



ANNUAL REPORT 2013



A Journey of Success 1962-2012

Atlas Honda Limited is proud to celebrate 50 years of providing the nation's ride. This is the story of Atlas Honda Limited, linked with the journey of an entire nation moving ever further on the road to technological progress and industrial excellence.



Organisation
development
through
self development



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1962 - 1972 The Decade of Progress

Pakistan had won its first Olympic hockey championship, built its first Steel Mill and launched its first weather rocket. Just like Pakistan, It was a time of many firsts for Atlas Honda, which also saw great technical progress and achievement.



1962 - Mr. Yusuf H. Shirazi and Mr. Soichiro Honda, sign the first technical collaboration agreement.

1962

1963

1964



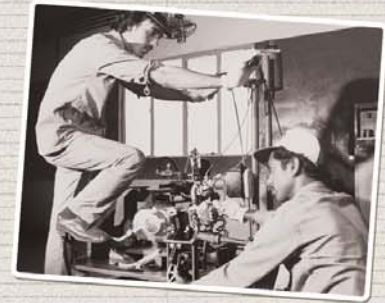
All other motorcycles have 2-stroke engines

only  **HONDA** offers **4-stroke engines**



**Double the Strokes
More the Advantages**

1965 - Following the success of Honda C 50, the company launches Honda C 90 and S 90.

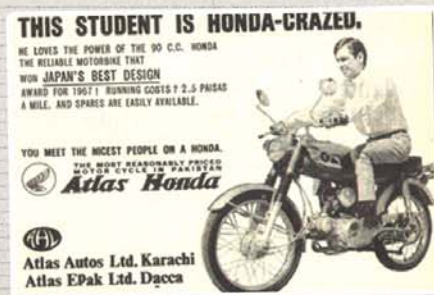


1966 - The company builds Pakistan's first gas operated paint shop.



1965 - Atlas Autos Limited becomes the first two wheeler company in Pakistan to get listed on stock exchange.
Commercial Production commences with sanctioned annual capacity of 6,000 units.

1969 - Atlas Autos sets up its first in-house workshop.



1972 - 1982 The Decade of Efficiency

The aftermath of 1971 war and the following industry-wide nationalization and regulatory changes led privately owned companies to face many challenges during this decade, in Pakistan. However, demand for Atlas Honda's economical and reliable motorcycles was ever growing.



1972 to 1974 - The war of 1971 led to the loss of Atlas East Pakistan but Atlas overcomes the difficulties.

1972

1973

1974





1978 - Key engineers and dealers are sent to Japan for advanced training. The Company launches new CD 70 and CG 125 models.



1975

1976

1977

1978

1979

1980

1981

1975 - The Company initiates rapid acceleration in localization of imported components.



1979 - The Company Implements modernization of the manufacturing environment costing Rs. 10 million.

1979 - The Company organizes and sponsors the first training seminars on motorcycle technology in Pakistan

1979 - Panjadya Limited is incorporated in Sheikhpura. Atlas Autos Limited signs second technical assistance agreement with Honda Motor Company Limited.

1976 - Full production capacity of 18,000 units is achieved for the first time.



1982 - 1992 The Decade of Innovation

For the nation, this decade witnessed many technological advancements. Pakistan received its first three F-16 jets. This was also a very prosperous time for the people of Pakistan and the private sector, with an average GDP growth rate of 7.1%, the highest ever in Pakistan's history. Anticipating greater demand and foreseeing new consumer trends Atlas Honda increases technological investment.



1982 - The 2-stroke MB 100 is launched with a memorable advertising campaign.

Panjdarya Limited commences commercial production at its Sheikhpura plant.

1982

1983

1984

1983 - The Company completes its first major expansion project costing 132 million Rupees.

The new Honda CD 70 Econopower Model is launched.





1985 - Atlas Honda crosses 50% localization.



1987 - The engine parts manufacturing plant is installed with an investment of Rs. 73 million.



1990 - Merger of Panjdarya Limited into Atlas Autos Limited.

1985

1986

1987

1988

1989

1990

1991

1986 - The first ever Vendor conference takes place.



1988 - Honda Motor Co. acquires 10% shares in Atlas Autos Limited.

1991 - CG 125 parts manufacturing plant is installed at Sheikhpura. A new CG 125 model is launched.

Name of the Company is changed to Atlas Honda Limited.



1992 - 2002 The Decade of Competition

The 90's brought with it liberalized foreign economic policies aimed at attracting increased foreign investment. For the people of Pakistan this gave increased access to foreign services and products. However, for Atlas Honda this meant greater competition. And just as Pakistan defeated the competition to win its first Cricket World Cup in 1992, so would Atlas Honda rise up to the competition and attain dominant market share within the decade.



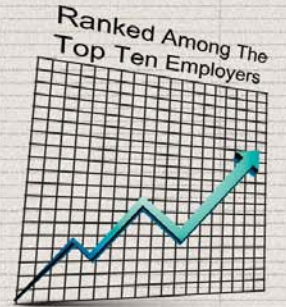
1992 - To strengthen its position, a new Honda CD 70 model with the latest CDI technology, is launched.

1992

1993

1994





1998 - The new CD 70 and CG 125 models are launched.

2000 - Atlas Honda is ranked among the Top Ten Employers by the Employer's Federation of Pakistan.

1995

1996

1997

1998

1999

2000

2001

1995 - Atlas Honda signs an export agreement with Honda Motor Company Japan and initiates its first exports to Nepal, Bangladesh, Sri Lanka, Middle East and Central Asia.

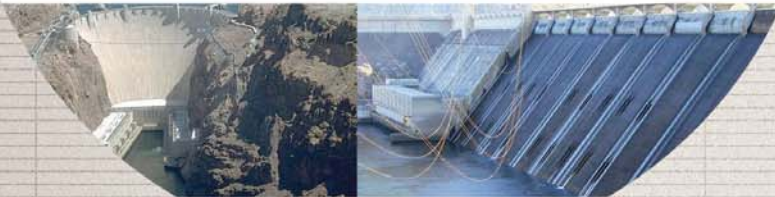
1999 - The Company receives ISO 9002 certification for both Karachi and Sheikhpura plants.

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



2002 - 2012 The Decade of Growth

The most recent chapter of Atlas Honda journey unfolded amidst a renewed spirit of optimism and achievement in Pakistan. The media was liberated, the economy was getting stronger and the nation experienced many positive new developments like the initiation of the Diamer-Bhasha dam, which will be the worlds highest RCC dam once constructed. The company also went from strength to strength. During this period, Atlas Honda received a string of industry and national awards, and made great strides forward in terms of product innovation, annual production and overall company growth.



2004 - Atlas Honda enters the 100cc category with the launch of the Honda CD 100.

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

2003

2004

2005

2003 - The Company crosses the 100,000 units 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.





2007 - The SAP ERP system is implemented. Atlas Honda hosts Pakistan's first 15th NHC Asia Oceania Block convention.



2010 - The CG 125 Deluxe euro II was launched.
The Company was awarded the Merit Certificate by SAFA for the Annual Report.



2012 - Launch of the brand new Pridor, the Euro II CD 70 and Euro II CG 125 models.



2006 - The Company extends the capacity at Sheikhpura plant upto 500,000 units.

2009 - Atlas Honda rolled out the CD 100 Euro II model.

The Company receives KSE Top 25 Companies Award for the second time.

2011 - The company surpassed the 90% localization record and crossed the annual sales benchmark of 500,000.

The Company once again is awarded the Merit Certificate by SAFA for the Annual Report.



Vision

Market leader in the motorcycle industry, emerging 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

Customers

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 update 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.



Inside view of Sheikhupura Plant

Company Information

BOARD OF DIRECTORS

Yusuf H. Shirazi
Chairman

Hisao Kobayashi
Director

Hiroaki Hirose
Director

Nurul Hoda
Director

Sanallah Qureshi
Director

Shigeki Takane
Director

Tariq Amin
Director

Saquib H. Shirazi
Chief Executive Officer

Syed Tanvir Hyder
Company Secretary

AUDIT COMMITTEE

Sanallah Qureshi
Chairman

Tariq Amin
Member

Nurul Hoda
Member

Zaheer Ul Haq
Head of Internal Audit

Syed Tanvir Hyder
Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Sanallah Qureshi
Chairman

Tariq Amin
Member

Saquib H. Shirazi
Member

Razi Ur Rehman
Secretary

MANAGEMENT COMMITTEE

Saquib H. Shirazi
Chief Executive Officer

Suhail Ahmed
VP Marketing & Chief Financial Officer

Hisao Kobayashi
Vice President Technical

Muhammad Khalid Aziz
General Manager Plants

Sultan Ahmed
General Manager Quality Assurance

Hiroaki Hirose
General Manager Technical

Mushtaq Alam
General Manager Information Technology

Javed Afghani
General Manager Marketing

Razi Ur Rehman
General Manager Human Resources,
Administration & Corporate Affairs

Khawaja Shujaiddin
General Manager Planning & Commercial

Shakil Mirza
General Manager Supply Chain

Afaq Ahmed
General Manager Research & Development

Muhammad Qadeer Khan
General Manager Engineering & 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

BANKERS

Allied Bank Limited
Bank Al-Habib Limited
Bank Alfalah Limited
Barclays Bank PLC Pakistan
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
MCB Bank Limited

Meezan 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

BRANCH OFFICES

Azmat Wasti Road, Multan
Tel: (92-61) 4540054, 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

391, Block D, Latifabad Unit # 6,
Hyderabad
Tel: (92-22) 3864983-4
Fax: (92-22) 3864985

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

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



Yusuf H. Shirazi
Chairman

Board of Directors

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 matters-socio-politico-economic.

Mr. Shirazi is the Chairman of Atlas Group, which, among others, has joint ventures with Honda, GS Yuasa and MAN to name a few. 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 visiting faculty member at National Defence 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 and Upper Atmosphere Research Commission (SUPARCO).



Sanaullah Qureshi
Director (Non-Executive)

Mr. Sanaullah Qureshi qualified as a Chartered Accountant from Scotland and joined ICI Pakistan Limited in 1962. He worked in different capacities as General Manager and Director-in-charge of Finance, Human Resources and various other businesses of ICI. He retired as the Deputy Chairman of ICI 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 currently holds directorship in Linde Pakistan Limited (formerly known as BOC Pakistan Limited) and MYK Associates (Private) Limited. He has been on the Board of Atlas Honda Limited since February 2001.



Tariq Amin
Director (Non-Executive)

Mr. Tariq Amin is the Chairman of Orkila Pakistan (Private) Limited, a leading multinational company dealing in chemicals. He is also on the Boards of Pakistan Gum and Chemicals Limited and the Salim Habib Education Foundation. He has experience both in private and public sectors. He is a law graduate from the University of Karachi, also holds a Masters degree in English from the University of Karachi, and a Post Graduate Diploma in Development Administration from the University of Leeds.



Shigeki Takane
Director (Non-Executive)

Mr. Shigeki Takane has been associated with Honda Motor Company Limited for 32 years. He started his career in Finance Division. Afterwards, he was stationed in Thailand, Belgium, Germany and China in different capacities. After gaining worldwide business experience, he went back to Japan again as Tax Office General Manager. Currently, he is acting as a Director of Asian Honda Motor Company Limited in Thailand. He was appointed as member of the Board of Atlas Honda Limited in March 2012.



Nurul Hoda
Director (Non-Executive)

Mr. Nurul Hoda is associated with Atlas Honda Limited since 1975 and has over 37 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 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 advisor to CEO and a member of the Board of Atlas Honda Limited since February 2003. He is also a member of the Board of Arabian Sea Country Club since October 2010.



Hiroaki Hirose
Director (Executive)

Mr. Hiroaki Hirose was head of two wheeler division at Honda Vietnam Company Limited from April, 2008 to March, 2013, before being appointed to Pakistan. He has expertise in Paint and Structural reforms. His extensive knowledge in these fields is advantageous and integral to Atlas Honda Limited. He is acting as the General Manager Technical and was appointed as member of Board of Directors in April 2013.



Saquib H. Shirazi
Chief Executive Officer

Mr. Saquib H. Shirazi has been the Chief Executive Officer of Atlas Honda Limited for the last twelve years. He graduated from the Wharton School of Finance, before completing his Masters from the Harvard Business School. He has worked with the Bank of Tokyo - Mitsubishi UFJ Limited 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 also been on the Board of Harvard Business School's Global Alumni and served as President for the year from 2006 to 2008. He has been on the Board of Atlas Honda Limited since November 2000.



Hisao Kobayashi
Director (Executive)

Mr. Hisao Kobayashi was acting as Head of Automobile Product Planning Office, Japan before being appointed to Pakistan. He was stationed in U.S.A. for Motorcycle Production Planning & Logistics, then assigned at Taiwan as Automobile Marketing and Product Planning Manager. Later on, he was appointed as the Managing Director of Honda ICVS Singapore. 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.



Shareholders' Information

REGISTERED OFFICE

1-McLeod Road, Lahore-54000
 Tel: (92-42) 37225015-17, 37233515-17
 Fax: (92-42) 37233518, 37351119

EXCHANGE LISTING

Atlas Honda Limited is listed on Karachi Stock Exchange (Guarantee) Limited (KSE) and Lahore Stock Exchange (Guarantee) Limited (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 2013-14 have been paid to the KSE, LSE and Central Depository Company of Pakistan Limited 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 / information as required under the Companies Ordinance, 1984 and allied rules, the listing requirements and any other relevant laws, rules and regulations prescribed by the Securities and Exchange Commission of Pakistan (SECP).

ANNUAL GENERAL MEETING

Date: June 19, 2013
 Time: 11:00 A.M.
 Venue: Registered Office at
 1-McLeod Road, Lahore

FINANCIAL CALENDAR

April 2013	Audited annual results for the year ended March 31, 2013
May 2013	Mailing of annual reports
June 2013	Annual General Meeting
July 2013	Unaudited first quarter financial results.
November 2013	Unaudited half year financial results
January 2014	Unaudited third quarter financial results

DIVIDEND ANNOUNCEMENT

The Board of Directors of the Company has proposed a final cash dividend of Rs. 7.5 per share (75%) and Bonus shares @ 25% (1 bonus share for every 4 shares held) for the year ended March 31, 2013, subject to approval by the shareholders of the Company at the Annual General Meeting.

Dividend paid for the year ended March 31, 2012 was cash dividend Rs. 6.5 per share (65%) 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 11, 2013 to June 19, 2013 (both days inclusive).

DATE OF DIVIDEND PAYMENT

The payment of dividend, upon declaration by the shareholders at the forthcoming Annual General Meeting, will be made on or after June 19, 2013.

Last year, the Company had dispatched the cash dividend and bonus shares on June 27, 2012 after approval from the shareholders was obtained at the 48th Annual General Meeting held on June 27, 2012.

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. Shareholders are requested to deposit these warrants into their bank accounts.

The shareholders are informed that SECP through S.R.O 779 (1) 2011 dated August 18, 2011 has made it mandatory that the dividend warrants issued by issuer should bear Computerized National Identity Card Numbers (CNIC) of the registered shareholders, except in the case of minor(s) and corporate shareholders. The shareholders are, therefore, requested to provide by mail or fax, photocopy of their CNIC and, in case of a foreigner copy of Passport, unless it has already been provided.

SHARE TRANSFER SYSTEM

Share transfers received by the Company's Share 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 is also advertised in at least one English and Urdu newspaper having circulation in the province in which the KSE and LSE are situated.

PROXIES

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a General Meeting of the Company can appoint another member as his / her proxy to attend and vote 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 also entitled to appoint a proxy, who him / herself 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 / Share Registrar not less than forty eight hours before the meeting.

CHANGE OF ADDRESS / E-MAIL ADDRESS

All registered shareholders should send information of changes in addresses 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
Phone: (92-42) 37235081-82
Fax : (92-42) 37358817

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 together with corporate profile, the Atlas group philosophy, details of Company's products and other relevant information.

MARKET PRICE DATA

The following table shows the month wise share price of the Company that prevailed during the financial years 2012-13 and 2011-12 in the KSE and LSE:

Months	KSE			
	High	Low	High	Low
	2012-13		2011-12	
April	148.99	139.00	153.93	138.11
May	159.85	142.90	150.50	140.00
June	149.00	114.00	160.00	112.10
July	125.00	115.00	131.00	115.00
August	139.45	119.50	127.40	110.50
September	153.00	127.65	125.50	108.00
October	139.00	131.00	120.90	115.10
November	147.00	132.10	127.00	116.21
December	155.75	144.25	127.90	116.00
January	161.00	147.00	123.00	117.50
February	182.26	155.00	137.75	118.00
March	192.00	178.50	149.00	133.75

Months	LSE			
	High	Low	High	Low
	2012-13		2011-12	
April	148.99	140.38	149.83	138.99
May	157.79	143.32	149.15	141.01
June	146.13	114.63	158.76	114.08
July	123.63	115.54	127.14	118.59
August	139.45	120.62	128.76	113.48
September	147.96	131.51	122.88	110.46
October	132.72	131.00	121.99	117.00
November	145.81	132.10	127.00	117.00
December	154.08	144.76	125.98	117.00
January	156.91	148.28	122.18	118.17
February	180.30	157.79	135.95	119.05
March	191.50	183.92	148.82	134.85

Share Price Sensitivity Analysis

Company's financial performance has a positive correlation with its share price. Accordingly, factors that influence the Company's performance can also be reasonably expected to impact its share price. Following are the factors prevailing in current business environment that management considers to be sensitive to Company's performance and therefore can also affect its share price.

Agriculture

Agriculture employs more than 50% population. The agriculture based rural areas also form the chunk of motorcycle demand in the country. Therefore, the Company's performance is strongly linked with the performance of agriculture sector. The years which see good crop acreage, adequate rainfall and healthy support prices also witness increase in motorcycle sales. Conversely, the years of water mismanagement, fertilizer crises, floods and low prices of crops also witness low growth in two-wheeler market.

Energy Crisis

Due to the on-going energy crisis, supply of gas and electricity is often disrupted to industrial undertakings. Accordingly, the entire manufacturing industry is facing severe operational and financial difficulties. This forces the Company to resort to expensive alternatives to run operations which directly affects the Company's financial performance.

Law and Order

Unstable law and order situation often results in disruption of business activities, transportation strikes, hindrance in supply chain and restrictions on public's use of motorcycles that negatively impacts on Company's performance.

Exchange fluctuations

Due to imports of plant, machinery, motorcycle parts and other related items, Company is sensitive to fluctuations in foreign currency. During the current year, Pak Rupee depreciated by 9% against US Dollar which adversely affected the financial performance. However, it was instigated by adequate counter measures taken by the Company.

Plant Operations

Stable plant operations lead to higher production and better production efficiencies. Issues at production facilities negatively affect the financial performance of the Company and therefore, may also affect the share price.

Material Price Volatility

As a manufacturing concern, the Company's financial performance is sensitive to fluctuation in material prices. Various materials are used in the production of motorcycles including CKD kits, steel, aluminium, paints etc. Accordingly, volatility in material prices affects the financial performance which in turn may affect the share price of the Company.

Interest Rates

As on March 31, 2013, Company has bank balances in saving accounts and term deposit receipts of Rs. 2,187 million. With no debt on the balance sheet, rise in interest rates improves Company's treasury income and decline in interest rates accordingly reduces it. Such changes in interest rates affect the Company's financial performance and may also result in share price fluctuation.

Capital and Money Markets

Major portion of Company's liquid investments are in open-ended mutual funds. These funds heavily invest in capital and money market instruments. The fluctuating trends in these markets determine the Net Asset Value of these funds and as a result, also affect the Company's financial performance and therefore, the share price.

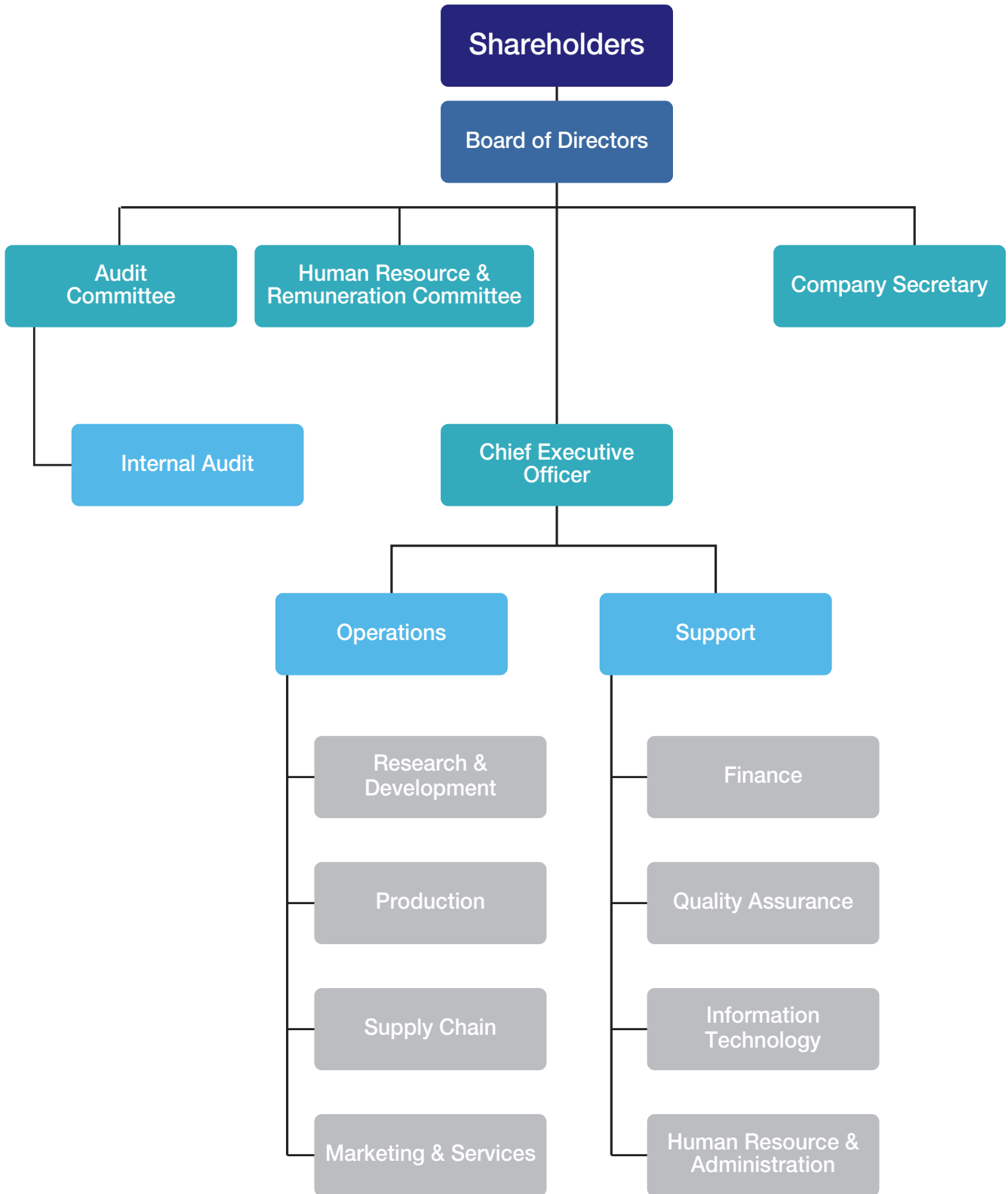


Sensitivities considered significant



Sensitivities considered less significant

Organization Chart



SWOT Analysis



Strengths

- Market leader in brand, technology, quality, skills and vendor base.
- Diverse **product portfolio**
- Well established **dealership network**
- State of the art **production plants**
- Healthy **financial position** in terms of profitability, balance sheet & liquidity
- Completely **DEBT FREE**. All projects are being financed through profits

Weaknesses

- Commodity price volatility and exchange rate fluctuations
- Volatile **export market**
- Limited availability of **credit** to final customers



Opportunities

- Expected cash flows from **agriculture**
- Improved **foreign remittances**
- Rising demand in **urban areas**
- Emerging **youth population**
- Weak **transportation infrastructure**
- Rising **fuel prices**

Threats

- Severe country-wide **energy crisis**
- Adverse **law and order** situation
- Continuous **high inflation** affecting customer purchasing power
- Constant **devaluation of Pak Rupee** against foreign currencies

Major Events of the Year

BOD Meeting for financial year ended March 31, 2012

The meeting was held to review and approve audited financial statements for the year ended March 31, 2012.

Visit of Chairman FBR and President Honda South Asia

Chairman FBR and President Honda South Asia R&D visited the Company.

Annual General Meeting

The Annual Meeting of the shareholders of the Company was held on June 27, 2012 where distribution of a cash dividend of Rs. 6.5 per share and bonus shares @ 15% for financial year 2011-12 was approved.

Ala Mayar Convention

Ala' Mayar Vendors' Convention for the year 2012 was held on July 4, 2012.

Joint Venture between Atlas Group and DENSO Corporation

Atlas Group took a step towards manufacturing of quality competitive motorcycle parts by signing a joint venture with DENSO Corporation. The new Joint Venture will utilize Atlas's abundant business expertise and DENSO's technologies for motorcycle parts to produce products that meet the market needs in Pakistan.



Visit of Managing Director Honda Motor Company, Japan

Managing Director and Operating Officer / GM of Honda Motor Company, Japan, visited the Company.

2012

Apr

May

Jun

Jul

Aug

Nov

2013

Jan

Mar

Launch of CG 125 Euro II

Euro II compliant model of CG 125 was launched reflecting the Company's goal of developing environment friendly products.



Visit of Chief Operating Officer (COO) Honda Motor Company Limited

Mr. Hiroshi Kobayashi, President ASH, COO Honda Motor Company Limited visited the Company.

BOD Meeting for 1st Quarter

The meeting was held for approval of the unaudited first quarter financial results.

Launch of CD 70 Euro II - the most fuel efficient bike

New model of CD 70 Euro II was launched, which yields better savings on fuel and meets the Euro II global standards to make the environment green.

Launch of new Honda Pridor

Atlas Honda launched its new model Pridor, which has undergone a full model change. It features various advanced technologies to deliver outstanding fuel economy, improved environmental performance and safety.



BOD Meeting for 2nd Quarter

The meeting was held for the approval of the half yearly financial results reviewed by the auditors.

BOD Meeting for 3rd quarter

The meeting was held for the approval of the unaudited third quarter financial results.

Atlas Honda exhibits at Pakistan Auto Show 2013

The Company participated in Pakistan Auto Show 2013 at the Expo Centre, Karachi and sponsored the important event as Gold sponsor to help boost localization and export of local motorcycles.

BOD meeting for approval of Annual Budget 2013-14

The Board of Directors deliberated and approved the Annual Budget 2013-14 in the BOD Meeting held in March 2013.

Chairman's Review

"It is befitting that Company has attained significant achievements in the year of its 50th anniversary. With focused execution of strategies, the Company has delivered another set of strong results. All round improvements were achieved from the financial and operational perspectives, while delivering increasing returns to shareholders and maintaining a strong balance sheet. The Company's business is well placed to deliver sustainable long term growth."

I am pleased to present the 49th Annual Report of the Company for the year ended March 31, 2013.

Economy

The economy witnessed a modest recovery despite a challenging environment. Inflationary pressures eased significantly as CPI came down to 7.98% against 10.8% of last year. In line with lower inflation numbers, the State Bank of Pakistan reduced the policy rate by 250 bps to 9.5% which also helped in reviving private sector investment. Workers' remittances continued to shore up the domestic economy, posting inflows of US\$ 9.2 billion. Exports went up by 6.5% for 8MFY 2013 in comparison to imports which only increased by 3.8%. This was achieved due to the improved performance of the textile sector and stable international oil prices.

On the other hand, the country's external account remained fragile with the current account balance posting a deficit of US\$ 700 million. An adverse law and order situation affected foreign direct investment which declined to US\$ 504.4 million. These factors, coupled with scheduled repayments to IMF, pulled down the foreign exchange reserves to US\$ 12.2 billion. Falling reserves, in turn, exerted pressure on the Pak Rupee which devalued by 8.5% against the US Dollar. On the fiscal front, low tax to GDP ratio has raised the deficit to 7.5%. Accordingly, the government is financing the deficit through local borrowings. Given the foregoing challenges on the fiscal front, coupled with elections just around the corner, the GDP is expected to grow by 3.5% against the initial target of 4.2%.

Agriculture

The performance of agriculture was less than expected as floods arrived for the third consecutive year and devastated fields of upper Sindh and lower Punjab. It adversely impacted the kharif crops, leading to a decline in cotton and rice production. This, coupled with rising fertilizer cost, application of 16% GST on tractors and increase in other input costs placed increased financial burden on the farming community, resulting in erosion of liquidity of rural areas. However, productivity gains from wheat crop and timely increase in support price will contribute positively towards the overall agriculture GDP.

Large Scale Manufacturing

Large Scale Manufacturing managed to post growth of 2.1%. Overall, intermediate goods such as POL, steel and paper industries performed well. These industries witnessed capacity enhancements and greater capacity utilization. Cement production accelerated due to increase in construction activities on account of PSDP spending and workers' remittances. However, worsening energy crisis and lack of consistency in policies continued to plague production activities.

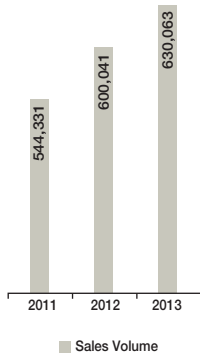
The Two Wheeler Industry

The two-wheeler industry sustained the growth momentum of last year and marked an increase of 5%. The major demand came from urban areas. This was due to better performance of the service sector, rise in petrol prices and urbanization. However, demand was severely affected in rural areas due to reduced liquidity of agriculture sector. During the year, Government reduced duties on CKD units to bring it in line with previously announced reduction of duties on CBU units. This decision is appreciated by the industry and regarded as a positive step towards market growth and tariff rationalization.

The Company

Year 2012-13 has been a good year for the Company's performance with sales, operating income and profits surpassing all previous heights.

Sales Volume (in units)



Marketing Focus

Motorcycle Segment

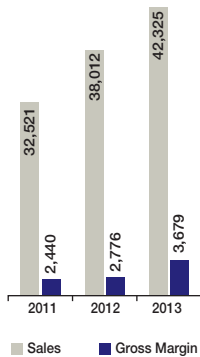
Against the backdrop of challenging market conditions, your Company enjoyed a successful year by delivering 630,063 units and set a sales record.

The 70 CC motorcycle segment continues to constitute the largest chunk of motorcycle industry. The segment is strongly contested by every two wheeler company with large number of models fighting for market share. On the back of strong demand, the Company enjoys a significant share of the market through its brand "CD 70". During the year, the Company introduced EURO II compliant model of CD 70 under the marketing campaign based on "AIK LITRE MAIN 80KM TAK". This further enhanced customers' confidence and loyalty for CD 70.

In the 100 CC category, the Company launched a new model "PRIDOR". With its modern and stylish look, the model was well received and appreciated by customers. Test rides, media advertisement and training to sales, service and parts network were the focal points during the launch of Pridor.

The 125 CC segment continues to grow steadily. The Company's strong offerings in this segment give it a commanding position in the market. CG 125 upholds top position and remains dominant in the market. In May 2012, the Company launched EURO II compliant model of CG 125 under the brand of "Power Machine". This new model recorded an impressive growth of 23% over the previous model. Honda Deluxe CG 125 has created its own niche market and is steadily gaining popularity amongst the youngster class in the premium market.

Sales & Gross Margin (Rs. in million)



Spare Parts Division

Rapid growth in the number of motorcycles on the road has created surge in demand and market potential of spare parts sales. However, low quality, smuggled and counterfeit parts are major threat to the organized sector. The Company remained proactive to increase customer awareness of genuine parts and plans to step up efforts in future. In spite of these challenges, spare parts sales posted impressive growth and closed above Rs. 2.8 billion.

Performance Scorecard

The Company has demonstrated an encouraging performance, a result of focused strategy - delivering stable sales growth, improved operational leverage and a better bottom line.

Sales & Gross Margin

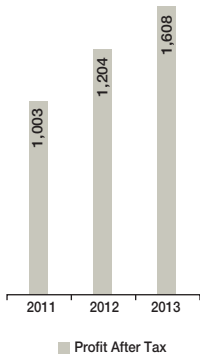
The Company registered 11.3% growth in sales over the last year, recording an all time high sales figure of Rs. 42.3 billion. Gross margin as percentage of sales improved to 8.7% from 7.3%. This positive performance was attributable to volume growth, better sales mix, cost cutting and other improvement measures. The increase in gross profit was partly offset by depreciation of Pak rupee, continued high inflation and escalating energy cost.

Operating expenses

Sales and marketing expenses rose to Rs. 1.2 billion, a year on year increase of 24.9%. This higher spending was on account of promotion and communication activities to support core business and launch



**Profit After Tax
(Rs. in million)**



of new products. Administrative expenses increased by 15.4% over the last year due to increase in personnel costs and effects of general inflation.

Other income net of financial charges

Other income, net of financial charges, was Rs. 313.0 million which is an encouraging 19.1% higher than the corresponding year. This was achieved through better treasury management and improved liquidity.

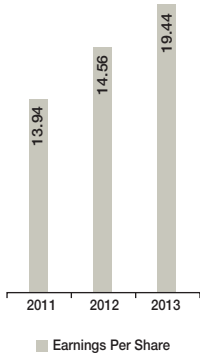
Profitability

The Company registered ever highest net profit before tax of Rs. 2.2 billion. Net profit after tax increased to Rs. 1.6 billion from Rs. 1.2 billion, an increase of 33.5% over last year. This translates into Earnings per Share (EPS) of Rs. 19.44 as against Rs. 14.56 (restated) of last year.

Debt Structure

Atlas Honda Limited has been a debt free Company since last year and incurs no borrowing cost. Finance cost includes bank charges which represents transaction cost paid to banks for collections of deposits from customers, on behalf of the Company, throughout Pakistan.

**Earnings Per Share
-Restated
(Rs. Per Share)**



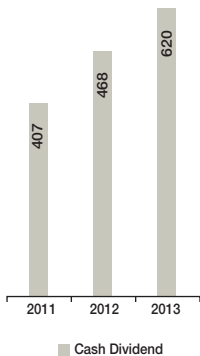
Cash Flows & Capital Expenditure

The free cash flow from operations during the year stood at Rs. 2.6 billion. This has been deployed in capital assets, purchase of investments and paid out as dividend. Additions to capital assets mainly represent expansion of production facilities and balancing, modernization and replacement of existing manufacturing facilities.

Contribution to National Exchequer

During the year, the Company contributed an amount of Rs. 8.08 billion to the government and its agencies on account of various taxes and levies. The Atlas Group, of which the Company is a constituent member, contributed Rs. 25 billion in all towards the national exchequer. This makes Atlas Group one of the biggest tax payer in the country with 2% of government total revenue.

**Cash Dividend
(Rs. in million)**



Dividend Policy

The Company has followed a consistent policy of paying high dividends over the years, keeping in mind the cash-generating capacities, expected capital needs of business and strategic considerations. For 2012-13, the Board of Directors is pleased to propose cash dividend of Rs. 7.5 per share and bonus shares issue @ 25% (i.e. 1 bonus share for every 4 shares held). This amounts to Rs. 827.253 million, which is the highest in the company's history. Thus, the Company has improved its pay-out ratio to 51.5% vis-a-vis 47.8% of last year.

Manufacturing Excellence

With demand for Honda motorcycles growing every year, the Company's capacities were severely strained to meet this rising demand. The challenge was addressed by optimizing plant production and installing capacity expansion projects not only internally but across the supply chain. Further, Company plants were made leaner by outsourcing non critical processes and operations. At the same time, the supply chain team impressed upon vendors the need to build flexibilities into their supply operations, enabling scale in either direction during business cycles. These initiatives helped in increasing production capacity.

Control of in-plant manufacturing costs was another focus area. Controlling energy cost was of utmost importance as the Company was severely hit by the non-availability of natural gas and hike in energy cost. Also, Company has taken measures for diversification of sources and initiated plans for alternate source of energy.

Business Process Re-engineering

To increase productivity and reduce cost pressure, a number of Kaizen activities together with machinery modifications were made during the year.

Technology upgradation from conventional painting to electrostatic painting leading to 40% paint reduction.	The innovative B2B system with vendors and dealers was further strengthened. Through this application, vendors and dealers are connected online with our factories.
Installation of SNG plant for efficient burning and seamless changeover.	Re-sourcing and tool modifications in Engine plant.
In-house manufacturing of dies for clutch plate of CG 125.	Local development of HPDC dies and refurbishment of six case bottom dies through CAD/CAM.

Forward Looking Statement

Going forward, there are considerable economic, political and social challenges surrounding Pakistan. The external account pressures, worsening law and order situation, fiscal deficit and energy crisis are the most immediate threats to the economy and demand urgent action from the government. However, positive economic factors like continuous rise in remittances, reduction in CPI and thriving agrarian economy, signify that there is no doubt that Pakistan has tremendous potential and its economy can turnaround quickly in the future. Overall, agriculture economy holds the key to revival. Reasonable support prices, improved acreage in major crops and timely subsidies to farmers would assist in moving the economic cycle at a faster pace. This will also strengthen the demand for two-wheelers in rural areas. Further, the industry is looking forward to government for early resolution of trade with India issue. In this regard, consultation should be conducted at all levels with involved parties in order to rationalize tariff rates of various goods falling within the ambit of MFN.

In this challenging environment, the Company has once again exhibited strong performance and competitiveness. Operational excellence and management skills have positioned the Company to achieve sustained and qualitative growth over the long term. The Company has laid this foundation through its diverse model line-up, enhanced capacity, systematically improving efficiency and process optimization. Being socially responsible, financially viable and operationally smart will remain the key objectives of the Company. Following the principles of "The Atlas Way" will help the Company to maintain its market leadership in the years ahead.

لَيْسَ لِلْإِنْسَانِ إِلَّا مَا سَعَىٰ
(انسان کو اتنا ہی ملے گا جتنی اس نے کوشش کی)

Acknowledgment

The Atlas Group is proud of its partnership with Honda Motor Company Limited and would like to acknowledge their continued support and cooperation in maintaining high standards of excellence. I would like to thank our valued customers for the confidence they continue to place in us, the management team for their sincere efforts, the Board of Directors for their guidance and Mr. Saquib H. Shirazi - C.E.O. for his inspiring leadership. I would also like to acknowledge the continued support of all stakeholders - Bankers, Dealers, Vendors, Associates and Shareholders for helping to build Atlas Honda Limited into a unique Company.



Yusuf H. Shirazi
Chairman

Date: April 30, 2013

Directors' Report To Shareholders

The Directors of the Company have the pleasure in presenting their report together with audited financial statements of the Company for the year ended March 31, 2013. The Director's report, prepared under section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance, will be put forward to the members at the Forty Ninth Annual General Meeting of the Company to be held on June 19, 2013.

Operating Results

The operating results of the Company for the year ended March 31, 2013, are summarized as follows:

	Year ended March 31 2013	Year ended March 31, 2012
	----- (Rupees in '000) -----	
Profit before taxation	2,207,557	1,620,001
Taxation		
Current year	501,853	388,532
Adjustment of prior years	(22,390)	(29,052)
Deferred	120,290	56,412
	599,753	415,892
Profit after taxation	<u>1,607,804</u>	<u>1,204,109</u>

Dividends and Appropriations

The Directors have recommended a final cash dividend of Rs. 7.5 (2012: Rs. 6.5) per share along with a 25% (2012: 15%) bonus issue. Accordingly, following appropriation have been made:

	Year ended March 31 2013	Year ended March 31, 2012
	----- (Rupees in '000) -----	
Profit available for appropriation	1,620,789	1,218,466
Appropriation:		
Transfer to General Reserve	630,000	630,000
Cash Dividend 75% (2012: 65%)	620,440	467,578
Bonus shares 25% (2012: 15%)	206,813	107,903
	1,457,253	1,205,481
Un-appropriated profit carried forward	<u>163,536</u>	<u>12,985</u>

Earnings Per Share

The basic and diluted earnings per share after tax is Rs. 19.44 (2012: Rs.14.56).

Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the nature of business, performance of the Company for the year ended March 31, 2013, explanation of significant deviations from last year, future prospects and uncertainties. The Directors endorse the contents of the Chairman Review.

Board of Directors

The Board comprises of four Executive and four Non-Executive directors. All the Non-Executive Directors are independent from the management. The Directors of the Company were elected in Extra Ordinary General Meeting of the Company held on March 21, 2011.

During the year, Mr. Sherali Mundrawala resigned from the Board of the Company. Mr. Tariq Amin was nominated by the Board to fill in the casual vacancy. The Board places on record its appreciation for the valuable contributions made by Mr. Sherali Mundrawala and welcome Mr. Tariq Amin as new Director of the Company.

Meetings of Board and its committees in 2012-13

During the year 2012-13, five Board meetings, four Audit Committee meetings and one Human Resource & Remuneration committee meeting were held. The attendance of the directors and the number of their directorships in listed companies, including Atlas Honda Limited is as follows:

Sr. #	Director	Directorship	Committee Members		Attendance		
			Board Audit Committee	Human Resource & Remuneration Committee	Board Meetings	Board Audit Committee	Human Resource & Remuneration Committee
1	Mr. Yusuf H. Shirazi	4	-	-	5	N/A	N/A
2	Mr. Saquib H. Shirazi	4	-	✓	5	N/A	1
3	Mr. Sherali Mundrawala*	1	✓	-	1	1	N/A
4	Mr. Tariq Amin*	2	✓	✓	3	2	1
5	Mr. Sanallah Qureshi	2	✓	✓	4	3	1
6	Mr. Nurul Hoda	1	✓	-	5	4	N/A
7	Mr. Hisao Kobayashi	1	-	-	5	N/A	N/A
8	Mr. Koji Takamatsu**	1	-	-	-	N/A	N/A
9	Mr. Shigeki Takane	2	-	-	-	N/A	N/A

*Mr. Sherali Mundrawala resigned on July 30, 2012 and Mr. Tariq Amin was appointed in his place.

**Mr. Koji Takamatsu resigned on April 30, 2013. Mr. Hiroaki Hirose was appointed in his place.

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 ending March 31, 2014.

Material changes

There have been no material changes since March 31, 2013 to the date of this 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 to this report.

Communication

The Company place great importance on the communication with the shareholders. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984. The Company also has a website www.atlashonda.com.pk, which contains up to date information of the Company's activities

Safeguarding of Records

The Company places due emphasis for storage and safe custody of its financial records. The Company is using SAP for recording its financial information. Access to electronic documentation has been ensured through implementation of a comprehensive password protected authorization matrix in SAP-ERP system. Additionally, as part of Disaster Recovery Procedures, remote disaster recovery site has been set up for maintaining backup server and data in case primary server encounters any issues.

Human Resource Management

Human resource planning and management is one of the most important focus point at the highest management level. The Company has a Human Resource and Remuneration Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending improvements in Company's human resource policies and procedures and their periodic review. The details of Company's human resource activities are presented in the 'Sustainability Report' which is circulated along with this Annual Report.

Corporate Social Responsibility

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company has detailed plans for socially responsible activities that are conducted throughout the year covering energy conservation, environment / consumer protection measures, industrial relations, occupational health and safety, business ethics, national cause donation and rural development etc. The details of the activities that the Company has undertaken as part of its Corporate Social Responsibility (CSR) are presented in the 'Sustainability Report' which is a part of this Annual Report.

Statement of Value Addition and its Distribution and Risk Management

Company's 'statement of value addition and its distribution' and 'Risk and Opportunity Report' are annexed to this report.

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 the preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- 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.
- A summary of key operating and financial data of the Company is annexed.
- Information about taxes and levies is given in the respective notes to the Financial Statements.
- The Company operates a contributory Provident Fund scheme for all employees and Defined Benefit Gratuity scheme for its management and non-management employees. The value of their investments based as at March 31, 2013 are as follows:

● Provident Fund	Rs. 690.55 million
● Gratuity Fund	
➤ Management Staff	Rs. 158.87 million
➤ Non-Management Staff	Rs. 54.06 million

On behalf of the Board of Directors



Saquib H. Shirazi
Chief Executive Officer

Karachi: April 30, 2013

Risk and Opportunity Report

Risk Analysis

This report will cover Company's risk assessment process, opportunity identification procedures and adopted counter measures. Management, based on its business philosophy, categorizes its risk management into following steps which are detailed below:

A) Objective setting and strategy formulation

Keeping interests of all stakeholders in view, management has developed a set of objectives that represent stakeholders' expectations and are the lead indicators for determining the success level of the Company. Achievement of these objectives will translate into success, whereas their non-achievement will indicate loss of value for the stakeholders.

In order to ensure achievement of the set objectives, management adopts certain action plans called strategies. These strategies are approved by the Board of Directors and are subject to change, depending upon any changes in the external business environment or internal organizational factors.

B) Risk assessment

All businesses work in an imperfect socio-economic environment. This signifies that no matter how stable the situation looks, there will always be some degree of uncertainty culminating into factors that will threaten the objectives of the Company. These threatening factors (risks) which, if not addressed, will result in loss to the Company. A risk is either derived from external events which may affect the entire market or a specific industry, or results from certain internal factors within the organization.

Identification of the risk factors prevailing in an environment is a vital management process. Different management tools and business models are used to identify these risks, based on information collected from various internal and external sources. After risk identification, sensitivities of each risk factor is measured. The Company also has firm risk identification procedures in place and divides types of risks in the following four categories:

Strategic risks	These risks are related to the business environment including the industry and are beyond Company's control.
Commercial risks	These risks emanate from commercial substance of the organization and involve decisions which may affect the Company's position in the market.
Operational risks	These risks are related to the Company's internal operations, administrative procedures and daily affairs.
Financial risks	These risks are related with financial matters including profitability, financing, liquidity and credit.

C) Developing counter measures

Risk assessment is followed by the phase where counter measures are devised for mitigating the identified risk impacts. Keeping in view the risk sensitivities, management has developed a series of counter measures to protect the Company's objectives from potential loss. The severity of the risk will determine the criticality of the counter measure and will accordingly set its priority for action. Risks and their related counter strategies are continually monitored and evaluated for any changes in related impacts.

The relationship between the Company's objectives, strategies, risks and counter measures is given in the annexed Risk and Counter Strategy Matrix.

D) Governance and reporting

The Board of Directors is responsible for approving the Company's risk management policy. The Board of Directors also provides guidelines on strategic matters and organizational objectives to each business unit. The business units are responsible for achieving their respective goals and for mitigating related risks at operational level. The overall risk management is the responsibility of the Risk Management Function (RMF) which comprises of the Treasury department. RMF is responsible for consultation with relevant business units with regards to risk coverage and implementation of risk mitigation measures.

RMF reports its results / findings / observations to the Risk Management Committee. The Committee regularly reviews the business risk profile, risk management policy, risk assessment procedures, related counter strategies and also advice on future actions. The Committee then reports the outcomes of their reviews to the CEO. The Board of Audit Committee also reviews and assesses the adequacy of risk management for its effectiveness in risk mitigation.

Opportunity Analysis

The Company has adequate processes and procedures in place for identifying potential gaps in the external environment which, if the Company has adequate resources at its disposal, may be exploited as opportunities to improve performance. Based on its analysis, the Company has identified the following opportunities in current economic landscape:

- Healthy agriculture cash flows will increase liquidity in rural areas
- Rising foreign remittances from expatriates stationed abroad will increase liquidity
- Emerging youth segment
- Weak transportation infrastructure
- Rising fuel prices



Risk and Counter Strategy Matrix

Objectives	Strategies	Risks / threats
<p>Market</p> <p>To remain market leader in 2-wheeler industry</p>	<p>Availability of new and improved models as per customer needs and choices</p> <p>Enhance customer confidence through quality leadership</p> <p>To make products readily available</p> <p>Advertising and sales promotion activities</p>	<p>Commercial risks Increasing competition in 70 CC category</p> <p>Continued Inflation reducing customer purchasing power</p> <p>Rising fertilizer and other input costs eroding liquidity in rural areas</p>
<p>Socio-Political Situation</p> <p>To operate in a stable market with least volatility and low occurrence of unforeseen variables</p>	<p>To recommend appropriate measures to the government on different forums for the protection and growth of the industry</p>	<p>Strategic risk Adverse law and order situation</p> <p>Commercial risks Compliance of new and existing laws, rules and regulations</p> <p>Low entry barriers for new entrants</p>
<p>Technology</p> <p>To produce the best and highest quality product that meets international standards of fuel efficiency, comfort and reliability</p>	<p>To operate with the latest available technology which is relevant to the market</p>	<p>Strategic risk Technology shift may render production process obsolete and cost inefficient</p>
<p>Operations</p> <p>To ensure continuity of operations without any disruptions in supply and minimize idle time</p>	<p>The ordering, delivery and production plans are regularly monitored by the Supply Chain and Production Control department to ensure smooth operations at all times</p> <p>Adequate levels of safety stocks are kept to fulfill demand in cases of unexpected emergencies</p> <p>Adequate systems have been developed to allow uninterrupted data entries alongwith maintaining data integrity</p>	<p>Operational risks The severe on-going energy crisis</p> <p>Vendors' operational / financial constraints and their deteriorating quality standards</p> <p>Disruptions due to data loss from operational failures or natural disasters</p>

Sensitivity	Counter measures to risks	Actual results
●	Wide range of products (4 models in 3 different CC categories) Operating largest motorcycle dealership network in Pakistan Largest and most efficient after sales service network Only company to provide 2 years' warranty on all engine parts Most lucrative 2 nd hand market ensuring optimum resale value	Total sales for the year: 630,063 units representing 5% increase from last year 3 new models launched during the year: Euro II compliant models of CD 70 and CG 125 and the new 100 cc model " PRIDOR "
● ●	} Availability of financial products to customers	
●	Company operates two manufacturing plants (one at Sheikhpura and other at Karachi). One plant operates extra shifts to fulfill demand if the other plant faces disruptions due to deteriorating law and order situation	Both plants were successfully run throughout the year, giving cumulative production of 629,789 units , an increase of 5% from last year
●	A team of qualified and experienced professionals in the management team ensures compliance with all laws, rules and regulations	There were no non-compliances reported by any government bodies or institutions during the year
●	Active participation at different forums for rationalization of tariffs and level playing field for all participants	
●	Constant process of balancing, modernization and upgradation of production facilities New model launches and modifications in existing models to meet the latest standards	Adequate capital expenditure has been incurred this year on improvement of plant and machinery. Please see note 4 of the financial statements
●	Company operations are based on usage of alternative energy sources. Further, Company has initiated plans for evaluating low cost options for energy	Uninterrupted production was achieved throughout the year
●	Legal contracts in place with all vendors Continuous assessment of all vendors in terms of quality, operational and financial capacities More than one supplier for key components to mitigate the risk of having sole supplier B2B link with vendors to bring real-time operational efficiency	Undisrupted supply of parts was achieved during the year
●	A business continuity plan is in place for ensuring uninterrupted operations for all departments	Company operates a separate Disaster Recovery Site to ensure continuity of operations

Sensitivity ● High ● Medium ● Low



Risk and Counter Strategy Matrix

Objectives	Strategies	Risks / threats
<p>Human Resource</p> <p>To recruit and retain the best people and train them adequately to ensure high quality skill force</p>	<p>Formal Human Resource policies are in place. Implementation of these policies is ensured by the Human Resource department</p> <p>Adequate fringe and post retirement benefits are available to employees</p> <p>Continuous training and development of employees through internal and external training programs</p>	<p>Operational risks Attrition of manpower - qualified and competent staff may not be available in sufficient numbers</p> <p>Operations may be subject to fraudulent activities</p>
<p>Healthy and Safety</p> <p>To ensure health and safety of employees in workplace</p>	<p>Company has a documented Health & Safety policy which is implemented at each Company location, including all vendor premises</p>	<p>Operational risks Accidents can take place which can cause serious injuries to employees</p> <p>There could be elements in the workplace which are hazardous to human health</p> <p>Unforeseen calamities and natural disasters may result in human loss</p>
<p>Environment</p> <p>To ensure environment friendly products and processes</p>	<p>Company has a defined policy for protecting the environment from its operations and to minimize the effects of hazardous emission to the atmosphere</p> <p>To incorporate the latest environmental standards and install most modern environmental friendly features in all Company products</p>	<p>Operational risks The waste that results from operations may be disposed in an inappropriate way</p> <p>Hazardous gases may be emitted in the atmosphere beyond the prescribed limits</p>
<p>Finance</p> <p>To maintain strong financial position and produce financial performance which is reflective of Company's scale of operations, effort of employees and expectations of all stakeholders</p>	<p>To maintain profitability and return levels that are expected by shareholders</p> <p>To ensure working capital management and availability of adequate resources for discharging liabilities</p> <p>To maintain most appropriate capital structure</p>	<p>Financial risks Increase in commodity prices will increase input costs</p> <p>Devaluation of Pak Rupee against foreign currencies may adversely affect Company's financial performance</p> <p>Payment defaults of counter parties may leave the Company with inadequate resources for discharging its own obligations</p>

Sensitivity	Counter measures to risks	Actual results
●	Well structured procedures for recruitment, training, compensation, periodic appraisals and succession planning have been implemented to ensure staff retention	For details of benefits provided to employees during the year, refer respective notes of the financial statements
●	Various local and foreign trainings are organized for staff at all hierarchical levels	No. of man days spent on training: 1,245 No. of person trained: 1,231
●	Appropriate internal controls and best governance practices are in place to prevent and detect fraudulent activities	
	An effective internal audit function is also in place	
●	An effective working environment and culture is present where safety is top priority. It is mandatory for each employee to go through the Company's safety awareness program and periodic trainings. Any incidents that take place are properly recorded and full scale measures are taken to avoid their repetition	No major accidents occurred during the year at any of the Company's facilities, a testament to the effective Company's safety policies
●	Medical and health insurance policies are in place for all employees	
●	Extraction / evacuation drills are conducted regularly and staff is frequently trained for crisis management	Numerous safety and extraction drills were conducted during the year.
●	Effluents emanated from operations are treated through wastewater treatment plant prior to discharge into municipal sewerage systems. Solid hazardous waste is disposed off through Environmental Protection Agency's legitimate contractors at certified waste disposal facilities. Also, reusage and recycling of used material is done to the extent possible, reducing the waste quantities	For achievements in environmental protection, see the section of "Environment" in Company's Sustainability Report
●	Emissions are kept under prescribed levels through load management of generators, use of energy savers, proper drainage of used oil and optimum utilization of organic compounds	
●	Agreements are in place with suppliers to counter short term fluctuation in material prices	For complete disclosure on financial risk management, see note 34 of the financial statements
●	Foreign currency exposure is monitored by the Treasury Committee. Derivatives such as forward covers and currency options are used for hedging against currency devaluation when considered necessary	
●	Credit is restricted to only Government departments, Defence institutions and certain other customers who maintain good history of timely payments. Excess funds are invested in well reputed mutual funds and banks	
	Sufficient credit lines and financial arrangements are available to the Company from various banks in case sufficient funds are not generated from operations	

Sensitivity
● High
● Medium
● Low



Notice of 49th Annual General Meeting

Notice is hereby given that the Forty Ninth Annual General Meeting of the members of Atlas Honda Limited will be held on Wednesday June 19, 2013, 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 Annual General Meeting held on June 27, 2012.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended March 31, 2013, together with the Directors' and Auditors' reports thereon.
3. To appoint auditors and fix their remuneration for the year ending March 31, 2014. The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, have offered themselves for reappointment.
4. To consider and approve the final cash dividend of Rs. 7.5 per share i.e. 75% for the year ended March 31, 2013 as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To consider and approve increase in authorized capital of the Company from Rs. 1,000,000,000 to Rs. 1,500,000,000.

To consider, and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED "that the Authorized Capital of the Company be increased from Rs. 1,000,000,000 to Rs. 1,500,000,000 and that:

- (a) Clause V of the Memorandum of Association of the Company be and is hereby amended to read as follows:

V. The Capital of the Company is Rs. 1,500,000,000 divided into 150,000,000 shares of rupees ten each.

In lieu of;

V. The Capital of the Company is Rs. 1,000,000,000 divided into 100,000,000 shares of rupees ten each.

- (b) Article 6 of the Articles of Association of the Company be and is hereby amended to read as follows:

6. The Capital of the Company is Rs. 1,500,000,000 divided into 150,000,000 shares of Rs. 10/- each.

In lieu of;

6. The Capital of the Company is Rs. 1,000,000,000 divided into 100,000,000 shares of Rs. 10/- each."

6. As per the instructions of SECP vide SRO 194(1)/2013 dated March 11, 2013, to consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED “that

- (a) Article 103 of the Articles of Association of the Company be extended to include the words, “Notice sent to Directors through e-mail whether such director is in Pakistan or outside Pakistan shall be a valid notice.”;
- (b) After the Article 103 of the Articles of Association, amended as aforesaid, the following new Article 103A shall be inserted, namely:-
- 103A. The directors may hold their meetings through tele / video conferencing in emergent situation where it is not possible for them to be physically present at the venue of the meeting, provided that the minutes of such meeting are approved and signed subsequently by all directors who participated in such meeting, requirements of the requisite quorum and other legal formalities relating to holding of such meetings have been observed and tele / video recording of the proceedings of the meetings are kept for the purpose of the record;
- (c) In Article 125 of the Articles of Association of the Company after the words 'Dividends', the word and comma 'in cash, and/or in specie' be inserted; and
- (d) After Article 155 of the Articles of Association of the Company a new Article 155A shall be inserted namely:-

DISPUTE RESOLUTION

155A. In the event that a dispute, claim or controversy arises between the Company, its management or its shareholders, or between the shareholders inter-se, or the directors inter se, all steps shall be taken to settle the dispute and resolve the issue through mediation by an accredited mediator before taking recourse to formal dispute resolution such as arbitration or litigation.”

7. To consider and approve change in Article 113 of the Articles of Association of the Company.

To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED “that Article 113 of the Articles of Association of the Company be amended to include as under:

113. The remuneration and meeting fee of the Directors including the expenses for attending Board meetings shall, from time to time, be determined by the Board.

In lieu of;

113. The remuneration of the Directors shall from time to time be determined by the directors but the remuneration of a Director of attending meeting of the Board shall not exceed Rs. 10,000 for each meeting attended by him plus expenses as provided in the next following Article.”

8. To consider and approve long term equity investments upto Rs. 190 million in the share capital of Atlas Hitec (Private) Limited, an associated undertaking.

To consider and if thought fit, to pass with or without modification the following resolution as Special Resolutions under section 208 of the Companies Ordinance, 1984:

RESOLVED “that the Company be and is hereby authorized to make long term equity investment upto Rs. 190 million (Rupees one hundred and ninety million) in the Share Capital of Atlas Hitec (Private) Limited (AHTL), an associated company, upto 19,000,000 ordinary shares at par of Rs. 10 each and is authorized to sell at any time at not less than breakup value.”

FURTHER RESOLVED “that the Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company be and are hereby authorized to do all acts, deeds, tasks that may be necessary to give effect to the above investment for and on behalf of the Company.”

9. To consider and approve the bonus shares issue @ 25% (one bonus share for every four shares held) for the year ended March 31, 2013 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:

RESOLVED “that a sum of Rs. 206,813,220/- be capitalized out of the Company's profit available for appropriation for issuing 20,681,322 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 10, 2013, in the proportion of 1 (one) bonus share for every 4 (four) shares held by the member. The said shares shall rank pari passu with the existing shares of the Company as regard to the future dividend and all other respects.”

FURTHER RESOLVED “that all the fractional Bonus Shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares so combined in the stock market and pay the proceeds from 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 Businesses referred to above is annexed to this Notice of Meeting.

OTHER BUSINESS

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

By Order of the Board



Syed Tanvir Hyder
Company Secretary

Karachi: May 28, 2013

NOTES:

1. The share transfer books of the Company will remain closed from June 11, 2013 to June 19, 2013 (both days inclusive).
2. A member entitled to attend and vote at this Annual General Meeting shall be entitled to appoint another member, as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office or Share Registrar of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of Central Depository Company of Pakistan Limited (CDC), entitled to attend and vote at this Annual General 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, and in case of foreigner, copy of Passport, unless it has already been provided 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 with this report.
7. As per the directions to all listed companies by SECP vide Letter No. 8(4) SM/CDC 2008 Dated: April 05, 2013 all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (E-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandates including Name, Bank Account Number, Bank and Respective branch address to the Company in order to adhere the envisaged guidelines.

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

This statement is annexed to the Notice of the Forty Ninth Annual General Meeting of Atlas Honda Limited to be held on June 19, 2013 at which certain special businesses is to be transacted. The purpose of this statement is to set forth the material facts concerning such special businesses.

ITEM NO. 5 OF THE AGENDA

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

ITEM NO. 6 OF THE AGENDA

In the light of SRO 194(1)2013 dated March 11, 2013, the Board of Directors has recommended amendments in Article of Association of the Company as:

- (a) Article 103 of the Articles of Association of the Company be extended to include the words "Notice sent to Directors through e-mail whether such director is in Pakistan or outside Pakistan shall be a valid notice.";
- (b) After the Article 103 of the Articles of Association, amended as aforesaid, the following new Article 103A shall be inserted, namely:-

103A. The Directors may hold their meetings through tele / video conferencing in emergent situation where it is not possible for them to be physically present at the venue of the meeting, provided that the minutes of such meeting are approved and signed subsequently by all Directors who participated in such meeting, requirements of the requisite quorum and other legal formalities relating to holding of such meetings have been observed and tele / video recording of the proceedings of the meetings are kept for the purpose of the record.";
- (c) In Article 125 of the Articles of Association of the Company after the word "Dividends", the word and comma "in cash, and/or in specie" be inserted; and
- (d) After Article 155 of the Articles of Association of the Company a new Article 155A shall be inserted namely:

DISPUTE RESOLUTION

155A. In the event that a dispute, claim or controversy arises between the Company, its management or its shareholders, or between the shareholders inter-se, or the Directors inter-se, all steps shall be taken to settle the dispute and resolve the issue through mediation by an accredited mediator before taking recourse to formal dispute resolution such as arbitration or litigation.

ITEM NO. 7 OF THE AGENDA

Presently, the right for the fixing the remuneration of Directors rests with the Board, however, remuneration of a Director for attending meeting of the Board is limited upto Rs. 10,000 for each meeting attended by him. In order to align related provisions pertaining to Directors remuneration, it is proposed that the right for fixing the meeting fee of Directors shall also be vested to Board for which the provision for Articles of Association is requested for amendment.

ITEM NO. 8 OF THE AGENDA

Atlas Hitec (Private) Limited, has been formed as joint venture between Denso Corporation, Atlas Autos (Private) Limited and Atlas Honda Limited (AHL) to manufacture electrical components. This will ensure local manufacturing and supply of critical electrical parts to AHL. The Director, Mr. Saquib H. Shirazi, will also serve as the Director of Atlas Hitec (Private) Limited.

The information required to be annexed to the Notice by the Companies (investment in Associated Companies or Associated Undertakings) Regulation 2012 (Notification No. SRO 27(I) / 2012 dated January 16, 2012 is set out below:

Information required under Regulation number 3 (1)

S. No.	Description	Information Required
i	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established.	Atlas Hitec (Private) Limited (AHTL) due to common directorship of Mr. Saquib H. Shirazi.
ii	Purpose, benefit and period of Investment.	This long term equity investment is being made as a part of outsourcing of manufacturing facilities of the Company. A new company, Atlas Hitec (Private) Limited, has been formed as joint venture between Denso Corporation, Atlas Autos (Private) Limited and AHL to manufacture electrical components. This will ensure local manufacturing and supply of critical electrical parts to AHL. To earn dividend income from the investee Company. There is no period as such. This is long term investment.
iii	Maximum amount of Investment.	Long term equity investment upto Rs. 190 Million.
iv	Maximum price at which securities will be acquired.	At a price of Rs. 10/= per share.
v	Maximum number of securities to be acquired.	Upto 19,000,000 ordinary shares.
vi	Number of securities and percentage thereof held before and after the proposed investment.	None at present and approximately 29% of equity after the proposed investment.
vii	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Not Applicable, being new company.

S. No.	Description	Information Required
viii	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1).	Not Applicable, being new company.
ix	Break up value of securities intended to be acquired on the basis of the latest audited financial statements.	Not applicable, as Atlas Hitec (Private) Limited is incorporated on September 13, 2012.
x	Earning per share of the associated company or associated undertaking for the last three years.	NIL, as the Company has not commenced its operation as yet, as it has been incorporated on September 13, 2012.
xi	Sources of Funds from which securities will be acquired.	Plant and Machinery available at Atlas Honda Limited.
xii	Where the securities are intended to be acquired using borrowed funds; (i) Justification of investment through borrowing; and (ii) Details of guarantees and assets pledged for obtaining such funds	Not Applicable.
xiii	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment.	Atlas Honda Limited will purchase auto parts from the investee Company.
xiv	Direct or Indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	Mr. Saquib H. Shirazi, the director of the Company, is also the director of Atlas Hitec (Private) Limited. He is also the director of Atlas Autos (Private) Limited (Holding Company of Atlas Hitec (Private) Limited). However, he has no other interest except to the extent of shareholding in the investee company.
xv	All other important details necessary for the members to understand the transaction.	The proposed investment is made pursuant to Joint Venture Agreement between Atlas Honda Limited, Atlas Autos (Private) Limited and Denso Corporation, Japan. Following are the shareholdings of respective Companies: Atlas Honda Limited 29% Atlas Autos (Private) Limited 45% Denso Corporation, Japan 26%
xvi	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: (i) Description of the project and its history since conceptualizations;	The Company is formed to manufacture auto parts and components namely Alternate Current Generator (ACG) and Capacity Discharge Ignition (CDI) for Atlas Honda Limited. The Company was incorporated on September 13, 2012.

	(ii) Starting date of completion of work;	November 12, 2012
	(iii) Expected date of completion of work;	September 30, 2013
	(iv) Time by which such project shall become commercially operational; and	The Company will start mass production of CDI from beginning of October, 2013 and ACG from April 2014.
	(v) Expected time by which the project shall start paying return on investment.	Financial Year 2014 - 2015.

Information required under Regulation number 3 (3):

S. No.	Description	Information Required
i	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for the proposed investment.	The directors of Atlas Honda Limited submit that they have carried out necessary due diligence for the proposed investment in equity shares of Atlas Hitec (Private) Limited.

Information required under Regulation number 4:

S. No.	Description	Information Required
i	If the associated company or undertaking in which the investment is being made or any of the sponsors or directors is also a member of the investing company, the information about interest of the associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking the members' approval pursuant to section 208 of the Company.	Mr. Saquib H. Shirazi, the director of the investing Company, is also the director of Atlas Hitec (Private) Limited. He is also the director of Atlas Autos Limited (Holding Company of Atlas Hitec (Private) Limited). However, he has no other interest except to the extent of shareholding in the investee company. No other director and sponsor have any interest in the investee company.

ITEM NO. 9 OF THE AGENDA

The Board of Directors has recommended to the members of the Company to approve issue of fully paid bonus shares @ 25% for the year ended March 31, 2013 and thereby capitalize a sum of Rs. 206,813,220/-.

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

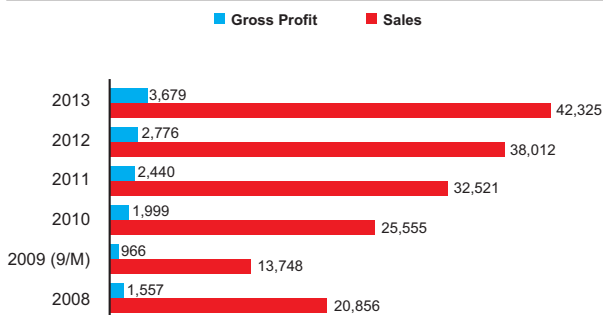
Critical Performance Measures

	2013	2012	Increase / (Decrease)
Performance			
Sales (No. of units)	630,063	600,041	5%
Sales (Rupees in million)	42,325	38,012	11%
Gross Profit (Rupees in million)	3,679	2,776	33%
Gross Profit (% of sales)	8.7%	7.3%	19%
Profit Before Tax (Rupees in million)	2,208	1,620	36%
Profit Before Tax (% of sales)	5.2%	4.3%	21%
Profit After Tax (Rupees in million)	1,608	1,204	34%
Profit After Tax (% of sales)	3.8%	3.2%	19%
Equity			
Comparative has been restated Earnings Per Share (Rupees)	19.44	14.56	34%
Based on year end market value Market Per Share (Rupees)	191.50	142.20	35%
Break-up Value Per Share (Rupees)	79.30	75.30	5%
Proposed for current year Cash Dividend (Rupees in million)	620	468	32%
Current Ratio (Times)	1.6	1.5	7%
Others			
Cash Generated From Operating Activities (Rupees in million)	2,209	1,721	28%
Dealership Network (Number of dealers)	650	580	12%
Capital Expenditure (Rupees in million)	1,161	1,232	(6%)
Wealth Distributed (Rupees in million)	49,360	44,532	11%

Graphical Presentation

Sales & Gross Profit

(Rs. in million)



Higher Net Sales:

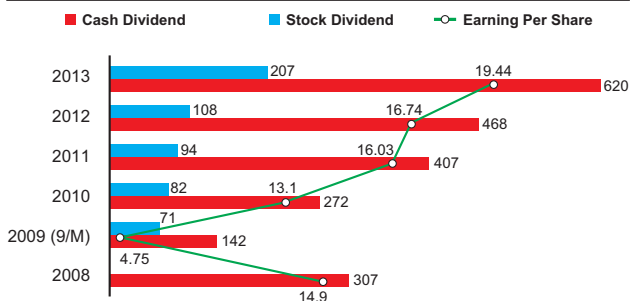
The Company believes in instilling the mindset of creating value across the Company. It continues to strengthen its positions in the premium segment and expand its market share in core products. As a result, the Company has maintained its CAGR of 15% over the period of six years.

Higher Gross Income:

The positive performance in the Gross Profit over the period was attributable to the volume growth, better sales mix and other operational excellence measures. These measures offset the negative effects of devaluation of Pak Rupee and continuous inflation. Resultantly the Company has delivered CAGR of 19%.

Dividend

(Rs. in million)



Paying High Dividends

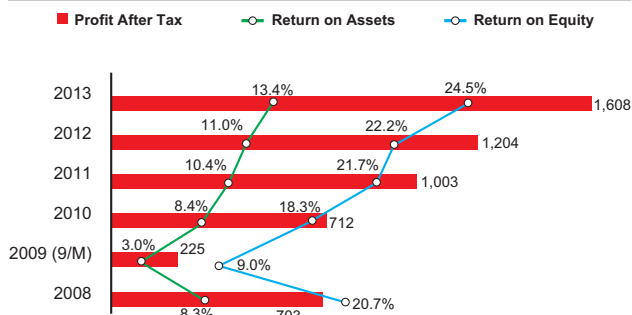
The Company followed the policy of paying high dividends by considering the cash generating capacities, expected capital needs of business and strategic considerations. This year Company has again declared ever highest dividend of Rs. 827 million.

Increasing EPS

Over the years, the Company is focused on maintaining steady growth in EPS. This year, Company has again delivered the record EPS of Rs. 19.44.

Profitability

(Rs. in million)



Higher Return on Investments:

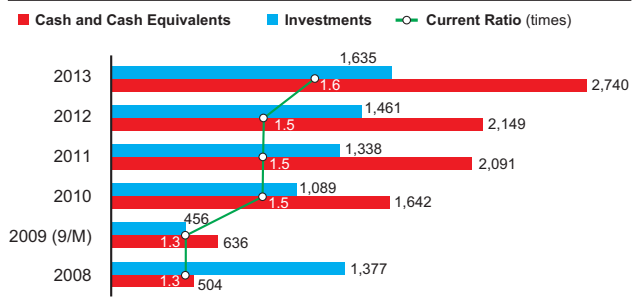
Focusing on growth with sustained profitability and optimum capital base enables Atlas Honda to maintain high long-term return on capital. For 2012-13, Return on equity recorded at 24.5% on the back of steady income growth. Return on assets rose to 13.4% despite significant increase in asset base on account of capacity expansion.

Higher Net Income:

With diligent approach to operating cost management and impressive topline, the Company has registered ever highest net profit after tax of Rs. 1.6 billion from Rs. 1.2 billion, an increase of 34% over last year. This translates into CAGR of 18% as compared to 14% last year.

Liquidity Position

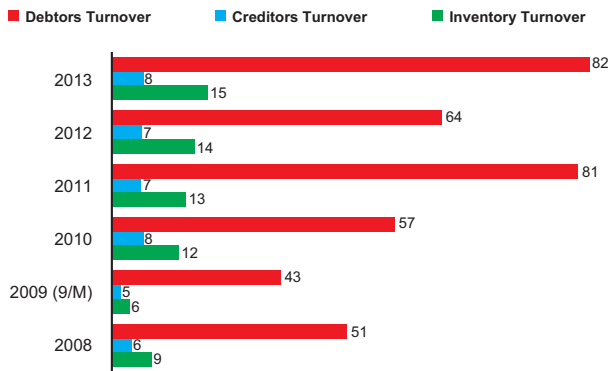
(Rs. in million)



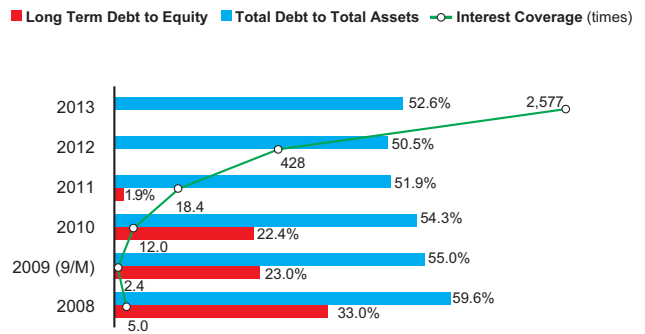
Strong Liquidity Position

The Company remains focused on generating cash flows from operations and deploy it into capital assets, investments and dividends. The Company's total cash and cash equivalent stood at impressive Rs. 2.7 billion. Whereas, total investment in mutual funds consolidated at Rs. 1.6 billion. This translates into CAGR of 40% over the course of six years. Also, current ratio improved to 1.6 time from 1.5 of last year.

Assets Performance (in times)



Leverage Ratio



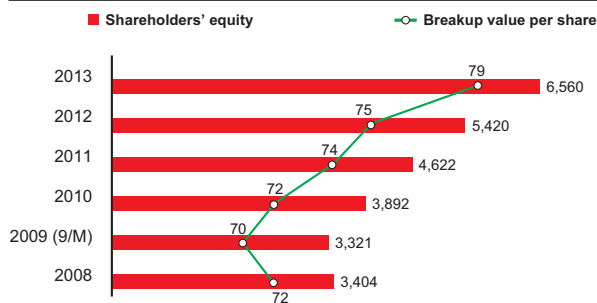
Working Capital Performance

The Company has always sought to efficiently use the various components of working capital cycle. It has been able to effectively control the receivable and inventories, enabling it to continue its operations on negative operating cycle.

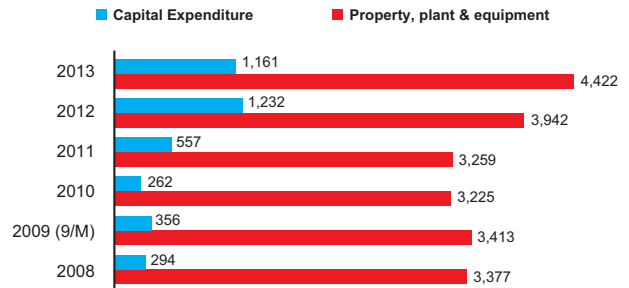
Debt Free Status

The Company actively reshaped its balance sheet approach and worked to reduce interest bearing liabilities to improve its balance sheet. The Company has maintained its "Debt Free Status" despite of growing working capital requirement and capacity expansion. During the current year the Company has financed all its projects through equity.

Shareholders' Equity (Rs. in million)



Fixed Assets & Capital Expenditure (Rs. in million)



Improved Financial Soundness

The Company has set the goal for improving financial soundness by consolidating its shareholders equity. The goal was eclipsed by achieving the record Shareholders Equity which stood at Rs. 6.56 million with CAGR of 14%.

Increased Investment

From 2008 to 2013, the Company has made gross investments of Rs. 3.86 billion. Additions to capital assets mainly represents expansion of production facilities and balancing, modernization and replacement of existing manufacturing facilities. These investments has increased the plant capacity approximately upto 750,000 units per annum.



Analysis of the Financial Statements

Balance Sheet

Particulars	2013	2012	2011	2010	2009	2008
-----Rupees in '000 -----						
Assets						
Non Current Assets						
Property, plant and equipment	4,421,744	3,941,610	3,259,193	3,224,897	3,412,901	3,376,605
Intangible asset	5,555	6,419	7,137	8,053	16,601	14,813
Long term investments	-	-	-	-	-	-
Long term loans and advances	25,583	20,420	22,403	18,810	14,359	14,043
Long term deposits and prepayments	8,399	15,728	10,765	11,336	8,964	13,503
Total Non current assets	4,461,281	3,984,177	3,299,498	3,263,096	3,452,825	3,418,964
Current Assets						
Stores, spares and loose tools	390,250	348,639	325,891	322,592	428,188	417,564
Stock in trade	2,171,536	2,161,328	2,003,029	1,664,297	1,792,036	1,862,069
Trade debts	514,742	598,265	401,435	445,689	320,180	407,354
Loans and advances	33,253	33,152	33,525	40,485	37,646	39,354
Trade deposits and prepayments	47,722	44,832	36,936	39,079	64,637	223,229
Short term investments	1,635,183	1,460,580	1,338,474	1,088,996	455,816	1,377,300
Accrued mark-up / interest	11,603	4,348	8,517	4,513	520	812
Other receivables	6,302	15,338	15,075	11,566	101,071	169,838
Taxation - net	2,578	160,604	68,050	-	91,308	-
Bank balances	2,739,988	2,149,154	2,090,800	1,641,963	636,426	504,138
Total Current Assets	7,553,157	6,976,240	6,321,732	5,259,180	3,927,828	5,001,658
Total Assets	12,014,438	10,960,417	9,621,230	8,522,276	7,380,653	8,420,622
Equity and Liabilities						
Share Capital and Reserves						
Share capital	827,253	719,350	625,522	543,932	472,985	472,985
Reserves	5,732,907	4,700,584	3,996,892	3,347,892	2,848,277	2,931,184
Total Share Capital and Reserves	6,560,160	5,419,934	4,622,414	3,891,824	3,321,262	3,404,169
Non Current Liabilities						
Long term borrowings	-	-	-	512,500	375,000	697,517
Deferred liabilities	866,975	730,315	649,354	600,015	575,862	571,004
Total Non Current Liabilities	866,975	730,315	649,354	1,112,515	950,862	1,268,521
Current Liabilities						
Trade and other payables	4,587,303	4,810,168	4,255,584	3,109,999	2,646,221	3,247,381
Accrued mark-up / interest	-	-	6,378	37,384	72,328	49,829
Short term finances	-	-	-	-	-	-
Current portion of long term liabilities	-	-	87,500	362,500	389,980	436,751
Provision for taxation	-	-	-	8,054	-	13,971
Total Current Liabilities	4,587,303	4,810,168	4,349,462	3,517,937	3,108,529	3,747,932
Total Equity and Liabilities	12,014,438	10,960,417	9,621,230	8,522,276	7,380,653	8,420,622

Analysis of the Financial Statements

Balance Sheet

Particulars	Vertical Analysis						Horizontal Analysis					
	2013	2012	2011	2010	2009	2008	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007
	%	%	%	%	%	%	%	%	%	%	%	%
Assets												
Non Current Assets												
Property, plant and equipment	36.8	36.0	33.9	37.8	46.3	40.1	12.2	20.9	1.1	-5.5	1.1	-5.3
Intangible asset	0.0	0.1	0.1	0.1	0.2	0.2	-13.5	-10.1	-11.4	-51.5	12.1	-39.1
Long term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
Long term loans and advances	0.2	0.2	0.2	0.2	0.2	0.2	25.3	-8.9	19.1	31.0	2.3	8.5
Long term deposits and prepayments	0.1	0.1	0.1	0.1	0.1	0.2	-46.6	46.1	-5.0	26.5	-33.6	-15.1
Total Non current assets	37.1	36.4	34.3	38.2	46.8	40.7	12.0	20.8	1.1	-5.5	1.0	-6.9
Current Assets												
Stores, spares and loose tools	3.2	3.2	3.4	3.8	5.8	5.0	11.9	7.0	1.0	-24.7	2.5	2.4
Stock in trade	18.1	19.7	20.8	19.5	24.4	22.1	0.5	7.9	20.4	-7.1	-3.8	17.8
Trade debts	4.3	5.5	4.2	5.2	4.3	4.7	-14.0	49.0	-9.9	39.2	-21.4	44.3
Loans and advances	0.3	0.3	0.3	0.5	0.5	0.5	0.3	-1.1	-17.2	7.5	-4.3	91.5
Trade deposits and prepayments	0.4	0.4	0.4	0.5	0.9	2.7	6.4	21.4	-5.5	-39.5	-71.0	4298.6
Short term investments	13.6	13.3	13.9	12.8	6.2	16.4	12.0	9.1	22.9	138.9	-66.9	59.2
Accrued mark-up / interest	0.1	0.0	0.1	0.1	0.0	0.0	166.9	-48.9	88.7	767.9	-36.0	802.2
Other receivables	0.1	0.1	0.2	0.1	1.3	1.9	-58.9	1.7	30.3	-88.6	-40.5	272.9
Taxation - net	0.0	1.5	0.7	0.0	1.2	0.0	-98.4	136.0	100.0	-100.0	100.0	-100.0
Bank balances	22.8	19.6	21.7	19.3	8.6	6.0	27.5	2.8	27.3	158.0	26.2	-45.2
Total Current Assets	62.9	63.6	65.7	61.8	53.2	59.3	8.3	10.4	20.2	33.9	-21.5	17.3
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	9.6	13.9	12.9	15.5	-12.4	6.1
Equity and Liabilities												
Share Capital and Reserves												
Share capital	6.9	6.6	6.5	6.4	6.4	5.6	15.0	15.0	15.0	15.0	0.0	15.0
Reserves	47.7	42.9	41.6	39.3	38.6	34.8	22.0	17.6	19.4	17.5	-2.8	14.3
Total Share Capital and Reserves	54.6	49.5	48.1	45.7	45.0	40.4	21.0	17.3	18.8	17.2	-2.4	14.4
Non Current Liabilities												
Long term borrowings	0.0	0.0	0.0	6.0	5.1	8.3	0.0	0.0	-100.0	36.7	-46.2	-37.1
Deferred liabilities	7.2	6.6	6.7	7.0	7.8	6.8	18.7	12.5	8.2	4.2	0.9	2.1
Total Non Current Liabilities	7.2	6.6	6.7	13.0	12.9	15.1	18.7	12.5	-41.6	17.0	-25.0	-24.0
Current Liabilities												
Trade and other payables	38.2	43.9	44.2	36.5	35.8	38.5	-4.6	13.0	36.8	17.5	-18.5	17.3
Accrued mark-up / interest	0.0	0.0	0.1	0.4	1.0	0.6	0.0	-100.0	-82.9	-48.3	45.2	-12.6
Short term finances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current portion of long term liabilities	0.0	0.0	0.9	4.3	5.3	5.2	0.0	-100.0	-75.9	-7.0	-10.7	-6.2
Provision for taxation	0.0	0.0	0.0	0.1	0.0	0.2	0.0	0.0	-100.0	100.0	-100.0	100.0
Total Current Liabilities	38.2	43.9	45.2	41.3	42.1	44.5	-4.6	10.6	23.6	13.2	-17.1	13.8
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	9.6	13.9	12.9	15.5	-12.4	6.1

Analysis of the Financial Statements

Profit and Loss Account and Cash Flow Statement

Particulars	2013	2012	2011	2010	2009 (Nine Months)	2008
----- (Rupees in '000) -----						
Profit and Loss Account						
Sales	42,325,242	38,011,857	32,521,399	25,554,772	13,747,820	20,855,535
Cost of sales	(38,646,049)	(35,235,893)	(30,080,978)	(23,555,842)	(12,782,165)	(19,298,994)
Gross Profit	3,679,193	2,775,964	2,440,421	1,998,930	965,655	1,556,541
Sales and Marketing expenses	(1,206,648)	(965,883)	(815,463)	(690,794)	(271,346)	(267,483)
Administrative expenses	(387,477)	(335,654)	(310,742)	(264,739)	(165,648)	(227,759)
Other operating income	322,668	274,453	299,337	239,047	89,744	263,870
Other operating expenses	(190,453)	(117,162)	(109,597)	(92,600)	(13,849)	(68,878)
Profit from operations	2,217,283	1,631,718	1,503,956	1,189,844	604,556	1,256,291
Finance cost	(9,726)	(11,717)	(93,475)	(112,613)	(251,777)	(252,091)
Net profit before taxation	2,207,557	1,620,001	1,410,481	1,077,231	352,779	1,004,200
Taxation	(599,753)	(415,892)	(407,925)	(364,773)	(128,246)	(301,191)
Net profit after taxation	<u>1,607,804</u>	<u>1,204,109</u>	<u>1,002,556</u>	<u>712,458</u>	<u>224,533</u>	<u>703,009</u>
Cash Flow Statement						
Cash flows from operating activities	2,208,740	1,720,597	2,147,882	1,768,263	200,587	842,189
Cash flows from investing activities	(1,154,675)	(1,171,217)	(642,540)	(730,915)	607,037	(572,029)
Cash flows from financing activities	(463,231)	(491,026)	(1,056,505)	(31,811)	(675,336)	(685,645)
Net increase / (decrease) in cash and cash equivalents	<u>590,834</u>	<u>58,354</u>	<u>448,837</u>	<u>1,005,537</u>	<u>132,288</u>	<u>(415,485)</u>

Analysis of the Financial Statements

Profit and Loss Account and Cash Flow Statement

Particulars	Vertical Analysis						Horizontal Analysis					
	2013	2012	2011	2010	2009	2008	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007
	%	%	%	%	%	%	%	%	%	%	%	%
Profit and Loss Account												
Sales	100.0	100.0	100.0	100.0	100.0	100.0	11.3	16.9	27.3	85.9	-34.1	25.6
Cost of sales	-91.3	-92.7	-92.5	-92.2	-93.0	-92.5	9.7	17.1	27.7	84.3	-33.8	28.3
Gross Profit	8.7	7.3	7.5	7.8	7.0	7.5	32.5	13.7	22.1	107.0	-38.0	-0.5
Sales and Marketing expenses	-2.9	-2.5	-2.5	-2.7	-2.0	-1.3	24.9	18.4	18.0	154.6	1.4	-28.0
Administrative expenses	-0.9	-0.9	-1.0	-1.0	-1.2	-1.1	15.4	8.0	17.4	59.8	-27.3	8.8
Other operating income	0.8	0.7	0.9	0.9	0.7	1.3	17.6	8.3	25.2	166.4	-66.0	75.1
Other operating expenses	-0.4	-0.3	-0.3	-0.4	-0.1	-0.3	62.6	6.9	18.4	568.6	-79.9	13.3
Profit from operations	5.2	4.3	4.6	4.7	4.4	6.0	35.9	8.5	26.4	96.8	-51.9	17.1
Finance cost	0.0	0.0	-0.3	-0.4	-1.8	-1.2	-17.0	87.5	-17.0	-55.3	-0.1	-6.4
Net profit before taxation	5.2	4.3	4.3	4.2	2.6	4.8	36.3	14.9	30.9	205.4	-64.9	25.0
Taxation	-1.4	-1.1	-1.3	-1.4	-0.9	-1.4	44.2	2.0	11.8	184.4	-57.4	20.5
Net profit after taxation	3.8	3.2	3.1	2.8	1.6	3.4	33.5	20.1	40.7	217.3	-68.1	27.0

Cash Flow Statement

Cash flows from operating activities	373.8	2948.6	478.5	175.9	151.6	-202.7	28.4	-19.9	21.5	781.5	-76.2	-52.7
Cash flows from investing activities	-195.4	-2007.1	-143.1	-72.7	458.9	137.7	-1.4	182.3	-12.1	-220.4	-206.1	-38.1
Cash flows from financing activities	-78.4	-841.5	-235.4	-3.2	-510.5	165.0	-5.7	53.5	3221.2	-95.3	-1.5	10.7
Net increase / (decrease) in cash and cash equivalents	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>912.5</u>	<u>-87.0</u>	<u>-55.4</u>	<u>660.1</u>	<u>-131.8</u>	<u>-274.9</u>

6 Years at a Glance

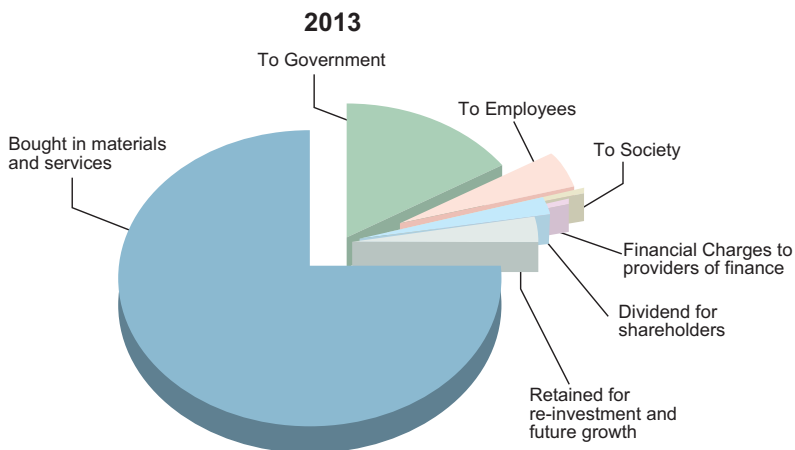
Particulars		2013	2012	2011	2010	2009	2008
						(Nine Months)	
Profitability Ratios							
Gross profit margin	%	8.7	7.3	7.5	7.8	7.0	7.5
Profit before tax margin	%	5.2	4.3	4.3	4.2	2.6	4.8
Net profit margin	%	3.8	3.2	3.1	2.8	1.6	3.4
Return on capital employed	%	36.9	32.3	32.2	26.7	14.1	24.6
Return on equity - before tax	%	33.7	29.9	30.5	27.7	14.2	29.5
Return on equity - after tax	%	24.5	22.2	21.7	18.3	9.0	20.7
Return on assets	%	13.4	11.0	10.4	8.4	3.0	8.3
Earnings before interest, tax, depreciation and amortization (EBITDA)	Rs. in million	2,831.9	2,122.6	1,977.3	1,627.2	849.8	1,631.0
EBITDA margin	%	6.7	5.6	6.1	6.4	6.2	7.8
Equity Ratios							
Cash dividend per share (declared)	Rs.	7.5	6.5	6.5	5.0	3.0	6.5
Stock dividend per share (bonus shares declared for the year)	Rs.	2.5	1.5	1.5	1.5	1.5	-
Bonus shares declared for the year	No. in '000	20,681	10,790	9,383	8,159	7,095	-
Earnings per share	Rs.	19.44	16.74	16.03	13.10	4.75	14.9
Price earning ratio	Times	9.9	8.5	8.8	10.9	18.7	14.1
Market price per share as at year end	Rs.	191.50	142.2	141.8	142.5	88.8	210.0
Market price per share for the year							
- maximum value	Rs.	192.0	160.0	172.5	154.2	211.8	237.0
- minimum value	Rs.	114.0	108.0	92.0	56.9	87.4	138.5
Break up value per share	Rs.	79.3	75.3	73.9	71.6	70.2	72.0
Dividend yield	%	5.2	5.6	5.6	4.6	5.1	3.1
Dividend cover	Times	1.9	2.1	2.0	2.0	1.1	2.3
Dividend pay out	%	51.5	47.8	49.9	49.6	94.8	43.7
Plough back ratio	%	48.5	52.2	50.1	50.4	5.2	56.3
Weighted average cost of debt	%	-	-	14.0	13.1	15.6	10.7
Cost of equity	%	10.1	11.8	11.3	9.2	5.3	7.1
Efficiency Ratios							
Assets turnover	Times	3.5	3.5	3.4	3.0	1.8	2.4
Fixed assets turnover	Times	9.6	9.6	10.0	7.9	4.0	6.1
Inventory turnover	Times	15.1	14.04	12.9	11.9	5.8	8.5
Debtors turnover	Times	82.2	63.5	81.0	57.3	42.9	51.2
Creditors turnover	Times	8.5	7.3	7.1	7.6	4.8	6.0
Capital employed turnover	Times	6.5	7.0	7.0	5.8	3.7	5.1
Operating Cycle							
Period of inventory holding	Days	24	26	28	31	48	43
Period of collection from debtors	Days	4	6	5	5	7	6
Period of payments to creditors	Days	(44)	(50)	(51)	(48)	(76)	(61)
Operating cycle	Days	(16)	(18)	(18)	(12)	(21)	(12)
Liquidity / Leverage Ratios							
Current ratio	Times	1.6	1.5	1.5	1.5	1.3	1.3
Quick ratio	Times	1.1	0.9	0.9	0.9	0.6	0.8
Debt to equity / financial leverage ratio	Times	-	-	0.02	0.2	0.2	0.3
Total liabilities to equity	Times	0.83	1.0	1.1	1.2	1.3	1.6
Interest cover	Times	2,577	427.9	18.4	12.0	2.4	5.0
Operating leverage ratio	%	317.2	52.8	98.6	139.9	158.3	36.1
Cash to current liabilities	Times	0.6	0.4	0.5	0.5	0.2	0.1
Cash flow from operations to sales	%	5.2	4.5	6.6	6.9	1.5	4.0

Statement of Value Addition and its Distribution

The Value Added Statement (VAS) provides a detailed account of total value creation by the Company during the year. Atlas Honda Limited contributed positively to the socio-economic development through payment of Taxes to the government; by paying salaries and allowances to employees; by donating to society and by paying attractive and consistent dividend to the shareholders.

The Value Added Statement of Atlas Honda Limited for the year 2012-13 mentioned below shows how the value is created and distributed among different stakeholders of the Company:

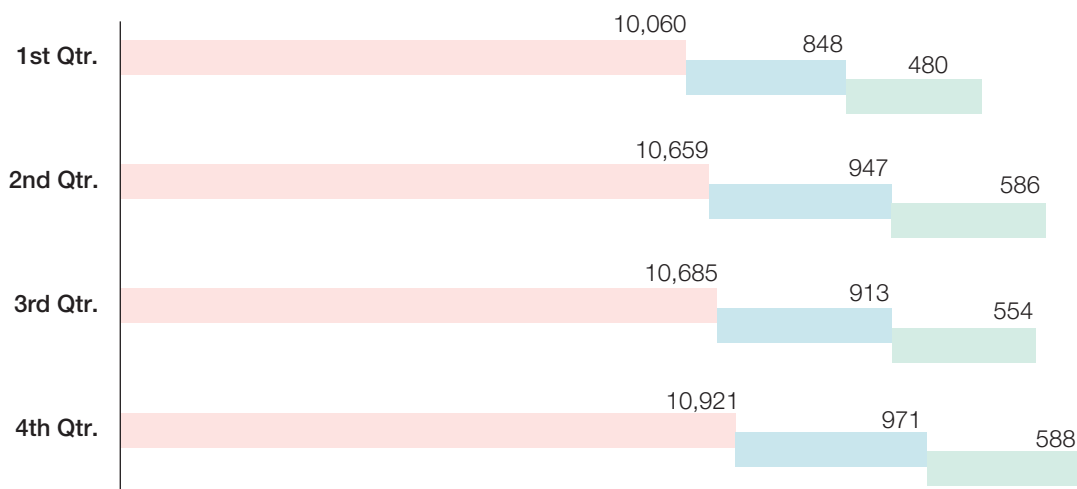
	Year ended March 31			
	2013		2012	
	Rs. in '000	%	Rs. in '000	%
Value Addition				
Net sales including sales tax	49,037,122	99.35%	44,257,451	99.38%
Other operating income	322,668	0.65%	274,453	0.62%
	49,359,790	100.00%	44,531,904	100.00%
Value Distribution				
Bought in materials and services	37,027,540	75.02%	33,380,932	74.96%
To Government				
Income tax, sales tax, custom & excise duties, workers funds, EOBI & social security contribution and local taxes	8,083,328	16.38%	7,729,907	17.36%
To Employees				
Remuneration and benefits	2,002,859	4.06%	1,702,229	3.82%
To Society				
Donations	16,280	0.03%	14,205	0.03%
To Providers of capital				
Financial charges to providers of finance	857	0.00%	3,795	0.01%
Dividends for shareholders	827,253	1.67%	575,481	1.29%
Retained for re-investment and future growth	1,401,673	2.84%	1,125,355	2.53%
Total Value Distributed	49,359,790	100.00%	44,531,904	100.00%



Quarterly Performance Analysis

Quarterly Performance

(Rs. in million)



Sales	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- Rs. in million	10,060	10,659	10,685	10,921	42,325
- Composition	23.8%	25.2%	25.2%	25.8%	

Analysis

Sales was marginally lower in 1st quarter due to less than expected results of Rabbi crops. Thereafter, motorcycle demand remained consistent throughout the year, as shown by the sales trend above. This was supported by timely launches of new models by the Company.

Gross Profit	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- Rs. in million	848	947	913	971	3,679
- Percentage of sales	8.4%	8.9%	8.5%	8.9%	8.7%

Analysis

Gross profit in the first quarter was lower due to unfavorable exchange rates. However, these adverse factors were mitigated in subsequent quarters through new model launches, improved sales mix, timely localization and effective energy management.

Profit Before Taxation	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
- Rs. in million	480	586	554	588	2,208
- Percentage of sales	4.8%	5.5%	5.2%	5.4%	5.2%

Analysis

Profits before taxation (PBT) are consistent with trends in gross profits. Further, PBT was supported throughout the year by healthy treasury income.

Financial Statements

Statement of Compliance with the Code of Corporate Governance

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

Auditors' Report to the Members

Balance Sheet

Profit and Loss Account

Cash Flow Statement

Statement of Changes in Equity

Notes to the Financial Statements



Statement of Compliance with the Code of Corporate Governance

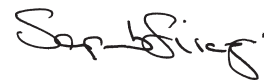
This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of the listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices of corporate governance.

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

1. 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 four non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. 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, DFI or NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board was duly filled by the directors within the prescribed time.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings to all the directors. The minutes of the meetings were appropriately recorded and circulated.
9. One of the director, Mr. Nurul Hoda has attended the directors training course conducted by the Pakistan Institute of Corporate Governance and the remaining directors will acquire the required directors training certification within the time specified in the Code, unless exempt thereunder.
10. The Board has approved the appointment of Company Secretary in its meeting on July 30, 2012, including his remuneration and terms and conditions of employment.
11. The directors' report for the year ended March 31, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has already formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Company.
16. 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 prepared and advised to the Committee for compliance.
17. The Board has formed Human Resource & Remuneration Committee. It comprises of three members, two of whom are non-executive directors of the Company.
18. 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.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim and final results and business decisions which may materially affect the market price of Company's shares, was determined and intimated to the directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. 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 30, 2013



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 the Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited and 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's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, Regulation 35(x) of the Listing Regulations require 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 alternate 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 procedures 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 the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended March 31, 2013.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: April 30, 2013
Engagement partner: Muhammad Ali

LAHORE:

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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 as at March 31, 2013 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 conduct 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 resulted on initial application of standards, amendments or an interpretation to the existing standards, as stated in note 2.5.1 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, 2013 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 Central Zakat Fund established under section 7 of that Ordinance.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: April 30, 2013
Engagement partner: Muhammad Ali

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Balance Sheet

As at March 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 -----
Assets			
Non Current Assets			
Property, plant and equipment	4	4,421,744	3,941,610
Intangible assets	5	5,555	6,419
Long term investments	6	-	-
Long term loans and advances	7	25,583	20,420
Long term deposits		8,399	15,728
		4,461,281	3,984,177
Current Assets			
Stores, spares and loose tools	8	390,250	348,639
Stock-in-trade	9	2,171,536	2,161,328
Trade debts	10	514,742	598,265
Loans and advances	11	33,253	33,152
Trade deposits and prepayments	12	47,722	44,832
Short term investments	13	1,635,183	1,460,580
Accrued mark-up / interest		11,603	4,348
Other receivables	14	6,302	15,338
Taxation - net		2,578	160,604
Bank balances	15	2,739,988	2,149,154
		7,553,157	6,976,240
		12,014,438	10,960,417
Equity and Liabilities			
Equity			
Share capital	16	827,253	719,350
Reserves	17	5,732,907	4,700,584
Total Equity		6,560,160	5,419,934
Non Current Liabilities			
Compensated absences	18	170,248	153,878
Deferred taxation	19	696,727	576,437
		866,975	730,315
Current Liabilities			
Trade and other payables	20	4,587,303	4,810,168
Total Liabilities		5,454,278	5,540,483
Contingencies and Commitments			
	22		
		12,014,438	10,960,417

The annexed notes 1 to 40 form an integral part of these financial statements.



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer

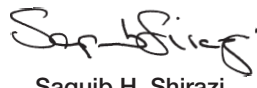
Profit and Loss Account

For the Year Ended March 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Sales	23	42,325,242	38,011,857
Cost of sales	24	(38,646,049)	(35,235,893)
Gross profit		3,679,193	2,775,964
Sales and marketing expenses	25	(1,206,648)	(965,883)
Administrative expenses	26	(387,477)	(335,654)
Other operating income	27	322,668	274,453
Other operating expenses	28	(190,453)	(117,162)
Profit from operations		2,217,283	1,631,718
Finance cost	29	(9,726)	(11,717)
Profit before taxation		2,207,557	1,620,001
Taxation	30	(599,753)	(415,892)
Profit after taxation		1,607,804	1,204,109
Other comprehensive income		-	-
Total comprehensive income		1,607,804	1,204,109
		----- Rupees -----	Restated
Earnings per share - basic and diluted	31	19.44	14.56

The annexed notes 1 to 40 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

Cash Flow Statement

For the Year Ended March 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 -----
Cash Flows from Operating Activities			
Cash generated from operations	32	2,576,013	2,218,766
Mark-up / interest paid		(857)	(10,173)
Income tax paid		(321,436)	(452,034)
Contributions made to gratuity funds		(26,191)	(22,156)
Compensated absences paid		(18,115)	(8,012)
Mark-up / interest received		108,627	96,878
Workers' profit participation fund paid		(87,135)	(75,668)
Workers' welfare fund paid		(24,332)	(24,024)
Long term loans and advances		(5,163)	1,983
Long term deposits		7,329	(4,963)
Net cash generated from operating activities		2,208,740	1,720,597
Cash Flows from Investing Activities			
Fixed capital expenditure		(1,161,100)	(1,232,022)
Investments acquired		(375,000)	(395,000)
Sale proceeds from disposal of operating fixed assets		33,549	52,666
Sale proceeds from disposal of investments		347,876	403,139
Net cash used in investing activities		(1,154,675)	(1,171,217)
Cash Flows from Financing Activities			
Repayment of long term borrowings		-	(87,500)
Dividend paid		(463,231)	(403,526)
Net cash used in financing activities		(463,231)	(491,026)
Net increase in cash and cash equivalents		590,834	58,354
Cash and cash equivalents at beginning of the year		2,149,154	2,090,800
Cash and cash equivalents at end of the year	15	2,739,988	2,149,154

The annexed notes 1 to 40 form an integral part of these financial statements.



Yusuf H. Shirazi
Chairman




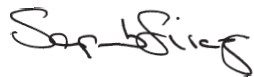
Saquib H. Shirazi
Chief Executive Officer

Statement of Changes in Equity For the Year Ended March 31, 2013

	Capital Reserves			Revenue Reserves		Total
	Share Capital	Share Premium	Gain on Sale of Land	General Reserve	Unappropriated Profit	
----- (Rupees in '000) -----						
Balance as at April 1, 2011	625,522	39,953	165	2,582,000	1,374,774	4,622,414
Transfer to general reserve	-	-	-	860,000	(860,000)	-
Transactions with owners						
Bonus shares issued during the year in the ratio of 3 shares for every 20 shares held	93,828	-	-	-	(93,828)	-
Final cash dividend for the year ended March 31, 2011 at the rate of Rs.6.50 per share	-	-	-	-	(406,589)	(406,589)
	93,828	-	-	-	(500,417)	(406,589)
Total comprehensive income for the year	-	-	-	-	1,204,109	1,204,109
Balance as at March 31, 2012	<u>719,350</u>	<u>39,953</u>	<u>165</u>	<u>3,442,000</u>	<u>1,218,466</u>	<u>5,419,934</u>
Balance as at April 1, 2012	719,350	39,953	165	3,442,000	1,218,466	5,419,934
Transfer to general reserve	-	-	-	630,000	(630,000)	-
Transactions with owners						
Bonus shares issued during the year in the ratio of 3 shares for every 20 shares held	107,903	-	-	-	(107,903)	-
Final cash dividend for the year ended March 31, 2012 at the rate of Rs.6.50 per share	-	-	-	-	(467,578)	(467,578)
	107,903	-	-	-	(575,481)	(467,578)
Total comprehensive income for the year	-	-	-	-	1,607,804	1,607,804
Balance as at March 31, 2013	<u>827,253</u>	<u>39,953</u>	<u>165</u>	<u>4,072,000</u>	<u>1,620,789</u>	<u>6,560,160</u>

The annexed notes 1 to 40 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

Notes to the Financial Statements

For the Year Ended March 31, 2013

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. Its shares are quoted on Karachi and Lahore Stock Exchanges of the 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 assembling facilities of the Company are located at Karachi and Sheikhpura, with branches, warranty & training centres and other offices are located at Karachi, Hyderabad, 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 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by re-measurement of short term investments at fair value and recognition of certain staff retirement benefits at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousand of rupees unless otherwise specified.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In preparing these financial statements, the significant judgments, estimates and assumptions made by management in applying accounting policies include:

- useful lives of property, plant and equipment and intangible assets (notes 3.1 and 3.2);
- provisions against inventories and doubtful receivables (notes 3.8, 3.9 and 3.10);
- actuarial assumptions for the gratuity schemes and provision thereagainst (notes 3.12 and 20.6);
- provisions (notes 3.16 and 3.17); and
- provision for taxation (note 3.18).

2.5 Initial application of standards, amendments or interpretations to existing standards

2.5.1 Standards, amendments to approved accounting standards and interpretations that are effective in the current year and relevant to the Company

The following amendments to existing standard are mandatory for the financial year beginning on or after April 1, 2012:

IFRS 7 (Amendments), 'Financial instruments: Disclosures' on transfers of assets. These amendments arise from the IASB's review of off-balance-sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendments only affect the disclosures in the Company's financial statements.

2.5.2 Standards, amendments to approved accounting standards and interpretations effective in the current year but are not relevant to the Company

There are other amendments to approved accounting standards and interpretations that are mandatory for the periods beginning on or after April 1, 2012, however, they are currently not considered to be relevant to the Company or do not have any impact on the Company's financial statements and therefore, have not been detailed in these financial statements.

2.5.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to published standards are not effective (although available for early adoption) for the financial year beginning on or after April 1, 2012 and have not been early adopted by the Company:

- (a) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, 'First time adoption', IAS 1, 'Financial statement presentation', IAS 16, 'Property, plant and equipment', IAS 32, 'Financial instruments: Presentation' and IAS 34, 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.
- (b) IFRS 7 (Amendments), 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2013. The amendments include new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Company shall apply these amendments from April 1, 2013 and does not expect to have a material impact on its financial statements.
- (c) IFRS 9 - 'Financial instruments - classification and measurement'. This is applicable on accounting periods beginning on or after January 1, 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Company shall apply this standard from April 1, 2015 and does not expect to have a material impact on its financial statements.

- (d) IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 1, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company shall apply this standard from April 1, 2013 and does not expect to have a material impact on its financial statements.
- (e) IAS 1 (Amendments), 'Financial statements presentation' is applicable on accounting periods beginning on or after July 1, 2012. The main change resulting from these amendments is a requirement for the entities to group items presented in 'other comprehensive income' on the basis of whether they can be potentially reclassified to profit and loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of other comprehensive income, the amendments are not expected to have any affect on the Company's financial statements.
- (f) IAS 19 (Amendments), 'Employee benefits' is applicable on accounting periods beginning on or after January 1, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from April 1, 2013 and its impact on retained earnings shall be Rs.47,084 thousand due to recognition of current unrealized actuarial losses on its defined benefit plans.
- (g) IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 1, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Company shall apply these amendments from April 1, 2014 and does not expect to have a material impact on its financial statements.

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However they are not considered relevant to the Company and therefore are not expected to materially affect the financial statements of the Company for accounting periods on the dates prescribed therein.

3. Significant Accounting Policies

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

3.1 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 and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost less impairment loss, if any. Cost includes expenditure that is directly attributable to acquisition of the asset, including any borrowing costs incurred. The cost of a self constructed asset includes cost of materials, labour and other overheads that are directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling / 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 loss, if any. Capital work-in-progress is recognized as an operating fixed asset when it is made available for its intended use.

Where major components of a single item of owned operating fixed assets have different useful lives, they are accounted for in the books of account as separate items.

Subsequent costs including major renewals and improvements 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 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 straight line method. Depreciation on additions is charged from the month in which the asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

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 method, 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 amendment or 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.

3.2 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any and represent cost of software licenses, SAP implementation & 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 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.

3.3 Impairment of non-financial assets

The carrying amounts of non-financial assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized as an expense in the profit and loss account 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 sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 or amortization, if no impairment loss had been recognized.

3.4 Financial assets

3.4.1 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 greater than 12 months after the balance sheet date, in which case, they are classified as non-current assets. The Company's loans and receivables comprise of trade debts, loans and advances, trade deposits, accrued mark-up, other receivables and bank balances.

(c) Held to maturity financial assets

Held to maturity financial assets are non derivative financial assets with fixed or determinable payments and fixed maturity in respect of which the Company has positive intent and ability to hold till maturity. There is no held to maturity investment at the balance sheet date.

(d) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets 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 asset matures or management intends to dispose of the assets within 12 months of the reporting date.

3.4.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownerships. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are subsequently carried 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' category are presented in the profit and loss account within 'other operating income / expense' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of 'other operating income' when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account.

Interest on available for sale securities calculated using the effective interest method is recognized in the profit and loss account as part of 'Other operating income'. Dividend on available for sale equity instruments is recognized in the profit and loss account as part of 'Other operating income' 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 can not be reliably measured or determined, are stated at cost.

The Company assesses at end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment testing of other receivables is described in note 3.10.

3.5 Financial liabilities

Financial liabilities are initially recognized at the time when the Company becomes a party to the contractual provisions of the instruments. All financial liabilities are recognized initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortized cost using effective interest method.

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 terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and recognition of a new liability and difference in respective carrying amounts is recognized in the profit and loss account.

3.6 Off-setting 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.

3.7 Derivative financial instruments and hedging activities

The Company designates derivative financial instruments as either cash flow hedge or fair value 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 derivatives that is designated and qualify as 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 will affect the profit and loss account.

(b) Fair value hedge

Fair value hedge represents a hedge of the fair value of a recognized asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as 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.

3.8 Stores, spares and loose tools

Stores, spares and loose tools are stated at lower of cost and net realizable value. The cost of inventory is based on weighted average cost. Items-in-transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amounts of stores, spares and loose tools on an on-going 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.

3.9 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost of raw materials and components represent invoice values plus other charges incurred thereon. Cost of inventory is based on weighted average cost. Cost in relation to work-in-process and finished goods represent direct cost of raw materials, wages and appropriate manufacturing overheads. Goods in transit are valued at cost accumulated up to the balance sheet date.

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

The Company reviews the carrying amount of stock-in-trade on an on-going 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 usage pattern and physical form of related inventory.

3.10 Trade debts and other receivables

Trade debts are initially recognized 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. Carrying amounts of trade and other receivables are assessed at each balance sheet date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

3.11 Cash and cash equivalents

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

3.12 Retirement and other service benefits

The Company has following plans for its employees:

(a) 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 excluding ex-patriates, through either one of the following ways:

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

All the newly appointed employees are offered voluntary pension scheme only. However, those employees who are provident fund trust members, have the option to opt for either of 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.

(b) 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. This estimated benefit is discounted to determine its present value.

The Company has established separate funded gratuity schemes for its management and non management staff who complete qualifying period of service. 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, 2013.

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service 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.

(c) Compensated absences

Employees' entitlement to annual leaves 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.

3.13 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.14 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.

3.15 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.

3.16 Provisions

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

3.17 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 2 years' 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.

3.18 Taxation**Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in the previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of the taxable profit.

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

Deferred tax is calculated at the rates that are expected to apply to the period when the asset is realized or liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.19 Foreign currency translations

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year end foreign exchange rates. Non monetary assets and liabilities are translated using exchange rate that existed when the values were determined. Exchange differences arising on foreign currency translations are taken to profit and loss account.

3.20 Revenue recognition

Revenue is recognized to the extent 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 fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, commission, 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.

3.21 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

3.22 Research and development costs

Research and development costs are charged to income as and when incurred.

3.23 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.24 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, as required by the approved accounting standards, is presented in note 33 to these financial statements.

3.25 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

	Note	2013 ----- (Rupees in '000) -----	2012
4. Property, Plant and Equipment			
Operating fixed assets	4.1	4,385,058	3,758,282
Capital work-in-progress	4.4	36,686	183,328
		4,421,744	3,941,610
		4,421,744	3,941,610

4.1 Operating fixed assets

	OWNED														TOTAL
	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	
	(Rupees in '000)														
As at April 1, 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)
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
Year ended March 31, 2012															
Opening 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
Additions	-	-	20,056	5,433	680,015	151,147	32,552	2,195	5,755	12,345	-	72,294	68,727	-	1,050,519
Disposals															
Cost	-	-	-	(2,242)	(73,891)	(58,972)	(265)	(120)	(5,119)	(40)	-	(120)	(46,735)	-	(187,504)
Accumulated depreciation	-	-	-	1,659	44,693	58,972	183	120	5,092	40	-	109	25,131	-	135,999
Written-off	-	-	-	(583)	(29,198)	-	(82)	-	(27)	-	-	(11)	(21,604)	-	(51,505)
Cost	-	-	-	-	-	-	-	(65)	-	(1,475)	-	(70)	-	-	(1,610)
Accumulated depreciation	-	-	-	-	-	-	-	29	-	1,475	-	61	-	-	1,565
	-	-	-	-	-	-	-	(36)	-	-	-	(9)	-	-	(45)
Depreciation for the year	-	(514)	(20,155)	(4,863)	(255,339)	(154,927)	(7,418)	(1,166)	(13,011)	(1,579)	-	(10,437)	(27,318)	-	(496,727)
Closing net book value	5,112	25,144	197,912	47,148	2,730,691	337,900	84,454	4,436	27,720	13,494	-	143,224	141,047	-	3,758,282
As at March 31, 2012															
Cost	5,112	34,132	379,520	91,885	4,946,380	1,206,072	182,911	20,805	117,998	27,473	1,300	281,155	225,455	389	7,520,587
Accumulated depreciation	-	(8,988)	(181,608)	(44,737)	(2,215,689)	(868,172)	(98,457)	(16,369)	(90,278)	(13,979)	(1,300)	(137,931)	(84,408)	(389)	(3,762,305)
Net book value	5,112	25,144	197,912	47,148	2,730,691	337,900	84,454	4,436	27,720	13,494	-	143,224	141,047	-	3,758,282
Year ended March 31, 2013															
Opening net book value	5,112	25,144	197,912	47,148	2,730,691	337,900	84,454	4,436	27,720	13,494	-	143,224	141,047	-	3,758,282
Additions	-	-	8,942	118,967	707,681	296,430	39,823	3,202	10,769	10,346	-	67,292	42,816	-	1,306,288
Disposals (note 4.3)															
Cost	-	-	-	-	(46,078)	(68,176)	(1,936)	-	(2,390)	(917)	-	(4,365)	(42,146)	(15)	(166,023)
Accumulated depreciation	-	-	-	-	35,384	45,260	1,012	-	2,390	917	-	4,059	19,024	15	108,061
Written-off	-	-	-	-	(10,694)	(22,916)	(924)	-	-	-	-	(306)	(23,122)	-	(57,962)
Cost	-	-	-	(1,081)	-	-	-	-	-	-	-	(249)	-	-	(1,330)
Accumulated depreciation	-	-	-	673	-	-	-	-	-	-	-	249	-	-	922
	-	-	-	(408)	-	-	-	-	-	-	-	-	-	-	(408)
Depreciation for the year (note 4.2)	-	(513)	(20,269)	(13,732)	(314,312)	(191,654)	(11,397)	(1,760)	(14,250)	(4,531)	-	(18,859)	(29,845)	-	(621,122)
Closing net book value	5,112	24,631	186,585	151,975	3,113,366	419,760	111,956	5,878	24,239	19,309	-	191,351	130,896	-	4,385,058
As at March 31, 2013															
Cost	5,112	34,132	388,462	209,771	5,607,983	1,434,326	220,798	24,007	126,377	36,902	1,300	343,833	226,125	374	8,659,502
Accumulated depreciation	-	(9,501)	(201,877)	(57,796)	(2,494,617)	(1,014,566)	(108,842)	(18,129)	(102,138)	(17,593)	(1,300)	(152,482)	(95,229)	(374)	(4,274,444)
Net book value	5,112	24,631	186,585	151,975	3,113,366	419,760	111,956	5,878	24,239	19,309	-	191,351	130,896	-	4,385,058
Annual rate of depreciation (%)	-	1.79	10	10	10	25	10	20	25	20	20	10	20	20	

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

4.2 Depreciation charge for the year has been allocated as follows:

Cost of sales	24	585,874	466,905
Administrative expenses	26	35,248	29,822
		621,122	496,727

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

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	----- (Rupees in '000) -----					
Assets having book value exceeding Rs.50,000 each						
Plant and machinery						
Self propelled stacker	510	(261)	249	28	Negotiation	Mr. M Siddiq Awan, N-P 12/47, Muhammad Shah Street, Jodria Bazar, Karachi
Strapping machine	175	(90)	85	9	Negotiation	Mr. M Siddiq Awan, N-P 12/47, Muhammad Shah Street, Jodria Bazar, Karachi
Baking oven	1,379	(464)	915	515	Negotiation	Shujauddin & Brothers, Baba-e-Urdu Road, Karachi
Spray booth	398	(229)	169	95	Negotiation	Shujauddin & Brothers, Baba-e-Urdu Road, Karachi
Anti rust spraying machine	170	(39)	131	74	Negotiation	Shujauddin & Brothers, Baba-e-Urdu Road, Karachi
Air compressor	2,392	(2,120)	272	153	Negotiation	Shujauddin & Brothers, Baba-e-Urdu Road, Karachi
Roller caulking machine	845	(759)	86	87	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Conveyor	1,700	(771)	929	109	Negotiation	Mr. M. Khurshid, Sui Gas Road, Shahdra, Lahore
Fitting machine	871	(431)	440	496	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Filling machine	1,135	(1,029)	106	107	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Cleaning machine	440	(197)	243	251	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Leak tester	320	(139)	181	183	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Metal tightening machine	279	(103)	176	177	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Stacking machine	220	(78)	142	144	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Filling machine	2,807	(863)	1,944	2,101	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Riveting machine	320	(85)	235	245	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Press machine	345	(12)	333	341	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Metal tightening machine	315	(11)	304	308	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Mounting machine	220	(78)	142	152	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Mounting machine	220	(78)	142	152	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Centering machine	510	(169)	341	352	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
Machining Centre	12,645	(11,303)	1,342	328	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
Machining Centre	12,645	(11,303)	1,342	328	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
	40,861	(30,612)	10,249	6,735		

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	----- (Rupees in '000) -----					
Dies and jigs						
Mould	10,427	(4,996)	5,431	121	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
Die	5,218	(4,131)	1,087	37	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
Die	457	(361)	96	3	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
Die	9,853	(4,927)	4,926	166	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
Casting die	8,799	(3,116)	5,683	123	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
Casting die	8,799	(3,116)	5,683	123	Scrap	Maqsood Barlas & Sons, 9 KM Lahore Road, Sheikhpura
	43,553	(20,647)	22,906	573		
Factory equipment						
Strapping machine	142	(52)	90	10	Scrap	Mr. Siddiq Awan, N-P 12/47, Muhammad Shah Street, Jodria Bazar, Karachi
Hoist	380	(204)	176	22	Negotiation	Shujauddin & Brothers, D-190 (A-3), Haroonabad, Shershah, Karachi
Tester	265	(113)	152	15	Negotiation	Shujauddin & Brothers, D-190 (A-3), Haroonabad, Shershah, Karachi
Caulking head	659	(259)	400	407	Negotiation	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
	1,446	(628)	818	454		
Electric and gas fitting						
UPS	650	(356)	294	166	Negotiation	Shujauddin & Brothers, D-190 (A-3), Haroonabad, Shershah, Karachi
Vehicles						
	1,492	(1,015)	477	477	Negotiation	Mr. Tariq Saeed, A-209, Abid Town, Gulshan-e-Iqbal, Block 2, Karachi
	408	(265)	143	143	Company policy	Mr. Asif Siddiqui (Employee)
	408	(267)	141	141	Company policy	Mr. Saim Tanuli (Ex-Employee)
	408	(267)	141	141	Company policy	Mr. Pervaiz Alam (Employee)
	408	(267)	141	141	Company policy	Mr. Zia Ahmed Khan (Employee)
	403	(259)	144	144	Company policy	Mr. Raza Fatmi (Employee)
	408	(265)	143	143	Company policy	Mr. Shahid Hussain (Employee)
	908	(576)	332	332	Company policy	Mrs. Theresa Dias (Employee)
	83	(30)	53	53	Company policy	Mr. Najam-ul-Huda (Ex-Employee)
	732	(96)	636	636	Company policy	Mr. Owais Ahmed (Ex-Employee)
	89	(9)	80	80	Company policy	Mrs. Slomica Naveed (Employee)
	518	(35)	483	483	Company policy	Mr. Qamar Raza Zaidi (Employee)
	690	(276)	414	414	Company policy	Mr. Muhammad Rafi (Employee)
	102	(44)	58	58	Company policy	Mr. Azfar Hashmi (Ex-Employee)
	679	(272)	407	407	Company policy	Mr. Syed Shahid Ali (Employee)
	679	(272)	407	407	Company policy	Mr. Zulfiqar Abbas (Employee)
	521	(331)	190	190	Company policy	Mr. Mughees Ahmed (Employee)
	529	(314)	215	215	Company policy	Mr. Muhammad Akhlaq (Employee)
	647	(293)	354	354	Company policy	Mr. Syed Amir Ali (Employee)
	652	(295)	357	357	Company policy	Mr. Shiraz Iqbal (Employee)
Balance carried forward	10,764	(5,448)	5,316	5,316		

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	----- (Rupees in '000) -----					
Balance brought forward	10,764	(5,448)	5,316	5,316		
Vehicles						
	652	(295)	357	357	Company policy	Mr. Khurram Fahim (Employee)
	509	(215)	294	294	Company policy	Mr. M. Wasim-ul-Haq (Employee)
	1,343	(595)	748	748	Company policy	Mr. Imran Idress (Employee)
	88	(17)	71	71	Company policy	Mr. Summer (Ex-Employee)
	64	(3)	61	61	Company policy	Mr. Ghulam Murtaza (Employee)
	1,426	(553)	873	873	Company policy	Mr. Ajaz Ur Rahim (Ex-Employee)
	72	(13)	59	59	Company policy	Mr. Faizan Javed (Ex-Employee)
	110	(21)	89	89	Company policy	Mr. Ubedullah (Ex-Employee)
	64	(3)	61	61	Company policy	Mr. Tanweer Anwar (Employee)
	64	(7)	57	57	Company policy	Mr. Qalb-e-Hussain (Ex-Employee)
	64	(10)	54	20	Negotiation	Faisal Automobiles, 10 Merry Mansion, Shahrah-e-Liaquat, Karachi
	104	(40)	64	64	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi.
	106	(32)	74	74	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi.
	64	(13)	51	51	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi.
	64	(8)	56	56	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi.
	82	(25)	57	57	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi.
	72	(10)	62	62	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi.
	79	(29)	50	50	Company policy	Mr. Muhammad Haroon (Ex-Employee)
	100	(35)	65	65	Company policy	Mr. Syed Fahad Ali (Ex-Employee)
	84	(18)	66	66	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
	85	(14)	71	71	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
	106	(18)	88	88	Company policy	Mr. Ali Abbas (Ex-Employee)
	1,353	(135)	1,218	1,218	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
	107	(5)	102	102	Company policy	Mr. M. Ali Saif (Ex-Employee)
	79	(29)	50	50	Company policy	Mr. Khalid Aslam (Ex-Employee)
	106	(24)	82	82	Company policy	Mr. Eluxe Hassan Raza (Ex-Employee)
	461	(361)	100	350	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi.
	86	(15)	71	71	Company policy	Mr. Hamza Irfan (Ex-Employee)
	453	(205)	248	248	Company policy	Mr. Hammad Hassan Kashif (Employee)
	81	(31)	50	50	Company policy	Mr. Waseem Abbas (Employee)
	83	(23)	60	60	Company policy	Mr. Fahad Mehmood (Employee)
	88	(10)	78	78	Company policy	Mr. Sajjad Ali (Employee)
	81	(29)	52	52	Company policy	Mr. Muhammad Khizar Farooq (Employee)
	453	(265)	188	188	Company policy	Mr. Sarwar Naseem (Employee)
	675	(292)	383	383	Company policy	Mr. Irfan Munir (Employee)
	655	(290)	365	365	Company policy	Mr. M Ammar (Employee)
	660	(292)	368	368	Company policy	Mr. Naveed Ahmed (Employee)
	63	(7)	56	56	Company policy	Mr. Zafar Shahbaz (Employee)
	1,352	(612)	740	740	Company policy	Mr. Faisal Mahmud (Employee)
	88	(17)	71	49	Negotiation	Mr. Hanan Gill, House No. B-1/3, Tariq Road, Sheikhpura
	89	(11)	78	54	Negotiation	Mr. Hanan Gill, House No. B-1/3, Tariq Road, Sheikhpura
	63	(9)	54	46	Negotiation	Mr. Abbas, House No.13, Street No.136, Ferozepur Road, Lahore
	459	(385)	74	429	Negotiation	Mr. Abdul Qadir, House No.12, Street No. 24, Gari Shahu, Lahore
Balance carried forward	23,701	(10,469)	13,232	13,749		

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
	----- (Rupees in '000) -----					
Balance brought forward	23,701	(10,469)	13,232	13,749		
Vehicles						
	1,358	(948)	410	960	Negotiation	Mr. Zain Ali Shirazi, Sher Shah Road, Askari Colony, Cantt, Multan
	64	(5)	59	46	Negotiation	Mr. Hanan Gill, House No. B-1/3, Tariq Road, Sheikhpura
	765	(102)	663	663	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Shahrah-e-Firdouse, Clifton, Karachi
	1,363	(859)	504	504	Company policy	Mr. Javed Afghani (Employee)
	1,695	(246)	1,449	1,449	Company policy	Atlas Insurance Limited, a related party, Federation House, Karachi.
	437	(176)	261	261	Company policy	Mr. Waqas Asghar (Employee)
	406	(263)	143	143	Company policy	Mr. Khurshid Ahmad Khan (Employee)
	72	(9)	63	63	Company policy	Mr. Kanwar Muhammad Abid (Employee)
	83	(25)	58	58	Company policy	Mr. Riaz Ahmed (Employee)
	518	(224)	294	294	Company policy	Mr. M. Imran (Employee)
	79	(29)	50	50	Company policy	Mr. Kamran Sami (Employee)
	689	(268)	421	421	Company policy	Mr. Muhammad Naeem (Employee)
	684	(266)	418	418	Company policy	Mr. Saad Ullah Ejaz (Employee)
	711	(224)	487	487	Company policy	Mr. Hasan Mushtaq (Employee)
	87	(15)	72	72	Company policy	Mr. Syed Saif Ur Rehman (Employee)
	1,543	(939)	604	604	Company policy	Mr. Razi Ur Rehman (Employee)
	1,366	(645)	721	721	Company policy	Mr. Nisar Zaman (Employee)
	1,054	(654)	400	764	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi
	185	(114)	71	136	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi
	580	(153)	427	427	Company policy	Mr. Yawar Abbas Naqvi (Employee)
	89	(6)	83	83	Company policy	Mr. Zahid Rafique (Ex-Employee)
	90	(8)	82	82	Insurance claim	Atlas Insurance Limited, a related party, Federation House, Karachi
	596	(158)	438	438	Company policy	Mr. Syed Mumtaz Hasan (Employee)
	38,215	(16,805)	21,410	22,893		
	124,725	(69,048)	55,677	30,821		
Various assets having book value upto Rs. 50,000 each						
	41,298	(39,013)	2,285	2,728	Negotiation / Company policy	Various
Year ended March 31, 2013	166,023	(108,061)	57,962	33,549		
Year ended March 31, 2012	187,504	135,999	51,505	52,666		

Note **2013** 2012
----- (Rupees in '000) -----

4.4 Capital work-in-progress

Building on freehold land		11,158	4,129
Building on leasehold land		4,740	84,074
Plant and machinery		1,349	31,710
Factory equipment		13,955	15,271
Office equipment		-	1,967
Furniture and fixtures		488	3,994
Electric and gas fittings		3,676	40,053
Vehicles	4.5	1,320	2,130
		<u>36,686</u>	<u>183,328</u>

4.5 This includes advances of Rs.Nil (2012: Rs.2,130 thousand) made to Honda Atlas Cars (Pakistan) Limited - a related party.

	Software licenses	SAP implementation and support cost	License fee	Total
----- (Rupees in '000) -----				
5. Intangible Assets				
As at April 1, 2011				
Cost	38,338	38,041	5,216	81,595
Accumulated amortization	(38,105)	(36,266)	(87)	(74,458)
Net book value	<u>233</u>	<u>1,775</u>	<u>5,129</u>	<u>7,137</u>
Year ended March 31, 2012				
Opening net book value	233	1,775	5,129	7,137
Additions	1,328	-	-	1,328
Amortization for the year (note 24.1)	(541)	(462)	(1,043)	(2,046)
Closing net book value	<u>1,020</u>	<u>1,313</u>	<u>4,086</u>	<u>6,419</u>
As at March 31, 2012				
Cost	39,666	38,041	5,216	82,923
Accumulated amortization	(38,646)	(36,728)	(1,130)	(76,504)
Net book value	<u>1,020</u>	<u>1,313</u>	<u>4,086</u>	<u>6,419</u>
Year ended March 31, 2013				
Opening net book value	1,020	1,313	4,086	6,419
Additions	1,474	-	-	1,474
Amortization for the year (note 24.1)	(845)	(450)	(1,043)	(2,338)
Closing net book value	<u>1,649</u>	<u>863</u>	<u>3,043</u>	<u>5,555</u>
As at March 31, 2013				
Cost	41,140	38,041	5,216	84,397
Accumulated amortization	(39,491)	(37,178)	(2,173)	(78,842)
Net book value	<u>1,649</u>	<u>863</u>	<u>3,043</u>	<u>5,555</u>
Amortisation rate (%) - per annum	<u>50</u>	<u>20</u>	<u>20</u>	
			2013	2012
			----- (Rupees in '000) -----	

6. Long Term Investments - Available for Sale

Unquoted

Arabian Sea Country Club Limited

200,000 ordinary shares of Rs.10 each - cost

2,000 2,000

Less: Impairment in the value of investment

2,000 2,000

Automotive Testing & Training Centre (Private) Limited

50,000 ordinary shares of Rs.10 each - cost

500 500

Less: Impairment in the value of investment

500 500

- -

- -

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
7. Long Term Loans and Advances - Considered Good			
Loans and advances to:			
- executives	7.2 & 7.3	7,938	7,370
- non-executives		44,565	38,686
		<u>52,503</u>	<u>46,056</u>
Less: amounts due within one year and shown under current assets:			
- executives	11	6,604	6,045
- non-executives		20,316	19,591
		<u>26,920</u>	<u>25,636</u>
		<u>25,583</u>	<u>20,420</u>

7.1 These represent interest free loans and advances provided to employees and executives as per the terms of employment. Loans aggregating Rs.38,762 thousand (2012: Rs.30,872 thousand) are provided for purchase of motorcycles and are repayable in forty eight equal monthly instalments. These loans are secured against respective motorcycles and employees' vested retirement benefits. Advances are unsecured and are repayable in eighteen equal monthly instalments.

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
7.2 Reconciliation of the carrying amount of loans and advances to executives		
Balance at beginning of the year	7,370	7,295
Disbursements	11,268	8,854
	<u>18,638</u>	<u>16,149</u>
Repayments	(10,700)	(8,779)
Balance at end of the year	<u>7,938</u>	<u>7,370</u>

7.3 The maximum amount outstanding at the end of any month during the year ended March 31, 2013 from executives aggregated to Rs.7,938 thousand (2012: Rs.6,968 thousand).

7.4 The carrying values of these loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no default ever.

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
8. Stores, Spares and Loose Tools			
Consumable stores		81,156	78,748
Maintenance spares		162,158	131,680
Loose tools		190,619	180,827
Items in transit		18,416	11,532
		<u>452,349</u>	<u>402,787</u>
Provision for slow moving items	9.2	(62,099)	(54,148)
		<u>390,250</u>	<u>348,639</u>

	Note	2013 ----- (Rupees in '000) -----	2012
9. Stock-in-Trade			
Raw materials and components			
- in hand		1,606,447	1,536,770
- held with vendors	9.1	146,118	170,061
		<u>1,752,565</u>	<u>1,706,831</u>
Work-in-process		6,587	11,113
Finished goods			
- motorcycles		27,809	43,893
- spare parts		222,438	220,180
		<u>250,247</u>	<u>264,073</u>
Stocks in transit		172,337	184,436
		<u>2,181,736</u>	<u>2,166,453</u>
Provision for slow moving inventory	9.2	(10,200)	(5,125)
		<u>2,171,536</u>	<u>2,161,328</u>

9.1 Includes raw materials amounting to Rs.12,396 thousand (2012: Rs.8,317 thousand) held with Atlas Engineering Limited - a related party.

	2013 ----- (Rupees in '000) -----	2012	2013 ----- (Rupees in '000) -----	2012
	Stores, spares and loose tools		Stock-in-trade	
9.2 Provision for slow moving inventories				
Balance at beginning of the year	54,148	47,600	5,125	820
Provision for the year	7,951	6,548	5,075	4,305
Balance at end of the year	<u>62,099</u>	<u>54,148</u>	<u>10,200</u>	<u>5,125</u>

9.3 Stock-in-trade and trade debts upto a maximum amount of Rs.4,058,000 thousand (2012: Rs.4,058,000 thousand) are under hypothecation of commercial banks as security for short term finance facilities (note 21).

	Note	2013 ----- (Rupees in '000) -----	2012
10. Trade Debts - Considered Good			
Export - secured	10.1	20,209	16,210
Local - unsecured		494,533	582,055
		<u>514,742</u>	<u>598,265</u>

10.1 Trade debts are secured against letters of credit issued by customers in favour of the Company.

10.2 The banks have lien on export bills / contracts upto a maximum of Rs.400,000 thousand (2012: Rs.400,000 thousand) against foreign currency finance facilities (note 21).

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
10.3 The ageing of trade debts as at March 31 is as follows:		
Not past due	468,168	552,137
Past due within 30 days	38,992	34,706
Past due beyond 30 days but not later than 60 days	7,582	11,422
	<u>514,742</u>	<u>598,265</u>

10.4 Trade debts which are past due beyond thirty days have not been impaired as these are related to various customers for which there is no recent history of default.

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
11. Loans and Advances - Considered Good			
Loans to employees other than executives		386	477
Advances to:			
- employees for incurring business expenses		436	236
- suppliers, contractors and others		5,511	6,803
		5,947	7,039
Current portion of long term loans and advances	7	26,920	25,636
		<u>33,253</u>	<u>33,152</u>

12. Trade Deposits and Prepayments			
Trade deposits - unsecured and considered good		2,373	2,081
Prepayments		45,349	42,751
		<u>47,722</u>	<u>44,832</u>

13. Short Term Investments - at Fair Value through Profit or Loss

2013 ----- Number of units -----	2012 ----- Number of units -----		2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
		Related parties		
1,260,081	668,767	Atlas Income Fund	648,148	343,733
124,653	113,904	Atlas Islamic Income Fund	63,935	58,600
682,619	874,106	Atlas Money Market Fund	344,818	440,821
<u>2,067,353</u>	<u>1,656,777</u>		<u>1,056,901</u>	<u>843,154</u>
		Others		
-	5,262,868	ABL Income Fund	-	52,745
-	649,925	First Habib Income Fund	-	66,506
3,990,367	3,648,648	Lakson Money Market Fund	399,366	364,964
6,517,687	5,865,230	NIT Government Bond Fund	69,999	63,446
6,327,055	5,712,759	NIT Income Fund	69,896	63,480
385,813	61,005	HBL Money Market Fund	39,021	6,285
<u>17,220,922</u>	<u>21,200,435</u>		<u>578,282</u>	<u>617,426</u>
<u>19,288,275</u>	<u>22,857,212</u>		<u>1,635,183</u>	<u>1,460,580</u>

	2013 ----- (Number of shares) -----	2012 -----
16.4 Ordinary shares of the Company held by the related parties as at year end		
Atlas Insurance Limited	2,345,383	2,039,464
Honda Motor Company Limited, Japan	28,953,852	25,177,263
Shirazi Investments (Private) Limited	20,212,687	17,576,250
Shirazi Capital (Private) Limited	20,287,772	17,641,541
	<u>71,799,694</u>	<u>62,434,518</u>
	2013 ----- (Rupees in '000) -----	2012 -----
17. Reserves		
Capital reserves		
Share premium	39,953	39,953
Gain on sale of land	165	165
	<u>40,118</u>	<u>40,118</u>
Revenue reserves		
General reserve:		
At beginning of the year	3,442,000	2,582,000
Transferred from unappropriated profit	630,000	860,000
At end of the year	4,072,000	3,442,000
Unappropriated profit	1,620,789	1,218,466
	<u>5,692,789</u>	<u>4,660,466</u>
	<u>5,732,907</u>	<u>4,700,584</u>
18. Compensated Absences		
Balance at beginning of the year	153,878	129,329
Provision for the year	34,485	32,561
	<u>188,363</u>	<u>161,890</u>
Payments made during the year	(18,115)	(8,012)
Balance at end of the year	<u>170,248</u>	<u>153,878</u>
19. Deferred Taxation		
Credit balance arising in respect of accelerated tax depreciation and amortization	797,252	686,609
Debit balance arising in respect of:		
- provision for slow moving inventories	24,723	20,223
- provision for compensated absences	58,219	52,390
- provision for gratuity	8,071	8,707
- provision for warranty obligation	9,512	7,048
- minimum tax recoverable against normal tax charge in future years	-	21,804
	<u>100,525</u>	<u>110,172</u>
	<u>696,727</u>	<u>576,437</u>

	Note	2013 ----- (Rupees in '000) -----	2012
20. Trade and Other Payables			
Creditors	20.1	2,173,387	2,813,264
Accrued liabilities		679,023	494,999
Royalty payable	20.2	613,886	530,396
Warranty obligations	20.3	27,812	20,657
Advances from customers		613,684	591,401
Retention money		6,311	3,840
Sales tax payable		237,575	175,873
Workers' profit participation fund	20.4	118,931	87,135
Workers' welfare fund	20.5	53,687	32,967
Payable to staff retirement benefit funds - gratuity	20.6	23,603	25,522
Unclaimed dividends		23,690	19,343
Others	20.7	15,714	14,771
		<u>4,587,303</u>	<u>4,810,168</u>

20.1 Creditors include Rs.Nil (2012: Rs.285,050 thousand) pertaining to related parties.

20.2 Royalty payable includes Rs.512,960 thousand (2012: Rs.444,973 thousand) due to Honda Motor Company Limited, Japan - a related party.

	Note	2013 ----- (Rupees in '000) -----	2012
20.3 Warranty obligations			
Balance at beginning of the year		20,657	18,344
Provision for the year		15,966	16,003
		<u>36,623</u>	<u>34,347</u>
Payments made / provision reversed during the year		(8,811)	(13,690)
Balance at end of the year		<u>27,812</u>	<u>20,657</u>
20.4 Workers' profit participation fund			
Balance at beginning of the year		87,135	75,668
Allocation for the year	28	118,558	86,755
Interest on funds utilised in the Company's business	29	373	380
		<u>206,066</u>	<u>162,803</u>
Payments made during the year		(87,135)	(75,668)
Balance at end of the year		<u>118,931</u>	<u>87,135</u>

	Note	2013 ----- (Rupees in '000) -----	2012
20.5 Workers' welfare fund			
Balance at beginning of the year		32,967	28,654
Charge for the year		45,052	32,967
Adjustment for prior year		-	(4,630)
	28	45,052	28,337
		78,019	56,991
Payments made during the year		(24,332)	(24,024)
Balance at end of the year		53,687	32,967

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

	Management		Non-management		Total	
	2013	2012	2013	2012	2013	2012
	----- (Rupees in '000) -----					

20.6.1 Balance sheet reconciliation

Present value of defined benefit obligation	250,053	235,852	31,515	28,619	281,568	264,471
Fair value of plan assets	(158,866)	(150,630)	(54,066)	(44,807)	(212,932)	(195,437)
Payable to related parties in respect of transferees	2,051	6,689	-	-	2,051	6,689
Unrecognized actuarial (loss) / gain	(66,867)	(65,720)	19,783	15,519	(47,084)	(50,201)
Net liability / (asset) at March 31,	26,371	26,191	(2,768)	(669)	23,603	25,522

20.6.2 Movement in net liability / (asset) recognized

Balance at beginning of the year	26,191	22,156	(669)	(404)	25,522	21,752
Charge / (income) for the year	26,371	26,191	(2,099)	(265)	24,272	25,926
Contributions made during the year	(26,191)	(22,156)	-	-	(26,191)	(22,156)
Balance at end of the year	26,371	26,191	(2,768)	(669)	23,603	25,522

20.6.3 Movement in the present value of defined benefit obligation

Balance at beginning of the year	235,852	198,185	28,619	25,865	264,471	224,050
Current service cost	12,092	10,521	1,029	982	13,121	11,503
Interest cost	28,608	28,909	3,706	3,682	32,314	32,591
Benefits paid during the year	(26,548)	(3,189)	(775)	(2,119)	(27,323)	(5,308)
Actuarial loss / (gain)	3,206	2,955	(1,064)	209	2,142	3,164
Payable to related parties in respect of transferees	(3,157)	(1,529)	-	-	(3,157)	(1,529)
Balance at end of the year	250,053	235,852	31,515	28,619	281,568	264,471

20.6.4 Movement in the fair value of plan assets

Balance at beginning of the year	150,630	117,405	44,807	35,146	195,437	152,551
Expected return on plan assets	18,159	16,170	5,607	4,393	23,766	20,563
Contributions made during the year	26,191	22,156	-	-	26,191	22,156
Benefits paid during the year	(26,548)	(3,189)	(775)	(2,119)	(27,323)	(5,308)
Actuarial (loss) / gain	(1,772)	(1,912)	4,427	7,387	2,655	5,475
Payable to related parties in respect of transferees	(7,794)	-	-	-	(7,794)	-
Balance at end of the year	158,866	150,630	54,066	44,807	212,932	195,437

	Management		Non-management		Total	
	2013	2012	2013	2012	2013	2012

(Rupees in '000)

20.6.5 Plan assets comprise of:

Fixed income instruments	10,631	20,918	35,211	29,025	45,842	49,943
Mutual fund securities - units	147,903	128,907	18,688	15,776	166,591	144,683
Others	332	805	167	6	499	811
	<u>158,866</u>	<u>150,630</u>	<u>54,066</u>	<u>44,807</u>	<u>212,932</u>	<u>195,437</u>

20.6.6 Amount recognized in profit and loss account

Current service cost	12,092	10,521	1,029	982	13,121	11,503
Interest cost	28,608	28,909	3,706	3,682	32,314	32,591
Expected return on plan assets	(18,159)	(16,170)	(5,607)	(4,393)	(23,766)	(20,563)
Actuarial loss / (gain) recognized	3,830	2,931	(1,227)	(536)	2,603	2,395
	<u>26,371</u>	<u>26,191</u>	<u>(2,099)</u>	<u>(265)</u>	<u>24,272</u>	<u>25,926</u>

20.6.7 Actual return on plan assets

	<u>18,968</u>	<u>14,258</u>	<u>8,045</u>	<u>4,082</u>	<u>27,013</u>	<u>18,340</u>
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20.6.8 Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the current and previous four years is as follows:

	2013	2012	2011	2010	2009
--	------	------	------	------	------

(Rupees in '000)

Present value of defined benefit obligation	281,568	264,471	224,050	190,249	153,230
Fair value of plan assets	212,932	195,437	152,551	129,080	102,546
Deficit	<u>68,636</u>	<u>69,034</u>	<u>71,499</u>	<u>61,169</u>	<u>50,684</u>
Experience adjustments:					
- on obligations	<u>2,142</u>	<u>3,164</u>	<u>18,336</u>	<u>12,183</u>	<u>11,675</u>
- on plan assets	<u>2,655</u>	<u>5,475</u>	<u>4,804</u>	<u>7,013</u>	<u>(8,284)</u>

	Management		Non-management	
	2013	2012	2013	2012

20.6.9 Principal actuarial assumptions used in the actuarial valuation

Discount rate - per annum	12%	13%	12%	13%
Expected rate of increase in future salaries - per annum	11%	12%	11%	12%
Expected rate of return on plan assets - per annum	12%	13%	12%	13%
Retirement age (years)	60	60	60	60

20.6.10 The expected return on plan assets has been determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

20.6.11 Expected charge and income to management and non-management gratuity plans for the year ending March 31, 2014 are Rs.23,452 thousand and Rs.1,496 thousand respectively.

20.7 Other liabilities include vehicle deposits under Company's vehicle policy aggregating to Rs.8,750 thousand (2012: Rs.6,561 thousand).

21. Short Term Finances

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.2,865,000 thousand (2012: Rs.2,865,000 thousand) and are secured against pari passu hypothecation charge over the Company's stock-in-trade and trade debts to extent of Rs.4,058,000 thousand (2012: Rs.4,058,000 thousand). These finance facilities during the current year carried mark-up at the rates ranging from 9.94% to 13.05% (2012: 12.41% to 14.79%) per annum. These facilities are expiring on various dates by December 31, 2013. The mark-up on these facilities is payable on quarterly basis.

The facilities for opening letters of credit as at March 31, 2013 aggregated to Rs.3,560,000 thousand (2012: Rs.3,560,000 thousand) of which unutilized balance at year end aggregated to Rs.2,210,917 thousand (2012: Rs.2,702,307 thousand). These finance facilities are also secured against pari passu joint hypothecation charge on stock-in-trade and trade debts of the Company.

Foreign currency finance and export re-finance facilities aggregating to Rs.400,000 thousand (2012: Rs.400,000 thousand) are also available to the Company from various commercial banks.

22. Contingencies and Commitments

22.1 Contingencies

22.1.1 Various 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 outcome of these cases will be in favour of the Company and hence no provision is made in these financial statements.

22.1.2 The Commissioner Inland Revenue (Appeals), during the year, has passed an order pertaining to Tax Year 2011 in which certain disallowances of expenses were made. The Company has filed an appeal with the Appellate Tribunal Inland Revenue for points decided against the Company, which is pending adjudication. In the opinion of Company's Tax Consultant, favourable outcome is expected and therefore, no provision has been made in these financial statements.

22.1.3 Guarantees aggregating to Rs.118,315 thousand (2012: Rs.70,740 thousand) are issued by commercial banks to Collector of Customs and other Government Institutions for import of raw materials and spare parts as part of normal operations.

22.2 Commitments

22.2.1 Commitment outstanding for letters of credit relating to capital expenditure, raw materials and components as at March 31, 2013 aggregated to Rs.1,349,083 thousand (2012: Rs.786,953 thousand).

22.2.2 Commitment outstanding for capital expenditure other than through letters of credit as at March 31, 2013 aggregated to Rs.91,220 thousand (2012: Rs.69,708 thousand).

22.2.3 The Company has entered into Ijarah arrangements for electric & gas fittings and vehicles with various banks. Aggregate commitments for these Ijarah arrangements as at March 31, are as follows:

	2013 ----- (Rupees in '000) -----	2012
Not later than one year	119,172	60,867
Over one year to five years	43,626	93,132
	162,798	153,999

23. Sales - Net

Motorcycles and spare parts:

- local	48,660,617	43,306,348
- export	505,685	1,072,277
	49,166,302	44,378,625
Less:		
- trade discount and commission	129,180	121,174
- sales tax and special excise duty	6,711,880	6,245,594
	6,841,060	6,366,768
	42,325,242	38,011,857

	Note	2013 ----- (Rupees in '000) -----	2012
24. Cost of Sales			
Finished goods at beginning of the year		264,073	199,834
Cost of goods manufactured	24.1	36,663,751	33,365,183
Purchases during the year		1,968,472	1,934,949
		38,632,223	35,300,132
Finished goods at end of the year		(250,247)	(264,073)
		<u>38,646,049</u>	<u>35,235,893</u>
24.1 Cost of goods manufactured			
Work-in-process at beginning of the year		11,113	10,112
Raw materials and components consumed	24.2	30,661,228	28,052,870
Direct labour	24.3	639,342	542,843
Technical directors' remuneration		1,888	1,786
Staff salaries, wages and other benefits	24.3	753,927	644,174
Stores consumed		561,517	521,807
Fuel and power		622,853	578,047
Insurance		73,959	67,105
Rent, rates and taxes		45,578	41,581
Ijarah rentals		67,050	61,464
Repair and maintenance		217,094	186,347
Royalty		2,179,846	1,976,443
Technical assistance fee		29,984	26,595
Travelling, conveyance and entertainment		40,877	38,750
Postage and telephone		7,299	5,767
Printing and stationery		9,569	7,006
Vehicle running expenses		24,533	19,605
Depreciation	4.2	585,874	466,905
Canteen		77,400	73,274
Newspapers, magazines and subscriptions		3,983	3,928
Amortization of intangible assets	5	2,338	2,046
Provision for slow moving inventories	9.2	13,026	10,853
Marking fee		39,596	35,482
Other manufacturing expenses		464	1,506
		<u>36,670,338</u>	<u>33,376,296</u>
Work-in-process at end of the year		(6,587)	(11,113)
		<u>36,663,751</u>	<u>33,365,183</u>
24.2 Raw materials and components consumed			
Stocks at beginning of the year		1,706,831	1,652,572
Purchases during the year		30,706,962	28,107,129
		<u>32,413,793</u>	<u>29,759,701</u>
Stocks at end of the year		(1,752,565)	(1,706,831)
		<u>30,661,228</u>	<u>28,052,870</u>

24.3 Direct labour and staff salaries, wages and other benefits include Rs.58,681 thousand (2012: Rs.49,769 thousand) in respect of staff retirement benefits.

24.4 Purchases include government rebates netted-off aggregating to Rs.24,723 thousand (2012: Rs.22,708 thousand).

	Note	2013 ----- (Rupees in '000) -----	2012
25. Sales and Marketing Expenses			
Directors' remuneration		37,619	32,173
Staff salaries and other benefits	25.1	207,452	176,263
Travelling, conveyance and entertainment		67,686	57,708
Vehicle running expenses		17,997	14,879
Rent, rates and taxes		29,777	26,297
Advertisement and sales promotion		409,970	276,008
Repair and maintenance		6,498	5,917
Gas and electricity		8,476	5,878
Freight outward		336,172	296,279
Printing and stationery		3,156	3,760
Postage and telephone		14,297	10,866
First free service charges		54,656	49,474
Insurance		8,427	7,303
Newspapers, magazines and subscriptions		4,084	2,741
Others		381	337
		1,206,648	965,883

25.1 Staff salaries and other benefits include Rs.20,416 thousand (2012: Rs.17,681 thousand) in respect of staff retirement benefits.

	Note	2013 ----- (Rupees in '000) -----	2012
26. Administrative Expenses			
Directors' remuneration		20,853	19,509
Directors' meeting fee		80	100
Staff salaries and other benefits	26.1	222,767	198,246
Travelling, conveyance and entertainment		14,768	9,907
Rent, rates and taxes		10,019	9,079
Insurance		5,287	5,196
Repair and maintenance		10,180	8,702
Legal and professional charges		7,475	2,653
Gas and electricity		2,109	1,332
Newspapers, magazines, fees and subscriptions		3,216	4,734
Postage and telephone		2,840	2,288
Printing and stationery		12,207	9,550
Vehicle running expenses		12,219	10,812
Staff training		11,666	9,299
Depreciation	4.2	35,248	29,822
Donation	26.2	16,280	14,205
Others		263	220
		387,477	335,654

26.1 Staff salaries and other benefits include Rs.20,460 thousand (2012: Rs.26,625 thousand) in respect of staff retirement benefits.

26.2 Donation of Rs.16,200 thousand (2012: Rs.14,105 thousand) charged in these financial statements is paid to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi (the Foundation). Mr. Yusuf H. Shirazi, Chairman and Mr. Saquib H. Shirazi, Chief Executive Officer of the Company are trustees of the Foundation.

	Note	2013 ----- (Rupees in '000) -----	2012
27. Other Operating Income			
Income from financial assets			
Mark-up / interest on savings accounts and TDRs		115,882	92,709
Gain on sale of investments		21,852	11,177
Net change in fair value of investments at fair value through profit or loss		125,627	119,068
Exchange gain - net		2,276	1,751
		<u>265,637</u>	<u>224,705</u>
Income from non-financial assets			
Commission income		14,838	12,818
Gain on disposal of operating fixed assets		-	1,161
Scrap sales		38,532	32,740
		<u>53,370</u>	<u>46,719</u>
Others		3,661	3,029
		<u>322,668</u>	<u>274,453</u>
28. Other Operating Expenses			
Auditors' remuneration	28.1	2,022	2,025
Workers' profit participation fund	20.4	118,558	86,755
Workers' welfare fund	20.5	45,052	28,337
Loss on disposal of operating fixed assets		24,413	-
Operating fixed assets written-off	4.1	408	45
		<u>190,453</u>	<u>117,162</u>
28.1 Auditors' remuneration			
Audit fee		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		438	441
Out of pocket expenses		79	79
		<u>2,022</u>	<u>2,025</u>
29. Finance Cost			
Mark-up / interest on:			
- short term finances		857	2,014
- long term borrowings		-	1,781
		<u>857</u>	<u>3,795</u>
Interest on workers' profit participation fund	20.4	373	380
Bank charges		8,496	7,542
		<u>9,726</u>	<u>11,717</u>

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
30. Taxation		
Current year	501,853	388,532
Adjustments of prior years	(22,390)	(29,052)
Deferred	120,290	56,412
	<u>599,753</u>	<u>415,892</u>
30.1 Relationship between tax expense and accounting profit		
Profit before taxation	2,207,557	
Tax at the applicable rate of 35%	772,645	
Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account	284,784	
Tax effect of expenses, which are deductible for tax purposes but are not taken to profit and loss account	(356,205)	
Tax effect of income subject to final tax regime	(8,338)	
Tax effect of income exempt from tax	(51,530)	
Effect of tax credits	(139,503)	
Effect of prior years' tax	(22,390)	
Deferred taxation	120,290	
	<u>599,753</u>	
30.2	No numeric tax rate reconciliation for preceding year is given in the financial statements, as provision made during the preceding year was minimum tax due under section 113 and final tax deducted under sections 148, 154 and 233 of the Income Tax Ordinance, 2001.	

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
31. Earnings Per Share - Basic and Diluted		
Net profit for the year	<u>1,607,804</u>	<u>1,204,109</u>
	----- Number of shares ----- Restated	
Weighted average number of ordinary shares in issue during the year	<u>82,725,291</u>	<u>82,725,291</u>
	----- (Rupees) -----	
Basic earnings per share	<u>19.44</u>	<u>14.56</u>
31.1	There is no dilutive effect on the basic earnings per share of the Company. Number of shares in issue and earnings per share for the year ended March 31, 2012 have been restated taking the effect of bonus shares at the rate of 15% issued during the current financial year.	

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
32. Cash Generated from Operations			
Profit before taxation		2,207,557	1,620,001
Adjustments for non-cash charges and other items			
Depreciation of operating fixed assets		621,122	496,727
Amortization of intangible assets		2,338	2,046
Net change in fair value of investments at fair value through profit or loss		(125,627)	(119,068)
Gain on sale of investments		(21,852)	(11,177)
Mark-up / interest on savings deposit accounts and TDRs		(115,882)	(92,709)
Mark-up / interest on short term finances		857	3,795
Workers' profit participation fund		118,931	87,135
Workers' welfare fund		45,052	28,337
Provision for compensated absences		34,485	32,561
Provision for gratuity		24,272	25,926
Loss / (gain) on disposal of operating fixed assets		24,413	(1,161)
Operating fixed assets written-off		408	45
Provision for slow moving inventories		13,026	10,853
		<u>621,543</u>	<u>463,310</u>
Working capital changes	32.1	(253,087)	135,455
		<u>2,576,013</u>	<u>2,218,766</u>

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
32.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(41,611)	(29,296)
Stock-in-trade	(23,234)	(162,604)
Trade debts	83,523	(196,830)
Loans and advances	(101)	373
Trade deposits and prepayments	(2,890)	(7,896)
Other receivables	9,036	(263)
	<u>24,723</u>	<u>(396,516)</u>
Increase in trade and other payables	(277,810)	531,971
	<u>(253,087)</u>	<u>135,455</u>
32.2 Cash flows from operating activities (direct method)		
Receipts from customers	42,433,272	37,830,953
Mark-up / interest received	108,627	96,878
Payments to trade suppliers, service providers and employees	(39,855,093)	(35,615,167)
Mark-up / interest paid	(857)	(10,173)
Income tax paid	(321,436)	(452,034)
Contributions made to gratuity funds	(26,191)	(22,156)
Compensated absences paid	(18,115)	(8,012)
Workers' profit participation fund paid	(87,135)	(75,668)
Workers' welfare fund paid	(24,332)	(24,024)
	<u>2,208,740</u>	<u>1,720,597</u>

33. Information about Company's Products

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

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Motorcycles		
- local sales	39,045,142	34,392,859
- exports	477,829	1,018,263
	<u>39,522,971</u>	<u>35,411,122</u>
Spare parts		
- local sales	2,784,616	2,578,789
- exports	17,655	21,946
	<u>2,802,271</u>	<u>2,600,735</u>
	<u>42,325,242</u>	<u>38,011,857</u>

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

34. Financial Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- market risk (including foreign currency risk, interest rate risk and other price risk);
- credit risk; and
- liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the 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.

34.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

The Company is exposed to currency risk on imports of raw materials, stores & spares, plant & machinery and exports of motorcycles and spare parts. The Company's exposure to foreign currency risk at the reporting date is as follows:

	2013		2012	
	Japanese Yen	US Dollar	Japanese Yen	US Dollar
	------(Amounts in '000)-----			
Trade debts	-	206	-	179
Trade and other payables	(497,205)	(118)	(411,700)	(193)
Net balance sheet exposure	<u>(497,205)</u>	<u>88</u>	<u>(411,700)</u>	<u>(14)</u>

The following significant exchange rates have been applied:

	2013	2012	2013	2012
	Average rate		Balance sheet date rate	
	------(Rupees)-----			
Japanese Yen to Rupee	1.15	1.10	1.04	1.10
U.S. Dollar to Rupee	95.72	87.52	98.30	90.70

At the reporting date, if Rupee had strengthened by 5% against Japanese Yen and U.S. Dollar with all other variables held constant, profit before taxation for the year would have increased by the amount shown below, mainly as a result of net foreign exchange gain / (loss) on translation of financial assets and liabilities.

	2013	2012
	----- (Rupees in '000) -----	
Effect on profit before taxation for the year		
Japanese Yen to Rupee	25,969	22,644
U.S. Dollar to Rupee	(433)	63
	<u>25,536</u>	<u>22,707</u>

The weakening of Rupee against Japanese Yen and U.S. Dollar would have had an equal but opposite impact on the profit before taxation of the Company.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(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 balances with banks in savings deposit accounts and TDRs. Deposits in bank savings accounts held at variable interest rate expose the Company to cash flow interest rate risk and TDRs 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.

As at March 31, 2013, the Company's interest bearing financial assets amounted to Rs.2,186,733 thousand (2012: Rs.1,611,078 thousand) and if the interest rate varied by 1% with all other variables held constant, profit before taxation for the year would have been approximately higher / lower by Rs.11,867 thousand (2012: Rs.14,111 thousand), mainly as a result of higher / lower interest income.

(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 foreign currency risk or interest rate 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.1,635,183 thousand (2012: Rs.1,460,580 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 funds at the reporting date would have increased / (decreased) profit before taxation for the year and investments by the amounts shown below:

	2013 ----- (Rupees in '000) -----	2012 -----
Effect on profit before tax	<u>81,759</u>	<u>73,029</u>
Effect on investments	<u>81,759</u>	<u>73,029</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / investments of the Company.

34.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk mainly arises from trade deposits, trade debts, loans and advances, investments, accrued mark-up / interest, other receivables and deposits with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The financial assets exposed to credit risk aggregated to Rs.4,965,806 thousand (2012: Rs.4,277,022 thousand) as at March 31, 2013. Out of the total financial assets, credit risk is concentrated in trade debts, investments in mutual fund securities and deposits with banks as they constitute 98% (2012: 98%) of the total financial assets.

Significant part of sales of the Company occurs against advance payments, therefore, trade debts mainly arise from exports and local sales made to Government 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 investments in mutual fund securities 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 maximum exposure to credit risk at the end of the reporting period is as follows:

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Investments at fair value through profit or loss		
Short term investments	1,635,183	1,460,580
Loans and receivables		
Long term loans and advances	25,583	20,420
Long term deposits	8,399	15,728
Trade debts	514,742	598,265
Loans and advances	27,306	26,113
Trade deposits	2,373	2,081
Accrued mark-up / interest	11,603	4,348
Other receivables	629	333
Bank balances	2,739,988	2,149,154
	3,330,623	2,816,442
	4,965,806	4,277,022

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

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Pakistan	494,533	582,055
Bangladesh	20,209	16,210
	514,742	598,265

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

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Government departments	29,104	23,769
Defence institutions	423,803	532,139
Others (including exports)	61,835	42,357
	514,742	598,265

The credit quality of loans and receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. The credit quality of Company's bank balances and short term investments can be assessed with reference to the external credit ratings as follows:

Banks	Rating		Rating agency
	Short term	Long term	
Allied Bank Limited	A1+	AA+	PACRA
Bank Al Habib Limited	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA	PACRA
Barclays Bank PLC, Pakistan	A-1	A+	S&P
Deutsche Bank AG	A-1	A+	S&P
Faysal Bank Limited	A1+	AA	PACRA
Habib Bank Limited	A1+	AAA	JCR-VIS
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
MCB Bank Limited	A1+	AAA	PACRA
Meezan Bank Limited	A1+	AA-	JCR-VIS
National Bank of Pakistan	A1+	AAA	JCR-VIS
NIB Bank Limited	A1+	AA-	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
The Bank of Tokyo Mitsubishi UFJ Limited	A-1	A+	S&P
United Bank Limited	A1+	AA+	JCR-VIS

Mutual funds	Rating	Rating agency
Atlas Income Fund	A+(f)	PACRA
Atlas Islamic Income Fund	AA-(f)	PACRA
Atlas Money Market Fund	AA+(f)	PACRA
Lakson Money Market Fund	AA(f)	PACRA
NIT Government Bond Fund	AA(f)	PACRA
NIT Income Fund	A+(f)	PACRA
HBL Money Market Fund	AA(f)	JCR-VIS

34.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and balances with banks. As at March 31, 2013, there is no maturity mismatch between financial assets and liabilities that exposes the Company to liquidity risk.

34.4 Fair value hierarchy

The below table analyzes financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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 asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and

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

The following table presents the Company's assets that are measured at fair value as at March 31, 2013:

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
As at March 31, 2013				
Financial assets at fair value through profit or loss				
- short term investments	1,635,183	-	-	1,635,183
As at March 31, 2012				
Financial assets at fair value through profit or loss				
- short term investments	1,460,580	-	-	1,460,580

34.5 Fair value of financial assets and liabilities

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

34.6 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate 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 the ordinary shareholders.

The capital structure of the Company is equity based with no financing through long term or short term borrowings at the reporting date.

There was no change in the Company's approach to capital management during the year.

35. Transactions with Related Parties

Related parties comprise of Associated Companies, directors of the Company, key management personnel and staff retirement funds. The Company in the normal course of business carries out transactions with various related parties. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 36. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

		2013	2012	
		--- Rupees in '000 ---		
Relationship with the company	Nature of transactions			
(i) Associates	Sales			
	- goods and services	232,091	31,407	
	- operating fixed assets	9,243	5,282	
	Purchases			
	- goods and services	4,946,662	5,117,052	
	- operating fixed assets	19,354	48,473	
	Sale of units in mutual funds	200,000	50,000	
	Purchase of units in mutual funds	325,000	230,000	
	Royalty	1,981,512	1,804,798	
	Export commission	10,200	32,068	
	Technical assistance fee	8,121	11,848	
	Commission income	14,838	12,818	
	Rent	69,402	60,959	
	Insurance premium paid	208,790	211,293	
	Insurance claims received	20,991	6,064	
	Reimbursement of expenses - net	478	57,132	
	Dividend paid	405,824	352,891	
	Donation paid	16,200	14,105	
			--- Number of shares ---	
		Bonus shares issued	9,365,176	8,143,631
		--- Rupees in '000 ---		
(ii) Staff retirement funds	Contributions paid to:			
	- gratuity funds	26,191	22,156	
	- provident funds / pension schemes	40,799	35,588	

36. Remuneration of Chief Executive Officer, Directors and Executives

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

	Chief Executive Officer		Directors		Executives	
	2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----						
Managerial remuneration	12,260	11,424	19,265	18,231	201,774	179,997
Rent and utilities	5,911	5,464	8,311	7,865	96,280	86,085
Bonus	4,670	2,910	6,499	4,052	74,552	44,347
Retirement benefits	1,182	1,093	1,297	1,573	18,086	17,217
Medical and other reimbursable expenses	218	46	747	810	9,315	8,038
	<u>24,241</u>	<u>20,937</u>	<u>36,119</u>	<u>32,531</u>	<u>400,007</u>	<u>335,684</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>191</u>	<u>170</u>

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

36.1 Remuneration to other directors

Aggregate amount charged in the financial statements for meeting fees to three (2012: two) Directors was Rs.80 thousand (2012: Rs.100 thousand).

37. 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.

38. Non-Adjusting Event After the Balance Sheet Date

The Board of Directors, in its meeting held on April 30, 2013, (i) approved the transfer of Rs.630,000 thousand (2012:Rs.630,000 thousand) from unappropriated profit to general reserve and (ii) proposed a final cash dividend of Rs.7.50 (2012: Rs.6.50) per share and issue of bonus shares at the rate of 25% (2012: 15%) i.e. 1 bonus share for every 4 shares held (2012: 3 bonus shares for every 20 shares held), amounting to Rs.620,440 thousand and Rs.206,813 thousand (2012: Rs.467,578 thousand and Rs.107,903 thousand) respectively, for the year ended March 31, 2013.

These financial statements for the year ended March 31, 2013 do not include the effect of the aforementioned appropriations, which will be accounted for in the financial statements for the year ending March 31, 2014, once these appropriations are approved in the forthcoming Annual General Meeting to be held on June 19, 2013.

39. Date of Authorization for Issue

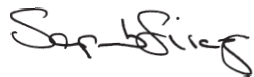
These financial statements were authorized for issue on April 30, 2013 by the Board of Directors of the Company.

40. Corresponding Figures

Previous year figures have been re-arranged and / or re-classified, whenever necessary, for the purpose of comparison in the financial statements. For the purpose of better presentation re-classifications made in these financial statements were as follows:

Re-classification from component	Re-classification to component	Note	Rupees in '000
Balance sheet			
Deferred liabilities	Compensated absences	18	153,878
	Deferred taxation	19	576,437


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

Glossary of Terms

Acronym	Description	Acronym	Description
ACG	Alternate Current Generator	ICAP	Institute of Chartered Accountants of Pakistan
AGM	Annual General Meeting	ICMAP	Institute of Cost Management Accountants of Pakistan
AHL	Atlas Honda Limited	IFAS	Islamic Financial Accounting Standards
AHTL	Atlas Hitec (Private) Limited	IFRS	International Financial Reporting Standards
B2B	Business to Business	IMF	International Monetary Fund
CAD / CAM	Computer Aided Design and Computer Aided Manufacturing	ISO	International Standardization Organization
CAGR	Compounded Annual Growth Rate	KSE	Karachi Stock Exchange
CBU	Completely Brought Up	LSE	Lahore Stock Exchange
CDC	Central Depository Company of Pakistan Limited	LSM	Large Scale Manufacturing
CDI	Capacitor Discharge Ignition	MFN	Most Favourite Nation
CEO	Chief Executive Officer	NA	Not Applicable
CFO	Chief Financial Officer	NAV	Net Asset Value
CKD	Completely Knocked Down	NBFI	Non-Banking Finance Institutions
CNIC	Computerized National Identity Card	NHC	New Honda Circle
COO	Chief Operating Officer	PBT	Profit Before Taxation
CPI	Consumer Price Index	PERAC	Public Employee Retirement Administration Commission
CSR	Corporate Social Responsibility	POL	Petroleum, Oil and Lubricants
DFI	Development Finance Institutions	PSDP	Public Sector Development Programs
EOBI	Employee Old-Age Benefits Institution	RCC	Roller Compacted Concrete
EPS	Earnings per Share	RMF	Risk Management Function
ERP	Entity Resource Planner- software	SAFA	South Asian Federation of Accountants
GAAP	Generally Accepted Accounting Principles	SAP	Standard Application Protocol - ERP system
GDP	Gross Domestic Product	SECP	Securities and Exchange Commission of Pakistan
GST	General Sales Tax	SNG	Synthetic Natural Gas
HPDC	High Pressure Die Casting	SRO	Statutory Regulatory Order
IAS	International Accounting Standards	TDR	Term Deposit Receipt
IASB	International Accounting Standards Board	VAS	Value Added Statement

Pattern of Shareholding As at March 31, 2013

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Associated Companies, Undertakings and Related Parties			
Atlas Insurance Limited	1	2,345,383	2.84
Honda Motor Company Limited, Japan	1	28,953,852	35.00
Shirazi Investments (Private) Limited	1	20,212,687	24.43
Shirazi Capital (Private) Limited	1	20,287,772	24.52
	4	71,799,694	86.79
NIT and ICP			
National Bank of Pakistan-Trustee Department	1	243,191	0.29
IDBP (ICP Unit)	1	1,855	0.00
	2	245,046	0.30
Directors, CEO and their Spouses, Minor children and Associates			
Mr. Yusuf H. Shirazi & Associates	3	3	0.00
Mr. Saquib H. Shirazi (CEO)	1	1	0.00
Mr. Sanaullah Qureshi	1	320	0.00
Mr. Shigeki Takane	1	1	0.00
	6	325	0.00
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	1	116,121	0.14
General Public	1,271	7,282,466	8.80
Others	35	3,281,639	3.97
Total	1,319	82,725,291	100.00
Shareholders Holding 10% or More Voting Interest			
Honda Motor Company Limited, Japan		28,953,852	35.00
Shirazi Investments (Private) Limited		20,212,687	24.43
Shirazi Capital (Private) Limited		20,287,772	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. Shigeki Takane	Mr. Takashi Nagai (former Director)	1	10-Apr-12	145.04	Mr. Takashi Nagai sold his share to Mr. Shigeki Takane upon his retirement from the Board of Directors.

Pattern of Shareholding As at March 31, 2013

Number of Shareholders	Shareholdings				Total Shares Held
399	From	1	To	100	10,924
311	From	101	To	500	81,314
139	From	501	To	1,000	106,962
253	From	1,001	To	5,000	581,744
92	From	5,001	To	10,000	669,839
29	From	10,001	To	15,000	357,858
24	From	15,001	To	20,000	388,545
16	From	20,001	To	25,000	351,943
3	From	25,001	To	30,000	80,806
8	From	30,001	To	35,000	262,624
9	From	35,001	To	40,000	334,732
2	From	50,001	To	55,000	106,575
2	From	55,001	To	60,000	116,922
3	From	60,001	To	65,000	188,877
1	From	65,001	To	70,000	66,641
1	From	70,001	To	75,000	72,857
2	From	75,001	To	80,000	156,601
2	From	90,001	To	95,000	182,157
4	From	95,001	To	100,000	389,316
1	From	115,001	To	120,000	116,121
1	From	120,001	To	125,000	121,372
2	From	125,001	To	130,000	255,178
2	From	140,001	To	145,000	284,817
1	From	170,001	To	175,000	174,900
1	From	180,001	To	185,000	182,102
1	From	220,001	To	225,000	222,053
1	From	245,001	To	250,000	247,615
1	From	260,001	To	265,000	264,600
1	From	390,001	To	395,000	393,467
1	From	560,001	To	565,000	561,094
1	From	820,001	To	825,000	822,327
1	From	2,345,001	To	2,350,000	2,345,383
1	From	2,770,001	To	2,775,000	2,772,714
1	From	20,210,001	To	20,215,000	20,212,687
1	From	20,285,001	To	20,290,000	20,287,772
1	From	28,950,001	To	28,955,000	28,953,852
1,319					82,725,291

Pattern of Shareholding As at March 31, 2013

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Directors, CEO their spouses, minor children and associates	6	325	0.00
* Associated companies, undertakings and related parties	4	71,799,694	86.79
NIT and ICP	2	245,046	0.30
Banks, development finance institutions, non-banking finance institutions, insurance companies, modarabas and mutual funds	1	116,121	0.14
General public			
Local	1,271	7,282,466	8.80
Foreign	-	-	-
Others			
Corporate Law Authority (SECP)	1	1	0.00
Joint stock companies	32	3,280,860	3.97
Cooperative Society	1	777	0.00
Trustee of Iftikhar Shirazi Family Trust	1	1	0.00
	1,319	82,725,291	100.00

* Note: Includes the following associated companies:

Atlas Insurance Limited: 2,345,383 shares

Honda Motor Company Limited, Japan: 28,953,852 shares

Shirazi Investments (Private) Limited: 20,212,687 shares

Shirazi Capital (Private) Limited: 20,287,772 shares

Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 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
 Atlas Autos	2011
 Atlas Hitec	2012
 Atlas Metals	2012

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 49th Annual General Meeting of the Company to be held at the Registered Office of the Company at 1-Mcleod
Road, Lahore, on Wednesday, June 19, 2013 at 11:00 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2013
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 CNIC or Passport with this proxy form before submission to the Company.



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

AFFIX
POSTAGE

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Atlas Honda Limited

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E-mail: ahl@atlas.com.pk
Website: www.atlashonda.com.pk