company utilizes its full capacity of 18,000 units for the first time.

1978
Company sents its engineers and dealers to Japan for attending training courses for the first time.

1979
Company incurs cost of Rs. 10 million for modernizing its manufacturing environment in order to bring it in line with international standards.

Panjdarya Limited, an associated company, is incorporated with its plant facility at Sheikhupura for increasing product distribution in Punjab. Technical assistance agreement is also signed with Honda Motor Company Limited, Japan.

1979
The Company organizes and sponsors the first training seminars on motorcycle technology to be conducted in Pakistan.

1980s
Spreading the sail against the tide

1981
The Company achieves 98% turnover from sales of locally assembled motorcycles.

1982
Panjdarya Limited, commences commercial production at its Sheikhupura plant.

1983
First major capacity expansion undertaken by the Company is completed at a cost of Rs.132 million.

Japanese Investment mission and Ambassador of Japan visit the plant.

New CD 70 Econopower Model is launched immediately after the expansion and becomes an instant hit.

1985
The Company crosses the localization level of 50%.

The dealership network expands beyond 650 authorized dealers all over Pakistan.

1986
The Company organizes the first ever vendor conference.

1987
Engine parts manufacturing plant is installed with an investment worth of Rs. 73 million.

1988
Honda Motor Company Limited, Japan acquires 10% shares in the Company.

1990s
Steadying the ship

1990
Merger of Panjdarya Limited into Atlas Autos Limited takes place.

Investment of Rs. 120 million is made for localization of certain precision parts and enhancement of production capacity.

1991
Name of the Company is changed to Atlas Honda Limited.

Plant for manufacturing engine parts of CG 125 is installed with an investment of Rs. 100 million. CG 125 model is launched immediately and becomes a success.

1992
New CD 70 model is introduced with latest ignition technology.

1995
Company makes its first exports to Bangladesh, Nepal, Sri Lanka, Middle East and Central Asia.

1998
New CD 70 and CG 125 models are launched.

1999
The Company is awarded ISO 9002 certification for both of its plants at Karachi and Sheikhupura.

2000-2005
Conquest of the seas

2000
Major innovations in dealers' showrooms and shop boards take place and training courses are conducted for general mechanics for the first time. Further, the concept of free check-up camps, 1 year free warranty and antenna dealership are introduced to maximize the facilitation of customers.

Company is ranked among top ten employers by Employer's Federation of Pakistan.

2001
Company holds the first ever dealer convention of the motorcycle industry in Pakistan.

Company introduces the revolutionary 5S dealer concept (sales, service, spare parts, second hand motorcycle exchange and special (credit) sales) to ensure availability of all services to customers under one roof. Further, first ever "Customer Education Programme" is also launched to have direct interaction with over 5,000 customers.

2002
Company achieves the localization level of 85%.

2003
The Company crosses the 100,000 unit barrier by selling 117,209 units.

The Company receives the 'Best Corporate Report' Award in the engineering sector from the Joint Committee of ICAP and ICMAP. Further, the Company also receives KSE Top 25 Companies Award.

2004
Company makes its greatest ever investment of Rs. 1.1 billion for major capacity expansion. Further, CD 100 is also launched by the Company.

The Company once again receives 'Best Corporate Report' Award in the engineering sector from the Joint Committee of ICAP and ICMAP.

2005
The Company crosses the 250,000 units barrier by selling 287,184 units.

2006-2010
Emergence of a giant

2006
The Company achieves the localization level of more than 90%. Further, the Company crosses the 350,000 units barrier.

CG 125 Deluxe is launched and makes immediate impact in urban and semi-urban markets. Also, the Company extends the capacity at Sheikhupura plant upto 500,000 units.

2007
The Company introduces SSP (Smart Sales Point) distribution network for remote areas of Pakistan.

Company hosts the 15th NHC Asia-Oceania Bloc Quality Circles Convention, the first to be hosted in Pakistan. Also SAP, the leading ERP system in the world, is implemented in the Company.

2008
The Company crosses the 450,000 units barrier.

2009
The new model of CD 100 Euro II is launched. Also, the Company receives KSE Top 25 Companies Award for the second time.

Company acquires ISO 14001-2004 Environment certification.

2010
The Company launches CG 125 Deluxe Euro II model.

The Company receives SAFA and 'Best Corporate Report' Award from ICAP and ICMAP Joint Committee for the annual report of 2008.

Notice of 47th Annual General Meeting

Notice is hereby given that the Forty Seventh Annual General Meeting of the members of Atlas Honda Limited will be held on Thursday, June 23, 2011 at 11:00 A.M. at the Registered Office, 1-McLeod Road, Lahore, to transact the following businesses after recitation of the Holy Quran:

Ordinary Business

1. To confirm the Minutes of the Extraordinary General Meeting held on March 21, 2011.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended March 31, 2011, together with the Directors' and Auditors' reports thereon.

3. To appoint auditors and fix their remuneration for the year ending March 31, 2012. 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. 6.5 per share i.e. 65% for the year ended March 31, 2011 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 year ended March 31, 2011 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.93,828,300/- out of Company's profit be capitalized for issuing 9,382,830 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 14, 2011 in the proportion of three bonus shares for every twenty shares held by the members. The said shares shall rank pari passu with the existing shares of the Company as regard to the future dividends 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 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

Karachi: June 01, 2011

Rashid Amin
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from June 15, 2011 to June 23, 2011 (both days inclusive).

2. A member entitled to attend and vote at this 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 / Shares Registrar not less than 48 hours before the time of the meeting.

3. Any individual Beneficial Owner of Central Depository Company (CDC), entitled to attend and vote at this meeting, must bring the Computerized National Identity Card (CNIC) or passport along with his / her CDC account number to prove his / her identity and in case of Proxy, must enclose an attested copy of the 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 their 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 Form is attached at the end of this report.

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

This statement is annexed to the Notice of the Forty Seventh Annual General Meeting of Atlas Honda Limited to be held on June 23, 2011, 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.

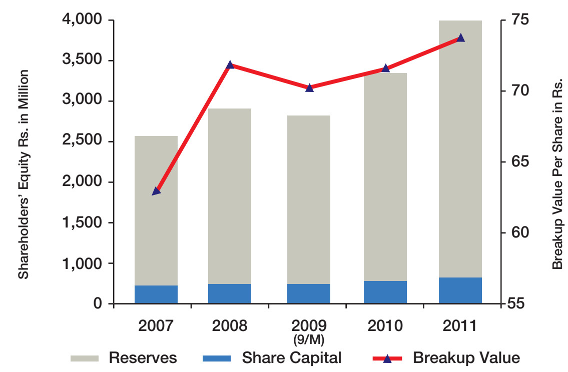
Item No. 5 of the Agenda

The Board of Directors has recommended to the members of the Company to approve issue of fully paid bonus shares @ 15% for the year ended March 31, 2011 and thereby capitalize a sum of Rs. 93,828,300/-.

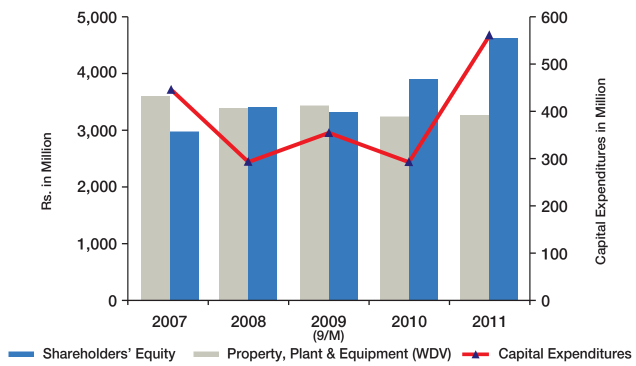
Directors are interested in the business only to the extent of their entitlement of bonus shares as shareholders.

Performance Highlights

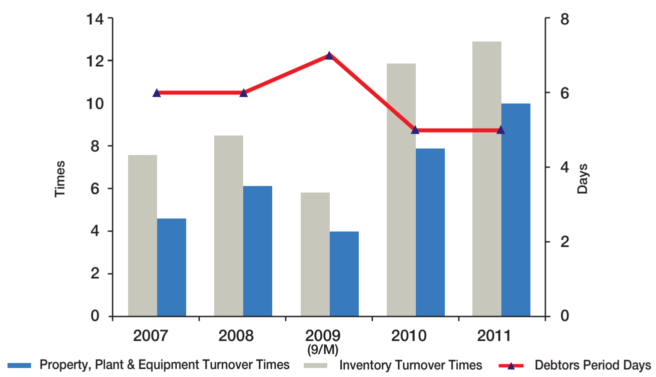
Shareholders' Equity & Breakup Value



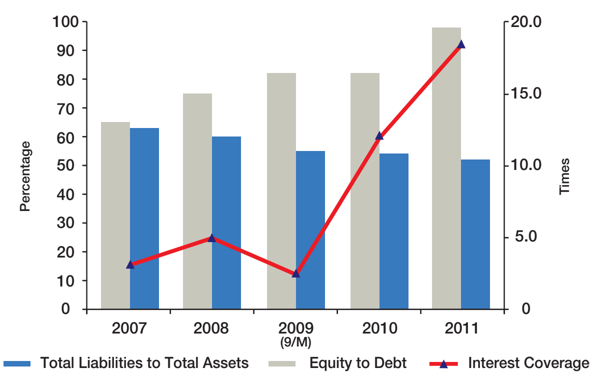
Equity vs Property, Plant & Equipment

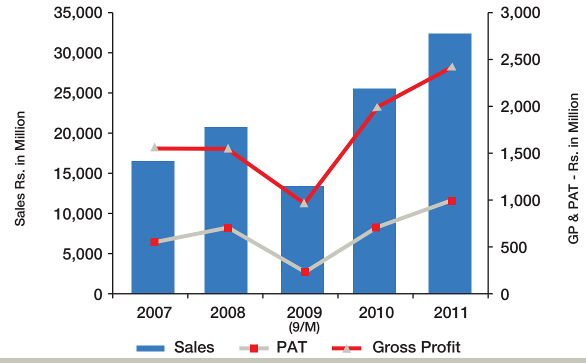


Asset Performance



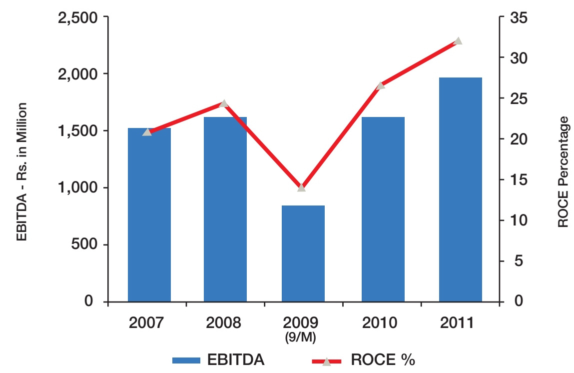
Long Term Debt to Equity



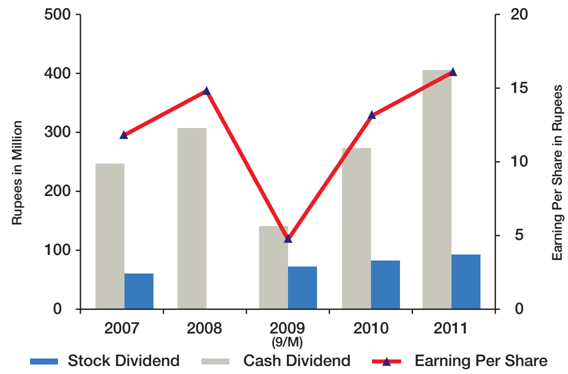


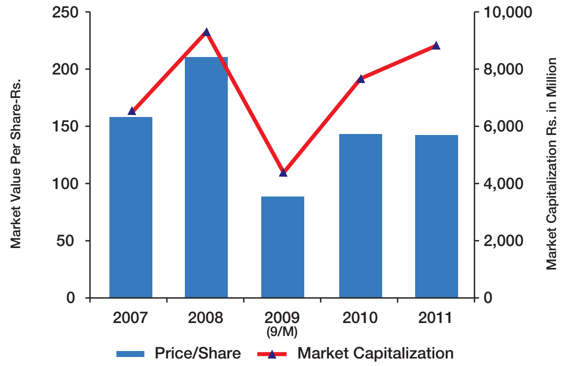
Sales, Gross Profit & Profit After Tax

EBITDA



Dividend Payout and Earning Per Share





Market Capitalization

Chairman's Review

I am pleased to present the 47th Annual Report on the performance of the Company for the year ended March 31, 2011.

The Economy

The year 2010 started with economic recovery. Soon after, it received a jolt through devastating floods inundating one-fifth of the country, rendering over 20 million people homeless. As a result, GDP estimates scaled down to 2.8% from pre-flood estimates of 4.3%. The CPI inflation rose to 15.5% due to volatile food prices. The fiscal position remains fragile as fiscal deficit is seen rising to 6.5% of GDP. Thus, among others, the private sector faced "crowding out" with the Central Bank, having raised discount rate thrice, by 50bps each time, to 14% during the year. On the other hand, the country's Current Account Deficit declined by 97% Y-o-Y basis to US$ 98 million. This was largely due to improved export performance, sustained inflow of workers' remittances, disaster relief funds and programme loans from IMF. Home remittances reached the level of US$ 8 billion during 9 months of FY11 and are expected to increase to US$ 1 billion per month by the end of the year. Foreign exchange reserves, thus, have risen to US$ 17,447 million. The Government has also tried to consolidate its revenue through imposition of flood surcharge, rise in special excise duty and removal of tax exemptions on some agriculture inputs.

Agriculture sector registered a sharp recovery after absorbing the effects of the worst flood in history. This was on the back of a continued surge in domestic and international prices of agricultural products, pushing up the farmers' income. Further, improved prospects from Rabi crop stem due to better availability of water and higher prices (that saw an increase in the area under cultivation) will ensure continued liquidity in the rural areas and hence, maintain growth in agriculture sector.

After recording flood related production declines, LSM index posted positive growth of 1.03% from December 2010 onwards. The improvement in automobile and sugar industries, mainly contributed to LSM recovery. However, many industries continue to face operational constraints especially due to chronic energy shortages, escalating fuel prices and high mark-up rates.

Automobile Industry

The auto industry showed signs of recovery. It posted a growth of 16.5%, which is partly reflective of the lower base of last year. Further, the anecdotal evidence suggests that rural demand for automobiles was higher than anticipated. This was due to continued liquidity in rural areas for reasons as mentioned above. However, the relentless cost increases arising from higher commodity prices, weaker Pak Rupee against other foreign currencies, higher inflationary conditions and frequent interruptions to business caused by power and security concerns, continuously put pressure on the margins and pushed up the manufacturing cost. Considered to be one of the main contributor towards technology development and employment generation, the auto industry necessitates an encouraging environment for maintaining the confidence of the investors.

Motorcycle Industry

The two wheeler industry maintained momentum from last year and registered handsome growth of 17.6%. The growth was somewhat affected by the floods in August 2010, however, higher prices of crops more than compensated the effects of the floods. This growth can also be attributed to escalating fuel prices, poor transportation system, shortage of natural gas and increase in transportation fares coupled with hike in four wheeler prices, which has created demand for motorcycles in urban and semi urban areas.

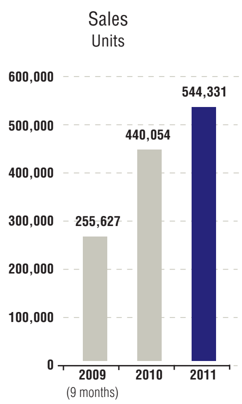
In anticipation of growth prospects and market dynamics, greater competition attracting fresh investments, better products and better network is scheduled for the years ahead. However, the formal sector in the industry is currently facing stiff competition in pricing of products against the malpractices of the informal sector through sales tax avoidance, under invoicing and smuggling. At a time, when Government is looking for different sources of revenue generation, this apparent source of collection must be brought into the tax net by checking illegal practices.

Business Review

Marketing

FY 2010-11 has proven to be a significant year for your Company, as it crossed the threshold of 500,000 units and registered a remarkable growth of 24%. Your Company continues to lead the domestic two wheeler market and ended the year with sales of 544,331 units against 440,054 units in 2010-11.

Performance Across Key Segments - Motorcycle

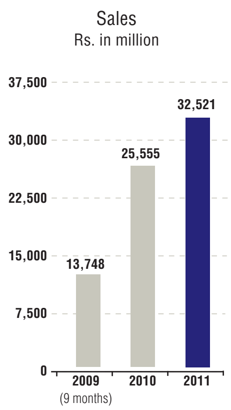


Demand in the 70cc category remains dominant with major competition existing in this category. Your Company consolidated its position further on the back of strong rural demand which continued to enjoy a significant share of the market. CD 70 proved to be the best selling motorcycle and registered impressive growth of 17%. During the year, the Company repositioned its marketing campaign with a slogan" فائدے کا انجن "(Faiday Ka Engine) along with value addition of " انجن کی ایک سال گارنٹی " (Engine Ke Aik Sala Warranty) to differentiate Honda CD 70 from other brands in the same category.

In the 100cc category, the Company took a two pronged promotional approach based on comfortable and powerful ride for long distances and fuel economy. Furthermore,"ایکونورن"(Econo Run) competitions were successfully conducted throughout the country to authenticate the same.

The 125cc category grew at a faster pace. Increase in young customers, urbanization and continuous inflow of foreign remittance were the main reasons for growth of this category. CG 125 dominated this category and registered largest market share. Further, CG 125 Deluxe, being a premier model, has also created its own niche market and is gaining popularity among youngsters.

Spare Parts Performance



Rapid growth in the number of motorcycles on road has created surge in demand and market potential of spare parts sales. However, counterfeit and smuggled parts pose an unfair competition to the organized sector. Inspite of these challenges, total spare parts sales posted a progressive growth and closed above Rs. 2 billion, an increase of 42% over the last year. A good product mix and effective utilization of service network has supported this growth.

Results And Financial Analysis

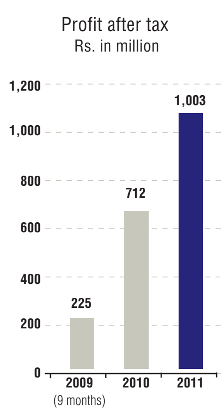
Your Company demonstrated an encouraging performance despite the challenging conditions and achieved the best ever financial results for the year under review.

Sales and Gross Margin

The Company achieved the highest turnover of Rs. 32.52 billion against Rs. 25.55 billion achieved last year. The positive performance was attributable to volume growth and a better sales mix.

However, gross margin declined from 7.8% to 7.5% due to escalating material prices, Pak Rupee devaluation against Japanese Yen, hike in energy cost and high inflation.

Operating Overheads



Distribution and administrative expenses for the year were Rs. 1.13 billion against Rs. 0.96 billion of last year, which are 3.5% of sales as against 3.7% of last year respectively. The increase in absolute terms is attributable to volume related expenses, expansion in dealership network, higher utility charges and overall higher inflation.

Other Income Net of Financial Charges

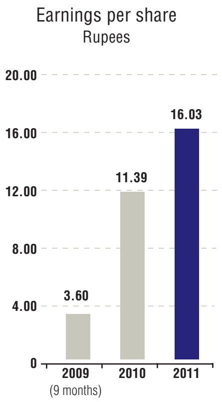
Other income, net of financial charges was recorded at Rs. 206 million, an encouraging increase of 63%. This was due to improved liquidity and better treasury management.

Profitability

Your Company registered record net profit before tax of Rs. 1.41 billion, an increase of 31% over last year. The net profit after tax increased to Rs. 1.0 billion from Rs. 0.71 billion, corresponding net profit margin increased from 2.8% to 3.1%. The margin improvement came from better sales realization and optimization measures.

Cash Flows

Growth in sales turnover and better efficiencies in the working capital management improved the cash flows from operations from Rs. 1.8 billion to Rs. 2.0 billion. The Company spent Rs. 0.5 billion in investments which mainly represents outflow for incurring capital expenditure. The capital expenditure mainly accounts for investment in expansion of production facilities and Balancing, Modernization and Replacement (BMR) of manufacturing facilities. The balance was deployed in financial activities. The outflow of Rs. 1.1 billion was due to dividends and repayment of long-term loans.



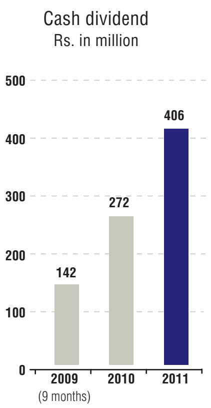
Debt Structure

Total borrowings as at March 31, 2011 stood at Rs. 87.5 million only, which represents current maturity of long-term loan payable by June 2011 and improves significantly the debt to equity ratio to a meager 0.02 times. This was achieved through early repayment of long-term of Rs.0. 4 billion with the target to become debt free Company in 2011-12.

Contribution to National Exchequer

During the year, the Company contributed an amount of Rs. 7.1 billion as against Rs. 5.4 billion last year, on account of Government levies, taxes and import duties etc. The Atlas Group, a constituent member of the Company, in all, contributed Rs. 19.38 billion towards national exchequer. This makes Atlas Group one of the biggest tax payers in the country with 2% of governments total revenue.

Production



Your company produced over 500,000 motorcycle units this year, the highest ever. This achievement was significant considering the product mix, utilities crisis and unexpected demand. This provided the Company an opportunity to optimize capacity, space and manpower across each of its two plants. Care was taken to maintain highest quality. The rejection cost per vehicle is on a reducing trend with straight pass improving day by day. The highlight of the year was capacity expansion in CG 125 line for catering its rising demand.

Business Process Re-engineering

In order to increase the productivity and improve cost efficiency, different kaizen and process improvement activities were carried out at both the plants as well as at vendor end.

Few activities are as follows:

- Tool regrinding section initiated Ti-coating of in-use tooling, through tool manufacturer, of some selected expensive tools for life enhancement in order to optimize unit cost.
- An innovative business to business (B2B) application for dealers and vendors was implemented. This initiative will bridge information gap between your Company and its dealers / vendors. Currently, 100 dealers and 50 vendors are connected online with our factories through this application.
- Re-sourcing and re-designing of machine spares and cutting tools were undertaken for increase in productivity and reduction in per unit cost.
- Commencement of mass production for Case Bottom and High Pressure Die Casting on locally manufactured dies.

Award

It gives me great pleasure to inform you that The South Asian Federation of Accountants of Pakistan (SAFA) adjudged Company's annual report for the year, 2009 as the "Merit Winner" for best presented accounts and corporate governance disclosures in the "Hospitality, Health, Transport & Shipping" category in the award distribution ceremony held in Kathmandu, Nepal. It was the second consecutive year that the Company was awarded with this distinction.

Dividend Policy

A fair return to the shareholders is one of the goals of the Company. For 2010-11, the Board of Directors is pleased to propose cash dividend of Rs. 6.5 per share and bonus shares issue @ 15% (i.e. three bonus shares for every twenty shares held). This amounts to Rs. 500.4 million, highest ever distributed by the Company.

Future Outlook

Given the challenges in hand, macro-economic outlook remains challenging in 2011. The deficit target for 2011 is likely to be breached with inflationary pressures expected to remain high. Continued power and gas shortages together with limited credit at high borrowing cost are expected to place further pressure on LSM sector. However, on external account, a sustained flow of remittances and rising exports happen to be a consolation and softens the effects of escalating commodities prices due to political unrest in Middle East and North Africa. Going forward, achieving macro-economic stability remains a key challenge, for which, revenue generation is the answer through improvement in tax to GDP ratio. Overall, the agriculture sector will hold the key to revival. The expected improved performance from the agriculture sector, owing to better than expected wheat production, optimism from kharif crops and bullish global price outlook are expected to bring better results for the economy. This would also strengthen auto demand due to increase in rural incomes.

With its diverse product line, strong market position and an efficient management, your Company is well positioned to grow the two wheeler market as a whole and its own share within it . In the coming years, significant portion of the capital expenditure would pertain to expansion for meeting sales demand and BMR of existing production facilities with the target of remaining a debt free Company through focused cash flow generations from operating activities.

؎ خونِ دل دے کر نکھاریں گے رُخِ برگِ گلاب
ہم نے گلشن کے تحفّظ کی قسم کھائی ہے

(We are determined to keep the entity above board)

Acknowledgment

Japanese are a great nation. They have been through several calamities. This year, they have faced unprecedented earthquake and tsunami. Surely, they will overcome it by their own. It is in this connection, among others, I take pride in Honda Motor Company Limited, Japan, a partner of Atlas Group. I would like to thank them for their continued support and cooperation in maintaining high standards of excellence. I would also like to thank our valued customers for their confidence in our products, Mr. Saquib H. Shirazi and his management team for their continued commitment and the Board of Directors for its guidance.

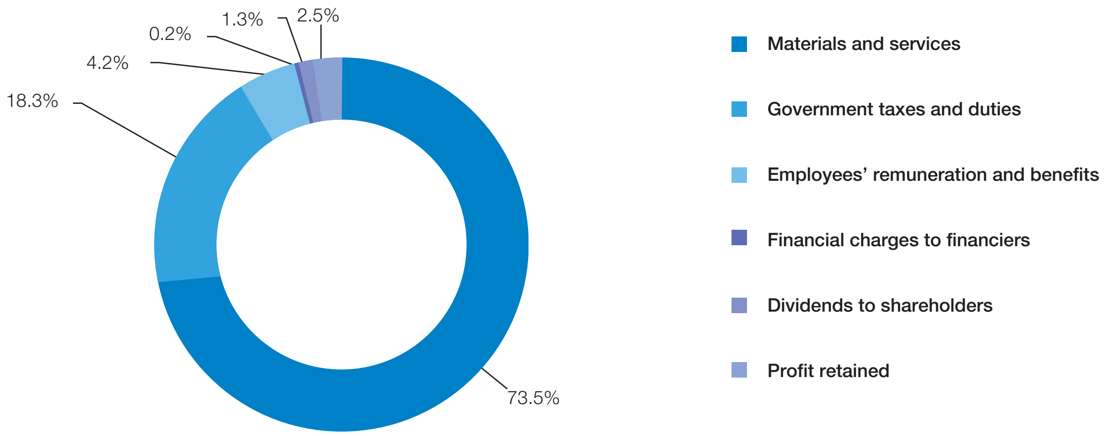
Yusuf H. Shirazi

Date: April 27, 2011

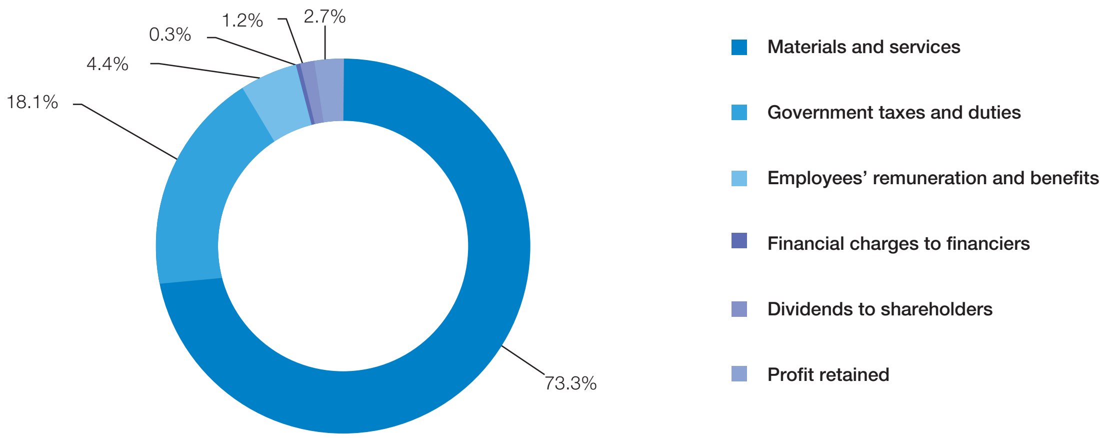
Statement of Value Addition and its Distribution

	Year ended March 31			
	2011		2010	
	Rs. in '000	**%**	**Rs. in '000**	%
Value Addition				
Net sales including sales tax and special excise duty	38,179,443	99.2%	29,830,936	99.2%
Other operating income	299,337	0.8%	239,047	0.8%
	38,478,780	100.0%	30,069,983	100.0%
Value Distribution				
Materials and services	28,258,515	73.5%	22,036,212	73.3%
Governement taxes and duties	7,050,506	18.3%	5,441,704	18.1%
Employees' remuneration and benefits	1,623,501	4.2%	1,340,864	4.4%
Financial charges to financiers	80,416	0.2%	97,970	0.3%
Dividends to shareholders	500,417	1.3%	353,556	1.2%
Profit retained	965,425	2.5%	799,677	2.7%
Total Value Distributed	38,478,780	100.0%	30,069,983	100.0%

Value Distributed - March 31, 2011



Value Distributed - March 31, 2010



6 Years at a Glance

Particulars		2011	2010	2009 (Nine Months)	2008	2007	2006
Profitability Ratios							
Gross profit margin	%	7.5	7.8	7.0	7.5	9.4	9.4
Profit before tax margin	%	4.3	4.2	2.6	4.8	4.8	6.0
Net profit margin	%	3.1	2.8	1.6	3.4	3.3	3.9
Return on capital employed	%	32.2	26.7	14.1	24.6	20.9	24.6
Return on equity - before tax	%	30.5	27.7	14.2	29.5	27.0	40.1
Return on equity - after tax	%	21.7	18.3	9.0	20.7	18.6	25.9
Return on assets	%	10.4	8.4	3.0	8.3	7.0	9.1
Earnings before interest, tax, depreciation and amortization (EBITDA)	Rs. in million	1,977.3	1,627.2	849.8	1,631.0	1,537.2	1,586.5
EBITDA margin	%	6.1	6.4	6.2	7.8	9.3	9.1
Equity Ratios							
Cash dividend per share (declared)	Rs.	6.5	5.0	3.0	6.5	6.0	6.0
Stock dividend per share (bonus shares declared for the year)	Rs.	1.5	1.5	1.5	-	1.5	1.5
Bonus shares declared for the year	No. in '000	9,385	8,159	7,095	-	6,169	5,365
Earnings per share	Rs.	16.03	13.10	4.75	14.9	11.7	14.3
Price earning ratio	Times	8.8	10.9	18.7	14.1	13.5	15.5
Market price per share as at year end	Rs.	141.8	142.5	88.8	210.0	158.0	221.1
Market price per share for the year							
- maximum value	Rs.	172.5	154.2	211.8	237.0	248.9	327.9
- minimum value	Rs.	92.0	56.9	87.4	138.5	108.1	193.1
Break up value per share	Rs.	73.9	71.6	70.2	72.0	62.9	55.2
Dividend yield	%	5.6	4.6	5.1	3.1	4.7	3.4
Dividend cover	Times	2.0	2.0	1.1	2.3	1.6	1.9
Dividend pay out	%	49.9	49.6	94.8	43.7	55.7	39.6
Plough back ratio	%	50.1	50.4	5.2	56.3	44.3	60.4
Efficiency Ratios							
Assets turnover	Times	3.4	3.0	1.8	2.4	2.1	2.3
Fixed assets turnover	Times	10.0	7.9	4.0	6.1	4.6	4.8
Inventory turnover	Times	12.9	11.9	5.8	8.5	7.6	6.8
Debtors turnover	Times	81.0	57.3	42.9	51.2	58.9	62.1
Creditors turnover	Times	7.1	7.6	4.8	6.0	5.4	6.7
Capital employed turnover	Times	7.0	5.8	3.7	5.1	4.1	4.1
Operating Cycle							
Period of inventory holding	Days	28	31	48	43	48	54
Period of collection from debtors	Days	5	5	7	6	6	4
Period of payments to creditors	Days	(45)	(45)	(64)	(57)	(65)	(54)
Operating cycle	Days	(12)	(9)	(9)	(8)	(11)	4
Liquidity / Leverage Ratios							
Current ratio	Times	1.5	1.5	1.3	1.3	1.3	1.3
Quick ratio	Times	0.9	0.9	0.6	0.8	0.7	0.6
Debt to equity	Times	0.02	0.2	0.2	0.3	0.5	0.8
Total liabilities to equity	Times	1.1	1.2	1.3	1.6	1.7	1.9
Interest cover	Times	18.4	12.0	2.4	5.0	3.1	5.5

Analysis of the Financial Statements
Balance Sheet

Particulars	2011	2010	2009	2008	2007	2006
	---------- Rupees in '000 ----------					
Assets						
Non Current Assets						
Property, plant and equipment	3,259,193	3,224,897	3,412,901	3,376,605	3,566,931	3,598,732
Intangible assets	7,137	8,053	16,601	14,813	24,324	29,090
Long-term investments - available for sale	-	-	-	-	51,761	-
Long-term loans and advances	22,403	18,810	14,359	14,043	12,943	17,097
Long-term deposits	10,765	11,336	8,964	13,503	15,900	11,027
Total Non-Current Assets	3,299,498	3,263,096	3,452,825	3,418,964	3,671,859	3,655,946
Current Assets						
Stores, spares and loose tools	325,891	322,592	428,188	417,564	407,730	379,380
Stock-in-trade	2,003,029	1,664,297	1,792,036	1,862,069	1,580,925	1,937,675
Trade debts	401,435	445,689	320,180	407,354	282,249	280,448
Loans and advances	33,525	40,485	37,646	39,354	20,553	51,360
Trade deposits and prepayments	36,936	39,079	64,637	223,229	5,075	2,998
Investments at fair value through profit or loss	1,338,474	1,088,996	455,816	1,377,300	864,989	327,317
Accrued mark-up / interest	8,517	4,513	520	812	90	543
Other receivables	15,075	11,566	101,071	169,838	45,543	38,075
Income tax receivable	68,050	-	91,308	-	138,179	88,892
Cash and bank balances	2,090,800	1,641,963	636,426	504,138	919,623	682,088
Total Current Assets	6,321,732	5,259,180	3,927,828	5,001,658	4,264,956	3,788,776
Total Assets	9,621,230	8,522,276	7,380,653	8,420,622	7,936,815	7,444,722
Equity and Liabilities						
Share Capital and Reserves						
Share capital	625,522	543,932	472,985	472,985	411,291	357,644
Reserves	2,622,118	2,622,118	2,622,118	2,227,118	2,009,004	1,586,118
Unappropriated profits	1,374,774	725,774	226,159	704,066	555,526	665,168
Total Share Capital and Reserves	4,622,414	3,891,824	3,321,262	3,404,169	2,975,821	2,608,930
Long-Term Liabilities						
Long-term borrowings	-	512,500	375,000	697,517	1,109,267	1,590,097
Deferred liabilities	649,354	600,015	575,862	571,004	559,487	419,689
Total Long-Term Liabilities	649,354	1,112,515	950,862	1,268,521	1,668,754	2,009,786
Current Liabilities						
Trade and other payables	4,255,584	3,109,999	2,646,221	3,247,381	2,796,376	2,369,727
Accrued mark-up / interest	6,378	37,384	72,328	49,829	57,035	69,088
Short-term finances	-	-	-	-	-	18,263
Current portion of long-term borrowings	87,500	362,500	389,980	436,751	465,829	368,928
Provision for taxation	-	8,054	-	13,971	-	-
Total Current Liabilities	4,349,462	3,517,937	3,108,529	3,747,932	3,292,240	2,826,006
Total Equity and Liabilities	9,621,230	8,522,276	7,380,653	8,420,622	7,936,815	7,444,722

Analysis of the Financial Statements
Balance Sheet

Particulars	Vertical Analysis 2011	2010	2009	2008	2007	2006	Horizontal Analysis 2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005
	%	%	%	%	%	%	%	%	%	%	%	%
Assets												
Non Current Assets												
Property, plant and equipment	33.9	37.8	46.3	40.1	44.9	48.3	1.1	-5.5	1.1	-5.3	-0.9	90.5
Intangible assets	0.1	0.1	0.2	0.2	0.3	0.4	-11.4	-51.5	12.1	-39.1	-16.4	55.4
Long-term investments - available for sale	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	-100.0	100.0	0.0
Long-term loans and advances	0.2	0.2	0.2	0.2	0.2	0.2	19.1	31.0	2.3	8.5	-24.3	40.5
Long-term deposits	0.1	0.1	0.1	0.2	0.2	0.1	-5.0	26.5	-33.6	-15.1	44.2	90.6
Total Non-Current Assets	34.3	38.2	46.8	40.7	46.3	49.0	1.1	-5.5	1.0	-6.9	0.4	89.9
Current Assets												
Stores, spares and loose tools	3.4	3.8	5.8	5.0	5.1	5.1	1.0	-24.7	2.5	2.4	7.5	67.5
Stock-in-trade	20.8	19.5	24.4	22.1	19.9	26.0	20.4	-7.1	-3.8	17.8	-18.4	23.6
Trade debts	4.2	5.2	4.3	4.7	3.6	3.8	-9.9	39.2	-21.4	44.3	0.6	100.7
Loans and advances	0.3	0.5	0.5	0.5	0.3	0.7	-17.2	7.5	-4.3	91.5	-60.0	37.7
Trade deposits and prepayments	0.4	0.5	0.9	2.7	0.1	0.0	-5.5	-39.5	-71.0	4298.6	69.3	-55.9
Investments at fair value through profit or loss	13.9	12.8	6.2	16.4	10.9	4.4	22.9	138.9	-66.9	59.2	164.3	-20.2
Accrued mark-up / interest	0.1	0.1	0.0	0.0	0.0	0.0	88.7	767.9	-36.0	802.2	-83.4	-68.7
Other receivables	0.2	0.1	1.3	1.9	0.6	0.5	30.3	-88.6	40.4	272.9	19.6	-72.3
Income tax receivable	0.7	0.0	1.2	0.0	1.7	1.2	100.0	-100.0	100.0	-100.0	55.4	100.0
Cash and bank balances	21.7	19.3	8.6	6.0	11.5	9.3	27.3	158.0	26.2	-45.2	34.8	-52.4
Total Current Assets	65.7	61.8	53.2	59.3	53.7	51.0	20.2	33.9	-21.5	17.3	12.6	-4.3
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	12.9	15.5	-12.4	6.1	6.6	26.5
Equity and Liabilities												
Share Capital and Reserves												
Share capital	6.5	6.4	6.4	5.6	5.2	4.8	15.0	15.0	0.0	15.0	15.0	40.0
Reserves	27.3	30.8	35.5	26.4	25.3	21.3	0.0	0.0	17.7	10.9	26.7	31.7
Unappropriated profits	14.3	8.5	3.1	8.4	7.0	8.9	89.4	220.9	-67.9	26.7	-16.5	7.5
Total Share Capital and Reserves	48.1	45.7	45.0	40.4	37.5	35.0	18.8	17.2	-2.4	14.4	14.1	25.5
Long-Term Liabilities												
Long-term borrowings	0.0	6.0	5.1	8.3	14.0	21.4	-100.0	36.7	-46.2	-37.1	-30.2	70.4
Deferred liabilities	6.7	7.0	7.8	6.8	7.0	5.6	8.2	4.2	0.9	2.1	33.3	118.8
Total Long-Term Liabilities	6.7	13.0	12.9	15.1	21.0	27.0	-41.6	17.0	-25.0	-24.0	-17.0	78.7
Current Liabilities												
Trade and other payables	44.2	36.5	35.8	38.5	34.9	31.9	36.8	17.5	-18.5	16.5	18.0	1.8
Accrued mark-up / interest	0.1	0.4	1.0	0.6	0.7	0.9	-82.9	-48.3	45.2	-12.6	-17.4	299.8
Short-term finances	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	-100.0	100.0
Current portion of long-term borrowings	0.9	4.3	5.3	5.2	5.9	5.0	-75.9	-7.0	-10.7	-6.2	26.3	59.0
Provision for taxation	0.0	0.1	0.0	0.2	0.0	0.0	-100.0	100.0	-100.0	100.0	0.0	-100.0
Total Current Liabilities	45.2	41.3	42.1	44.5	41.5	38.0	23.6	13.2	-17.1	13.8	16.5	5.4
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	12.9	15.5	-12.4	6.1	6.6	26.5

Analysis of the Financial Statements
Profit and Loss Account and Cash Flow Statement

Particulars	2011	2010	2009 (Nine Months)	2008	2007	2006
	Rupees in '000					
Profit and Loss Account						
Sales	32,521,399	25,554,772	13,747,820	20,855,535	16,608,413	17,420,263
Cost of sales	(30,080,978)	(23,555,842)	(12,782,165)	(19,298,994)	(15,044,640)	(15,790,546)
Gross profit	2,440,421	1,998,930	965,655	1,556,541	1,563,773	1,629,717
Distribution cost	(815,463)	(690,794)	(271,346)	(267,483)	(371,569)	(343,087)
Administrative expenses	(310,742)	(264,739)	(165,648)	(227,759)	(209,261)	(185,232)
Other operating income	299,337	239,047	89,744	263,870	150,681	173,035
Other operating expenses	(109,597)	(92,600)	(13,849)	(68,878)	(60,772)	(75,762)
Profit from operations	1,503,956	1,189,844	604,556	1,256,291	1,072,852	1,198,671
Finance cost	(93,475)	(112,613)	(251,777)	(252,091)	(269,337)	(151,611)
Net profit before taxation	1,410,481	1,077,231	352,779	1,004,200	803,515	1,047,060
Taxation	(407,925)	(364,773)	(128,246)	(301,191)	(249,924)	(370,228)
Net profit after taxation	1,002,556	712,458	224,533	703,009	553,591	676,832
Cash Flow Statement						
Cash flows from operating activities	2,009,360	1,768,263	200,587	842,189	1,780,564	543,869
Cash flows from investing activities	(504,018)	(730,915)	607,037	(572,029)	(923,751)	(1,962,606)
Cash flows from financing activities	(1,056,505)	(31,811)	(675,336)	(685,645)	(619,278)	668,462
Net increase/(decrease) in cash and cash equivalents	448,837	1,005,537	132,288	(415,485)	237,535	(750,275)

Analysis of the Financial Statements
Profit and Loss Account and Cash Flow Statement

Particulars	Vertical Analysis 2011	2010	2009 (Nine Months)	2008	2007	2006	Horizontal Analysis 2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007	2007 vs 2006	2006 vs 2005
	%	%	%	%	%	%	%	%	%	%	%	%
Sales	100.0	100.0	100.0	100.0	100.0	100.0	27.3	85.9	-34.1	25.6	-4.7	23.4
Cost of sales	-92.5	-92.2	-93.0	-92.5	-90.6	-90.6	27.7	84.3	-33.8	28.3	-4.7	23.6
Gross profit	7.5	7.8	7.0	7.5	9.4	9.4	22.1	107.0	-38.0	-0.5	-4.0	21.2
Distribution cost	-2.5	-2.7	-2.0	-1.3	-2.2	-2.0	18.0	154.6	1.4	-28.0	8.3	13.5
Administrative expenses	-1.0	-1.0	-1.2	-1.1	-1.3	-1.1	17.4	59.8	-27.3	8.8	13.0	29.5
Other operating income	0.9	0.9	0.7	1.3	0.9	1.0	25.2	166.4	-66.0	75.1	-12.9	0.9
Other operating expenses	-0.3	-0.4	-0.1	-0.3	-0.4	-0.4	18.4	568.6	-79.9	13.3	-19.8	-21.7
Profit from operations	4.6	4.7	4.4	6.0	6.5	6.9	26.4	96.8	-51.9	17.1	-10.5	23.1
Finance cost	-0.3	-0.4	-1.8	-1.2	-1.6	-0.9	-17.0	-55.3	-0.1	-6.4	77.7	122.8
Net profit before taxation	4.3	4.2	2.6	4.8	4.8	6.0	30.9	205.4	-64.9	25.0	-23.3	15.6
Taxation	-1.3	-1.4	-0.9	-1.4	-1.5	-2.1	11.8	184.4	-57.4	20.5	-32.5	20.0
Net profit after taxation	3.1	2.8	1.6	3.4	3.3	3.9	40.7	217.3	-68.1	27.0	-18.2	13.3

Cash flows from operating activities	447.7	175.9	162.8	-202.7	749.6	-72.5	13.6	781.5	-74.4	-52.7	227	-63.5
Cash flows from investing activities	-112.3	-72.7	447.7	137.7	-388.9	261.6	-31.0	-220.4	-203.5	-38.1	-52.9	-157.5
Cash flows from financing activities	-235.4	-3.2	-510.5	165.0	-260.7	-89.1	3221.2	-95.3	-1.5	10.7	-192.6	39.7
Net increase/(decrease) in cash and cash equivalents	100.0	100.0	100.0	100.0	100.0	100.0	-55.4	660.1	-131.8	-274.9	-131.7	-162.2

Directors' Report to Shareholders

The Directors of the Company take pleasure in presenting their report together with the Company's annual audited financial statements for the year ended March 31, 2011. The Directors' 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 Seventh Annual General Meeting of the Company to be held on June 23, 2011.

Operating Results

The operating results of the Company for the year ended March 31, 2011 under review are summarized as follows:

	Year ended March 31, 2011	Year ended March 31, 2010
	-----------(Rupees in '000)	**--------------**
Profit before taxation	1,410, 481	1,077,231
Taxation		
Current	405,478	373,580
Prior Years	(15,372)	-
Deferred	17,819	(8,807)
	407,925	364,773
Profit after taxation	1,002,556	712,458

Subsequent Appropriations:

The directors have recommended a final cash dividend of Rs. 6.5 (2010: Rs. 5.0) per share along with a 15% (2010: 15%) bonus issue. Accordingly, the following appropriations have been made:

	Year ended March 31, 2011	Year ended March 31, 2010
	-----------(Rupees in '000)	**--------------**
Profit available for appropriation	1,374,774	725,774
Appropriation:		
Transfer to General Reserve	860,000	-
Cash dividend 65% (2010: 50%)	406,589	271,996
Bonus shares 15% (2010: 15%)	93,828	81,590
	1,360,417	353,556
Un-appropriated profit carried forward	14,357	372,218

Earnings Per Share

The basic and diluted earnings per share after tax is Rs.16.03 (2010: Rs. 11.39).

Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the performance of the Company for the year ended March 31, 2011 and future prospects. The Directors endorse the contents of the review.

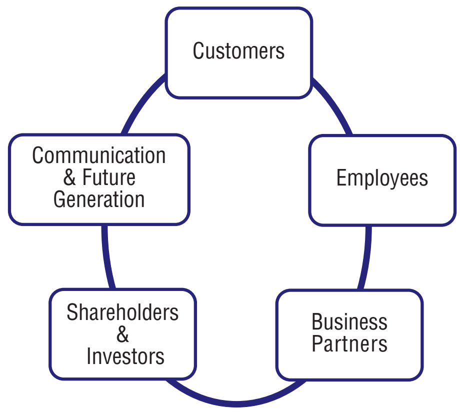
Corporate Social Responsibility (CSR):

In recent years, the companies have seen increasing demands that they carry out their business activities in line with the principles of corporate social responsibility. Now, CSR has become a major yardstick for judging Company's performance. In response to this, many companies are now putting greater emphasis on their CSR activities. However, in different nations and corporations, there is a broad variety of definitions for CSR and methods of promoting activities in this field. The Company believes that business entity should act in a socially responsible and sustainable manner in all its dealings with other businesses, associates and society at large. It includes participation in activities geared towards uplift of the community. In this way, we aim to **"Share with the society what we earn from the society".**

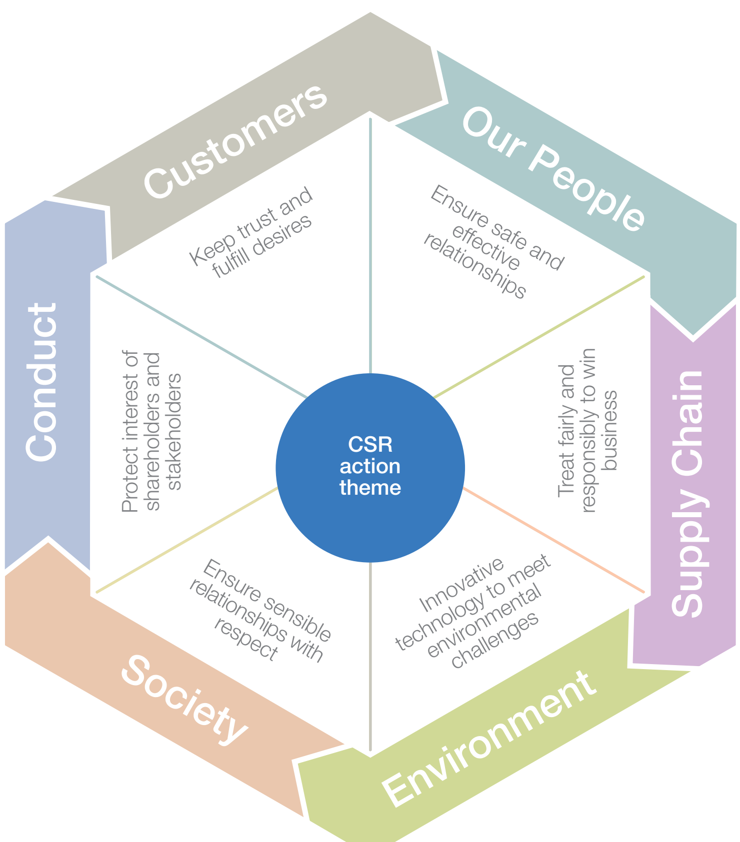
Atlas Honda Limited is the largest motorcycle and parts manufacturing Company of Pakistan. With a large contingent of associates, a fast expanding network of dealers and vendors and ever increasing loyal customer base, it has a opportunity to interact and influence a number of minds to create a positive difference in the society. The Company's approach to CSR is in accordance with it's business ethics with a belief that there is no trade off between performance and principles.In accordance with this, Company has developed a policy which contributes to the creation of value for all it's stakeholders in line with it's vision, mission and strategic objectives.

CEO Message

The CSR framework, which is based on our core values, explains how we manage our business by being a proactive corporate citizen. As employees, we act in accordance with these values and principles, keeping in focus all legislation and regulation that apply to our operation.



The Company has defined it's approach to CSR management by establishing six key areas of focus for efforts in this field. These areas are as follow:



Initiatives That We Participate in:

Since December 2005, Atlas Honda Limited has participated in the United Nations Global Compact, a corporate responsibility initiative built around 10 universal principles regarding human rights, labor, the environment and anti-corruption. The UN Global Compact was originally proposed by UN Secretary-General Kofi Annan in an address to the World Economic Forum (Davos forum) in 1999. Businesses may pledge to support its principles of their own free will.

Membership of UN Global Compact helps us to focus on it's principles which include advance transparency, accountability and continuous performance improvement. This, in turn, helps to build a growing repository of corporate practices to promote dialogue and learning. At an advanced level, it pushes to adopt best practices in the implementation of the principles and to address other dimensions of the Global Compact for Corporate Leadership, including Strategy, Governance, Supply Chain etc.

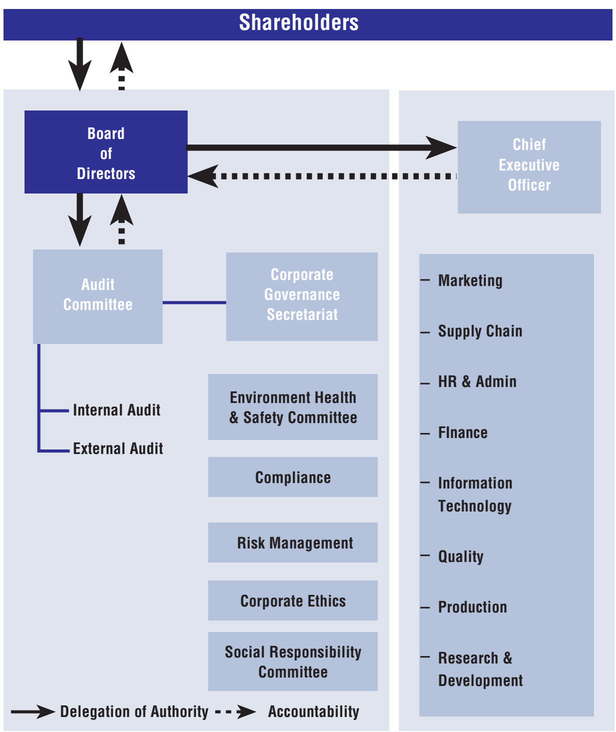
Conduct

"Atlas Honda Limited is committed to benchmarking itself with the best standards of Corporate Governance, not only in form but also in spirit"

The Company believes that its business strategy and plans should be consistent with the welfare of all stakeholders, including shareholders. Good Corporate Governance practices enable a company to attract financial and human capital. These resources are leveraged to maximize long-term shareholders value and at the same time cognizant of interests of multiple stakeholders, including the society at large.

The Company believes that strengthening corporate governance is a vital part of its responsibilities to stakeholders. In pursuance of this aim, the Company has created a management and governance structure that allows more timely and suitable decision making.

Atlas Honda Corporate Governance System



The Corporate Governance Principles

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.
- Compliance with the Code is subject to review by the Board supported by Audit Committee of the Board. The Board of the Company 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.
- Operations in accordance with principles of good governance.

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 these 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.
- 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 Social Responsibility

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

Environmental

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

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 compliance of relevant competition laws.
- Employees will conduct operations in accordance with the principles of fair competition.

The Corporate Governance Practices

The Company's concept of compliance includes not only adherence to laws, but also observance of corporate ethics and internal rules. Based on this approach, the Company established the Conduct Guidelines. These guidelines place the highest priority on compliance for conduct in all corporate activities. These guidelines include:

- To act with integrity, fairness and transparency.
- To comply with legal, regulatory and licensing requirements.
- The investment criteria take account of economic returns, environmental impacts, social consequences and human rights.

The Board of Directors of the Company 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 policies and procedures are in place for efficient and effective operations of the Company, safeguarding of assets, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards.

Board of Directors

The Board comprises of five Executive and three Non-Executive directors. All the non-executive directors are independent from management. During the year, Mr. Osamu Ishikawa resigned w.e.f June 29, 2010 and the board appointed Mr. Hisao Kobayashi as casual vacancy. On March 21, 2011, the existing Directors stood retired and offered themselves for re-election. The Directors of the Company were elected in Extraordinary General Meeting of the Company held on March 21, 2011.

The Board is responsible for the system of corporate governance and is ultimately accountable for the Company's activities, strategy, risk management and financial performance. The Board has the authority, and is accountable to shareholders, for ensuring that the Company's matters are appropriately managed and it achieves the strategic objectives it sets. The Board discharges those responsibilities through an annual programme of meetings which includes the approval of overall budgetary planning and business strategy. The Board reviews the internal controls and risk management policies and approves its governance structure and code of ethics.

During the year, five Board meetings were held. The attendance of the Directors and the number of their directorships in listed companies, including Atlas Honda Limited is as follows:

S. No.	Name of Directors	Attendance	Number of directorship
1	Mr. Yusuf H. Shirazi	4	6
2	Mr. Saquib H. Shirazi	5	4
3	Mr. Sherali Mundrawala	5	1
4	Mr. Sanaullah Qureshi	5	2
5	Mr. Nurul Hoda	4	1
6	Mr. Osamu Ishikawa (resigned w.e.f July 29,2010)	1	1
7	Mr. Hisao Kobayashi (Appointed in place of Mr. Osamu Ishikawa)	3	1
8	Mr. Koji Takamatsu	1	1
9	Mr. Takashi Nagai	-	2

Roles and Responsibilities of the Chairman

The Chairman's role is primarily to guide long-term strategic planning for the Company including:

- Presiding over the Board and ensuring that all relevant information has been made available to the members of the Board of the Company.
- Defining the philosophy and objectives of the Company.
- Safeguarding shareholders' interest in the Company.
- Responsible for building the Company's image nationally and globally.
- Chairman shall ensure that minutes of meetings of the Board of Directors are appropriately recorded and circulated to Directors and officers entitled to attend Board meetings.
- Major spokesperson of the Company, responsible for liaison with the senior most levels of Federal and Provincial Government.
- Overseeing the Company's macro approaches and public relations in the broadest sense, including its relations with public organization and other companies.
- Commitments and de-commitments of strategic investments.

Roles and Responsibilities of the CEO

The CEO is responsible for all matters pertaining to the operation of the Company. He has the following responsibilities:

- Under the overall direction of the Board of Directors
  - To plan and formulate strategic policies for the Company.
  - To be responsible for the implementation of such policies.
  - To be responsible for relations with government departments, trade associations and other external bodies, for the Company.
- To ensure achievement of agreed profitability targets.
- To ensure that the Company operates efficiently and achieves agreed productivity and other targets.
- To ensure that the chain of command in the Company is clear to facilitate the maintenance of discipline; the remits of all managers clearly define their functions to ensure accountability;
  - To fix selling prices and operate credit and discount policies.
  - To prepare for the approval of the Board of Directors annual forecasts of plans for production, sales, profit, revenue and capital expenditure, manpower numbers which fit into the long term business objectives and the overall strategic direction of the Company.
  - To ensure that necessary coordination exists between factories and other various functions and departments to achieve smooth and effective operations.
  - Maintain a regular review of duties and functions of his staff to ensure that there is no duplication of efforts in office methods and procedures and that all operations are carried out efficiently and economically.
  - Ensure that technical information is made to his Company under Technical Service or Royalty Agreements is used solely in the manufacture of approved products and the staff of his Company regarding such information maintains strict secrecy.
- To ensure that his Company interests and assets are properly protected and maintained. Further, all the required government obligations and compliances are met.
- To maintain the close liaison with the Government, customers, all suppliers and all sales offices.
- To chalk out personnel policies for achieving high professional standards, overall progress / betterment of the Company as a whole and meeting peculiar needs of the Company.
- To ensure that a proper succession plan for all levels in the Company remains available and is constantly updated.
- To pay all government dues on or before due dates and obtain all refunds due from the government.
- To ensure proper functioning of the Management Committee of the Company of which he will be the Chairman.
- To prepare and present personally to the Board of Directors following reports / details:
  - Annual business plan, cash flow projections forecasts and long term plans
  - Budgets including capital, manpower and overhead budgets along with variance analysis.
  - Quarterly operating results of the Company in terms of its operating divisions and segments.
  - Promulgations or amendment of the law, rule or regulation, enforcement of an accounting standards and such other matters as may affect the Company.
  - Reviewing performance against budget / targets, revenue and capital expenditure, profits, administration, commercial, personnel and other matters of importance to the Company.

- To ensure welfare and training of all company staff in accordance with the Company policy and government regulations that are applicable from time to time.
- To always keep the line of communication open with the competitors for taking joint actions for mutual benefits.
- To be responsible for publicity of the Company's products consistent with the Company's image and with a view to maximizing sales.
- To ensure that an open, progressive and game free atmosphere is created among employees giving them a sense of participation and providing them an incentive for each one has to give his best and to recognize that he is a partner with the Company in its fundamental job of serving the customer who is the sole source of profit, growth and opportunity for the Company and its employee. Every employee is treated equally as an individual regardless of his designation, advancement is on merit and each employee is helped to develop pride of performance in his job through continuous study and training so as to form a team in which all levels of employees work together with common goals to strengthen the position of the Company.

Functional Committees

To ensure objective control, the Board and the Management have established a number of committees to oversee key areas of the Company's operations. Each committee has written terms of reference which have been approved by the Board. The following is a summary of the roles and composition of each committee:

Committee	Roles and responsibilities of the committee	Number of members	Frequency of meetings
Audit Committee	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 is developed in accordance with the Code of Corporate Governance contained in the listing regulations of the stock exchanges.	Three	At least once in every quarter
Business Ethics Committee	Ensures that there is effective communication reinforcing ethical values, good practices in the business and respect for all individuals, assesses and monitors implementation of suggestions or concerns raised by the Company's staff, develops mechanism,like needs analyses, to identify employee's areas of concern or confusion.	Nine	Twice a year
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 is responsible 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.	Thirteen	Monthly
Treasury Committee	Approves matters relating to short term investment decisions and day to day operations of the Company. The decisions of the Treasury Committee are subsequently ratified by the Board.	Three	Monthly
Risk Management Committee	Ensures that all the Risks are timely defined and mitigated in accordance with the well structured Risk Management Process.	Three	Monthly
Environment, Health, Safety and Security Committee	Ensures compliance with applicable Environmental, Health, Safety and Security (EHS&S) laws and regulations.	Six	Monthly
Social Responsibility Committee	Ensures compliance of Social Performance Governance Framework.	Five	Quarterly

Auditors

The present Auditors M/s Hameed Chaudhri & Co. Chartered Accountants, 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 2011-12.

Customers

"Our customers and us-
the two wheels of a bike!"

Customer Focused Organization

Customer Satisfaction

Evolving into a Customers Focused Organization

The Company's main focus is its customers. Their requirements and preferences are our prime concern. In this respect, customers feedback is key input in the launch of new product and any change in existing models. The Company is aware of steep rise in cost of living and takes focuses on making its products affordable through cutting cost and making of credit available to the customers, wherever possible.

System Designed to Enhance Customers' Satisfaction

The Company works in coordination with its dealers to maximize customer satisfaction. Every step of the way, from purchase to after sale service, the Company strives to maintain trust of its customers. It is increasing the role of its service department to ensure that all operations of the organization are integrated, maximizing value and providing unmatched after sale service to the customers.

The service department regularly meets with dealers, providing training to their personnel on engaging the customer at the point of contact. Further, service department conducts campaigns with dealers to guide customers on how to utilize the motorcycle in an efficient and cost effective manner.

Increasing Customer Satisfaction

The Honda Brand name has been established in this country on the back of satisfied customer feedback. It is the customer's word of mouth that established a legendary secondary market for Honda. "Cash Deposit" emanating from the acronym CD is customers trust in our quality and product reliability brought about by blending together Honda philosophy on customer satisfaction and our understanding of local traditions and market behaviour. We aim to continue expanding our wide base of satisfied and loyal customers by practicing following principles:

1. Encourage face to face dealings;
2. Keep the clients informed;
3. Be friendly and approachable;
4. Have a clearly defined customer service policy;
5. Pay attention to details;
6. Anticipate the client's needs and go out of way to help them out; and
7. Honour our promises.

Activities Conducted During the Year

Ensuring Customer Safety

We recognize that riding a motorcycle without proper precautions and adequate skill set is a hazard. We share these facts with our valued customers and work closely with them to make motorcycle riding a joyful and safe experience. Following the “SAFETY FIRST” slogan, the service department associates deliver safety lectures at different locations throughout the country to students of various universities who are an important customer segment of the Company, law enforcement agencies and the general public at large. A knowledgeable customer can safely drive the vehicle and utilize its potential to the maximum.

Leadership Through Quality Improvement

Our customer selects our product due to its superior quality over competing products. “Quality” comprises of many aspects and measured through various indicators like low reported market complaints, settlement of claims in one day and number of complaints per motorcycle. Enhancement of engine warranty to one year reflects our faith in quality delivered and together with continued fuel efficiency reduces running cost to our customer and keep resale value of Honda far ahead of our competitors.

Customer Care Through After Sale Service

We strive to exceed the customer expectations in after sale service. This is achieved by providing highest level of service through personal attention to the customer when he comes to a service centre, for servicing, thereby, enhancing our brand image and ultimately increasing customer satisfaction. Our marketing team is engaged in developing customer friendly dealerships and regularly analyzing indicators of reported market complaints and claim settlement to maintain high class customer care.

Training and Support to Dealers

Dealers are the first point of contact of the customer. In order to facilitate dealers to let our customers experience the “ JOY OF BUYING”, we regularly conduct training and provide support to our dealers in this aspect of business. Special attention is also given to the technical training of mechanics to enable and support the launch of new technologies. Our dealers and service centers continuously strive to improve services. The teams at dealers ensure that our customer knows about the free services, warranty rights and detail features of our product. Standards have been developed for solving maximum problem within 24 hours of claim.

Free Training and Service Activities by the Company

From time to time, the Company carries out free service activities for its customers. During this activity customer motorcycles are checked free of cost. Further, the customers are also trained for safety and other pre-cautionary measures so that they remain secured and their motorcycles serve them for longer period. In this regard, major activity was carried out on Pakistan day (23rd March 2011) in which free check-up of motorcycles was done at various cities. Gifts and prizes were also distributed among the customers and dealers.

Long Term Customer Relation (Customer For Life)

We believe that once a product is sold to customer, he should remain our customer for life. This is the biggest challenge than attracting new customers. We have accepted the challenge and by and large have been successful in coping with it in an efficient and effective manner. Customer retention marketing is among one of the core activities of our organization. The basic philosophy of retention marketing is as follows:

1. Past and current customer behaviour is an important source of market knowledge.
2. Driving profits through retained customers through product referrals.
3. Retention marketing is all about : Action, Reaction, Feedback and Repeat.

Our People

"Building a people friendly work environment characterized by a sense of togetherness"

We strive to achieve perfection, be it in production, sales or any other area of operations. This is made possible because of our spirit of independence, fairness, and trust that emerges from basic principle of three R's i.e. Respect, Recognition and Reward. We believe in dignity of all human beings and respect them as individuals. Accordingly, a corporate culture of independence, responsibility and open-mindedness has emerged which has helped us to fulfill our inspirations and take new challenges every day.

People - The Force Behind Our Business and Change

Pakistan has been gifted with one of the best workforce in the world and the Company has been lucky to find the very best of them. The Company puts all efforts towards fostering an environment of equality, growth and development for its people. It recruits, promotes and rewards associates on merit and without discrimination. It believes in creating an environment where employees can thrive, by improving workforce safety, promoting idea of maintaining work life balance and helping employees building their capabilities through training and development.

Health, Safety and Security

Sustainable performance is not possible without exercising due care in operations for health, safety and security. The Company believes in **"Safety first".** Accordingly, the Company has comprehensive health, safety and security programs in which training is provided to employees. In 2010-11, various safety drills for complete shop evacuation, firefighting, cardiopulmonary resuscitation (CPR) techniques and first aid methods were performed. Live firefighting demonstrations were also conducted during the drills. The training was keenly attended by the associates.

The Company has implemented comprehensive health policies to foster associates' health through rules that address the prevention of health problems. As part of a health and welfare program, the Company has established an Environment, Health, Safety and Security Committee (EHS & S) which formulated a systematic support program to encourage associates in maintaining and improving their health and safety. Also, HR department executed "Personal General Safety" program for its associates which proved a real help in their daily life even outside plant area. Over 1,000 associates were given personal safety awareness through these endeavours.

Maintaining Balance Between Work and Social Life

The Company continuously promotes and supports work life balance to help employees maximize their capabilities in the work place while also achieving a fulfilling personal life.

Training and Development:

To help associates to achieve their potential and bring out the best of their capabilities, the Company continually provides them with the opportunities of training and development. The Company considers training as an investment and not an expense. In addition to on job training, the Company has arranged number of soft skills training for it's management team which are considered vital for the development of the organization. In this regard, Diploma in Business Management was launched in collaboration with Institute of Business Administration (IBA). The program was aimed to develop younger staff, having potential as the future leaders. The selected group of 17 associates participated in the program and studied 12 business management courses in four modules.

Long Service Award

To recognize loyalty and long service, associates are awarded gold medals for the period of their continued service of 15, 20, 25, 30 and 40 years. The grammage of gold is equivalent to service years of the associates. On retirement, the associates are also awarded with 20 grams gold medal. This year the Company awarded 133 gold medals to its associates.

Family Day - A Tradition At Atlas Honda Limited

To foster team work and strengthen associate relation, the Company organizes an annual Family Day where all associates gather along with their families from every tier of organization and enjoy the festivity. This year the family day was organized at Sheikhupura and Karachi on February 13, 2011 and March 19, 2011, respectively.

Employee Benefits

The Company operates a contributory provident fund scheme for all employees and defined benefit gratuity fund scheme for its management/non management employees. The values of investments as at March 31, 2011 are as follows:

• Provident Fund	Rs. 546 million
• Gratuity Fund	
Management Staff	Rs. 117 million
Non-Management Staff	Rs. 35 million

Internship for Students:

In July 2010, 65 students from different top level universities interned in different departments including production, HR, Administration, Finance, Marketing, Logistics and Product, Planning and Commercial. Internees completed and presented real-time projects during their internship at Sheikhupura plant and associated offices. Further, in September 2010, 22 students from NED University, NUST, Hamdard University and IBA Karachi performed their internships at Atlas Honda Karachi plant. The students were given an opportunity to experience corporate culture and to work with the best professionals. They took keen interest in learning and performing their projects and appreciated support rendered by staff at every point.

Human Resource Activities

Description	Numbers
External Training Programs	55 associates
Internal Training Programs	1,151 associates
Abroad Training Programs - Japan	5 associates
Internship Trainings	87 students
IBA Diploma Program	17 associates
Internal Recruitment	90 persons
External Recruitment/Promotions	30 persons
Separations	19 persons
Attrition Rate (%)	1.43%

Vendors

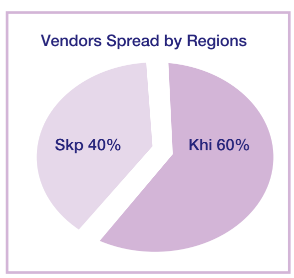
"Our ambition is to identify opportunities within existing supply chain strategies where cost reduction can be exacted and efficiency can be improved through readily available means."

The Company views its vendors of raw materials and parts as "essential partners in its business activities". It strives to build strong partnerships based on fair and transparent transactions. The Company believes that reliable vendors are essential to continuously provide customers in a timely manner with products that are desirable in every aspect, such as quality, price, and environmental impact.The Company strives to maximize the overall value generated by supply chain which is "the difference between what the final product is worth to the customer and the cost incurred in fulfilling the customer's request".

Among all the core competencies of Company, Supply Chain differentiates itself in terms of its Strategic, Tactical and Operational framework and decisions, while its business process integration involves collaborative work between buyer and suppliers, joint product development and shared continuous information flow which in turn assist to achieve the best product flows. Organizational Strategy and performance lead to set the benchmarks. The demand generation is pull in nature and they are generated in response to a customer order. Thus Company's Supply Chain strategy defines, the set of customer needs that it seeks to satisfy through its products and services.

Vendors Base

With localization and outsourcing of many parts, the number of suppliers for parts today are more than 150. The Company has around 1,200 local parts in 2005 which has risen above 2,000 in 2010. To meet the target of increased production, the Company is assisting its vendors to enhance their capacities, upgrade existing and introduce new technologies and convert manual processes to automated processes.



Business-to-Business (B2B)

During the year, a Supply Chain Portal was launched and a Business-to-Business link was established between the Company and its vendors. This has brought the Company and its vendors to promote business environment improvements leading to the following benefits:

- Real time communication;
- Paper less environment;
- On-time receiving and delivery; and
- Improvement in efficiency and effectiveness of supply chain.

Vendor Conference 2011

Vendor Conferences are designed to review achievements of the previous year and map target and identify challenges to be faced in the coming years. This year, National Vendor Conference was held on 3rd March, 2011 in Sheikhupura Plant where 156 vendors from all over the country participated. Chairman Atlas Group, CEO, Director Technical and General Manager Supply Chain addressed the gathering and reinforced the vision & mission of Company. The vendors also shared their experience and relationship with the Company. At the end, vendors received awards in anticipation of their outstanding performances.

CEO addressing the conference

Chairman sharing the vision


Management and suppliers at conference

Chairman presenting certificate to a vendor

Vendor Evaluation Table	
Selection	Following focus points are considered at the time of selecting supplier: 1. Excellent quality 2. Reasonable prices 3. Response to changes in demand 4. Compliance with laws 5. Environmental protection 6. Information security 7. Firm management foundation
Recognition	Considering a vendor as a part of Atlas Family, we not only support them but also show our appreciation. "Vendor Conference" is one of such activity which recognizes vendors on the basis of their performance.
Assessment	Supply chain associates accompanied by Quality Assurance experts regularly arrange QAV i.e. Quality Audit Visits for assessing quality standards at vendor's end. This exposes gaps, if any, and helps in developing a control plan and process flow of operations.
Appraisal Criteria	Our regular basis vendor appraisal is designed to establish what they can offer in terms of capability and competency. At the Company, vendor's appraisal is done on the basis of QCDR i.e. Quality, Cost, Delivery and Reliability.
Training	To educate and create awareness to current trends and advanced technologies, we train our vendors in several ways. We make them understand the importance of lean manufacturing to save cost, time and produce the desired standardized quality.

Environment

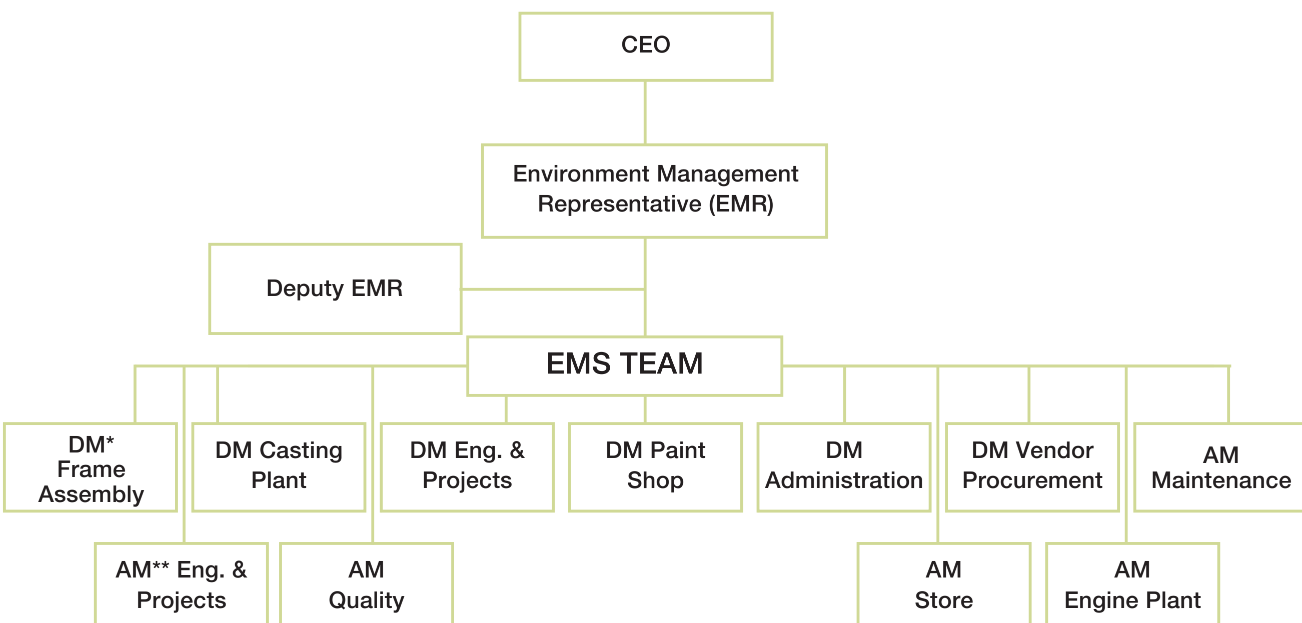
"You must be the change you wish to see in the environment"

Environmental Management

The Company carries out its corporate activities in harmony with people and the environment by integrating environmental, economic & social prospective into its corporate philosophy. Our basic approach is to meet the challenges presented to environment through reduction of waste, energy conservation, obeying environmental laws and initiating environmental activities. Based on this approach, we work to reduce the environmental impact of our products over their life cycle. In particular, emphasis is placed on preventing global warming, supporting a recycling-oriented society and reducing the risks arising out of use of chemicals.

Environmental Management System (EMS)

It is the responsibility of Environment Committee to implement Environmental Management System and provide means to smooth operation of EMS. Organizational Structure for EMS is as under:



*Deputy Manager **Assistant Manager

Environmental Laws and Regulations

Regulatory compliance is fundamental to the production and in-use performance of our products. The Company has systems in place to ensure that their activities comply with all applicable legal requirements and strives to achieve for Honda Global Environmental Standards.

Environmental Audit

Environmental initiatives of the Company are implemented in accordance with EMS base on annual targets and Environmental plans determined by the Environment committee. These activities are regularly audited by SGC, and external certification body.

Environmental Impacts Resulting from Business Activities

The Company recognizes its responsibility of the impact resulting from its activities and use of its products and is committed to minimize it. To achieve this, specific areas are identified and targets are set. Following are our business activities, concerns arising from those activities and their resulting impacts on the environment:

Environmental Policy

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

Domain	Concerns
Product Development	CO_2 Exhaust Emission Noise
Purchasing Production	CO_2 Waste Wastewater Exhaust Emission Noise Chemicals
Distribution	CO_2 Waste
Sales	CO_2 Removed Parts Waste
Product Recycling	CO_2 Waste

Environmental Impact
Global Warming
Ozone Depletion
Depletion of Natural Resources
Air Pollution
Waste
Water Pollution
Soil Pollution

The Company took following steps to reduce the impact of its business activities on environment:

Global Warming

The Company considers prevention of global warming as its responsibility and took following steps to prevent it:

Green Factories

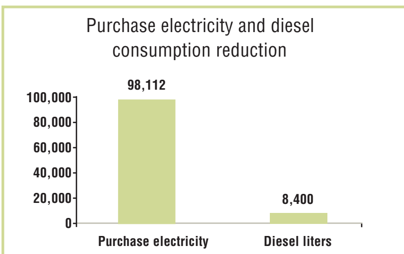
The Company performs different activities to minimize the impact of its operations on the environment and improve working conditions for promoting living with the local community. Major activities are reduction in CO_2 and Volatile Organic Compounds (VOC) reduction.

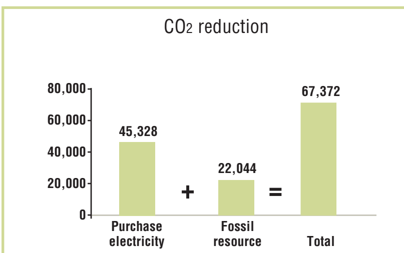
(i) CO_2 reduction

In order to achieve CO_2 reduction, the Company has undertaken different activities to reduce its emission.

a. Load management on generators

The Company has shifted 160 KW load of it's compressor from LESCO to natural gas generators. This considerably reduces the CO_2 emission.





b. Use of inverters in different areas

Inverters are being used for heavy load motors. This reduce the electrical consumption by 5%.

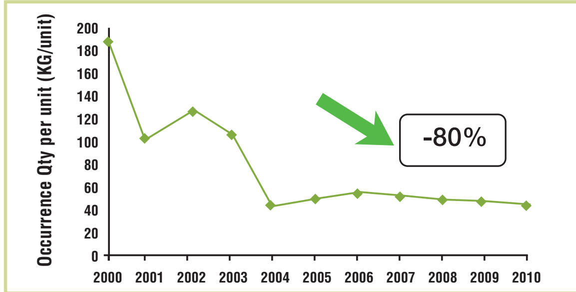
c. Mercury lights phase-out plan

As mercury lights disposition cause an environmental issue, the Company is in the process of changing all the mercury lights to energy savers lights by 2013.

d. Oil filter disposal

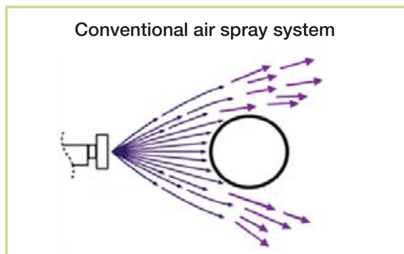
During periodic change of oil filter, some oil remains in fuel filter and air filter. Remaining oil of these filters is drained in a drum for 72 hrs and then disposed off properly.

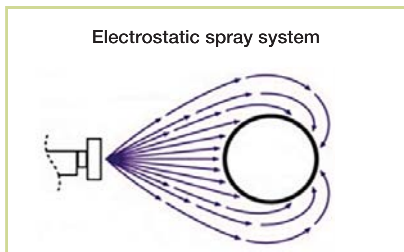
Yearly CO_2 reduction trend



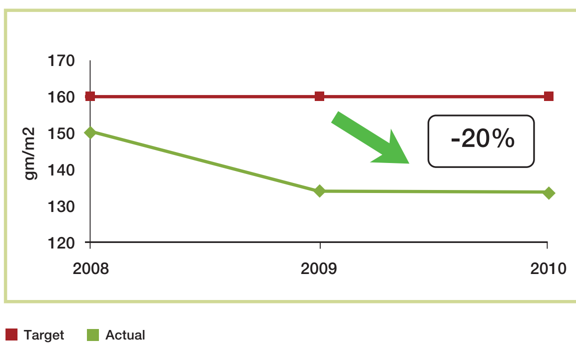
(ii) Reducing VOC

VOCs are referred to as organic chemical compounds which have significant vapor pressures and can affect the environment and human health. Examples are paints and lacquers, paint strippers, cleaning supplies, building materials etc. To reduce VOC emissions, the Company is monitoring the emissions of the ovens periodically with regular tune-ups. Further, the Company has also implemented electrostatic paint spray system which is a highly efficient technology for the application of paint to specific work pieces. The increased efficiency helps in reducing the amount of paint used by 60 - 80%, which in turn reduces VOC emissions.



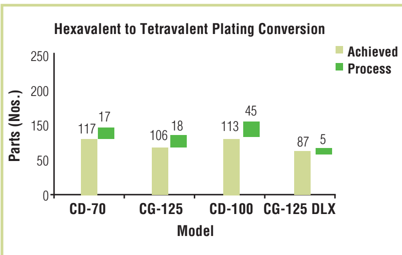


VOC emission trend



Green Purchases

The Company has focused on green purchases from its vendors to reduce the impact of hazardous material on environment. Approximately 55% of the parts have been switched from hexavalent to environment friendly tetravalent plating.



Green Dealers

The Company is actively promoting green dealership by educating its dealers to drain used oil properly, segregate the waste and exit the exhaust at the higher level than normal to conserve environment.

Oil Drain System | Waste Bin

Reuse, Reduce and Recycle (3 R's)

The Company focuses on zero waste activities and aims at minimizing final disposal through recycling, reuse and reducing the total amount of waste in order to contribute to achieving healthy society.

Reuse of Teflon Sheets

Teflon sheets are reused on washing trolleys after pressing and fixing bolts on trolleys.

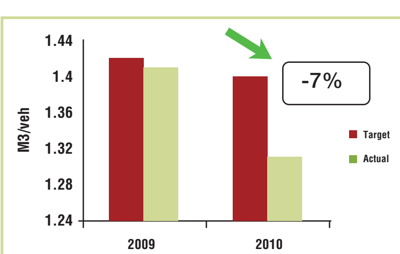
Old Method | New Method

Reuse of Die Cavities

Two expired cavities working sides were utilized. This results in savings of 1 die set of production.

Water Reduction

Water usage is reduced by controlling leakages, overflows and replacement of defective nozzles.

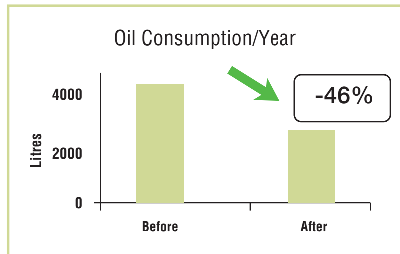


Waste Reduction

Waste reduction activities are carried in all the areas of the plant. The activities include recycle of scrap tools, reuse of wooden box and trolleys.

Reduction in Lube Oil

In gas generators, premium quality engine oil is being used instead of regular engine oil which requires changing the oil at periodic intervals from 1,000 to 1,500 hrs. It helped in saving oil consumption.



Reduction in Cutting Oil

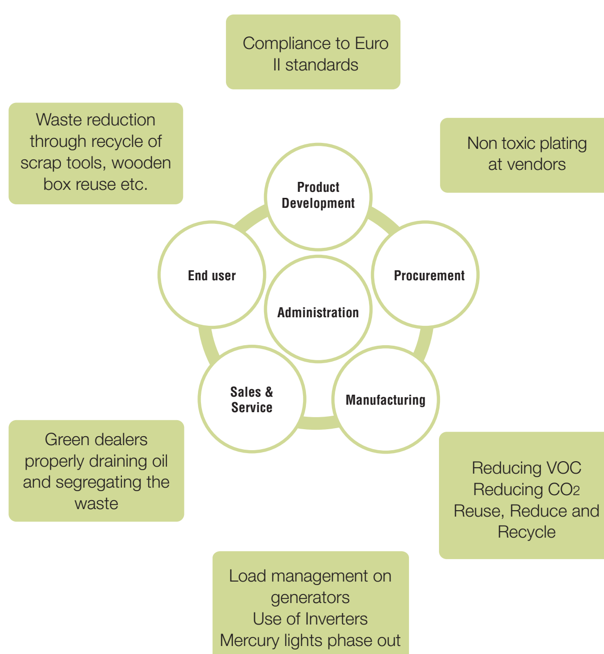
AwS-32 oil is changed for CNC machines once a year and was wasted in high quantity. Now, it is used again in Broach machine. It helps to conserve a scarce resource and reduces carbon footprint of the organization.

Recycle of Water

Reverse Osmosis (RO) plant is introduced in 2010 which helped Company to save 80,000 litres of water per day.

Product Life Cycle

Honda recognizes Life Cycle Assessment (LCA) as a critical tool for understanding the impact of its products and operations on the environment. Using the LCA framework, the Company is working to minimize their impact on environment virtually every aspect of its business.



Society

"What comes from society should be shared with society"

The Company enriches the lives of people through socially responsible activities in accordance with our philosophy "what comes from society should be shared with society". The company aims to contribute to the socio-economic aspects of the sustainable development plans of people and communities. The Company aims to continue unique corporate citizenship activities that strike a balance between communal betterment and furtherance of corporate goals. Following are the basic principles around which Company activities revolve:

- We are dedicated to contributing to the well-being of local communities, through our products and technologies.
- As a good corporate citizen, we will deepen our commitment to all communities where we do business.
- We will contribute to the nurturing of a society where caring and energetic individuals actively participate in socially responsible activities.

Based on above, the company has identified five areas for carrying out its activities i.e. health, safety education, general education, green Pakistan and humanitarian relief.

Focus Areas

Following major activities were carried out during 2010-11:

Health Sector

The Company carried out gratis blood screening activities throughout Pakistan. Besides, various activities were carried out for diagnosing health problems through medical checkups, blood test and its screening. Further, MOU was signed with Hilal-e-Ahmar, whereby 8,000 students were facilitated through blood group checking. Also, through this MOU membership cards were issued to students.

The Company plays a significant role in creating awareness about deadly diseases. In this regard, a rally was arranged with doctors to create awareness about Hepatitis on 19th May 2010. This was largely attended by the representatives of society.

The Company donated two community water filtration plants at Sheikhupura, which will provide the locals with clean water. This will be helpful in improving their general health condition.

Safety Education

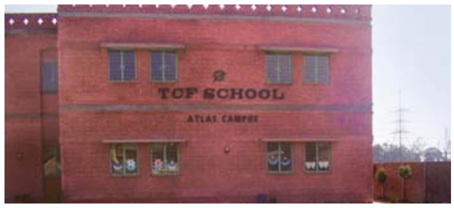
The Company organized numerous activities with different organizations to help in reducing the number of lives lost each year in traffic accidents. In this regard, a speech contest was organized which targeted youth of Pakistan. It aimed at creating awareness among the students about their role in reducing traffic accidents. The contest was judged by Mr. Iftikhar Arif and Mr. Mansha Yaad.

Additionally, Company has also introduced a web based safety education system highlighting “Safety on Road”. A quiz contest was launched by the Company in which students are offered attractive prizes. More than 10,000 students have been registered up till now.

The Company has also conducted a number of safety riding exercises and lectures across Pakistan to teach motorcycle riding rules in order to prevent accidents.

General Education

Atlas Foundation on behalf of Atlas Honda Limited has sponsored a primary school in a village near Sheikhupura. The school was built in collaboration with the Citizen Foundation and has capacity of 210 students.



Further, the Company has formed training workshops at SOS village and Karigar Institute in Karachi to provide vocational training to students. During the year 32 students of SOS and 20 students of Karigar Institute were provided training of motorcycle repairing.

Green Pakistan

Grow Your Own Food

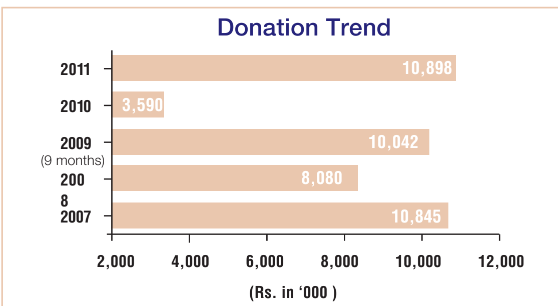
In pursuance of the Company's aim to promote natural beauty and greenery all over Pakistan, it gathered about 1,500 students from various schools and through workshops, explained them the significance of a green Pakistan to encourage them towards plantation. The workshops taught them about benefits of planting fruits and vegetables even in their front and back yard or a balcony or roof top and in the process provide them with inexpensive healthy food.

Green Working Environment

The Company recognizes the importance of healthy working environment for its workforce and society as well. Our plantation activities at Sheikhupura and Karachi plants were also acknowledged by Punjab Government. Accordingly, Sheikhupura plant was awarded 2nd Prize in the 153rd Annual Spring Flower Show 2011, at Bagh-e-Jinnah in Lahore.

Donations

The Company follows a policy approved by the Board of Directors to donate 1% of profit before tax of each year to be paid in the following year to an approved charitable institution under section 61 of the Income Tax Ordinance, 2001, engaged in support of education and health.



Humanitarian relief

Flood Relief

Pakistan faced worst calamity of flood in the middle of August 2010. The Company lent a helping hands immediately and started its relief activities right after the first wave of floods struck over Khyber Pakhtunkhwa (KPK) province. The Company used its infrastructure in purchasing, packing, transportation, delivery and distribution of the relief goods. The teams came up to the challenge and relief goods were delivered as per schedule to the truly needy. Atlas Group along with it's associates contributed by way of food, medicines, cash disbursements and shelters etc. which exceeds Rs. 70 million. Besides , Atlas Group also contributed Rs. 20 million to Federal and Provincial Governments and to Pakistan Army, which includes 10 million Yen from Honda Motor Co. Ltd., Japan. The total operation was distributed in three phases. In Phase 1, the Group distributed relief goods among 5,000 displaced families though out the country right from KPK to Sindh. During Phase 2, over 2,600 families were facilitated with food, clean water and shelter. In Phase 3, further 2,300 families were again provided with relief goods.

Food Bags Distribution During Flood	Qty. of Bags
Nowshehra	500
Charsadha	500
Swat (Mengora)	500
Mianwali	500
Chowk Sarwar Shaheed / Layyah / D.I.Khan	500
Muzaffar Garh District	500
R.Y. Khan District	500
Rajanpur District	500
Dadu / N.Feroz / Hyderabad / Thatta Distt.	500
Multan	625
Ghotki / Sukkur	800
Khan Bela	200
Total	6,125

Moving forward, the Company plans to participate in a wider range of social activities to integrate social concerns in its business model. It will continue to cultivate employees' sense of citizenship and strives to create an environment that encourages active social participation, thus exemplifying its organizational values.

Creating Value Through Risk Awareness

Risk awareness is a pre-requisite for creating value for the Company's stakeholders and achieving good profitability. Therefore, the Company continuously evaluates the risk to which it is exposed and monitors the development of factors (risk indicators) that influence the risk. A risk may be dependent on external events which may affect the entire market or specific industry. A risk could also be directly linked to the Company. It views these risk into following four categories:

Strategic Risks - These risks are related to Company's business environment.
Operational Risks - These risks are related to Company's internal operations and daily affairs.
Hazard Risks - These risks are due to external factors which can lead to undesirable events.
Financial Risks - Financial risks are linked with financial matters.

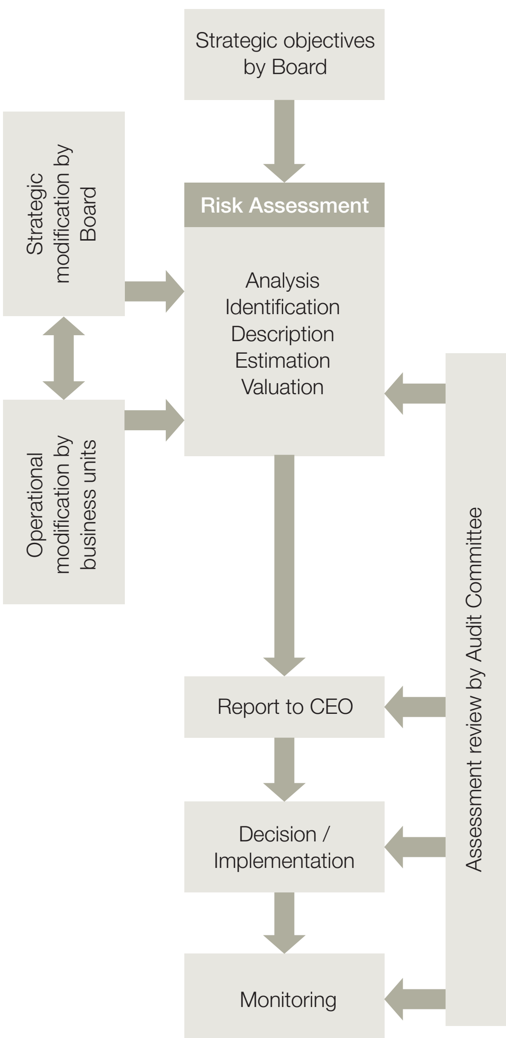
Risk Assessment and Reporting

The Board of Directors through Management decides and gives guidelines on strategic matters. The Business units are responsible for achieving their strategic goals set and for mitigating and covering all their risks. The risk management function is part of the Company's treasury department, which reports to the CEO. It reviews the business risk profile, prepares the risk management policy and schemes in consultation with relevant business units for covering the risk and cooperates in the implementation of risk mitigation work with business units. The Board Audit Committee also reviews and assesses the adequacy of risk management for its effectiveness in mitigating the risks. Further, the Board of Directors has also endorsed risk management policy.

The risk management process has been outlined below along with risk indicators and respective risk categories alongwith their probability of outcome.

Risk Management Overview

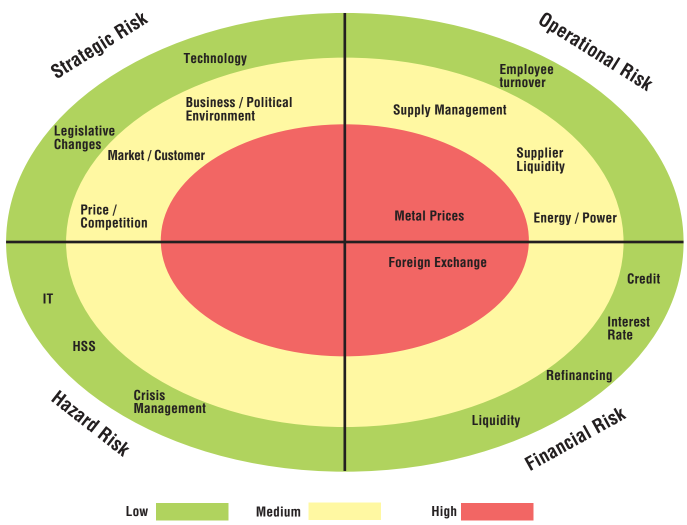
Risk Management Process



Risk Indicators

Economic conditions	Product performance	Data security
Legislative changes	Quality	No. of accidents
Law and order situation	Cost	Foreign exchange
Demand volume	Lead-time delivery	Interest rate
Lifestyle	Energy/power crisis	
Customer loyalty	Price hike	
Inflation	International trend	
Competitors' activities	Domestic situation	
Brand image	System support	

Sensitivity of Risk Categories



Risk Assessment Table

Risk	Category	Description	Sensitivity	Mitigating Measure
Strategic Risks	**Business / political environment**	Economic / political conditions may create threats to demand for motorcycles and Company's operating results.		Flexible multiproduct manufacturing model based on capacity and a stable product mix, brand image, strong dealership network & largest market share provides the Company with measure of stability.
	Legislative Changes	Threat to license to operate, changes in rules and regulations and similar consequences which deal with fulfillment of statutory requirements.		The Company comply with all rules and regulation of statutory and local bodies to adhere with best corporate practices.
	Market, Customer, Price and competition	Several two wheeler companies have introduced new models in various CC categories. This may result in tough price competition. Further, continued competition in 70cc category poses a challenge to the Company's stronghold in this segment.		The Company offers four models for its customers, which represent customers' lifestyle and choice. The brand leadership's strategic objective is to support its customers by offering quality products with excellent fuel efficiency. This was further endorsed by launching of 1 year warranty for engine parts. Also, large dealership network, best after sales services and availability of genuine parts provide a unique competitive edge over its competitors. It holds largest market share and continuously evaluates opportunities for expansion of production capacity to increase or maintain its market share.
	Technology Risk	Technological shift rendering production process obsolete and cost inefficient.		The Company remains proactive and minimize this risk through balancing, modernization and continuous upgradation of its production facilities.
Operational Risks	**Supply Management**	The Company rely on third parties for supply of spare parts for manufacturing motorcycles. This exposed the Company to the risk of supply interruption in the event that suppliers experience financial difficulties or unable to supply sufficiently products meeting requisite quality standards.		The Company have contracts in place with suppliers for continuous supplies of raw material. These contracts cover period from quarter to annual. Continuous assessment of business with suppliers and their financial position is performed. A step forward has been taken by creating B2B link with them. The Company also conducts quality audit of vendors and suggest improvements for enhancing the quality of supply.
	Suppliers liquidity and solvency			
	Energy and Power	Shortage of energy and power may cause fluctuation in operations.		The Company's operations are based on usage of alternative energy resources.
	Metal prices	Volatility in metal prices may increase input cost.		Agreements are in place to balance the short-term fluctuations.
	Human Resource	This includes dearth of trained personnel, attrition of manpower, frauds and incompetence.		Effective human resource policy for recruitment and periodic performance appraisal is in place. Appropriate internal controls are in place to prevent frauds.
Hazard Risks	**Information Technology**	This refers to disruption in business process continuation and threat to data security.		The Company also operates Disaster recovery site and has Business Continuity plan in place for continuous operations.
	Health, safety and security (HSS) of employees	Threats to production disruption, financial penalties and reputational harm resulting from a poor health and safety record.		The Company provides health and safety training at all levels of operations, and conduct drills for creating / enhancing awareness. Further, appropriate insurance policies are in place.
	Crisis management	Disruption in production on account of natural disaster, fire, accidents and others.		The Company operates plants at Karachi and Sheikhupura. Both are situated outside of natural catastrophic areas. Proper drills, awareness programmes and training is provided for managing crisis.
Financial Risks	**Foreign Exchange**	This refers to exposure of threat due to foreign currency fluctuation and its impact on financial results.		Company continuously monitors foreign exchange exposure through its Treasury Committee. Derivative instruments and forward cover, if permitted by SBP, are used for hedging currency risk.
	Interest rate	Rise in KIBOR rates inflating borrowing cost.		The Company hedges interest rate exposure by using derivative instruments such as interest rate swaps. Further, deposits and short term investments minimize the risk of floating rates.
	Liquidity and refinancing	This is the exposure to availability of financing and impact of changes in monetary policy.		Company ensures sufficient liquidity at all times by efficient cash management and by maintaining sufficient credit lines available.
	Credit	This refers to threat in credit recovery and effectiveness of credit policy.		Credit sales are made to secured government organizations and institutions.

Low Medium High

Material Changes

There have been no material changes since March 31, 2011 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 financial statements.

On behalf of the Board of Directors

Saquib H. Shirazi
Chief Executive Officer

Karachi: April 27, 2011

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) in the Listing Regulations of Karachi, Lahore and 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 and directors representing minority interests 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, their spouses and minor children have not transacted in the shares of the Company during the year other than on those occasions which are disclosed in the pattern of shareholding.

- 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 NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

- One casual vacancy occurred on the Board during the year which was promptly filled by the directors.

- Executive directors of the Company are not in excess of 75% of total number of directors on the Board.

- 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 vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and other 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 during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings to all the directors. The minutes of the meetings were appropriately recorded and circulated.

- The Company arranges orientation courses / meetings for its directors.

- All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

- There were no new appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year. However, all these appointments including their remuneration and other terms and conditions of employment have been approved by the Board in preceding years.

- The Directors' Report for the year ended March 31, 2011 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 executives 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, as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

- 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 related party transactions have been reviewed and approved by the Board of Directors and placed before the Audit Committee in accordance with the Listing Regulations.

- 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 also been complied with.

On behalf of the Board of Directors

Saquib H. Shirazi
Chief Executive Officer

Karachi: April 27, 2011

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

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, ("the Company") to comply with Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited, 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 of Corporate Governance.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval, related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended March 31, 2011.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: April 27, 2011
Audit engagement partner: Abdul Majeed Chaudhri

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HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of Atlas Honda Limited ("the Company") as at March 31, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as described in Note 3.1 to the financial statements with which we concur;

  (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 year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at March 31, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under 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.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: April 27, 2011
Audit engagement partner: Abdul Majeed Chaudhri

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Balance Sheet
As at March 31, 2011

	Note	2011	2010
		------ (Rupees in '000) -----	
Assets			
Non-Current Assets			
Property, plant and equipment	5	3,259,193	3,224,897
Intangible assets	6	7,137	8,053
Long-term investments - available for sale	7	-	-
Long-term loans and advances	8	22,403	18,810
Long-term deposits		10,765	11,336
		3,299,498	3,263,096
Current Assets			
Stores, spares and loose tools	9	325,891	322,592
Stock-in-trade	10	2,003,029	1,664,297
Trade debts	11	401,435	445,689
Loans and advances	12	33,525	40,485
Trade deposits and prepayments	13	36,936	39,079
Short-term investments - at fair value through profit or loss	14	1,338,474	1,088,996
Accrued mark-up / interest		8,517	4,513
Other receivables	15	15,075	11,566
Income tax receivable		68,050	-
Cash and bank balances	16	2,090,800	1,641,963
		6,321,732	5,259,180
		9,621,230	8,522,276

Balance Sheet
As at March 31, 2011

	Note	2011	2010
		------ (Rupees in '000) -----	
Equity and Liabilities			
Equity			
Share capital	17	625,522	543,932
Reserves and unappropriated profits	18	3,996,892	3,347,892
		4,622,414	3,891,824
Non-Current Liabilities			
Long-term borrowings	19	-	512,500
Deferred liabilities	20	649,354	600,015
		649,354	1,112,515
Current Liabilities			
Trade and other payables	21	4,255,584	3,109,999
Accrued mark-up / interest	22	6,378	37,384
Current portion of long-term borrowings	19	87,500	362,500
Provision for taxation		-	8,054
		4,349,462	3,517,937
Contingencies and Commitments	24		
		9,621,230	8,522,276

The annexed notes 1 to 44 form an integral part of these financial statements.

Yusuf H. Shirazi	**Saquib H. Shirazi**	**Sherali Mundrawala**
Chairman	Chief Executive Officer	Director

Profit and Loss Account
For the Year Ended March 31, 2011

	Note	2011	2010
		------ (Rupees in '000) -----	
Net sales	25	32,521,399	25,554,772
Cost of sales	26	(30,080,978)	(23,555,842)
Gross profit		2,440,421	1,998,930
Distribution cost	27	(815,463)	(690,794)
Administrative expenses	28	(310,742)	(264,739)
Other operating income	29	299,337	239,047
Other operating expenses	30	(109,597)	(92,600)
Profit from operations		1,503,956	1,189,844
Finance cost	31	(93,475)	(112,613)
Net profit before taxation		1,410,481	1,077,231
Taxation	32	(407,925)	(364,773)
Net profit after taxation		1,002,556	712,458
Other comprehensive income		-	-
Total comprehensive income		1,002,556	712,458
		---------------- (Rupees) --------------	
Earnings per share - basic and diluted	33	16.03	11.39

The annexed notes 1 to 44 form an integral part of these financial statements.

Yusuf H. Shirazi	**Saquib H. Shirazi**	**Sherali Mundrawala**
Chairman	Chief Executive Officer	Director

Cash Flow Statement
For the Year Ended March 31, 2011

	Note	2011	2010
		------ (Rupees in '000) -----	
Cash Flows from Operating Activities			
Cash generated from operations	34	2,697,813	2,224,301
Mark-up / interest paid		(111,422)	(132,914)
Income tax paid		(466,210)	(274,218)
Contributions made to Gratuity funds		(19,183)	(10,092)
Compensated leave absences paid		(8,779)	(6,436)
Workers' Profit Participation Fund paid		(57,853)	(18,248)
Workers' Welfare Fund paid		(21,984)	(7,307)
Long-term loans and advances - net		(3,593)	(4,451)
Long-term deposits - net		571	(2,372)
Net cash generated from operating activities		2,009,360	1,768,263
Cash Flows from Investing Activities			
Fixed capital expenditure		(557,189)	(294,597)
Investments acquired		(1,442,646)	(927,463)
Sale proceeds from disposal of property, plant and equipment		51,266	28,757
Sale proceeds from disposal of investments		1,306,029	375,295
Mark-up / interest received		138,522	87,093
Net cash used in investing activities		(504,018)	(730,915)
Cash Flows from Financing Activities			
Acquisition / (Repayment) of long-term borrowings - net		(787,500)	110,020
Dividends paid		(269,005)	(141,831)
Net cash used in financing activities		(1,056,505)	(31,811)
Net increase in cash and cash equivalents		448,837	1,005,537
Cash and cash equivalents at the beginning of the year		1,641,963	636,426
Cash and cash equivalents at the end of the year	16	2,090,800	1,641,963

The annexed notes 1 to 44 form an integral part of these financial statements.

Yusuf H. Shirazi
Chairman

Saquib H. Shirazi
Chief Executive Officer

Sherali Mundrawala
Director

Statement of Changes in Equity
For the Year Ended March 31, 2011

	Share Capital	Capital Reserves: Share Premium	Capital Reserves: Gain on Sale of Land	Revenue Reserves: General Reserve	Revenue Reserves: Unappropriated Profits	Total
	(Rupees in '000)					
Balance as at April 1, 2009	472,985	39,953	165	2,582,000	226,159	3,321,262
Transactions with owners						
Final dividend for the nine months period ended March 31, 2009 @ Rs. 3 per share	-	-	-	-	(141,896)	(141,896)
Bonus shares issued during the year in the ratio of 3 shares for every 20 shares held	70,947	-	-	-	(70,947)	-
	70,947	-	-	-	(212,843)	(141,896)
Total comprehensive income for the year	-	-	-	-	712,458	712,458
Balance as at March 31, 2010	543,932	39,953	165	2,582,000	725,774	3,891,824
Transactions with owners						
Final dividend for the year ended March 31, 2010 @ Rs. 5 per share	-	-	-	-	(271,966)	(271,966)
Bonus shares issued during the year in the ratio of 3 shares for every 20 shares held	81,590	-	-	-	(81,590)	-
	81,590	-	-	-	(353,556)	(271,966)
Total comprehensive income for the year	-	-	-	-	1,002,556	1,002,556
Balance as at March 31, 2011	625,522	39,953	165	2,582,000	1,374,774	4,622,414

The annexed notes 1 to 44 form an integral part of these financial statements.

Yusuf H. Shirazi
Chairman

Saquib H. Shirazi
Chief Executive Officer

Sherali Mundrawala
Director

Notes to the Financial Statements
For the Year Ended March 31, 2011

1. Legal Status and Operations

Atlas Honda Limited (the Company) was incorporated as a public limited company on October 16, 1962 under the Companies Act, 1913, now Companies Ordinance, 1984. Currently, the shares of the Company are listed on Karachi and Lahore stock exchanges of Pakistan. The registered office is located at 1-Mcleod Road, Lahore. The Company is principally engaged in progressive manufacturing and marketing of motorcycles and spare parts. The manufacturing and assembly facilities of the Company are located at Karachi and Sheikhupura, with branches, warranty and training centers and other offices located at Karachi, Multan, Lahore, Rahim Yar Khan and Rawalpindi.

2. Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified by the provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ from the requirements of the approved accounting standards, the Ordinance and the said directives have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for short-term investments, which are carried at fair value, stores, spares and loose tools and stock-in-trade which are carried at lower of cost and net realizable value and certain staff retirement benefits which are carried at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the functional currency of the Company. All the financial information presented in Pak Rupee has been rounded off to the nearest thousand.

3. Summary of Significant Accounting Policies

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

3.1 Changes in accounting policies

3.1.1 Amendments to existing approved accounting standards and interpretations that are effective in 2010

The following amendments to the existing standards are mandatory for the periods beginning on or after April 1, 2010:

- IAS 17 (Amendment), 'Classification of leases of land and buildings'. The amendment deletes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. The Company's current accounting policy is in line with this amendment and the Ordinance, therefore, the amendment will have no effect on the Company's financial statements.

- IFRS 8 (Amendment), 'Disclosure of information about segment assets'. This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Since the operations of the Company are considered as a single reportable segment, therefore, the amendment will have no effect on the Company's financial statements.

- IAS 39 (Amendment), 'Cash flow hedge accounting'. This amendment provides clarification regarding when to recognize gains or losses on hedging instruments as reclassification adjustments in a cash flow hedge of a forecast transaction, that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The Company's current accounting policy is in line with this amendment and therefore, there is no effect on the Company's financial statements.

3.1.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are effective in 2010 but are not relevant to the Company

The other new standards, amendments to existing approved accounting standards and interpretations are mandatory for the periods beginning on or after April 1, 2010 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations, however, these may affect the accounting for future transactions and events.

3.1.3 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

The following new standards, amendments to existing approved accounting standards and interpretations are not effective for the periods beginning on or after April 1, 2010 and have not been early adopted by the Company:

- IFRS 9, 'Financial instruments' (effective for the periods beginning on or after January 1, 2013). This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not significantly affect the Company's financial statements, as currently, all the Company's 'available for sale financial assets' are unquoted investments which are stated at cost and are fully impaired.

- IAS 24 (Revised), 'Related party disclosures' (effective for the periods beginning on or after January 1, 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard is applied, the Company will be required to disclose any transactions between its subsidiaries and associates. It is not possible at this stage to assess the impact, if any, of the revised standard on the related party disclosures of the Company's financial statements.

- IFRIC 4, 'Determining whether an Arrangement contains a Lease'. This interpretation was adopted by the SECP and was applicable for all the periods beginning on or after January 1, 2006. However, SECP vide circular No. D(CS)/34/2009 dated June 22, 2009 deferred the implementation of IFRIC 4 till June 30, 2010. Now, it shall be applicable for all the periods beginning on or after July 1, 2010. The interpretation is only expected to result in additional disclosure requirements of IAS 17, 'Leases' in respect of certain arrangements of the Company being classified as operating lease, however, the adoption will have no impact on the Company's earnings per share.

- IFRIC 14 (Amendments), 'Prepayments of a minimum funding requirement' (effective for the periods beginning on or after January 1, 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset, some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this misinterpretation. The Company's retirement benefit funds are not subject to any minimum funding requirements, hence, these amendments will have no impact on the Company's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective for the periods beginning on or after January 1, 2011). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company has neither renegotiated the terms of a financial liability, nor offered any of its shares to its creditors, therefore, this interpretation will have no impact on the Company's financial statements.

  Amendments to the following existing approved accounting standards as a result of improvements to International Financial Reporting Standards 2010, issued by IASB in May 2010:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures' (effective for the periods beginning on or after January 1, 2011). The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with a financial instrument. The amendment will only affect the disclosures in the Company's financial statements.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective for the periods beginning on or after January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment will only affect the disclosures in the Company's financial statements.

- IAS 34 (Amendment), 'Interim financial reporting' (effective for periods beginning on or after January 1, 2011). This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment will only affect the disclosures in the Company's condensed interim financial information.

There are a number of other minor amendments and interpretations to other approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

3.2 Property, plant and equipment

Owned assets

The Company has adopted the cost model for its property, plant and equipment. Property, plant and equipment, except for freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset, including any incurred borrowing costs. The cost of self constructed asset includes the cost of materials, labour and other overheads that are directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the asset and restoring the site on which it is located. Items of property, plant and equipment, individually costing Rs. 25,000 or less are charged to the profit and loss account as and when purchased.

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. Capital work-in-progress is recognized as an operating fixed asset, when it is made available for intended use.

Where major components of a single item of owned property, plant and equipment have different useful lives, they are accounted for in the books of account as separate items.

Subsequent costs are included in the carrying amount of the asset or are recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized at the time of replacement. Normal repair and maintenance and day-to-day servicing are charged to the profit and loss account as and when incurred.

Depreciation is charged to the profit and loss account using the reducing balance method except for dies and jigs, office equipment, computers and accessories, furniture and fixtures and service equipment, without considering extra shifts. Depreciation on dies and jigs, office equipment, computers and accessories, furniture and fixtures and service equipment is charged to the profit and loss account using the straight line 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. No depreciation is charged on freehold land.

The depreciation methods, useful lives and residual values of items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change or adjustment in depreciation methods, useful lives and residual values is accounted for as a change in accounting estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors' and is applied prospectively in the financial statements by adjusting the depreciation charge for the period in which the change has been made and for future periods.

Disposal of an asset is recognized when significant risk and rewards, incidental to the ownership of the asset, have been transferred to the buyer. Gains and losses on disposals are determined by comparing the carrying amount of the asset with the realized sales proceeds and are recognized in the profit and loss account.

Leased assets

Lease that substantially transfers all the risks and rewards, incidental to the ownership of an asset to the Company is classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable for owned assets.

3.3 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any and represent cost of software licenses, SAP implementation and support cost and license fee of certain components that are being manufactured by the Company under technology transfer arrangements.

Costs associated with maintaining the asset are charged to the profit and loss account as and when incurred, however, costs that are directly attributable to the identifiable asset and have probable economic benefits exceeding the costs beyond one year, are recognized as intangible asset. Direct costs include purchase cost of the asset, salaries and other service benefits of staff deployed towards development of the asset and other related overheads. Expenditures incurred in respect of design, construction and testing of an intangible asset are also added to the carrying amount of that asset.

Expenditure which enhances or extends the performance of the asset beyond its original specifications is recognized as a capital improvement and added to the original cost of the asset.

All intangible assets are estimated to have definite useful lives and are amortized from the month the software / license is acquired, made available for use or extended support cost is incurred, using the straight line method over a period of 2 to 5 years.

3.4 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previously recognized impairment losses. If any such circumstances exist, the recoverable amount of each such asset is estimated and impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value-in-use. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment losses had been recognized.

3.5 Financial instruments

3.5.1 Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities outstanding for more than 12 months as at the reporting date. These are classified as non-current assets.

c) Held to maturity financial assets

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity. There were no held to maturity investments as at balance sheet date.

d) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off the investment within 12 months of the reporting date.

(ii) Recognition

Regular purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Company commits to purchase or sell the asset. All financial assets are initially recognized at fair value plus transaction costs, except for those financial assets which are designated as 'financial assets at fair value through profit or loss'. 'Financial assets at fair value through profit or loss' are initially recognized at fair value and transaction costs are charged to the profit and loss account. Financial assets are derecognized when the right to receive cash flows from such assets has expired or have been transferred and the Company has transferred substantially all risks and rewards, incidental to the ownership of such financial assets.

Dividend income from 'financial assets at fair value through profit or loss' and 'available for sale financial assets' is recognized in the profit and loss account when the Company's right to receive payments is established.

Equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured or determined, are stated at cost.

(iii) Measurement

'Financial assets at fair value through profit or loss' and 'Available for sale financial assets' are subsequently measured at fair value whereas 'held to maturity financial assets' and 'loans and receivables' are subsequently measured at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognized in the profit and loss account in the period in which they arise.

Changes in the fair value of 'available for sale financial assets' are recognized in other comprehensive income. When financial assets classified as available for sale are sold or impaired, the cumulative fair value adjustments recognized in other comprehensive income till the time of disposal or impairment are charged to the profit and loss account.

(iv) Impairment

The Company assesses at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably estimated. If such evidence is identified to exist, the said financial asset or group of financial assets are impaired and an impairment loss is recognized in the profit and loss account for the amount by which the assets' carrying amounts exceed their recoverable amounts. Impairment losses of equity instruments, once recognized, are not reversed through the profit and loss account.

3.5.2 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

3.5.3 Derivative financial instruments and hedging activities

The Company designates derivative financial instruments as either fair value hedge or cash flow hedge.

a) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account. Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item affects the profit and loss account.

b) Fair value hedge and other non-trading derivatives

Fair value hedge represents a hedge of the fair value of a recognized asset, liability or a firm commitment. Changes in the fair value of a derivate that is designated and qualifies as a fair value hedge is recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly. When a derivative financial instrument is not designated in a qualifying hedge relationship, it is accounted for as held for trading and accordingly, is categorized as 'financial asset at fair value through profit or loss'.

3.5.4 Financial liabilities

These are initially recognized at cost, which is the fair value of the consideration expected to be paid. All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the obliging instrument / contract.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

3.6 Stores, spares and loose tools

Stores, spares and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on weighted average cost. Items-in-transit are stated at cost accumulated upto balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment is also made for slow moving items identified as surplus to the requirements of the Company.

3.7 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost of raw materials and components represents invoice value plus other charges paid thereon. Cost of inventory is based on weighted average cost. Cost in relation to work-in-process and finished goods represents direct cost of raw materials, wages and appropriate manufacturing overheads. Goods-in-transit are stated at cost accumulated upto 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.

The Company reviews the carrying amount of stock-in-trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in its usage pattern and physical form.

3.8 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.

3.9 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of balances with banks and cheques in hand.

3.10 Borrowings

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings as interest expense.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the balance sheet date.

3.11 Retirement and other service benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contribution to a defined contribution plan is recognized as an employee service benefit expense in the profit and loss account when it is due.

The Company operates defined contribution plan for its permanent employees through either one of the following ways:

- a recognized provident fund; or
- voluntary pension schemes managed by Atlas Asset Management Company Limited, a related party, under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Fund and Atlas Pension Islamic Fund.

The option rests with the employees to opt for either of the two above mentioned defined contribution plans.

Equal monthly contributions at the rate of 11% of the basic salary are made to the fund / scheme, both by the Company and the employees. The fund is a separate legal entity and its assets are being held separately under the control of its trustees.

Defined benefit plan

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in current and prior periods; that benefit is discounted to determine its present value.

The Company has established funded gratuity schemes for its management and non management staff. Contributions under the schemes are made on the basis of actuarial valuation and are charged to the profit and loss account. The valuations of both schemes are carried out annually by an independent expert, using the "Projected Unit Credit Method" with the latest valuation being carried out as on March 31, 2011.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized transitional liability, unrecognized actuarial gains and losses and unrecognized past service costs, if any, as reduced by the fair value of the plan assets.

Cumulative net unrecognized actuarial gains and losses at the end of the previous year, which exceed 10% of the greater of present value of the defined benefit obligation and fair value of plan assets, are amortized in the profit and loss account over the remaining average service life of the employees over which they are expected to receive benefits. Actuarial gains on curtailment are recognized immediately once the certainty of recovery is established.

Compensated Absences

Employees' entitlement to annual leave is recognized when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees upto the balance sheet date.

3.12 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services.

3.13 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the prevailing best estimate.

3.14 Warranty

The Company recognizes the estimated liability to repair or replace damaged parts of products still under warranty at the balance sheet date, on the basis of historical claim information. The Company offers 1 year warranty on all engine spare parts and six months warranty on all other spare parts of its motorcycles. The ratio of warranty claims filed during the year to previous year's sales is taken into account for determining the estimated liability.

3.15 Obligation under finance lease

Total outstanding obligation under the lease arrangements less finance cost attributable to future periods is presented as liability. Finance cost under the lease arrangements is distributed over the lease term so as to produce a constant periodic rate of finance cost on the balance of principal liability outstanding at the end of each period.

3.16 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 year are charged to the profit and loss account on a straight-line basis over the period of the lease / Ijarah.

3.17 Taxation

Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the balance sheet date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available, if any and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax is provided using the balance sheet liability method on all taxable temporary differences arising from differences between tax bases of assets and liabilities and their carrying amounts for financial 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 realized 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 profit and loss account, except in case where the item to which the deferred tax asset or liability pertains, is recorded in other comprehensive income or equity, the corresponding deferred tax charge is also recognized in other comprehensive income or equity.

3.18 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. All arising exchange gains and losses are recognized in the profit and loss account.

3.19 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, commissions, sales returns and trade discounts. Revenue from different sources is recognized on the following basis:

- Revenue from sales of motorcycles and spare parts is recognized when goods are dispatched and invoiced to customers.
- Interest income on deposits with banks and other financial assets is recognized on accrual basis.
- Dividend income is recognized when the Company's right to receive dividend has been established.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are added to the cost of that asset in the periods when capital expenditures are incurred. A qualifying asset is a non-current asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

3.21 Research and development costs

Research and development costs are charged to profit and loss account as and when incurred.

3.22 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 of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.23 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment, however certain information about Company's products as required by the approved accounting standards, is presented in note 35 to these financial statements.

3.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which they are approved by the shareholders and therefore, they are accounted for as non-adjusting post balance sheet event.

4. Critical Accounting Estimates and Judgments

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4.1 Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of the asset is made if indicators of impairment are identified.

4.2 Intangible assets

The Company reviews the rates of amortization, useful lives and value of intangible assets for indicators of impairment. Any change in the estimate in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge.

4.3 Investments at fair value through profit or loss

Management has determined fair values of its short-term investments by using quotations from active market. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

4.4 Income tax

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

4.5 Stores, spares and loose tools and stock-in-trade

The Company estimates the net realizable values of its stores, spares and loose tools and stock-in-trade to assess any diminution in the respective carrying values.

4.6 Staff retirement benefit obligations

The present values of these obligations depend on a number of factors that are determined on actuarial basis, using a number of assumptions. Any change in these assumptions will impact the carrying amounts of these obligations. The present value of these obligations and the underlying assumptions are disclosed in note 21.5.

5. Property, Plant and Equipment

	Note	2011	2010
		------ (Rupees in '000) -----	
Operating fixed assets	5.1	3,256,040	3,160,666
Capital work-in-progress	5.4	3,153	64,231
		3,259,193	3,224,897

5.1 Operating fixed assets

	OWNED														
	Freehold Land	Leasehold Land	Building on freehold land	Building on leasehold land	Plant and machinery	Dies and jigs	Factory equipment	Office equipment	Computers and accessories	Furniture and fixtures	Fixture and equipment	Electric and gas fittings	Vehicles	Service equipment	TOTAL
	(Rupees in '000)														
As at April 1, 2009															
Cost	5,112	34,132	350,589	94,337	3,935,266	935,059	143,812	16,386	76,096	15,013	1,300	180,525	170,144	389	5,958,160
Accumulated depreciation	-	(7,447)	(116,671)	(42,775)	(1,521,881)	(681,035)	(79,306)	(14,530)	(63,672)	(11,433)	(1,300)	(114,646)	(77,335)	(389)	(2,732,420)
Net 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
Year ended March 31, 2010															
Additions	-	-	644	317	176,704	154,691	3,266	1,258	27,674	450	-	7,888	42,385	-	415,277
Disposals and write-offs															
- Cost	-	-	-	(12,185)	(8,117)	(66,178)	-	(669)	-	(326)	-	(136)	(48,612)	-	(136,223)
- Accumulated depreciation	-	-	-	11,197	5,532	55,413	-	669	-	314	-	136	23,386	-	96,647
	-	-	-	(988)	(2,585)	(10,765)	-	-	-	(12)	-	-	(25,226)	-	(39,576)
Depreciation charge for the year	-	(513)	(23,428)	(5,230)	(254,712)	(115,455)	(6,613)	(795)	(7,411)	(1,489)	-	(6,836)	(18,293)	-	(440,775)
Net book value as at March 31, 2010	5,112	26,172	211,134	45,661	2,332,792	282,495	61,159	2,319	32,687	2,529	-	66,931	91,675	-	3,160,666
Year ended March 31, 2011															
Additions	-	-	8,231	7,487	275,713	205,185	6,690	1,967	14,272	1,506	-	22,716	68,934	-	612,701
Disposals (note 5.3)															
- Cost	-	-	-	(1,262)	(39,310)	(114,860)	(3,144)	(147)	(680)	-	-	(1,942)	(29,388)	-	(190,733)
- Accumulated depreciation	-	-	-	624	17,343	102,124	1,047	145	186	-	-	977	14,246	-	136,692
	-	-	-	(638)	(21,967)	(12,736)	(2,097)	(2)	(494)	-	-	(965)	(15,142)	-	(54,041)
Depreciation charge for the year (note 5.2)	-	(514)	(21,354)	(5,349)	(251,325)	(133,264)	(6,350)	(841)	(11,462)	(1,307)	-	(7,295)	(24,225)	-	(463,286)
Net book value as at March 31, 2011	5,112	25,658	198,011	47,161	2,335,213	341,680	59,402	3,443	35,003	2,728	-	81,387	121,242	-	3,256,040
As at March 31, 2010															
Cost	5,112	34,132	351,233	82,469	4,103,853	1,023,572	147,078	16,975	103,770	15,137	1,300	188,277	163,917	389	6,237,214
Accumulated depreciation	-	(7,960)	(140,099)	(36,808)	(1,771,061)	(741,077)	(85,919)	(14,656)	(71,083)	(12,608)	(1,300)	(121,346)	(72,242)	(389)	(3,076,548)
Closing net book value	5,112	26,172	211,134	45,661	2,332,792	282,495	61,159	2,319	32,687	2,529	-	66,931	91,675	-	3,160,666
As at March 31, 2011															
Cost	5,112	34,132	359,464	88,694	4,340,256	1,113,897	150,624	18,795	117,362	16,643	1,300	209,051	203,463	389	6,659,182
Accumulated depreciation	-	(8,474)	(161,453)	(41,533)	(2,005,043)	(772,217)	(91,222)	(15,352)	(82,359)	(13,915)	(1,300)	(127,664)	(82,221)	(389)	(3,403,142)
Closing net book value	5,112	25,658	198,011	47,161	2,335,213	341,680	59,402	3,443	35,003	2,728	-	81,387	121,242	-	3,256,040
Depreciation rate (%)	-	1.79	10	10	10	25	10	20	25	20	20	10	20	20	

5.2 Allocation of depreciation charge for the year

Depreciation charge has been allocated as follows:

	Note	2011	2010
		------ (Rupees in '000) -----	
Cost of sales	26	438,264	421,656
Administrative expenses	28	25,022	19,119
		463,286	440,775

5.3 Disposal of operating fixed assets

The details of operating fixed assets disposed / written off during the year are as follows:

Assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	----------------------------- (Rupees in '000) -----------------------------						
Assets having net book value exceeding Rs. 50,000 each							
Building on leasehold land							
Electrical work	841	416	425	427	2	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Civil work for ignition coil shop	340	168	172	179	7	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
	1,181	584	597	606	9		
Plant and machinery							
Drill machines	2,100	273	1,827	2,100	273	Negotiation	MBI Industries (Pvt) Ltd, Site Karachi
CNC Lathe machine	3,900	507	3,393	3,900	507	Negotiation	MBI Industries (Pvt) Ltd, Site Karachi
Peeling machines	1,478	556	922	942	20	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Primary coil winding machines	2,167	786	1,381	1,397	16	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Secondary coil winding soldering needle Bending machines	1,400	692	708	729	21	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Secondary coil winding machines	3,429	1,224	2,205	2,239	34	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Inspection machines	3,691	1,826	1,865	2,488	623	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Insertion machines	5,003	2,365	2,638	3,141	503	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Shot blast machines	700	214	486	100	(386)	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Crank case machine	5,554	3,969	1,585	117	(1,468)	Scrap	Muhammad Siddiqui Awan, N.P 12/47, Mohammad Shah Street, Jodria Bazar, Karachi
Paint booth	2,835	1,428	1,407	683	(724)	Negotiation	Baba Faqeer Hussain Sherpao & Co., Lahore-Sheikhupura Road, Near Toyo Nasic Factory, Sheikhupura
Brick maintenance	3,041	1,621	1,420	-	(1,420)	Scrap	Maqsood Barlas & Brothers, 31 Km Lahore-Sheikhupura Road, Sheikhupura
Heat treatment furnace	3,053	1,293	1,760	-	(1,760)	Scrap	Maqsood Barlas & Brothers, 31 Km Lahore-Sheikhupura Road, Sheikhupura
	38,351	16,754	21,597	17,836	(3,761)		
Dies and jigs							
Panel RR brake mould with access	8,400	1,050	7,350	8,400	1,050	Negotiation	Tecno Pack Industries (Pvt) Ltd, JF-7, Mezzanine Floor, Jason Trade Centre, Shahrah-e-Faisal, Karachi
Various	25,267	19,881	5,386	463	(4,923)	Scrap	Muhammad Siddiqui Awan, N.P 12/47, Mohammad Shah Street, Jodria Bazar, Karachi
	33,667	20,931	12,736	8,863	(3,873)		

Assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	----------------------------	(Rupees in '000)	------------------------------				
Factory equipment							
Secondary welding equipment	868	290	578	787	209	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Winding machines	1,790	550	1,240	1,752	512	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
	2,658	840	1,818	2,539	721		
Computers and accessories							
Accessories of DR site project	527	33	494	527	33	Negotiation	R.S. Refrigeration, R-520 /19, Al-Noor Society, Federal 'B' Area, Karachi
	527	33	494	527	33		
Electric and gas fittings							
UPS	260	76	184	202	18	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
Ventilation system	1,526	855	671	733	62	Negotiation	Millenium Engineering (Pvt) Ltd, A-107, Phase 1, Scheme 33, Site II, Super Highway, Karachi
	1,786	931	855	935	80		
Vehicles							
Honda Accord	1,878	388	1,490	1,490	-	Company Policy	Atlas Power Ltd, 26-27 Km, Lahore-Sheikhupura Road, Sheikhupura
Honda CD 70	60	6	54	54	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	60	8	52	52	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	60	3	57	57	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
Honda CD 100	66	6	60	60	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	66	14	52	52	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	66	11	55	55	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
Honda CG 125	79	19	60	60	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	79	7	72	72	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	79	10	69	69	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	79	4	75	75	-	Company Policy	Mr. Waseem Anwar (Employee)
	86	16	70	70	-	Company Policy	Vocational Training Institute, Sialkot
	86	16	70	70	-	Company Policy	Vocational Training Institute, Fazalpur
	86	23	63	63	-	Company Policy	Vocational Training Institute, Jandiala Sher Khan
	86	26	60	60	-	Company Policy	Vocational Training Institute, Chakwal
	100	16	84	84	-	Company Policy	Mr. Nadeem Akram (Employee)
	79	10	69	69	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	79	18	61	61	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
Honda CG 125 Deluxe	100	12	88	88	-	Company Policy	Mr. Nasir Baloch (Ex-Employee)
	100	10	90	90	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	102	12	90	90	-	Company Policy	Mr. Ali Akber (Ex-Employee)
	100	17	83	85	2	Company Policy	Mr. M. Talha (Ex-Employee)
	100	24	76	76	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi

Assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
	----	(Rupees in '000)	----				
Honda City	876	430	446	446	-	Company Policy	Mr. Saqib Majeed (Employee)
	918	507	411	411	-	Company Policy	Mr. Zafar Iqbal (Employee)
	818	546	272	272	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	956	430	526	526	-	Company Policy	Mr. Tariq Wasi (Employee)
	923	525	398	398	-	Company Policy	Mr. Manzoor Qadir (Employee)
	923	561	362	362	-	Company Policy	Atlas Battery Ltd, D-181 Central Avenue, SITE Karachi
	830	480	350	350	-	Company Policy	Mr. Suhail Qaiser (Employee)
	868	565	303	303	-	Company Policy	Mr. Akmal Dar (Employee)
	868	580	288	288	-	Company Policy	Mr. Zahid Mehmood Khan (Employee)
	868	630	238	287	49	Company Policy	Mr. Asif Javed (Employee)
	872	637	235	289	54	Company Policy	Mr. Irshad Ahmed (Employee)
Honda Civic	501	104	397	397	-	Company Policy	Mr. M. Naeem Khan (Employee)
	1,022	742	280	338	58	Company Policy	Mr. Mushtaq Alam (Employee)
	1,022	688	334	340	6	Company Policy	Mr. Ajaz Ur Rahim (Employee)
	958	784	174	668	494	Negotiation	Mr. Muhammad Mansha House 26 / 2, M. Nazar Ghari Sham, Lahore
Suzuki Alto	516	238	278	278	-	Company Policy	Mr. Naeem Ahmad (Employee)
	512	283	229	229	-	Company Policy	Mr. Saeen Anwar (Employee)
	506	284	222	209	(13)	Company Policy	Mr. Aftab Ghous Gilani (Employee)
	511	341	170	170	-	Company Policy	Mr. M. Hussain (Employee)
	660	75	585	585	-	Company Policy	Mr. Rao Ameen Tahir (Employee)
	521	208	313	313	-	Company Policy	Mr. Khalid Mehmood (Employee)
	516	230	286	305	19	Company Policy	Mr. Faisal Mahmood (Employee)
Suzuki Cultus	865	125	740	740	-	Company Policy	Mr. Zaheer-Ud-Din Minhas (Employee)
Suzuki Mehran	537	62	475	475	-	Company Policy	Mr. Qadeer Shabbir (Ex-Employee)
	408	175	233	233	-	Company Policy	Mr. Nawaid Ali Khan (Employee)
	406	179	227	227	-	Company Policy	Mr. Saad Ullah Ejaz (Employee)
	403	182	221	221	-	Company Policy	Mr. M. Naeem (Employee)
	403	182	221	221	-	Company Policy	Mr. Talat Mahmood (Employee)
	403	195	208	208	-	Company Policy	Mr. M. Rafi (Employee)
	403	216	187	187	-	Company Policy	Mr. Javedan Arshad (Employee)
	390	206	184	184	-	Company Policy	Mr. Jamil Ahmed (Ex-Employee)
	406	174	232	232	-	Company Policy	Mr. Nazeer Hussain (Employee)
	408	180	228	228	-	Company Policy	Mr. Zulifqar Abbas (Employee)
	406	179	227	227	-	Company Policy	Mr. Mohsin Raza Zaidi (Employee)
	529	79	450	450	-	Insurance Claim	Atlas Insurance Ltd, Federation House, Karachi
	26,608	12,678	13,930	14,599	669		
Various assets having net book value upto Rs. 50,000 each	85,955	83,941	2,014	5,361	3,347	Tender / Company policy	Various
2011	190,733	136,692	54,041	51,266	(2,775)		
2010	136,223	96,647	39,576	28,757	(10,819)		

5.4 Capital work-in-progress

	2011	2010
	------ (Rupees in '000)	-----
Building on freehold land	-	3,820
Plant and machinery	2,119	36,415
Dies and jigs	-	18,676
Factory equipment	951	-
Computers and accessories	-	5,242
Electric and gas fittings	83	78
	3,153	64,231

	Software licenses	SAP implement-ation and support cost	License fee	Total
	(Rupees in '000)			
6. Intangible Assets				
As at April 1, 2009				
Cost	37,988	35,791	-	73,779
Accumulated amortization	(26,492)	(30,686)	-	(57,178)
Net book value	11,496	5,105	-	16,601
Year ended March 31, 2010				
Additions	-	2,250	-	2,250
Amortization charge for the year	(6,790)	(4,008)	-	(10,798)
Closing net book value	4,706	3,347	-	8,053
Year ended March 31, 2011				
Additions	350	-	5,216	5,566
Amortization charge for the year (note 26.1)	(4,823)	(1,572)	(87)	(6,482)
Closing net book value	233	1,775	5,129	7,137
As at March 31, 2010				
Cost	37,988	38,041	-	76,029
Accumulated amortization	(33,282)	(34,694)	-	(67,976)
Net book value	4,706	3,347	-	8,053
As at March 31, 2011				
Cost	38,338	38,041	5,216	81,595
Accumulated amortization	(38,105)	(36,266)	(87)	(74,458)
Net book value	233	1,775	5,129	7,137
Amortization rate (%)	50%	20%	20%	

	Note	2011	2010
		(Rupees in '000)	
7. Long-Term Investments - Available for Sale			
Unquoted and at cost			
Arabian Sea Country Club Limited			
200,000 (2010: 200,000) ordinary shares of Rs. 10 each		2,000	2,000
Less: Impairment in the value of investment		(2,000)	(2,000)
		-	-
Automotive Testing & Training Centre (Private) Limited			
50,000 (2010: 50,000) ordinary shares of Rs. 10 each		500	500
Less: Impairment in the value of investment		(500)	(500)
		-	-
		-	-
8. Long-Term Loans and Advances			
Considered Good			
Due from:			
Executives	8.2 and 8.3	7,295	3,800
Non-executives		39,428	36,635
		46,723	40,435
Less: Recoverable within one year and shown under current assets	12		
Executives		(5,505)	(3,263)
Non-executives		(18,815)	(18,362)
		(24,320)	(21,625)
		22,403	18,810

8.1 These represent interest free loans and advances provided to employees and executives as per the terms of employment. Loans amounting to Rs. 32,381 thousand (2010: Rs. 27,609 thousand) are provided for purchase of motorcycles and are repayable in forty eight equal monthly installments. These are secured against the respective motorcycles and employees' vested retirement benefits. Advances are unsecured and are repayable in eighteen equal monthly installments.

	2011	2010
	------ (Rupees in '000) -----	
8.2 Reconciliation of carrying amounts of loans and advances to executives		
Balance at beginning of the year	3,800	5,640
Add: Disbursements	10,104	4,986
	13,904	10,626
Less: Repayments	(6,609)	(6,826)
Balance at end of the year	7,295	3,800

8.3 Maximum aggregate amount due from executives at the end of any month during the year against loans and advances amounted to Rs. 7,063 thousand (2010: Rs. 5,249 thousand). There are no loans and advances outstanding from the Chief Executive Officer and the Directors of the Company.

	Note	**2011**	2010
		------ (Rupees in '000) -----	

9. Stores, Spares and Loose Tools

	Note	2011	2010
Consumable stores		72,456	49,332
Maintenance spares		125,080	133,056
Loose tools		175,955	193,502
		373,491	375,890
Less: Provision for slow moving stores, spares and loose tools	10.1	(47,600)	(53,298)
		325,891	322,592

10. Stock-In-Trade

	Note	2011	2010
Raw materials and components			
In hand		1,475,814	1,104,781
Held with vendors		176,758	106,093
		1,652,572	1,210,874
Work-in-process		10,112	24,397
Finished goods			
Motorcycles		29,746	17,124
Spare parts		170,088	130,796
		199,834	147,920
Goods-in-transit		141,331	288,597
		2,003,849	1,671,788
Less: Provision for slow moving stocks	10.1	(820)	(7,491)
		2,003,029	1,664,297

	2011	2010	2011	2010
	(Rupees in '000)			
	Stores, spares & loose tools		Stock-in-trade	
10.1 Provision for slow moving inventory				
Balance at beginning of the year	53,298	13,340	7,491	23,929
Add: Provision for the year - net (note 26.1)	8,680	39,958	-	(16,438)
Less: Reversal of provision for stock disposed off during the year	(14,378)	-	(6,671)	-
Balance at end of the year	47,600	53,298	820	7,491

10.2 Stock-in-trade and trade debts upto a maximum amount of Rs. 4,058,000 thousand (2010: Rs. 4,058,000 thousand) are under hypothecation as security for the Company's short term finances (Note 23.1).

	Note	2011	2010
		(Rupees in '000)	
11. Trade Debts			
Considered good			
Export - secured	11.1	19,704	15,018
Local - unsecured		381,731	430,671
		401,435	445,689

11.1 These are secured against letters of credit issued by the customers in favour of the Company.

11.2 The bank has a lien on export bills / contracts upto a maximum of Rs. 400,000 thousand (2010: Rs. 500,000 thousand) against foreign currency financing (Note 23.3).

	Note	2011	2010
		(Rupees in '000)	
12. Loans and Advances			
Considered good			
Loans to employees other than executives - unsecured		392	472
Advances to employees for incurring business expenses - unsecured		373	180
Advances to suppliers, contractors and others - unsecured		8,440	18,208
		9,205	18,860
Current portion of long-term loans and advances	8		
Executives		5,505	3,263
Non-executives		18,815	18,362
		24,320	21,625
		33,525	40,485
13. Trade Deposits and Prepayments			
Trade deposits - unsecured and considered good		1,888	5,700
Prepayments		35,048	33,379
		36,936	39,079

	Note	2011	2010
		------ (Rupees in '000) -----	

14. Short-Term Investments - at Fair Value Through Profit or Loss

2011	2010		2011	2010
----- Number of Units -----				
		Related parties		
732,498	801,897	Atlas Income Fund	377,837	412,784
103,346	96,974	Atlas Islamic Income Fund	52,965	49,598
333,951	100,000	Atlas Money Market Fund	172,413	51,217
1,169,795	998,871		603,215	513,599
		Others		
24,325,009	21,883,899	ABL Income Fund	243,469	218,970
1,059,711	1,467,930	First Habib Income Fund	109,013	150,257
-	498,802	IGI Income Fund	-	51,511
1,668,159	507,231	Lakson Money Market Fund	166,876	52,080
5,327,030	5,000,000	NIT Government Bond Fund	57,630	52,025
5,173,196	5,000,000	NIT Income Fund	56,293	50,554
644,490	-	PICIC Income Fund	64,659	-
310,170	-	JS Cash Fund	31,724	-
54,332	-	HBL Money Market Fund	5,595	-
38,562,097	34,357,862		735,259	575,397
39,731,892	35,356,733		1,338,474	1,088,996

15. Other Receivables

	Note	2011	2010
Considered good and unsecured			
Derivative financial instruments - interest rate swaps		-	65
Custom duty receivable		14,595	8,857
Others		480	2,644
		15,075	11,566
Considered doubtful		615	615
		15,690	12,181
Less: Provision for doubtful receivables		(615)	(615)
		15,075	11,566

16. Cash and Bank Balances

	Note	2011	2010
Balances with banks on:			
Current accounts		441,084	516,129
Savings deposit accounts	16.2	828,791	712,810
Term deposit receipts	16.3	800,000	400,000
		2,069,875	1,628,939
Cheques in hand		20,925	13,024
		2,090,800	1,641,963

16.1 Cash and bank balances include Nil (2010: Rs. 324 thousand) held with Summit Bank Limited (formally Atlas Bank Limited), an ex-related party.

16.2 These carry mark-up ranging from 7.5% to 10% per annum (2010: 5% to 10% per annum).

16.3 These have maturity dates ranging between 7 to 30 days (2010: 7 to 30 days) from the respective dates of acquisition and carry mark-up ranging from 10% to 13% per annum (2010: 10% to 12.65% per annum).

17. Share Capital

2011	2010		2011	2010
----- (Number of Shares) -----			------ (Rupees in '000) ------	
		Authorized Capital		
100,000,000	100,000,000	Ordinary shares of Rs. 10 each	1,000,000	1,000,000
		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
55,940,158	47,781,175	Ordinary shares of Rs. 10 each, issued as fully paid bonus shares	559,401	477,811
259,300	259,300	Ordinary shares of Rs. 10 each, issued against consideration other than cash	2,593	2,593
62,552,206	54,393,223		625,522	543,932

17.1 Movement in share capital during the year

2011	2010			
----- (Number of Shares) -----				
54,393,223	47,298,455	Balance at beginning of the year	543,932	472,985
8,158,983	7,094,768	Issued ordinary shares of Rs. 10 each as fully paid bonus shares	81,590	70,947
62,552,206	54,393,223	Balance at end of the year	625,522	543,932

17.2 Number of ordinary shares of Rs. 10 each, held by the related parties as at year end are as follows:

	2011	2010
	------ (Number of Shares) ------	
Atlas Insurance Limited	1,773,447	1,542,128
Honda Motor Company Limited	21,893,273	19,037,629
Shirazi Investments (Private) Limited	15,283,696	13,290,171
Shirazi Capital (Private) Limited	15,340,471	13,339,540
	54,290,887	47,209,468

18. Reserves and Unappropriated Profits

	2011	2010
	------ (Rupees in '000) ------	
Capital reserves		
Share premium	39,953	39,953
Gain on sale of land	165	165
	40,118	40,118
General reserve	2,582,000	2,582,000
Unappropriated profits	1,374,774	725,774
	3,996,892	3,347,892

19. Long-Term Borrowings
Secured (Non-Participatory)

Name of Banks	Sale price	Purchase price	Number of installments and date of commencement	Rate of mark-up per annum	2011	2010
					------ (Rupees in '000) ------	
Bank Al Habib Limited	500,000	830,116	10 Half yearly December 7, 2009	1.0% over 3 months KIBOR	-	500,000
Bank of Tokyo-Mitsubishi UFJ Ltd (Loan I)	250,000	353,767	10 Half yearly April 5, 2006	0.5% over 6 months KIBOR	-	25,000
Bank of Tokyo-Mitsubishi UFJ Ltd (Loan II)	500,000	744,973	10 Half yearly January 5, 2007	0.5% over 6 months KIBOR	50,000	150,000
National Bank of Pakistan (Loan II)	250,000	387,123	10 Half yearly September 30, 2005	0.5% over 6 months KIBOR	-	25,000
National Bank of Pakistan (Loan III)	250,000	368,151	10 Half yearly September 30, 2006	0.5% over 6 months KIBOR	37,500	100,000
National Bank of Pakistan (Loan IV)	250,000	368,151	10 Half yearly January 2, 2007	0.5% over 6 months KIBOR	-	75,000
					87,500	875,000
Less: Payable within one year and shown under current liabilities					(87,500)	(362,500)
					-	512,500

19.1 These borrowings are denominated in Pak Rupees and are secured against first equitable mortgage charge ranking pari passu over immovable properties of the Company and by way of first pari passu hypothecation over current and future operating fixed assets of the Company. The effective mark-up rate that prevailed during the year on these facilities ranged from 12.90% to 14.34% per annum (2010: 12.84% to 13.37% per annum). During the year, the Company made early repayments of borrowings amounting to Rs. 400,000 thousand (2010: Nil).

20. Deferred Liabilities

	Note	2011	2010
		------ (Rupees in '000) -----	
Compensated leave absences	20.1	129,329	97,809
Deferred taxation	20.2	520,025	502,206
		649,354	600,015

20.1 Compensated leave absences

	2011	2010
Balance at beginning of the year	97,809	64,849
Add: Provision for the year	40,299	39,396
	138,108	104,245
Less : Payments made during the year	(8,779)	(6,436)
Balance at end of the year	129,329	97,809

	Note	2011	2010
		------ (Rupees in '000) -----	

20.2 Deferred taxation

Credit balances arising on taxable temporary differences in respect of:			
Accelerated tax depreciation and amortization		595,186	567,879
Debit balances arising on deductible temporary differences in respect of provisions for:			
Slow moving inventory		(16,659)	(19,732)
Gratuity		(7,484)	(5,416)
Doubtful other receivables		(212)	(215)
Warranty		(6,311)	(5,434)
Compensated leave absences		(44,495)	(34,876)
		(75,161)	(65,673)
		520,025	502,206

21. Trade and Other Payables

	Note	2011	2010
Creditors		1,631,719	1,129,958
Accrued liabilities	21.1	1,052,599	920,588
Warranty obligations	21.2	18,344	15,525
Advances from customers		1,334,611	869,420
Retention money		1,152	456
Special excise duty payable - net		15,136	4,878
Sales tax payable - net		46,843	41,519
Workers' Profit Participation Fund	21.3	75,668	57,853
Workers' Welfare Fund	21.4	28,654	25,581
Payable to staff retirement benefit funds - Gratuity	21.5	21,752	19,183
Unclaimed dividend		16,280	13,319
Other liabilities	21.6	12,826	11,719
		4,255,584	3,109,999

21.1 Includes Rs. 417,203 thousand (2010: Rs. 422,490 thousand) due to Honda Motor Company Limited, Japan, a related party.

	Note	2011	2010
		------ (Rupees in '000) -----	

21.2 Warranty obligations

Balance at beginning of the year		15,525	6,350
Add: Provision for the year		12,619	16,594
		28,144	22,944
Less: Payments made / provision reversed during the year		(9,800)	(7,419)
Balance at end of the year		18,344	15,525

21.3 Workers' Profit Participation Fund

Balance at beginning of the year		57,853	18,248
Add: Allocation for the year	30	75,406	57,853
Add: Interest on funds utilized in Company's business	31	262	-
		133,521	76,101
Less : Payments made during the year		(57,853)	(18,248)
Balance at end of the year		75,668	57,853

	Note	2011	2010
		------ (Rupees in '000) -----	
21.4 Workers' Welfare Fund			
Balance at beginning of the year		25,581	10,904
Add: Charge for the year		28,654	21,984
Less: Adjustment for prior year		(3,597)	-
	30	25,057	21,984
Less: Payments made during the year		(21,984)	(7,307)
Balance at end of the year		28,654	25,581

21.5 The Company's obligation as per the latest actuarial valuation and other related details in respect of funded defined benefit gratuity plans are as follows:

	Management		Non-Management		Total	
	2011	2010	**2011**	2010	**2011**	2010
	------------------------------------- (Rupees in '000)					------------------------------------
21.5.1 Reconciliation of obligation as at year end						
Present value of defined benefit obligation	198,185	163,286	25,865	26,963	224,050	190,249
Fair value of plan assets	(117,405)	(89,804)	(35,146)	(39,276)	(152,551)	(129,080)
Payable to / (receivable from) related parties in respect of transferees	5,159	(4,719)	-	4,511	5,159	(208)
Unrecognized actuarial gain / (loss)	(63,783)	(50,391)	8,877	8,613	(54,906)	(41,778)
Liability / (asset) at end of the year	22,156	18,372	(404)	811	21,752	19,183
21.5.2 Movement in liability						
Liability at beginning of the year	18,372	9,654	811	438	19,183	10,092
Charge / (income) for the year (note 21.5.7)	22,156	18,372	(404)	811	21,752	19,183
Contributions made during the year	(18,372)	(9,654)	(811)	(438)	(19,183)	(10,092)
Liability / (asset) at end of the year	22,156	18,372	(404)	811	21,752	19,183
21.5.3 Movement in the present value of defined benefit obligation						
Balance at beginning of the year	163,286	130,641	26,963	22,588	190,249	153,229
Current service cost	10,279	6,855	960	828	11,239	7,683
Interest cost	20,638	18,600	3,392	3,370	24,030	21,970
Benefits paid during the year	(6,605)	(6,600)	(2,026)	(174)	(8,631)	(6,774)
Actuarial (gain) / loss	18,533	12,375	(7,935)	351	10,598	12,726
Receivable from / (payable to) related parties in respect of transferees	(7,946)	(590)	4,511	-	(3,435)	(590)
Vested past service cost	-	2,005	-	-	-	2,005
Balance at end of the year	198,185	163,286	25,865	26,963	224,050	190,249
21.5.4 Movement in the fair value of plan assets						
Balance at beginning of the year	89,804	75,324	39,276	27,223	129,080	102,547
Expected return on plan assets	10,562	11,525	4,300	3,387	14,862	14,912
Contributions made during the year	18,372	9,654	811	438	19,183	10,092
Benefits paid during the year	(6,605)	(6,600)	(2,026)	(174)	(8,631)	(6,774)
Actuarial gain / (loss)	3,340	1,825	(7,215)	8,402	(3,875)	10,227
Receivable from / (payable to) related parties in respect of transferees	1,932	(1,924)	-	-	1,932	(1,924)
Balance at end of the year	117,405	89,804	35,146	39,276	152,551	129,080

	Management		Non-Management		Total	
	2011	2010	**2011**	2010	**2011**	2010
	---------- (Rupees in '000) ----------					
21.5.5 Plan assets						
Fixed income instruments	22,390	23,697	26,654	12,690	49,044	36,387
Mutual funds units	94,989	68,748	7,587	25,855	102,576	94,603
Others	26	(2,641)	905	731	931	(1,910)
	117,405	89,804	35,146	39,276	152,551	129,080

21.5.6 Comparison of historical information of five years

	March 31 2011	March 31 2010	March 31 2009	June 30 2008	June 30 2007
	---------- (Rupees in '000) ----------				
Present value of defined benefit obligation	224,050	190,249	153,230	130,346	119,983
Fair value of plan assets	152,551	129,080	102,546	101,788	97,088
Deficit	(71,499)	(61,169)	(50,684)	(28,558)	(22,895)
Experience adjustment on obligation loss	(18,336)	(12,183)	(11,675)	(2,258)	(9,848)
Experience adjustment on plan assets gain / (loss)	4,804	7,013	(8,284)	(1,797)	35

21.5.7 Charge / (income) for the year

	Management		Non-Management		Total	
	2011	2010	**2011**	2010	**2011**	2010
	---------- (Rupees in '000) ----------					
Current service cost	10,279	6,855	960	828	11,239	7,683
Interest cost	20,638	18,600	3,392	3,370	24,030	21,970
Expected return on plan assets	(10,562)	(11,525)	(4,300)	(3,387)	(14,862)	(14,912)
Actuarial loss / (gain) recognized during the year	1,801	2,434	(456)	-	1,345	2,434
Vested past service cost	-	2,008	-	-	-	2,008
	22,156	18,372	(404)	811	21,752	19,183
21.5.8 Principal actuarial assumptions used in valuation:						
Discount rate (per annum)	14.5%	13%	14.5%	13%		
Future salary increase (per annum)	13.5%	12%	13.5%	12%		
Return on plan assets (per annum)	14.5%	13%	14.5%	13%		
Retirement age (years)	60	60	60	60		
21.5.9 Actual return on plan assets	12,717	11,284	6,948	10,730		

21.5.10 The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yield on fixed interest investments are based on gross redemption yield as at the balance sheet date. Expected returns on equity investments are based on long-term real rates experienced in the stock market.

21.5.11 Expected charge / (income) for the year ending March 31, 2012 amounts to Rs. 24,325 thousand and Rs. (772) thousand for Management and Non-management gratuity plans respectively.

21.6 Other liabilities include vehicle deposits under Company's vehicle policy amounting to Rs. 6,455 thousand (2010: 5,207 thousand).

	2011	2010
	------ (Rupees in '000) -----	
22. Accrued Mark-Up / Interest		
Long-term borrowings	6,142	37,367
Short-term finances	236	17
	6,378	37,384

23. Short-Term Finances

23.1 The Company has facilities for short-term running finance from various commercial banks under mark-up arrangements amounting to Rs. 2,865,000 thousand (2010: Rs. 2,865,000 thousand). The facilities carry mark-up at the rate of Re. 0.3518 to Re. 0.4030 (2010: Re. 0.3515 to Re. 0.3841) per thousand per day on daily product basis. These facilities are expiring on various dates by March 31, 2012. The mark-up on running finance facilities is payable on quarterly basis.

23.2 The facilities for opening letters of credit and bank guarantees as at March 31, 2011 amounted to Rs. 3,560,000 thousand (2010: Rs. 3,480,000 thousand) of which the amount remaining unutilized at the year end was Rs. 2,236,161 thousand (2010: Rs. 2,249,462 thousand). The facilities for opening letters of credit are also secured against pari passu joint hypothecation charge on Company's stocks-in-trade and trade debts.

23.3 The Company also has a facility for foreign currency finance and export re-finance amounting to Rs. 400,000 thousand (2010: Rs. 500,000 thousand).

24. Contingencies and Commitments

24.1 Contingencies

24.1.1 Cases have been filed against the Company by some former employees for reinstatement of service and are pending in different courts of Pakistan. The management is confident that the outcome of these cases will be in favour of the Company and hence no provision is made in these financial statements.

24.1.2 The Commissioner Income Tax (Appeals) passed an order during the year pertaining to the tax year 2008 in which Commissioner Income Tax made certain disallowances and additions of expenses. In the said order, the decision of the Commissioner Income Tax has been maintained. The Company being aggrieved, has filed an appeal with the Appellate Tribunal Inland Revenue against the said order, which is currently pending for adjudication. In the opinion of the Company's Tax Consultant, favourable outcome is expected, therefore, no provision has been made in these financial statements.

	2011	2010
	------ (Rupees in '000) -----	
24.2 Outstanding bank guarantees	66,178	108,087

Guarantees are issued by commercial banks to Collector of Customs and other Government institutions for imported raw materials and spare parts as part of normal operations.

	2011	2010
	------ (Rupees in '000) -----	
24.3 Commitments		
Confirmed letters of credit relating to:		
Capital expenditure	29,763	50,241
Raw materials and components	1,227,898	1,072,210
	1,257,661	1,122,451

The Company has entered into Ijarah arrangements with Meezan Bank Limited and BankIslami Pakistan Limited for electric and gas fittings and with UBL Ameen for vehicles. Commitment of Ijarah rentals under these arrangements are as follows:

	Note	**2011**	2010
		------ (Rupees in '000) -----	
Not later than one year		38,485	72,645
Later than one year but not later than five years		86,644	89,901
		125,129	162,546
25. Net Sales			
Motorcycles and spare parts		38,235,828	29,878,781
Less: Trade discount and commission	25.1	(56,385)	(47,845)
Sales tax and special excise duty		(5,658,044)	(4,276,164)
		(5,714,429)	(4,324,009)
		32,521,399	25,554,772

25.1 Includes commission of Honda Motor Company Limited, Japan, a related party, on export sales amounting to Rs. 20,560 thousand (2010: Rs. 8,443 thousand).

	Note	2011	2010
		------ (Rupees in '000) -----	

26. Cost of Sales

	Note	2011	2010
Finished goods at beginning of the year		147,920	120,741
Cost of goods manufactured	26.1	28,646,167	22,628,687
Purchases		1,486,725	954,334
		30,132,892	23,583,021
Finished goods at end of the year	10	(199,834)	(147,920)
		30,080,978	23,555,842

26.1 Cost of goods manufactured

	Note	2011	2010
Work-in-process at beginning of the year		24,397	2,063
Raw materials and components consumed	26.2	24,069,713	19,025,794
Direct labour	26.3	434,281	346,280
Technical director's remuneration	40.1	1,556	1,183
Staff salaries, wages and other benefits	26.3	703,251	577,221
Stores consumed		430,334	323,157
Fuel and power		375,161	243,768
Insurance		57,528	61,324
Rent, rates and taxes		28,695	22,083
Operating lease rentals		-	3,168
Ijarah rentals		46,529	44,821
Repair and maintenance		166,175	143,121
Royalty		1,692,153	1,267,926
Technical assistance fee		18,482	8,939
Travelling, conveyance and entertainment		29,891	22,248
Postage and telephone		5,842	4,898
Printing and stationery		6,068	4,556
Vehicle running expenses		14,537	12,214
Depreciation	5.2	438,264	421,656
Canteen		61,780	50,376
Newspapers, magazines and subscriptions		4,247	5,404
Staff training		323	1,865
Amortization of intangible assets	6	6,482	10,798
Provision for slow moving inventory	10.1	8,680	23,520
Marking fee		30,544	24,173
Other manufacturing expenses		1,366	528
		28,656,279	22,653,084
Work-in-process at end of the year	10	(10,112)	(24,397)
		28,646,167	22,628,687

26.2 Raw materials and components consumed

	Note	2011	2010
Stock at beginning of the year		1,210,874	1,461,142
Purchases	26.4	24,511,411	18,775,526
		25,722,285	20,236,668
Stock at end of the year	10	(1,652,572)	(1,210,874)
		24,069,713	19,025,794

26.3 Direct labour and salaries, wages and other benefits include Rs. 44,831 thousand (2010: Rs. 24,095 thousand) in respect of staff retirement benefits.

26.4 Purchases include government rebates netted-off, aggregating to Rs. 20,577 thousand (2010: Rs.16,256 thousand).

	Note	2011	2010
		------ (Rupees in '000) -----	

27. Distribution Cost

	Note	2011	2010
Directors' remuneration	40.1	32,408	27,518
Staff salaries and other benefits	27.1	165,779	134,427
Travelling, conveyance and entertainment		52,547	43,586
Vehicle running expenses		10,188	7,449
Rent, rates and taxes		22,565	22,091
Advertisement and sales promotion		209,929	220,320
Repairs and maintenance		3,392	3,099
Gas and electricity		3,940	2,892
Freight outward		249,845	173,362
Printing and stationery		2,316	2,003
Postage and telephone		8,807	7,612
First free services charges		46,000	38,511
Insurance		6,280	5,105
Newspapers, magazines and subscriptions		1,034	1,199
Others		433	1,620
		815,463	690,794

27.1 Salaries and other benefits include Rs. 13,163 thousand (2010: Rs. 6,522 thousand) in respect of staff retirement benefits.

	Note	2011	2010
		------ (Rupees in '000) -----	

28. Administrative Expenses

	Note	2011	2010
Directors' remuneration	40.1	19,251	6,858
Directors' meeting fee	40.2	100	100
Staff salaries and other benefits	28.1	191,207	189,424
Travelling, conveyance and entertainment		9,515	6,988
Rent, rates and taxes		8,480	6,043
Insurance		5,084	3,215
Repairs and maintenance		6,959	7,234
Legal and professional charges		3,836	3,395
Gas and electricity		2,223	1,402
Newspapers, magazines, fees and subscriptions		2,612	2,906
Postage and telephone		2,207	1,457
Printing and stationery		8,331	5,122
Vehicle running expenses		7,875	6,075
Staff training		6,755	772
Depreciation	5.2	25,022	19,119
Donation	28.2	10,898	3,590
Others		387	1,039
		310,742	264,739

28.1 Salaries and other benefits include Rs. 35,449 thousand (2010: Rs. 14,626 thousand) in respect of staff retirement benefits.

28.2 Includes Rs. 10,772 thousand (2010: Rs. 3,530 thousand) paid to Atlas Foundation (Foundation), whose address is 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi. Mr. Yusuf H. Shirazi, Chairman and Mr. Saquib H. Shirazi, Chief Executive Officer of the Company are on the Board of Trustees of the Foundation.

	Note	2011	2010
		------ (Rupees in '000) -----	

29. Other Operating Income

	Note	2011	2010
Income from financial assets			
Mark-up / interest on deposits	29.1	142,526	91,086
Gain on sale of investments		18,281	8,587
Net change in fair value of investments at fair value through profit or loss		94,580	72,425
Net exchange gain		-	2,931
		255,387	175,029
Income from sources other than financial assets			
Commission income		11,273	-
Scrap sales		28,573	62,699
Others		4,104	1,319
		43,950	64,018
		299,337	239,047

29.1 Includes Nil (2010: Rs. 46 thousand) earned on deposits maintained with related parties.

	Note	2011	2010
		------ (Rupees in '000) -----	

30. Other Operating Expenses

	Note	2011	2010
Auditors' remuneration	30.1	1,944	1,944
Workers' Profit Participation Fund	21.3	75,406	57,853
Workers' Welfare Fund	21.4	25,057	21,984
Loss on disposal of property, plant and equipment	5.3	2,775	5,842
Operating fixed assets written off		-	4,977
Net exchange loss		4,415	-
		109,597	92,600

30.1 Auditors' remuneration

	2011	2010
Fee for:		
Annual audit	1,000	1,000
Half yearly review	212	212
Review of Code of Corporate Governance	91	91
Audits of retirement funds and Workers' Profit Participation Fund	202	202
Certifications for payment of royalty, technical fee and dividend	360	360
	1,865	1,865
Out-of-pocket expenses	79	79
	1,944	1,944

31. Finance Cost

	Note	2011	2010
Mark-up / interest on:			
Short-term finances		447	1,121
Long-term borrowings		79,969	96,849
		80,416	97,970
Interest on Workers' Profit Participation Fund	21.3	262	-
Bank charges		12,797	14,643
		93,475	112,613

	Note	2011	2010
		------ (Rupees in '000) -----	

32. Taxation

	Note	2011	2010
Current year		405,478	373,580
Adjustments of prior years		(15,372)	-
Deferred		17,819	(8,807)
		407,925	364,773

32.1 Relationship between income tax expense and accounting profit

	Note	2011	2010
Net profit before taxation		1,410,481	1,077,231
Tax at the applicable income tax rate of 35% (2010: 35%)		493,668	377,031
Effect of tax credits		(41,973)	-
Effect of exemption from tax on certain income		(39,501)	(28,354)
Effect of income assessed under the final tax regime		5,595	16,587
Tax adjustment of prior years		(15,372)	-
Others		5,508	(491)
		407,925	364,773

33. Earnings Per Share

Basic and diluted earnings per share

	Note	2011	2010
Net profit after taxation		1,002,556	712,458
Weighted average number of ordinary shares outstanding for the year		62,552,206	62,552,206
			Restated
Basic and diluted earnings per share (Rupees)		16.03	11.39

34. Cash Generated from Operations

	Note	2011	2010
Net profit before taxation		1,410,481	1,077,231
Adjustments for non-cash charges and other items			
Depreciation of operating fixed assets		463,286	440,775
Amortization of intangible assets		6,482	10,798
Net change in fair value of investments at fair value through profit or loss		(94,580)	(72,425)
Gain on sale of investments		(18,281)	(8,587)
Mark-up / interest on deposits		(142,526)	(91,086)
Mark-up / interest on short-term finances and long-term borrowings		80,416	97,970
Workers' Profit Participation Fund, inclusive of interest		75,668	57,853
Workers' Welfare Fund		25,057	21,984
Provision for compensated leave absences		40,299	39,396
Provision for gratuity		21,752	19,183
Loss on disposal of property, plant and equipment		2,775	5,842
Operating fixed assets written off		-	4,977
Provision for slow moving inventory - net		8,680	23,520
Working capital changes	34.1	818,304	596,870
		2,697,813	2,224,301

34.1 Working capital changes

	Note	2011	2010
(Increase) / decrease in current assets			
Stores, spares and loose tools		(3,299)	105,596
Stock-in-trade		(347,412)	104,219
Trade debts		44,254	(125,509)
Loans and advances		6,960	(2,839)
Trade deposits and prepayments		2,143	25,558
Other receivables		(3,509)	28,243
		(300,863)	135,268
Increase in current liabilities			
Trade and other payables		1,119,167	461,602
		818,304	596,870

35. Information about Company's Products

The Company markets and sells (a) motorcycles and (b) spare parts. Exports are made to Afghanistan and Bangladesh. Net revenues earned from external customers for both the products of the Company are as follows:

	2011	2010
	------ (Rupees in '000) -----	
Motorcycles		
Local sales	29,795,281	23,852,830
Exports	695,334	274,899
	30,490,615	24,127,729
Spare parts		
Local sales	2,004,649	1,363,362
Exports	26,135	63,681
	2,030,784	1,427,043
	32,521,399	25,554,772

All the non-current assets of the Company are based in Pakistan. Sale to any one customer does not exceed 10% of the aggregate revenue of the Company.

36. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

36.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Company's exposure to foreign currency risk at the reporting date is as follows:

	2011		2010	
	Japanese Yen	US Dollar	Japanese Yen	US Dollar
	--------------------(Amounts in '000)----------------------			
Trade debts	-	232	-	187
Trade and other payables	(395,132)	(12)	(339,410)	-
Net exposure	(395,132)	220	(339,410)	187

The following significant exchange rates have been applied:

	2011	2010	2011	2010
	Average Rate		Reporting date rate	
	------------------------(Rupees)-------------------------			
Rs. against 1 Japanese Yen	1.00	0.89	1.04	0.90
Rs. against 1 US Dollar	85.4	82.96	85.10	84.30

Sensitivity Analysis

5% strengthening / weakening of Pak Rupee against the following currencies at the reporting date would have increased / (decreased) profit before tax for the year by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on profit before tax

	2011	2010
	------ (Rupees in '000) -----	
Japanese Yen	20,547	15,273
US Dollar	936	788
	21,483	16,061

b) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from deposits with banks, long-term borrowings and short-term finances. Borrowings issued and deposits in bank savings accounts held at variable interest rates expose the Company to cash flow interest rate risk and term deposit receipts issued by the banks to the Company at fixed interest rates give rise to fair value interest rate risk. Significant interest rate risk exposures are primarily managed by a suitable mix of deposits and borrowings issued at fixed and variable interest rates and by entering into interest rate swap arrangements.

At the reporting date, the profile of the Company's interest bearing financial instruments is as follows:

	2011	2010
	------ (Rupees in '000) -----	
Fixed interest rate instruments		
Financial assets (note 16)	800,000	400,000
Variable interest rate instruments		
Financial assets (note 16)	828,791	712,810
Financial liabilities (note 19)	(87,500)	(875,000)
	741,291	(162,190)

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased / decreased profit before tax for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2011	2010
	------ (Rupees in '000) -----	
Effect on profit before tax	7,413	1,622

c) **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company's investments in mutual fund securities amounting to Rs. 1,338,474 thousand (2010: Rs. 1,088,996 thousand) are exposed to price risk due to changes in Net Asset Value (NAV) of such funds.

A change of 5% in NAV of mutual fund securities at the reporting date would have increased / (decreased) profit before tax for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency and interest rates, remain constant.

	2011	2010
	------ (Rupees in '000) -----	
Effect on profit before tax	2,038,773	1,143,446

36.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade deposits, trade debts, investments, loans and advances, other receivables and interest receivable on deposits with banks.

Significant part of the sales of the Company occurs against advance payments, therefore, trade debts mainly arise from exports (which are secured against letters of credit) and local sales made to Government departments and Defence institutions. The Company believes that it is not exposed to any specific credit risk in respect of trade debts.

The credit risk on liquid funds maintained with banks and investment in mutual funds is limited as such banks and funds enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The carrying amounts of financial assets (category-wise) that represent Company's maximum credit exposure as at the reporting date are as follows:

	2011	2010
	------ (Rupees in '000) -----	
Investments at fair value through profit or loss		
Short-term investments	1,338,474	1,088,996
Interest rate swaps	-	65
	1,338,474	1,089,061
Loans and receivables		
Long-term loans and advances	22,403	18,810
Long-term deposits	10,765	11,336
Trade debts	401,435	445,689
Loans and advances	24,712	22,097
Trade deposits	1,888	5,700
Accrued mark-up / interest	8,517	4,513
Other receivables	480	2,644
Cash and bank balances	2,090,800	1,641,963
	2,561,000	2,152,752
	3,899,474	3,241,813

The maximum exposure to credit risk for trade debts on geographic basis as at the reporting date is as follows:

	2011	2010
	------ (Rupees in '000) -----	
Pakistan	381,731	430,671
Bangladesh	19,704	15,018
	401,435	445,689

The maximum exposure to credit risk for trade debts by type of counter party as at the reporting date is as follows:

	2011	2010
	------ (Rupees in '000) -----	
Government departments	3,675	19,037
Defence institutions	374,202	409,757
Others (including exports)	23,558	16,895
	401,435	445,689

The ageing of trade debts at the reporting date is as follows:

	2011	2010
Not past due	305,955	276,729
Past due within 30 days	88,330	136,654
Past due beyond 30 days	7,150	32,306
	401,435	445,689

Company gives a credit of 30 days to all of it's credit based customers. Based on past experience, the Company believes that no impairment is necessary against amounts past due beyond 30 days as 94% (2010: 96%) of the debt is due from defence institutions and government departments and remaining amount is due from customers having prompt payment record with the Company.

Company's bank balances can be assessed with reference to the following external credit ratings:

Banks	**Rating Agency**	**Rating** Short term	Long term
Allied Bank Limited	PACRA	A1+	AA
Bank Alfalah Limited	PACRA	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
Barclays Bank Plc Pakistan	S&P	A1+	AA-
Deutsche Bank AG	S&P	A1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AA+
MCB Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	AA-	A1
National Bank of Pakistan	JCR-VIS	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank Pakistan Limited	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
The Bank of Tokyo Mitsubishi UFJ Limited	S&P	A1	A+
United Bank Limited	JCR-VIS	A1+	AA+

The Company's investments in mutual funds can be assessed with reference to the following external credit ratings:

Mutual funds	**Rating agency**	**Rating**
Atlas Income Fund	PACRA	A+(f)
Atlas Islamic Income Fund	PACRA	AA-(f)
Atlas Money Market Fund	PACRA	AA+(f)
ABL Income Fund	JCR-VIS	A+(f)
First Habib Income Fund	PACRA	AA-(f)
Lakson Money Market Fund	PACRA	AA(f)
NIT Government Bond Fund	Not yet rated	
NIT Income Fund	Not yet rated	
PICIC Income Fund	JCR-VIS	A+(f)
JS Cash Fund	JCR-VIS	AA+(f)
HBL Money Market Fund	Not yet rated	

36.3 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 adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

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

	2011					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
	(Rupees in `000)					
Financial Liabilities at cost						
Borrowings	87,500	89,206	89,206	-	-	-
Trade and other payables	2,754,672	2,754,672	2,754,672	-	-	-
Accrued mark-up / interest	6,378	6,378	6,378	-	-	-
	2,848,550	2,850,256	2,850,256	-	-	-

	2010					
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years
	(Rupees in `000)					
Financial Liabilities at cost						
Borrowings	875,000	1,065,011	285,803	162,951	259,945	356,312
Trade and other payables	2,110,748	2,110,748	2,110,748	-	-	-
Accrued mark-up / interest	37,384	37,384	37,384	-	-	-
	3,023,132	3,213,143	2,433,935	162,951	259,945	356,312

37. 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, 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, issue of new shares and other measures commensurating to the circumstances.

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 borrowings 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 requirements. Gearing ratios as at reporting date are as follows:

	2011	2010
	(Rupees in '000)	
Borrowings	87,500	875,000
Equity	4,622,414	3,891,824
Capital employed	4,709,914	4,766,824
Gearing ratio	2%	18%

38. Fair Value Financial Instruments and Hierarchy

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows the fair value measurements of the financial instruments carried at fair value by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1	Level 2	Level 3	Total
	---------------- (Rupees in '000) ----------------			
As at March 31, 2011				
Investments at fair value through profit or loss	1,338,474	-	-	1,338,474
As at March 31, 2010				
Investments at fair value through profit or loss	1,088,996	-	-	1,088,996

39. Transactions with Related Parties

Related parties comprise of associated companies, staff retirement funds, directors and other key management personnel. Amounts due from and to related parties as at year end are disclosed in the respective notes to these financial statements. Details of the transactions carried out with related parties during the year are as follows:

	2011	2010
	------ (Rupees in '000) -----	
Associated companies		
Sales of goods	19,985	14,121
Sales of operating fixed assets	1,936	3,398
Sales of investments	570,692	85,052
Purchases of goods and services	5,842,034	4,331,889
Purchases of operating fixed assets	38,364	22,580
Purchases of investments	618,477	150,000
Royalty	1,544,996	1,242,551
Export commission	20,560	8,443
Technical assistance fee	13,842	5,539
Interest earned on deposits	-	46
Commission income	11,273	-
Lease rentals paid	-	3,168
Rent paid	48,742	40,454
Insurance premium paid	162,830	131,369
Insurance claims received	4,715	3,506
Reimbursement of expenses - net	44,517	35,553
Dividend paid	236,047	123,155
Donation paid	10,772	3,530
Staff retirement funds		
Contributions paid to:		
Gratuity funds	19,183	10,092
Provident funds / pension schemes	31,932	24,890

40. Remuneration of Chief Executive Officer, Directors and Executives

40.1 The aggregate amounts charged in these financial statements for remuneration including all other benefits to the Chief Executive Officer, Directors and other Executives of the Company are as follows:

	Chief Executive Officer		Directors		Executives	
	2011	2010	**2011**	2010	**2011**	2010
	(Rupees in '000)					
Managerial remuneration	9,934	7,588	14,643	8,115	153,218	92,038
Rent and utilities	4,751	3,737	7,150	4,174	73,278	45,757
Bonus	5,692	5,500	8,646	4,692	85,059	59,075
Retirement benefits	950	835	1,318	719	17,843	8,804
Medical and other reimbursable expenses	-	3	131	196	5,012	3,985
Total	21,327	17,663	31,888	17,896	334,410	209,659
Number of Persons	1	1	4	4	119	85

The Chief Executive Officer, four Directors and two expatriate executives are provided with free use of Company maintained cars and telephones at residences. Two Directors and two expatriate executives are also provided with furnished accommodation.

40.2 Remuneration to other directors

Aggregate amount charged in the financial statements for meeting fees to two Directors was Rs. 100 thousand (2010: Rs. 100 thousand).

41. Plant Capacity and Actual Production

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

42. Non-Adjusting Event After the Balance Sheet Date

The Board of Directors, in their meeting held on April 27, 2011, (i) approved the transfer of Rs. 860,000 thousand from unappropriated profits to general reserve and (ii) proposed a final cash dividend of Rs. 6.5 (2010: Rs. 5) per share and issue of bonus shares at the rate of 15% (2010: 15%) i.e. three bonus shares for every twenty shares held (2010: three bonus shares for every twenty shares held), amounting to Rs. 406,589 thousand and Rs. 93,828 thousand (2010: Rs. 271,966 thousand and Rs. 81,590 thousand) respectively, for the year ended March 31, 2011. These appropriations will be approved by the members in the forthcoming Annual General Meeting to be held on June 23, 2011. These financial statements do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending March 31, 2012.

43. Date of Authorization For Issue

These financial statements were approved by the Board of Directors and authorized for issue on April 27, 2011.

44. Corresponding Figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is not material.

Yusuf H. Shirazi	**Saquib H. Shirazi**	**Sherali Mundrawala**
Chairman	Chief Executive Officer	Director

Pattern of Shareholding
As at March 31, 2011

Shareholders' category	Number of shares held	Percentage
Associated Companies, Undertakings and Related Parties		
Atlas Insurance Limited	1,773,447	2.84
Honda Motor Company Limited	21,893,273	35.00
Shirazi Investments (Private) Limited	15,283,696	24.43
Shirazi Capital (Private) Limited	15,340,471	24.52
	54,290,887	86.79
NIT and ICP		
National Bank of Pakistan - Trustee Department	188,213	0.30
IDBP (ICP Unit)	1,751	0.00
	189,964	0.30
Directors, CEO, their Spouses, Minor children and Associates		
Mr. Yusuf H.Shirazi (Chairman) and Associates	3	0.00
Mr. Saquib H. Shirazi (CEO)	1	0.00
Mr. Sanaullah Qureshi	243	0.00
Mr. Sherali Mundrawala	8,996	0.01
Mr. Takashi Nagai	1	0.00
	9,244	0.01
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	52,757	0.09
Individuals	5,292,242	8.47
Others (see page 95 for details)	2,717,112	4.34
Total	62,552,206	100.00

Shareholders holding 10% or more voting interest

Honda Motor Company Limited	21,893,273	35.00
Shirazi Investments (Private) Limited	15,283,696	24.43
Shirazi Capital (Private) Limited	15,340,471	24.52

Details of trading in the shares of the Company by Directors, their Spouses and Minor children

Name of transferee	Name of transferor	Number of shares transacted	Date of transaction	Price per share	Remarks
Mr. Takashi Nagai	Mr. Masahiro Takedagawa (former Director)	1	April 26, 2010	Rs. 164	Mr. Masahiro Takedagawa sold his share to Mr. Takashi Nagai upon his retirement from the Board of Directors.

Pattern of Shareholding
As at March 31, 2011

Number of shareholders	Shareholdings				Total shares held
392	From	1	To	100	11,353
292	From	101	To	500	70,012
133	From	501	To	1,000	96,057
238	From	1,001	To	5,000	530,955
72	From	5,001	To	10,000	504,513
36	From	10,001	To	15,000	425,646
15	From	15,001	To	20,000	252,455
9	From	20,001	To	25,000	201,126
12	From	25,001	To	30,000	328,460
1	From	30,001	To	35,000	33,061
1	From	35,001	To	40,000	35,718
2	From	40,001	To	45,000	83,579
4	From	45,001	To	50,000	191,382
1	From	50,001	To	55,000	50,391
2	From	55,001	To	60,000	114,119
4	From	65,001	To	70,000	271,627
3	From	70,001	To	75,000	221,131
2	From	90,001	To	95,000	186,724
1	From	95,001	To	100,000	98,004
1	From	105,001	To	110,000	106,974
1	From	110,001	To	115,000	112,943
1	From	130,001	To	135,000	132,250
1	From	135,001	To	140,000	137,696
1	From	165,001	To	170,000	165,794
1	From	185,001	To	190,000	188,213
1	From	270,001	To	275,000	270,980
1	From	295,001	To	300,000	297,519
1	From	420,001	To	425,000	424,268
1	From	620,001	To	625,000	621,798
1	From	1,770,001	To	1,775,000	1,773,447
1	From	2,095,001	To	2,100,000	2,096,571
1	From	15,280,001	To	15,285,000	15,283,696
1	From	15,340,001	To	15,345,000	15,340,471
1	From	21,890,001	To	21,895,000	21,893,273
1235					**62,552,206**

Pattern of Shareholding
As at March 31, 2011

Shareholders' category	Number of shareholders	Number of share held	Percentage
Directors, CEO, their Spouses, Minor children and Associates	7	9,244	0.01
* Associated Companies, Undertakings and Related Parties	4	54,290,887	86.79
NIT and ICP	2	189,964	0.30
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	3	52,757	0.09
General Public	1,182		
Local		5,292,242	8.47
Foreign		-	-
Others	37		
Corporate Law Authority (Securities and Exchange Commission of Pakistan)		1	0.00
Joint Stock Companies		348,970	0.56
Cooperative Society		588	0.00
Trustee of Iftikhar Shirazi Family Trust		1	0.00
Loads Limited		1	0.00
Habib Bank AG Zurich (SWT)		270,980	0.43
JPMorgan (Suisse) SA		2,096,571	3.35
	1,235	**62,552,206**	**100.00**

* Note: Includes the following associated companies:
Atlas Insurance Limited; 1,773,447 shares
Honda Motor Company Limited; 21,893,273 shares
Shirazi Investments (Private) Limited; 15,283,696 shares
Shirazi Capital (Private) Limited; 15,340,471 shares

Atlas Group Companies

	*Year of Establishment / Acquisition**
Shirazi Investments	1962
Atlas Honda	1962
Atlas Battery	1966
Shirazi Trading	1973
Atlas Insurance	1980*
Atlas Engineering	1981*
HONDA Honda Atlas Cars	1992
HONDA Honda Atlas Power Product	1997
Atlas Asset Management	2002
Shirazi Capital	2005
Atlas Power	2007
Atlas World Wide	2007
Atlas Venture	2008

The Company Secretary
Atlas Honda Limited,
1-Mcleod Road,
Lahore-54000

PROXY FORM

I/We ____
of ____
being member(s) of Atlas Honda Limited and holder(s) of ______________________________
Ordinary Shares as per Register Folio No. ______________________________ and / or CDC Participant I.D. No. ______________________________ and Sub Account No. ____________________ hereby appoint ____
of ____
or failing him / her ____
of ______________________________ as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 47th Annual General Meeting of the Company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Thursday, June 23, 2011 at 11:00 a.m. and at every adjournment thereof.

As witness my/our hand this ____________________ day of ______________________________2011
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 or Shares Registrar not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.

- CDC shareholders and their proxies are requested to attach an attested photocopy of their computerised National Identity Card or Passport with this proxy form before submission to the Company.

AFFIX
POSTAGE

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

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Fold Here

Fold Here

Atlas Honda Limited

1-McLeod Road, Lahore-54000,
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E-mail: ahl@atlas.com.pk
Website: www.atlashonda.com.pk