

ATLAS HONDA LIMITED

ANNUAL REPORT 1996-97

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CORPORATE DATA

BOARD OF DIRECTORS

CHAIRMAN

Mr. Yusuf H. Shirazi

DIRECTORS

Mr. Aamir H. Shirazi

Mr. Aitzaz Shahbaz

Mr. Sherahli Mundrawala

Mr. Satoshi Toshida

Mr. Sheikh Jahangir

Mr. Takemi Ishikawa

Company Secretary

Mr. Saleem Ahmed

EXECUTIVE CO GROUP

CHAIRMAN

Mr. Yusuf H. Shirazi

MEMBERS

Mr. Jawaid Iqbal Ahmed

Mr. Fahim Ali Khan

Mr. Iftikhar H. Shirazi

Mr. Aamir H. Shirazi

Mr. Saquib H. Shirazi

Secretary

Mr. Amjad Hussain

GROUP PERSONNEL COMMITTEE:

CHAIRMAN

Mr. Yusuf H. Shirazi

GROUP AUDIT COMMITTEE:

CHAIRMAN

Mr, Sanauallah Qureshi

COMPANY MANAGEMENT:

CHIEF EXECUTIVE OFFICER

Mr. Aamir H. Shirazi

TECHNICAL DIRECTOR

Mr. Takerni Ishikawa

DIRECTOR FINANCE

Mr. Saleem Ahmed

GENERAL MANAGER MARKETING

Mr. Nurul Hoda

GENERAL MANAGER HUMAN RESOURCES

Mr. Zamir Haider

AUDITORS:

Hameed Chaudhri & Co.
Chartered Accountants

LEGAL ADVISORS:

Mohsin Tayebaly & Co.

TAX ADVISORS:

Mahmood Law Associates

BANKERS & LENDING INSTITUTIONS:

BANKERS

Credit Agricole Indosuez
Deutsche Bank AG
Emirates Bank International Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
The Bank of Tokyo-Mitsubishi Limited
United Bank Limited

LENDING INSTITUTIONS

National Investment Trust Limited
National Development Finance Corporation

REGISTERED & HEAD OFFICE:

1-McLeod Road, Lahore-54000
Tel: (92-42) 7225015-17, 7233515-17
Fax: (92-42) 7233518

FACTORIES:

KARACHI

F-36, Estate Avenue, S.I.T.E.,
Karachi-75730
Tel: (92-21) 2575561-65
Fax: (92-21)2563758

SHEIKHUPURA

26-27 KM, Lahore-Sheikhupura Road,
Sheikhupura-39321
Tel: (92-4931) 6655-57, (92-42) 7222222
Fax: (92-342) 354111

BRANCH OFFICES:

MULTAN OFFICE

Azmat Wasti Road, Multan
Tel: 31990,571989, 72028
Fax: 541690

WARRANTY & TRAINING CENTRES

7-Pak Chambers,
West Wharf Road, Karachi.
Tel: 2310142

RAWALPINDI OFFICE

Room 9, 2nd Floor
Sunny Plaza, Chandni Chowk,
Murree Road, Rawalpindi
Tel: 455328
Fax: 847928

10-C, Main Road,
Gulshan-e-Ravi, Lahore
Tel: 7463108

Azmat Wasti Road,
Multan
Tel: 72028

SHOW ROOM

West View Building,
Preedy Street, Saddar, Karachi.
Tel: 7720833, 7727607

Service Factory
366/A, Gulistan Colony No.2
Near Millat Chawk
Shaikhupura Road,
Faisalabad - 38700

SPARE PARTS DIVISION

D-181/A, Shershah Road,
S.I.T.E., Karachi
Tel: 2561615-16, 293929-30
Fax: 2561616

NOTICE OF ANNUAL GENERAL MEETING

The Thirty third Annual General Meeting of the Company will be held on Wednesday, 26 November 1997 at 10.30 A.M. at 1-McLeod Road, Lahore to transact the following business:

1. To confirm the Minutes of the Thirty Second Annual General Meeting held on 2 December, 1996.
2. To consider and adopt the Audited Accounts of Atlas Honda Limited together with the Directors' and Auditors' reports for the year ended 30 June, 1997.
- 3.(a) To consider and approve the recommendation of Directors for cash dividend of 15% (Rs. 1.50 per share) for the year ended 30 June , 1997 and for 10% Bonus issue (One fully paid-up share for every ten shares held.)
(b) To consider and, if thought fit, pass with or without modification(s) the following:

Ordinary Resolution:

(i) "Resolved that a sum of Rs. 13,270,660 out of Company's Profits be capitalized for issuing 1,327,066 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 business on 15 November, 1997 in the proportion of one share for every ten shares held by a member. The said shares shall rank pari passu with the existing shares of the company as regards future dividends, and all other respects.

(ii) Further Resolved that in the event of any member holding shares which are less than the number of which one bonus share is decided to be issued or in excess by exact multiple thereof the Directors be and are hereby authorized to combine them and to sell the bonus shares so combined in the stock market and to pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 1979.

(iii) Further Resolved that for the purpose of giving effect to the foregoing the Directors be and are hereby authorized to give such directions as may be necessary and as they deem fit to settle any question or any difficulties that may arise in the distribution of the new bonus shares in the payment of the sale proceeds of the fractions.

4. To appoint Auditors for the year 1997-98 and to fix their remuneration.

5. as may be placed before the meeting with the permission of the chair.

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

BOOK CLOSURE

1. The share transfer book of the Company will be closed from 16 November, 1997 to 26 November, 1997 (both days inclusive).

PROXY

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.
2. No person shall act as proxy unless he is member of the Company.
3. Signature of shareholder on Proxy Application must agree with the specimen signature registered with the Company. Appropriate revenue stamp should be affixed on the Proxy Application.
4. For the convenience of the shareholders a Proxy Application format is attached with this report.
5. Shareholders are requested to immediately notify the Company of any change in their

CHAIRMAN'S REVIEW

I take great pleasure to welcome you to this Thirty Third Annual General Meeting and present the Annual Report and review of the performance of your Company for the year ended 30 June 1997.

THE ECONOMY

The Fiscal Year 1996-97 was one of the most difficult years in the economic history of Pakistan. Most economic indicators showed a trend of decline. During the year, the GDP growth was 3.1%, a decline against the growth of 6.4% during 1995-96. Agriculture, the largest contributing sector, showed a negligible growth of 0.7% as against 5.3 % in the preceding year. The growth of the manufacturing sector was 1.8% compared with 4.4% during the last year. The large scale manufacturing registered a decline of 1.4%. Heavy taxation, high prices of raw materials, escalating cost of loans and high utility charges were the main reasons which impeded the growth of the Industrial sector.

Despite the imposition of additional taxes of Rs. 40.8 billion in the Budget 1996-97 and a further Rs.13.0 billion through another tax package announced in October 1996, the fiscal deficit widened to 6.2% of GDP as against the budgeted target of 4.0%. Inflation during the year increased to 11.6%. The rupee devalued by 15%, utility tariffs increased by 6.25% and revision in sales tax from 15% to 18% increased the cost of production. The high deficit financing at 6.3% had corresponding inflationary impact of 11.6%. As a result, the balance of payment came under pressure during the year. The exports decreased by 5.4%, imports decreased by 1.47% and the trade deficit increased to US \$ 3.37 billion.

THE GROUP PERFORMANCE

The Atlas Group, of which your company is a constituent member, relies on intellectual capital. Harmonizing human capital, owners capital and market capital-the Group image at the Government, business and international levels remaining within the bounds of law, morality and good practices-is our entrepreneurial brand equity.

The Atlas Group is a diversified group dealing in engineering, financial services, trading, office equipments and information technology. It consists of seven public limited companies quoted on the stock exchanges in Pakistan and six private limited companies (vide annexure). Atlas shareholders equity has grown to Rs. 2 billion over the years; assets have increased to over

Rs. 8 billion; personnel strength is over 2500 and sales have crossed the Rs. 8 billion mark. The group paid taxes of Rs. 2.40 billion being 30% of the total turnover and your Company's share of Rs. 1.24 billion being 35.51% of the company's total sales, not a small amount by any standard for an industry providing for the common man's means of transportation.

The total paid up capital of the seven listed companies stood at Rs. 855 million and free reserves and surplus at Rs. 903 million. The total equity in listed companies stood at Rs. 1,758 million by 1997. The net worth value per Rs. 10/- worked out to Rs. 20.56. Out of these seven companies, two companies have been rated 'A+' and three 'A' by the credit rating and other evaluating agencies. Your company is rated 'A+'. Your company ranked 39th in overall performance among 577 industrial companies (total 782 companies) listed on the Karachi Stock Exchange. In sales the ranking stood at 28th:

The seven companies, set up at different times- the earliest in 1963 with a paid up capital of Rs. 2.00 million and the latest in 1993 with a paid up capital of Rs. 400.00 million - have paid cash dividend of Rs. 244.28 million and bonus of Rs. 166.55 million (market value Rs, 404.43 million) against the paid up capital of Rs. 855.15 million.

Your Company was set up in 1963 with a paid up capital of Rs. 2.00 million which has grown to Rs. 132.707 million. The total equity at Rs. 392.570 million include reserves and the unappropriated profit of Rs. 259.863 million. During this period the Company issued bonus shares of Rs. 79.857 million (market value Rs. 255.542 million at Rs. 32.00 per share) and paid cash dividend of Rs. 112.582 million against the shareholders' investment of Rs. 106.240 million.

HONDA 100 MILLION ACHIEVEMENT / THE MOTORCYCLE INDUSTRY

On 13th October '97 the 100 million motorcycle rolled out at Honda's Kumamoto factory in Japan. This is a world record. Honda Motorcycles have the largest population in the world and continues to be the No.1 motorcycle in all respects, in market share with a complete back up of after sales, service and supply of parts. Together with the automobiles and the power products Honda achieved a record sale of US \$ 42,653.521 million and profit before tax of US \$ 3,305.496 million, with profitability ranking of 5th among the top automobile manufacturers of the world.

Atlas Group has the privilege to represent the complete range of Honda products-motorcycles, automobiles and the power products. In Pakistan, the first motorcycle rolled out in March 1965 and

now has the largest population of motorcycles- the Honda brand total in Pakistan is 931,000 out of a total estimated 1,550,000 motorcycles. It has continued to be No.1 - now enjoying 61% market share in Pakistan and second only to Brazilian Honda's market share of 80%.

The Motorcycle Industry went through a mixed experience during the year under review. There was a devaluation of 8.5% in October 1996, then a bad cotton crop and political uncertainty in the 2nd quarter which all had a considerable adverse impact on the market. With the establishment of the new Government speculation about downward revision of duties and taxes mounted until the end of the 3rd quarter and seriously affected the sales. The economic relief package was announced on 28th March 1997 resulting in a sales tax reduction from 18% to 12.5%. The Industry responded quickly and reduced prices by Rs. 2500 to Rs. 3300 per unit of motorcycles depending on the different categories of motorcycles and brands. This went a long way to help rejuvenate the Industry.

In addition to the other two Japanese brands there are two Chinese brands with a 30% lower price also competing in the market. Your Company focussed on product quality, improvement in dealership network and after sales service including spare parts sale. Our main competitive advantage remains the largest production capacity at two locations-Karachi and Sheikhpura, in addition to the wide network of after sales service and abundant supply of spare parts.

During the year, your Company introduced minor changes for improvement in both the CD70 and CG125 models and formulated an appropriate and effective pricing strategy to contain competition which met with great success-so much so that the CG 125 showed a growth of 25% over the preceding year.

Though market size remained similar to the previous year-113,000 units but your Company posted higher sales of 67,579 units up from 64,879 units during the previous year. In the process your Company improved its market share to 61%-up from 58% of the preceding year.

THE COMPANY'S RESULTS

The Company's sales for the year ended 30 June 1997 was a record Rs. 3.498 billion against Rs. 3.092 billion in 1995-96 showing a growth of 13.13%. The Profit before tax was also an all time high at Rs.188.596 million against the preceding year's profit of Rs. 176.077 million. The Gross Profit ratio for the year stood at 11.34% against 10.94% of the preceding year as a result of a strict control of costs.

These increases were made possible by the Company's efficient and effective management achieving economy in costs, together with a comparatively favourable Dollar-Yen exchange rate and a higher volume. Marketing expenses increased from Rs.71.717 million in 1995-96 to Rs. 92.596 million this year in line with management efforts to meet new competition and gain market share. Cash and Inventory were quite effectively managed, financial expenses for the year under review were controlled at Rs. 35.451 million, net of investment income of Rs. 6.862 million earned during the year. Your Company achieved an ROE of 31.82% and EPS of Rs.9.42 after tax.

The equity of the company at Rs. 392.570 million including reserves amounting to Rs. 259.863 million reflects the sound financial position of the Company.

Export activities are a matter of priority with the Company. In order to meet competition from other brands in Bangladesh and Nepal, after sales service backup was provided by personal visits of our service engineers. Visits for export to Sri Lanka were also undertaken. We are aiming at other territories such as Middle East and Central Asian States. Price competition is one major element in these markets which is being analysed for effective action.

DELETION - GEAR PROJECT

Your Company has a policy of pursuing indigenization of components in order to reduce reliance on imports, minimising exchange rate fluctuations for ultimate price stabilization and broad-basing technology. Your Company has already done much in this respect. Currently it is focussed on developing joint ventures and technical ties between local parts manufacturers with their Japanese counterparts. Some of these technical assistance agreements between Japanese and Pakistani vendors have been arranged and others are in the process.

For in-house manufacturing, your Company has undertaken the deletion of gear sets with a substantial investment of Rs. 210.00 million. Honda Trading Corporation has provided suppliers credit on the total machinery and equipment which has been imported at a cost of Rs. 110.00 million. Financing of the balance of the cost has been arranged locally. Honda Motor Company Japan has played a pivotal role in this project by extending full cooperation, guidance and help in terms of planning, arranging finances and technical support.

Civil works have been completed. Machinery has been installed and is being tested and trial runs

for production will be undertaken immediately thereafter. The project will be in full production during the current fiscal year.

The deletion of the balance parts which involve higher technologies, will be highly capital intensive. Nevertheless, your management is dedicated to achieving more and more deletion and to exceed the Government fixed percentage of 85% by the year 2001. This will involve heavy in-house investment and by the vendors and additional joint ventures and technical assistance for each and every part, which we are determined to undertake and support.

HUMAN RESOURCE

Investment in people and human resource development in the Atlas Group is a continuous and self sustaining process. We send people for higher education and training to such institutions as Harvard Business School, Stanford, Wharton School of Finance and Economics, INSEAD, Claremont, IMD, Notre Dame, Eton College, IBA, LUMS and PIM. All the members of our senior management team have had exposure to these institutions. Others have had exposure to various other institutions related to their field of interest and technology in and outside the country.

The Group manpower includes 152 employees with service of over 25 years, 232 with over 20 years, 575 with over 15 years and 753 with over 10 years service. Among them, 153 are post graduates, 493 graduates and the rest diploma holders, intermediates, matriculates and skilled workers. Group employees turnover is around 5%. Your Company's manpower was 814 employees as on June 30, 1997. Presently, the staff include 39 post-graduates and 88 graduates among other skilled and semi-skilled persons.

Following the management policy on local and foreign training of key executives, Mr. Aamir H. Shirazi CEO will be completing this year a Management Development Course-OPM-three weeks every year for three years, at Harvard Business School. Mr. Nurul Hoda, General Manager Marketing attended a marketing management program at INSEAD. Some engineers were trained by Honda Motor Company in Japan. The General Manager Engineering was exposed to ISO 9000 training arranged by the Pakistan Institute of Management among others.

The continued training of our personnel at various levels strengthens our team and results in the creation of a great resource which we can use elsewhere within the Group as well. Trained personnel are indeed a great strength of the Company.

FUTURE OUTLOOK

There has been another devaluation of 8.71%, the single largest during the last 25 years after the 57% devaluation in 1972. It is now Rs. 44.05 to the US dollar gradually increasing from Rs. 3.35 in 1953. On the other hand against the Japanese Yen, the value of the US dollar fell by 75% within the last 25 years between 1971 and 1995 i.e. from 349 to 90 Yen. The German Mark appreciated against the Yen in the same 25 years period to 100 from 64. The US dollar is now equal to 121 Yen: A year ago it was stronger at 112 Yen.

Some economists and planners however seem to insist that devaluation is the only way of improving Pakistan's economy. Strong Yen, Mark or Dollar have never bothered the economies so much as they do to the Pakistan Rupee. India and Bangladesh are following a different path. Earlier, (immediately after the independence of Indian Sub Continent) it was India that devalued its currency and Pakistan did not. Further India has been able to bring down inflation rate to 2.5% against our double digit inflation rate of 15 -16% and it is now to bring down interest rates substantially to boost economic growth to 7% this year. Our industry is handicapped by several factors including heavy interest rates while our competitors enjoy low interest rates among other comforts and incentives. It seems, as long as Pakistan sustains high inflation, devaluation from time to time will remain inevitable. But when the exportable surplus is small, its import content heavy and too little value-added exports, devaluation will not bring us any deliverance. Historically devaluation has had inverse impact. According to the State Bank's figures from 1992-93 to 1996-97, the average annual devaluation of 10.11% led to an annual increase in exports of 6.69%. On the other hand, imports increased annually by 10.37%, expenditure by 11.24% and trade imbalance by 22.14%. Revenues increased by 9.37% while CPI and WPI increased by 9.26% and 11.13% respectively. Debt repayments increased by geometrical ratios, so that the country had to do more borrowings in order to repay the debt than for any development expenditure. Debt repayment is also now more than our defence expenditure.

Be it as it may, your Company is ready to face the challenges of the future. Some measures to meet with the situation would be the streamlining of the management structure, further emphasis on localization, waste and claim control and cost cutting-fixed overheads, financial, selling and administrative expenses. Overall, we will rely more on our '3Es' approach of "economy, efficiency and effectiveness" duly harmonized with our '3Rs' emphasis on "respect, recognition and reward" for our employees.

In addition, there is a trend towards reduction of markup rates which will also help to decrease the inflation rate and strengthen the purchasing power of the customers. The economic packages of the Government are emphasizing supply side economics which will also help the economy to steer itself towards better productivity leading to overall improvements in the vital areas of performance. Levy of 3% sales tax at the retail stage by January '98 will allow the Company to get more adjustment of the input sales tax. However, the latest 8.71% rupee devaluation against the US dollar will result in a counter productive cost push and high inflationary pressures in a country where over 90% industrial units depend on imported raw materials. Nevertheless, your Company is determined to face these challenges. I am also confident that the management will handle the challenges successfully.

ACKNOWLEDGMENT

Your Chief Executive Officer and his team continue to reciprocate the trust reposed in them. They inherited a loss in an extreme situation of labour management relations-being one of the worst if not the worst in the country! They have shown great ability in performance, year after year. The year under review represents record sales, profit, return on equity and earnings per share. They have fulfilled the Group's target of relying for working capital from within the company's own resources. The Company, as such, had zero utilization of overdrafts by the end of the year. In addition they could manage a deposit in US dollars of 1.576 million during the year which has increased to US dollars 2.576 million before the current devaluation. Your Company started exporting to some countries including Bangladesh, Sri Lanka and Nepal and is now contemplating to explore some other territories, such as the Middle East and Central Asian States:

(Great are those who succeed in odds)

I must thank Honda Motor Company for their continued help and cooperation and particularly during the year in setting up the gear project against supplier credit. I also thank our Bankers, Shareholders, Board of Directors, Group Executive Committee, all staff and workers, vendors and customers for their support and guidance where relevant.

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their report together with the Audited Accounts and Auditors' Report thereon for the year ended 30 June, 1997.

FINANCIAL RESULTS:

The financial results of your Company for the year ended 30 June, 1997 are summarised as follows:

	(Rupees in 000's)	
	1997	1996
Profit before taxation	188,596	176,077
Taxation:	-----	-----
Current	62,300	62,210
Prior year	2,558	3,353
Deferred	0	7,849
	-----	-----
Bonus Shares	(1,206)	1,206
	-----	-----
	63,652	74,618
	-----	-----
Profit after taxation	124,944	101,459
Unappropriated profit brought forward	407	108
	-----	-----
Available for appropriation	125,351	101,567
Appropriation:	-----	-----
Cash Dividend	19,906	18,096
Transfer to Reserve for Issue of Bonus Shares	13,271	12,064
Transfer to General Reserve	92,000	71,000
	-----	-----
	125,177	101,160
	-----	-----
Unappropriated profit carried forward	174	407
	=====	=====

DIVIDEND:

Directors have recommended Cash Dividend at the rate of 15% (Rs.1.50 per share) and bonus shares at the rate of 10% (One fully paid-up Share for every ten shares held).

CHAIRMAN'S REVIEW:

The review included in the Annual Report deals inter alia, with the performance of the Company for the year ended 30 June, 1997 and future prospects. The Directors endorse the contents of the review.

PATTERN OF SHAREHOLDING:

The pattern of shareholding of the company is annexed.

AUDITORS:

The present Auditors M/s. Hameed Chaudhri & Co., retire and being eligible offer themselves for reappointment.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ATLAS HONDA LIMITED as at 30 June, 1997 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, 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 the profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of Company's business;
and

(iii) the business conducted, investments made and 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 and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 1997 and the profit and the cash flows for the year then ended; and

(d) In our opinion, Zakat was deductible at source under Zakat and Usher Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: 22 Oct 1998

BALANCE SHEET
AS AT 30 JUNE, 1997

	Note	(Rupees in 000's)			Note	(Rupees in 000's)	
		1997	1996			1997	1996
SHARE CAPITAL				FIXED CAPITAL EXPENDITURE			
Authorised				Operating fixed assets	16	268,636	270,830
20,000,000 ordinary shares of				Capital work in progress	17	106,229	0
Rs. 10/- each		200,000	200,000				
		=====	=====	INVESTMENTS	18	8,465	9,548
Issued, subscribed & paid up	3	132,707	120,642				
RESERVES & UNAPPROPRIATED PROFIT				LONG TERM LOANS & DEPOSITS		9,243	12,120
Reserves	4	1,246,418	154,418	CURRENT ASSETS			
Reserves for Issue of Bonus shares		13,271	12,064	Stores	20	26,373	42,771
Unappropriated profit		174	407	Stocks	21	546,444	468,950
		-----	-----	Trade debtors	22	187,711	60,743
		259,863	166,889	Advances, deposits, prepayments & loans	23	1,648,451	168,877
		-----	-----	Cash & bank balances	24	752,974	5,829i
REDEEMABLE CAPITAL	5	392,570	287,531			831,730	747,170
LONG TERM LOANS	6	7,649	20,748				
		7,862	21,881				
SUPPLIER'S CREDIT	7	83,721	0				
OBLIGATION UNDER FINANCE LEASE	8	3,895	6,106				
DEFERRED LIABILITIES							
Deferred tax		23,804	23,804				
Staff gratuity		13,097	2,743				
		-----	-----				
DEFERRED INCOME	9	36,901	26,547				
		0	181				
CURRENT LIABILITIES							
Shod term loans	10	120,395	1,357,091				
Current maturity of long term liabilities	11	50,259	32,368				
Creditors, provisions, accrued							

charges & other liabilities	12	435,924	424,347
Taxation	13	643,001	65,416
Dividend	14	20,827	18,834
		-----	-----
		691,705	676,674

CONTINGENT LIABILITIES &
COMMITMENTS

	15	-----	-----	-----	-----
		1,224,303	1,039,668	1,224,303	1,039,668
		=====	=====	=====	=====

The annexed notes form an integral part of the accounts.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 1997**

	NOTE	(Rupees in 000's)	
		1997	1996
SALES		3,498,143	3,092,451
COST OF SALES		3,101,322	2,754,035
		-----	-----
GROSS PROFIT		396,821	338,416
OPERATING EXPENSES			
Administrative	27	66,693	544,327
Selling & distribution	28	92,596	71,717
		-----	-----
		159,289	126,149
		-----	-----
OPERATING PROFIT		237,532	212,267
MISCELLANEOUS REVENUE	29	10,760	13,112
		-----	-----
		248,292	225,379
OTHER CHARGES			
Financial expenses	30	42,313	36,136
Provision for diminution in value of investment		3,458	0
Workers' profit participation fund		10,126	9,462
Workers' welfare fund		3,799	3,704
		-----	-----
		59,696	49,302
		-----	-----
PROFIT BEFORE TAXATION		188,596	176,077
		-----	-----
TAXATION - Current	31	62,300	62,210
- Prior Years		2,558	3,353
- Deferred		0	7,849
- Bonus shares		(1,206)	12,061
		-----	-----
		63,652	74,618
		-----	-----
PROFIT AFTER TAXATION		124,944	101,459
UNAPPROPRIATED PROFIT BROUGHT FORWARD		407	108
		-----	-----
AVAILABLE SURPLUS		125,351	101,567
APPROPRIATION:		-----	-----
Transfer to General Reserve		92,000	71,000
Proposed dividend 15% (1996:15%)		19,906	18,096
Transfer to Reserve for issue of bonus shares		13,271	12,064
		-----	-----
		125,177	101,160
		-----	-----

UNAPPROPRIATED PROFIT CARRIED FORWARD	174	407
	=====	=====

The annexed notes form an integral part of the accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE, 1997**

	NOTE	(Rupees in 000's)	
		1997	1996
Net cash inflow from operating activities	A	296,268	46,960
Return on investments and servicing of finance			
Markup/interest paid		(36,506)	(27,684)
Finance charges on leased assets		(2,283)	(4,348)
Interest/Mark up received on advances		1,112	4,939
Interest/Mark up received on deposits		3,295	3,490
Dividend received		350	0
Dividend paid		(17,914)	(17,819)
Net cash outflow from return on investments and servicing of finance		-----	-----
Taxation		(51,946)	(41,422)
Tax deducted at source / paid		-----	-----
		(95,972)	(50,202)
Net cash outflow from taxation		-----	-----
		(95,972)	(50,202)
Investing activities			
Purchase of fixed assets		(141,270)	(20,900)
Investment		(2,375)	(9,548)
Sale of fixed assets		6,856	4,106
Net cash outflow from investing activities		-----	-----
		(136,789)	(26,342)
Net cash flow before financing activities		-----	-----
		11,561	(71,006)
Financing activities		-----	-----
Increase / (Decrease) in short term borrowings		(15,314)	98,603
Supplier's Credit		104,652	0
Repayment of redeemable capital & loans		(22,651)	(26,505)
Repayment of obligation under finance leases		(9,717)	(12,382)
Increase / (Decrease) in long term deposits		2,258	(4,813)
Net cash inflow from financing activities		-----	-----
		59,228	54,903
Increase/(decrease) in cash & cash equivalents	B	-----	-----
		70,789	(16,103)
		=====	=====

(Rupees in 000's)
1997 1996

**NOTE A
Reconciliation of operating profit to net cash flow from
operating activities**

Net profit before taxation	188,596	176,077
Depreciation	32,577	32,315
Mark- up/interest expenses	36,444	31,226
(Profit)/Loss on sale of fixed assets	(857)	5,670
Provision for gratuity	10,354	106
Finance charges on leased assets	2,249	4,213
Deferred income	(182)	(364)

Interest/Mark up received	(1,112)	(4,939)
Interest/Mark up on deposits received	(5,400)	(3,490)
Dividend income	(350)	0
Exchange loss	1,321	0
Provision for diminution in value of investments	3,458	0
	-----	-----
Operating profit before working capital changes	267,098	240,814
Decrease / (increase) in trade debtors, other receivable and	79,932	(71,015)
Increase / (Decrease) in stores & stocks	(61,095)	(168,209)
Increase in creditors, provisions, accrued		
charges & other liabilities	10,333	45,370
	-----	-----
	296,268	46,960
	=====	=====

NOTE B**Analysis of changes in cash & cash equivalents during the year**

Balance as at 30 June, 1996	5,829	21,932
Increase / (Decrease) in cash & cash equivalents	70,789	(16,103)
Exchange loss	(1,321)	0
	-----	-----
Balance as at 30 June, 1997	75,297	5,829
	=====	=====

NOTE C**Non cash transaction**

Assets acquired under finance lease	0	2,786
	=====	=====

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED 30 JUNE, 1997****1. THE COMPANY AND ITS OPERATIONS**

The company was incorporated as a public limited company on 16 October, 1962 and its shares are quoted on Karachi and Lahore stock exchanges in Pakistan. The company is principally engaged in progressive manufacture and sale of motorcycles and spare parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under historical cost convention.

2.2 Staff retirement benefits

The company operates an unfunded gratuity scheme for its non management Staff/workers for which annual provision is made to cover the obligation under the union agreement.

The Company operates contributory provident fund for all employees.

2.3 Taxation

Current taxation is provided on taxable income at the current rates of taxation after taking into account tax credits available, if any or one half percent of turnover which ever is higher.

The company accounts for deferred tax on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that the timing differences will not reverse in the foreseeable future.

2.4 Fixed assets and depreciation

Operating fixed assets including leased assets are stated at cost less accumulated depreciation.

Depreciation is charged on reducing balance basis without considering extra shift workings, at the annual rates of 2.5% to 20% of written down value, depending on the class of assets.

Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized. Gain or loss on disposal of fixed assets is included in the profit and loss account.

2.5 Accounting for leased assets

The company accounts for assets acquired under finance lease by recording the asset and related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Finance charge is allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability.

2.6 Investments

Investments are stated at cost less provision for permanent diminution in value, if any.

2.7 Stores and spares

These are valued at average cost.

2.8 Stocks

These are valued at lower of cost and net realisable value. Goods in transit are valued at cost.

2.9 Translation of foreign currencies

Liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date except for liabilities covered under forward exchange contracts which are translated at the contracted rates.

Exchange differences on long term loans utilised for purchase of plant and machinery are adjusted against the cost of the machinery. All other exchange differences are included in the profit and loss account.

2.10 Revenue recognition

Sales are recorded on despatch of goods to customers.

2.11 Presentation

Figures have been rounded off to the nearest of thousand Rupees and figures of the previous year have been rearranged, wherever necessary, for the purpose of comparison.

3. ISSUED, SUBSCRIBED & PAID - UP CAPITAL

Ordinary Shares of Rs. 10/- each.

	1997	1996
6,352,748 Fully paid-up in cash	63,528	63,528
6,658,612 Issued as fully paid bonus shares (1996:5,452,189)	66,586	54,521
259,300 Issued for consideration other than cash	2,593	2,593
-----	-----	-----
13,270,660	132,707	120,642
=====	=====	=====

4. RESERVES

Capital reserve (Note 4.1)	40,118	40,118
General reserve (Note 4.2)	206,300	114,300
-----	-----	-----
	246,418	154,418

	=====	=====
4.1 Capital reserve		
Gain on sale of land	165	165
Share Premium account	39,953	39,953
	-----	-----
Balance as at 30 June, 1997	40,118	40,118
	=====	=====
4.2 General reserve		
Balance as at 30 June 1997	114,300	43,300
Transfer from Profit & Loss Account	92,000	71,000
	-----	-----
	206,300	114,300
	=====	=====

5. REDEEMABLE CAPITAL

National Investment Trust Limited		
Balance as at 30 June, 1997	20,748	31,379
Installment due within the following twelve months	13,099	10,631
	-----	-----
	7,649	20,748
	=====	=====

(a) The company has obtained long term finance from National Investment Trust Limited (NIT) amounting to Rs. 50 million with a corresponding 'repurchase price' of Rs. 84.9 million. The company has issued Term Finance Certificates (TFCs).

(b) The 'repurchase price' is redeemable in sixteen half yearly installments commencing from 20 April 1994.

(c) TFCs are secured against:

(i) Equitable mortgage on the entire movable & immovable properties of the company ranking pari passu with charges created in favour of existing creditors

(ii) Floating charge on all present & future properties & assets of the company: and

(iii) Hypothecation of al plant, Machinery & Equipment of the Company.

	1997	1996
6. LONG TERM LOANS		
NDFC Local Currency Loan		
Balance as at 30 June, 1997	21,881	33,901
Instalments due within the following twelve months	14,019	12,020
	-----	-----
	7,862	21,881
	=====	=====

a) The company has arranged long term finance of Rs. 70.0 million from National Development Finance Corporation (NDFC). The amount utilized represents the purchase price' of the agreement and with the corresponding 'mark-up price' of Rs. 140.363 million. A rebate of Rs. 21.493 million shall be available to the company if all the instalments are paid on due dates. The rate of mark-up is 16% per annum.

b) The mark-up price' is repayable in 14 half yearly instalments commencing from 24 May, 1992 and ending on 24 November, 1998.

c) The finance is secured against:

(i) first mortgage on the entire movable properties and assets of the company

ranking pari passu with charges created in favour of existing creditors;

(ii) first floating charge on all the business undertaking other assets and properties of the company ranking pari passu with existing creditors;

(iii) hypothecation of all the movable properties, including book debts and other receivables of the company; and

(iv) demand promissory notes.

d) Pending execution of mortgage the finance is secured against undertaking of the company to create mortgage.

	1997	1996
7. SUPPLIER'S CREDIT (UNSECURED)		
Honda Trading Corporation		
Balance as at 30 June, 1997	104,651	0
Installments due within the following		
twelve months	20,930	0
	-----	-----
	83,721	0
	=====	=====

a) The Company has arranged Supplier's Credit from Honda Trading Corporation, Japan amounting to JY 298,683,070 equivalent to Rs. 104,651,678 for import of Machinery & equipment for the manufacture of gears for the motorcycles.

b) The Supplier's Credit is repayable in 5 yearly installments commencing from 30 May 1998.

c) The Supplier's Credit carries interest at the rate 17.86% per annum including exchange risk fee of 13.36% per annum.

8. OBLIGATION UNDER FINANCE LEASE

The amount of future lease payment and the year during which these payments will become due are:

Year ending	1997	0	11,863
	1998	3,198	3,198
	1999	2,930	2,930
	2000	1,686	1,686
		-----	-----
		7,814	19,677
Less: Finance charges not yet due		1,708	3,854
		-----	-----
		6,106	15,823
Less: current portion shown under			
current liabilities	2,211	9,717	
	-----	-----	
	3,895	6,106	
	=====	=====	

a) The company has entered into lease agreements for Plant and Machinery and Motor Vehicles with various companies. The rate of finance charges varies from 17.13% to 21.50 % per annum.

9. DEFERRED INCOME

Net gain on sale/lease back of assets	181	545
Less: transferred to Profit and Loss Account	181	364
	-----	-----

	0	181
	=====	=====
	1997	1996

10. SHORT TERM LOANS

From banks

Secured	120,395	134,881
Unsecured	0	828
	-----	-----
	120,395	135,709
	=====	=====

10.1 The company has borrowing facilities up to an aggregate of Rs. 357.0 million (1996: Rs. 337.0 million) which are secured against hypothecation of stocks and debtors. The loans carry mark-up at Rs. 0.43 to Rs. 0.51 per thousand rupees per day on daily product basis.

11. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable capital-NIT	13,099	10,631
NDFC loan	14,019	12,020
Supplier's Credit	20,930	0
Obligation under finance lease	2,211	9,717
	-----	-----
	50,259	32,368
	=====	=====

12. CREDITORS, PROVISIONS, ACCRUED CHARGES AND OTHER LIABILITIES

Trade Creditors (Note 12.1)	185,412	108,357
Accrued expenses (Note 12.2)	110,463	107,934
Customers' advances & credit balances (Note 12.3)	78,975	154,040
Interest/Mark-up on loans secured	9,268	9,364
Retention money	82	27
Other liabilities	5,931	5,066
Sales tax	29,369	26,267
Workers' profit participation fund (Note 12.4)	10,381	9,696
Workers' welfare fund	6,043	3,596
	-----	-----
	435,924	424,347
	=====	=====

12.1 Trade creditors include Rs. Nil (1996: Rs. 882 thousand) payable to associated undertakings.

12.2 Accrued expenses include Rs. 1,532 thousand (1996: Rs. 1,021 thousand) payable to associated undertakings.

12.3 Customers' advances and credit balances include Rs. 50 thousand (1996 Rs. 215 thousand) received from associated undertaking.

	1997	1996
12.4 Workers' profit participation fund		
Balance as at 30 June, 1996	9,696	2,127
Interest credited during the year	917	114
	-----	-----
	10,613	2,241
Payments during the year	(10,358)	(2,007)
Contribution for the period @5%	10,126	9,462
	-----	-----
	10,381	9,696
	=====	=====

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

13. PROVISION FOR TAXATION

Corporate Asset Tax	2,000	2,000
Income Tax	62,300	62,210
Tax on issue of bonus shares	0	1,206
	-----	-----
	64,300	65,416
	=====	=====

14. DIVIDEND

Unclaimed dividend	888	713
Bonus fractions unclaimed	33	25
Proposed dividend	19,906	18,096
	-----	-----
	20,827	18,834
	=====	=====

15. CONTINGENT LIABILITIES & COMMITMENTS

15.1 Guarantees

Issued by Insurance companies	0	10,793
Issued by Banks	683	1,991
Claims not acknowledged by the company	15	4,102

Guarantees are issued to Collector of Customs and shall be released on submission of consumption operations.

15.2 Commitments of the company as at 30 June, 1997 comprised the following:

Confirmed letters of credit	257,525	151,980
Estimated custom duty on bonded stocks	15,339	1,846
For investment in shares of Automotive Testing & Training Centre (Pvt) Limited	1,125	0

16. STATEMENT OF OPERATING FIXED ASSETS

Particulars	Cost			Depreciation			Charge for the period	Rate %
	As at 30 June 96	Additions	Disposals	As at 30 June, 97	As at 30 June, 97	W.D.V. 30 June, 97		
Freehold Land	5,112			5,112	0	5,112	0	0
Lease hold Land	8,840			8,840	2,254	6,586	169	2.5
Building on freehold land	14,775			14,775	10,196	4,579	509	10
Building on leasehold land	28,178			28,178	19,548	8,630	959	10
Plant & machinery	285,015	9,873	11,459	283,429	158,265	125,164	13,524	10
Dies & jigs	83,924	49,171	291	132,804	71,663	61,141	7,176	10
Factory equipment	6,441	32		6,473	4,540	1,933	214	10
Office equipment	17,769	7,019	1,299	23,489	8,565	14,924	1,658	10
Furniture & fixtures .	5,413		863	4,550	2,760	1,790	199	10
Fixture & equipment	1,315			1,315	1,135	180	20	10
Electric & gas fittings	20,678			20,678	13,596	7,082	787	10
Vehicles	37,723	14,710	5,646	46,787	22,222	24,565	6,140	20
Service equipment	448			448	180	268	30	10
	-----	-----	-----	-----	-----	-----	-----	
	515,631	80,805	19,558	576,878	314,924	261,954	31,385	10
	=====	=====	=====	=====	=====	=====	=====	
Assets under Finance Lease								
Plant & machinery	8,722		4,244	4,478	1,032	3,446	383	10
Dies & jigs	36,940		36,940	0	0	0	0	10
Vehicles	7,340		1,403	5,937	2,701	3,236	809	20
Office equipment	1,837		1,837	0	0	0	0	10

	54,839	0	44,424	10,415	3,733	6,682	1,192
Total 30 June, 1997	570,470	80,805	63,982	587,293	318,657	268,636	32,577
Total 30 June, 1996	577,532	40,698	47,760	570,470	299,640	270,830	32,315

16.1 Lease in respect of two plots is under execution.

16.2 Depreciation for the year has been allocated as follows:

	1997	1996
Cost of goods manufactured (Note 26.1)	26,556	27,330
Administrative expenses (Note 27)	6,021	4,985
	32,577	32,315

16.3 DISPOSAL OF FIXED ASSETS

Particulars	Cost	ACC. DEP.	W.D.V.	Sale Proceeds	Profit/(Loss)	Mode of Disposal	Particulars of Purchasers
PLANT & MACHINERY							
Inner cutter machine	95	72	23	77	54	Negotiation	M/s Continental Eng. 407 Kashif Centre, Shahrah -e- Faisal. Karachi
Shaft end welder organ	80	30	50	73	23	-do-	-do-
Swing Machine	222	168	54	163	109	-do-	-do-
Speedometer testing	118	90	28	86	58	-do-	-do-
Cap roll capating machine	34	26	8	25	17	-do-	-do-
Inner end forming	107	81	26	79	53	-do-	-do-
Wire testing machine	124	94	30	91	61	-do-	-do-
Press stocking machine	173	131	42	50	8	-do-	-do-
Press stocking machine	79	60	19	58	39	-do-	-do-
Clutch cable '	74	54	20	54	34	-do-	-do-
Outer cutting machine	118	89	29	86	57	-do-	-do-
Die casting machine	532	401	131	390	259	-do-	-do-
Grease lubricator	46	35	11	34	23	-do-	-do-
Hot maker	98	74	24	30	6	-do-	-do-
Sealing single wire	372	282	90	115	25	-do-	-do-
Expanding jig	1	1	0	2	2	-do-	-do-
Horn stacking machine	110	84	26	319	293	Negotiation	M/s Hybird Technics (Pvt) Ltd. II Fan Road, Lahore
Stacking J-2 Impact	110	84	26	292	266	-do-	-do-
Gap measuring machine	129	98	31	360	329	-do-	-do-
Assy machine	373	283	90	453	363	-do-	-do-
Shaper machine	15	14	1	0	(1)	Tender	M/s Tariq Massod, Yassen Square Flat No 402, Doll Khata, Karachi
Shaper machine B650	11	10	1	0	(1)	-do-	-do-
Shaper machine	12	12	0	0	0	-do-	-do-
Bench milling machine	2	2	0	0	0	-do-	-do-
Drill hacksaw machine	8	8	0	0	0	-do-	-do-
Drill machine UD-50	23	19	4	1	(3)	-do-	-do-
Drill machine	13	12	1	0	(1)	-do-	-do-
Drilling & Tapping	29	24	5	1	(4)	-do-	-do-
Pintograph machine	24	22	2	0	(2)	-do-	-do-
Power saw machine	2	2	0	0	0	-do-	-do-
Electric Grinder	1	1	0	0	0	-do-	-do-
Buffing machine	5	5	0	0	0	-do-	-do-
Buffing machine 5HP	4	3	1	0	(1)	-do-	-do-

Buffing 5 HP 9.3 phase	8	5	3	0	(3)	-do-	-do-
Buffing fitting hand press	2	2	0	0	0	-do-	-do-
Hand press	2	2	0	0	0	-do-	-do-
Mechanical press 12 ton	15	15	0	0	0	-do-	-do-
Vibrio shear MT	30	29	1	0	(1)	-do-	-do-
Portable cutting machine	2	2	0	0	0	-do-	-do-
Shearing machine 4,5	33	32	1	0	(1)	-do-	-do-
Electric oven	52	50	2	0	(2)	-do-	-do-
Generator welding	8	8	0	0	0	-do-	-do-
Transformer welding	4	3	1	0	(1)	-do-	-do-
ARC welding machine	14	13	1	0	(1)	-do-	-do-
DO arc welding machine	94	90	4	1	(3)	-do-	-do-

Particulars	Cost	ACC. DEP.	W.D.V.	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
Spot welding machine	65	60	5	1	(4)	Tender	M/s Tariq Massod, Yassen Square Flat No 402, Doll Khata, Karachi.
Generator	11	10	1	0	(1)	-do-	-do-
Substation transformer	133	112	21	3	(18)	-do-	-do-
Gas welding touches	12	10	2	0	(2)	-do-	-do-
Muffler Jigs CD-70	2	2	0	3	3	-do-	-do-
Welding Jigs 110	91	87	4	1	(3)	-do-	-do-
Welding Jigs C 70	410	394	16	3	(13)	-do-	-do-
Rear forks Jigs C 70	25	21	4	1	(3)	-do-	-do-
Chain case C 70	33	28	5	1	(4)		M/s Barai Autos LS 30/3 FB Area Karachi
Die for landom Seat	98	94	4	1	(3)	-do-	-do-
Fuel tank ji '	135	130	5	1	(4)	-do-	-do-
Die for rear forks	160	153	7	1	(6)	-do-	-do-
Die Carrier	21	21	0	0	0	-do-	-do-
F/Brake panel oil seal	2	2	0	0	0	-do-	-do-
Spooking Jigs	4	3	1	0	(1)	-do-	-do-
F/wheel installation Jigs	2	2	0	0	0	-do-	-do-
Flange oil seal Jigs	2	2	0	0	0	-do-	-do-
Frame sub assy Jigs	76	64	12	2	(10)	-do-	-do-
Ball race installation Jigs	46	39	7	1	(6)	-do-	-do-
No. stamping jigs	19	16	3	0	(3)	-do-	-do-
F/Fork sub assy Jigs	14	12	2	0	(2)	-do-	-do-
Flange baring installation	10	9	1	0	(1)	-do-	-do-
R/Fork bushing installation	27	23	4	1	(3)	-do-	-do-
R/Fork bushing removal	2	2	0	0	0	-do-	-do-
Washer locking Jigs	2	1	1	0	(1)	-do-	-do-
Top bridge assy Jigs	3	2	1	0	(1)	-do-	-do-
Top bridge assy Jigs CD-70	3	2	1	0	(1)	-do-	-do-
Flange Jigs	3	2	1	0	(1)	-do-	-do-
Step installation Jigs	3	2	1	0	(1)	-do-	-do-
Slotting heads	18	13	5	1	(4)	-do-	-do-
Terasaki unit motor	60	9	51	8	(43)	-do-	-do-
Pak over likon milling	174	122	52	8	(44)	-do-	-do-
Cutting machine h-128	59	45	14	2	(12)	-do-	-do-
Fender forming	1,007	764	243	38	(205)	-do-	-do-
Chamfering machine	199	155	44	7	(37)	-do-	-do-
Riveting machine panel	98	71	27	4	(23)	-do-	-do-
Sharing machine	100	73	27	4	(23)	-do-	-do-
Steel moulds	240	188	52	8	(44)	-do-	-do-
Heat Exchanger	80	65	15	2	(13)	-do-	-do-
Cooling tower	10	8	2	0	(2)	-do-	-do-
Limited load type	42	35	7	1	(6)	-do-	-do-
Blower turbo type	21	18	3	1	(2)	-do-	-do-
Limited Load type	41	34	7	1	(6)	-do-	-do-
Sendimination tank	59	49	10	2	(8)	-do-	-do-

Pressure feed tank	71	57	14	2	(12)	-do-	-do-
Control panel ABC	247	208	39	7	(32)	-do-	-do-

Particulars	Cost	ACC. DEP.	W.D.V.	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
Oven fabrication	487	415	72	10	(62)	Tender	M/s Hanif Autos, Mohan Das building Ranchco Line, Karachi
Sprocket variable gear box	86	72	14	2	(12)	-do-	-do-
Electric motor	40	33	7	1	(6)	-do-	-do-
Conveyer rail	107	88	19	3	(16)	-do-	-do-
Equipment for ABS	13	9	4	1	(3)	-do-	-do-
Equipment for old paint	114	96	18	3	(15)	-do-	-do-
Spray Painting Equipment	217	159	58	9	(49)	-do-	-do-
Adjusting tester	217	164	53	8	(45)	-do-	-do-
Bier cycle variator	94	69	25	4	(21)	-do-	-do-
Circumference							
Welding machine	572	434	138	22	(116)	-do-	-do-
Shaft & welder	222	168	54	8	(46)	-do-	-do-
Spot welder	226	181	45	7	(38)	-do-	-do-
Spot welding	305	255	50	8	(42)	-do-	-do-
Machine 50 KVA Hoist	25	20	5	1	(4)	-do-	-do-
Inspection tools	616	491	125	19	(106)	-do-	-do-
Battery charger	2	2	0	0	0	-do-	-do-
Spray gun	20	16	4	1	(3)	-do-	-do-
Snap Gauge	98	72	26	4	(22)	-do-	-do-
Air wise machine	365	277	88	14	(74)	-do-	-do-
Water pump	12	10	2	0	(2)	-do-	-do-
Pumping unit	25	17	8	1	(7)	-do-	-do-
Fire extinguisher	250	176	74	12	(62)	-do-	-do-
	-----	-----	-----	-----	-----		
Total Plant & Machinery	11,461	9,065	2,396	3,094	698		
	=====	=====	=====	=====	=====		

DIES & JIGS

Diphagram setting Jigs	4	3	1	7	6	Negotiation	M/s Hybird Technics (Pvt,) Ltd, II Fan Road, Lahore
Diplagram Stocking Jigs	64	49	15	210	195	-do-	-do-
Ring cover jigs	222	168	54	359	305	-do-	-do-
	-----	-----	-----	-----	-----		
Total Dies & Jigs	290	220	70	576	506		
	=====	=====	=====	=====	=====		

FURNITURE & FIXTURE

Working table	103	78	25	40	15	Negotiation	M/s Continental Engg. Works. Sharah -e-Faisal, Karachi.
Rack for attendance cards	2	2	0	0	0	Tender	Mohd. Anwer & Co. Shershah, Karachi
Wooden racks	127	90	37	2	(35)	-do-	-do-
Side racks	119	93	26	2	(24)	-do-	-do-
Steel racks	78	63	15	1	(14)	-do-	-do-
Table for staff	407	312	95	6	(89)	-do-	-do-
Revolving chairs	27	22	5	0	(5)	-do-	-do-
	-----	-----	-----	-----	-----		
Total Furniture & Fixtures	863	660	203	51	(152)		
	=====	=====	=====	=====	=====		

Particulars	Cost	ACC. DEP.	W.D.V,	Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
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OFFICE EQUIPMENT

Air Condition	18	13	5	0	(5)	Tender	M/s Khurshid Sons, F-87
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						Jhangir Road Karachi.	
Sharp pocket computer	5	3	2	0	(2)	-do-	-do-
Tele printer 1000	96	73	23	0	(23)	-do-	-do-
Personal computer	170	114	56	1	(55)	-do-	-do-
Personal computer	38	24	14	0	(14)	-do-	-do-
Personal computer	75	44	31	1	(30)	-do-	-do-
Personal computer	33	20	13	0	(13)	-do-	-do-
Personal computer	85	50	35	1	(34)	-do-	-do-
Personal computer.	85	50	35	1	(34)	-do-	-do-
Personal computer	93	55	38	1	(37)	-do-	-do-
Personal computer	101	60	41	1	(40)	-do-	-do-
Personal computer	111	60	51	1	(50)	-do-	-do-
Personal computer	101	55	46	1	(45)	-do-	-do-
Printer	22	12	10	0	(10)	-do-	-do-
Epson fx. 1050 printer	15	7	8	0	(8)	-do-	-do-
Computer PC	87	43	44	1	(43)	-do-	-do-
Toshiba lap top	111	49	62	1	(61)	-do-	-do-
Hand dryer	21	15	6	0	(6)	-do-	-do-
Amano time recorder	21	16	5	0	(5)	-do-	-do-
Time recorder	12	10	2	0	(2)	-do-	-do-
	-----	-----	-----	-----	-----		
Total office Equipment	1,300	773	527	10	(517)		
	=====	=====	=====	=====	=====		

VEHICLE							
Motorcycle CD 70	31	20	11	13	2	Company policy	Mr. Amjad Hussain (Employee)
Motorcycle CD 70	48	10	38	37	(1)	Company policy	Mr, Zamir Hussain (Ex-Employee)
Motorcycle CD 70	38	16	22	19	(3)	Company policy	Mr. Ashraf Ali (Employee)
Motorcycle CD 70	31	17	14	13	(1)	Company policy	Mr. S.I.A. Rizvi (Employee)
Motorcycle CD 70	31	17	14	13	(1)	Company policy	Mr, Naim-uI-Hassan (Employee)
Motorcycle CD 70	38	20	18	18	0	Company policy	Mr. Irshad Ahmed (Employee)
Motorcycle CD 70	32	18	14	13	(1)	Company policy	Mr. M. Shahid (Employee)
Motorcycle CD 70	38	16	22	27	5	Insurance Claim	M/s. Muslim Insurance Co. Ltd. 3 Bank Square Sharah Quaid-e-Azam Lahore
Motorcycle CD 70	48	10	38	50	12	Insurance Claim	-do-
Motorcycle CD 70	45	13	32	41	9	Insurance Claim	-do-
Motorcycle CD 70	38	16	22	20	(2)	Insurance Claim	-do-
Motorcycle CD 70	38	16	22	18	(4)	Insurance Claim	-do-

Particulars	Cost	ACC. DER	W.D.V. Sale	Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
Motorcycle CG 125	55	23	32	32	0	Company policy	Mr. V.A. Khalid (Employee)
Motorcycle CG 125	37	23	14	15	1	Company policy	Mr. Mohsin Khan (Employee)
Motorcycle CG 125	29	19	10	12	2	Company policy	Mr. Izhar Ahmed (Employee)
Motorcycle CG 125	63	13	50	50	0	Insurance Claim	M/s. Muslim insurance Co. Ltd. 3 Bank Square Sharah Quaid-e-Azam Lahore
Motorcycle CG 125	48	20	28	34	6	Insurance Claim	-do-
Motorcycle CG 125	63	13	50	50	0	Insurance Claim	-do-
Motorcycle CG 125	41	22	19	23	4	Insurance Claim	-do-
Motorcycle CG 125	36	20	16	15	(1)	Company policy	Mr. Musarat Hussain (Employee)
Motorcycle CG 125	37	23	14	15	1	Company policy	Mr. Javed Iqbal (Employee)
Motorcycle CG 125	38	20	18	15	(3)	Company policy	Mr. M Ramzan (Employee)
Toyota Corolla	217	117	100	89	(11)	Company policy	Mr. Shakil Alam (Ex-Employee)
Toyota Corolla	394	79	315	315	0	Company policy	Mr, Aurangzaib Afsar (Employee)
Toyota Corol .	713	503	210	210	0	Company policy	Mr. Javed Iqbal (Employee)
Toyota Corolla	293	185	108	120	12	Company policy	Mr. Amir All Bawa (Employee)
Suzuki Khyber	363	102	261	237	(24)	Company policy	Mr. Imtiaz Ahmed (Ex-Employee)
Suzuki Mehran	219	118	101	85	(16)	Company policy	Mr. Mohd. Naim Khan (Employee)
Honda Accord	605	491	114	345	231	Tender	Mr. Khalid Bashir Lodhi H.No. 22/23 Habib Colony Sheikhpura

Mitsubishi Lancer	470	199	271	361	90
Suzuki Mehran	220	118	102	90	(12)
Toyota Corolla	224	121	103	90	(13)
Suzuki Margala	383	207	176	226	50
Suzuki Mehran	223	120	103	91	(12)
Suzuki Khyber	386	77	309	309	0

Tender	Mr. Hafeez Nasir Anwer
	Dera Mulla Singh P.O. Sheikhpura
Company policy	Mr. M Zaman (Employee)
Company policy	Mr. Javed Iqbal (Employee)
Company policy	Mr. Raftat Iqbal (Employee)
Company policy	Mr. Latif ullah (Employee)
Company policy	M/s. Muslim Insurance Co. Ltd. 3 Bank Square Sharah Quaid-e-Azam Lahore

Total Vehicle	5,644	2,842	2,802	3,124	322
Total Own Assets	19,558	13,560	5,998	6,855	857

Particulars	Cost	ACC. DEP.	W.D.V. Sale Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
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LEASED ASSETS EXPIRED TRANSFER TO OWN ASSETS

PLANT & MACHINERY

Seam Welder	4,244		4,244	4,244	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

VEHICLE

Hino Truck	990		990	990	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Honda Civic	413		413	413	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

	1,403	0	1,403	1,403	0	
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DIES & JIGS

FueI Tank	12,230		12,230	12,230	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Front Fender	7,611		7,611	7,611	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Stay Fender	836		836	836		Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Crank Case Right	4,875		4,875	4,875	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Crank Case Left	5,069		5,069	5,069	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Crank Case Cover Right	2,965		2,965	2,965	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Crank Case Cover Left	3,354		3,354	3,354	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

	36,940		36,940	36,940		
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OFFICE EQUIPMENT

IBM AS 400 Computer	1,837		1,837	1,837	0	Purchase/Lease BackLeased Assets
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Transferred to Own Assets

Total Leased Assets	44,424	0	44,424	44,424	0	
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Grand Total	63,982	13,560	50,422	51,279	857	
-------------	--------	--------	--------	--------	-----	--

	1997	1996
17. CAPITAL WORK IN PROGRESS		
Plant & Machinery	106,229	0
18. INVESTMENTS	=====	=====
Listed:		
Associated undertaking		
Atlas Battery Limited		
140,000 Ordinary shares of Rs. 10/- each	9,548	9,548
Less: Provision for diminution in value of investment	3,458	0
	-----	-----
(Market Value as at 30 June, 1997	6,090	9,548
Rs. 6,090 thousand: 1996 Rs. 9,100 thousand)		
Unlisted:		
Arabian Sea Country Club Ltd.		
200,000 Ordinary shares of Rs. 10/- each		
Chief Executive: Mr. Zaeem Lutfi	2,000	0
Automotive Testing & Training Centre (Pvt) Ltd.		
Deposit for shares	375	0
	-----	-----
	8,465	9,548
	=====	=====
19. LONG TERM LOANS & DEPOSITS		
Deposits	1,216	2,557
Car/motorcycle loans to staff (Note 19.1)	8,027	9,563
	-----	-----
	9,243	12,120
	=====	=====
19.1 Car/motorcycle loans to staff		
Balance as at 30 June, 1997	13,335	14,252
Receivable within the following	5,308	4,689
twelve months.	-----	-----
	8,027	9,563
	=====	=====
(a) Car/motorcycle loans to staff are secured against car/motorcycles and are recoverable in forty-eight monthly installments.		
20. STORES		
Consumable stores	9,174	7,310
Maintenance spares	5,352	18,518
Tools in hand	11,847	16,943
	-----	-----
	26,373	42,771
	=====	=====
21. STOCKS		
Raw materials & components		
In hand	262,842	260,712
In bond	43,603	8,848
Work in process	30,884	34,133
Finished goods	108,944	53,282
Spare pads	34,463	42,823
Goods in transit at cost	65,708	69,152
	-----	-----
	546,444	468,950
	=====	=====

21.1 Cost has been arrived at as follows:-

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

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

	1997	1996
22. TRADE DEBTORS UNSECURED		
Considered good	18,771	60,743
	=====	=====
23. ADVANCES, DEPOSITS, PREPAYMENTS & LOANS		
Unsecured - considered good		
Loans to staff	2,286	1,616
Advances to:		
Staff for expenses	1,610	2,409
Supplier's & contractors	15,118	27,024
Income tax deducted at source	82,844	51,640
Advance Sales Tax - Motorcycles	2,263	12,639
- Raw materials	11,193	2,557
- CKD	9,891	38,197
- Local Pads	2,551	8,673
Trade deposits	1,138	1,086
Prepayments	16,693	6,797
Interest accrued on deposit (Associated undertaking)	1,716	0
Interest accrued on deposits-others	599	210
Other receivables	11,635	11,340
Secured - considered good		
Car/motorcycle loans to staff (Note 19.1)	5,308	4,689
	-----	-----
	164,845	168,877
	=====	=====
Unsecured - considered doubtful		
Other receivables	535	535
Provision for doubtful receivables	535	535
	-----	-----
	0	0
	=====	=====

23.1 Maximum amounts due from the associated undertakings at the end of any month during the year was Rs. 16,210 thousand (1996 - Rs. 23,898 thousand).

23.2 Advances to suppliers and contractors include Rs.4,744 thousand (1996 Rs. 16,157 thousand) advance to associated undertakings.

23.3 Prepayments include Rs.39 thousand (1996- Rs. 2,740 thousand) insurance and Rs.54 thousand (1996 Rs. 1,341 thousand) rent and computer services Rs. 48 thousand (1996 Rs. Nil) paid to associated undertaking.

23.4 Other receivables include Rs.370 thousand (1996-Rs. Nil) receivable from associated undertaking. Also include Rs. 6,241 thousand (1996- Rs.6,310 thousand) octroi refundable from Karachi Municipal Corporation, Rs. 2,234 (1996 - Rs. 2,260 thousand) duty draw back receivable from collector of Customs and Corporate Assets Tax paid under protest Rs. 2,000 thousand (1996: Rs. 2,000 thousand).

	1997	1996
24. CASH & BANK BALANCES		
Cash in hand	283	0
Cash with banks		

- In local currency (Current accounts)	9,452	5,829
- PLS account	60	0
- In Foreign currency (Deposit account (With associated undertaking))	65,502	0
	-----	-----
	75,297	5,829
	=====	=====

25. SALES

Motorcycles & spare parts	3,498,143	3,092,451
Sales have been recorded at dealer's net prices and are after deducting Sales Tax Rs.584.813 million (1996: Rs. 463.796 million) and discount/allowance Rs.5.335 million (1996 - Rs. 5.562 million)	=====	=====

26. COST OF SALES

- Stocks as at 30 June, 1996	96,105	52,423
Cost of goods manufactured (Note 26.1)	3,065,419	2,694,972
Purchases	83,205	102,745
	-----	-----
	3,244,729	2,850,140
Stocks as at 30 June, 1997	143,407	96,105
	-----	-----
	3,101,322	2,754,035
	=====	=====

26.1 Cost of goods manufactured

Work in process - opening	34,133	25,008
Raw materials & components consumed (Note 26.2)	2,737,621	2,454,694
Direct labour	44,286	35,956
Salaries, wages & benefits	37,989	27,260
Stores consumed	66,965	42,617
Light, heat & water	21,144	13,643
Rent, rates & taxes	3,583	3,491
Insurance	7,961	7,401
Repairs & maintenance	14,574	11,300
Travelling, entertainment & conveyance	9,286	12,533
Postage, telegram & telephones	4,039	3,491
Vehicle running	2,761	2,579
Printing & stationery	1,075	3,222
Depreciation	26,556	27,330
Canteen	3,900	2,891
Royalty	77,010	54,284
Others	3,420	1,405
	-----	-----
	3,096,303	2,729,105
Work in process - closing	30,884	34,133
	-----	-----
	3,065,419	2,694,972
	=====	=====

26.2 Raw materials & components consumed

Stocks as at 30 June, 1996	260,712	116,800
Purchases (Net)	2,739,751	2,598,606
	-----	-----
	3,000,463	2,715,406
Stocks as at 30 June, 1997	262,842	260,712
	-----	-----
	2,737,621	2,454,694
	=====	=====

1997	1996
-------------	-------------

27. ADMINISTRATIVE EXPENSES

Directors' meeting fee	5	6
Directors' remuneration	935	850
Salaries & benefits	25,875	21,590
Travelling, conveyance & entertainment	11,310	6,350
Rent, rates & taxes	1,811	1,488
Postage, telegram & telephones	3,868	3,020
Legal & professional charges	2,355	1,070
Auditors' remuneration (Note 27.1)	246	269
Insurance	1,518	1,072
Printing & stationery	2,098	1,658
Repairs & maintenance	4,448	1,831
Vehicle running	3,019	2,721
Staff training	1,136	588
Gas & electricity	880	773
Subscriptions	458	110
(Profit)/Loss on sale of fixed assets	(857)	5,670
Depreciation	6,021	4,985
Donation (without directors interest)	1,000	0
Others	567	381
	-----	-----
	66,693	54,432
	=====	=====

27.1 Auditors' remuneration

Audit fee	140	140
Certification of royalty/other services	27	27
Provident fund / workers' profit participation fund	30	30
Out of pocket expenses	28	28
Excise Duty	21	44
	-----	-----
	246	269
	=====	=====

28. SELLING & DISTRIBUTION EXPENSES

Salaries & benefits	16,204	12,789
Travelling, conveyance, entertainment & vehicle running	10,265	7,919
Advertising & publicity	28,833	14,437
Rent, rates & taxes	2,166	1,801
Repairs & maintenance	392	523
Gas & electricity	967	961
Postage & telephones	5,321	4,480
Printing & stationery	1,786	770
Freight & forwarding	14,496	11,982
Sales promotion	9,327	13,172
Insurance	916	1,022
Service expenses	1,702	1,752
Others	221	109
	-----	-----
	92,596	71,717
	=====	=====

1997

1996

29. MISCELLANEOUS REVENUE

Sale of scrap	3,545	4,252
Interest on deposits :-		
Associated undertakings	3,930	1,808
Others	1,470	1,682
Interest on advances :-		
Associated undertakings	0	2,727
Others	1,112	2,212
Dividend income (associated undertaking)	350	0

Other income	172	67
Deferred income recognised	181	364
	-----	-----
	10,760	13,112
	=====	=====
30. FINANCIAL EXPENSES		
Interest/mark-up on:		
Short term loans	23,061	14,851
Long term loans	4,774	6,914
Redeemable capital	5,900	8,054
Supplier's credit	249	0
Workers' profit participation fund	917	114
Finance charge on leased assets	2,249	4,213
Other financial charges	2,299	697
Excise Duty	1,543	1,293
Exchange loss	1,321	0
	-----	-----
	42,313	36,136
	=====	=====
31. TAXATION		
Income Tax-Current	62,300	62,210
	=====	=====
32. REMUNERATION OF DIRECTORS' AND EXECUTIVES		
Chief Executive Officer		
Remuneration	672	600
Utilities	67	60
Medical expenses reimbursed	8	14
Bonus	114	110
Provident fund	74	66
	-----	-----
	935	850
	=====	=====
Number of person	1	1
	=====	=====
	1997	1996
Directors		
Remuneration	283	243
Utilities	84	100
	-----	-----
	367	343
	=====	=====
Number of person	1	1
	=====	=====
Meeting fee	4.5	5.5
	=====	=====
Number of persons	4	4
	=====	=====
Executives		
Remuneration	9,472	6,073
Rent & utilities	5,210	3,340
Medical expenses reimbursed	1,089	736
Bonus	1,597	1,112
Provident fund	1,042	669
Leave fare assistance	815	582
Reimbursement of expenses	4,659	3,421

	-----	-----
	23,884	15,933
	=====	=====
Number of persons	60	41
	=====	=====

32.1 The Chairman, Chief Executive Officer and one Director are provided with free use of company maintained car. The Chief Executive Officer and one Director are also provided furnished bungalow and telephone at residence.

33. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases	56,508	40,007
Sales	4,435	2,177
Expenses charged by	1,169	16,928
Expenses charged to	191	15,012
Insurance, rent and services	24,274	27,113
Interest on deposits	3,930	1,808
Interest charged	0	2,727

34. PRODUCTION CAPACITY

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

PATTERN OF SHAREHOLDING

AS AT 30 JUNE, 1997

NO. OF SHAREHOLDERS	HAVING FROM	TO	SHARES HELD	PERCENTAGE
264	1	100	7,647	0.06
201	101	500	53,570	0.40
91	501	1,000	62,060	0.47
209	1,001	5,000	449,265	3.38
28	5,001	10,000	183,056	1.38
12	10,001	15,000	144,790	1.09
7	15,001	20,000	118,110	0.89
3	20,001	25,000	65,643	0.49
5	25,001	30,000	137,258	1.03
1	35,001	40,000	37,967	0.29
1	40,001	45,000	43,692	0.33
1	55,001	60,000	58,456	0.44
1	65,001	70,000	65,945	0.50
1	75,001	80,000	78,292	0.59
1	80,001	85,000	82,978	0.62
1	90,001	95,000	93,951	0.71
2	95,001	100,000	196,699	1.48
1	140,001	145,000	140,576	1.06
1	150,001	155,000	154,767	1.17
1	245,001	250,000	245,850	1.85
1	290,001	295,000	291,720	2.20
1	350,001	355,000	352,803	2.66
1	375,001	380,000	376,244	2.84
1	440,001	445,000	444,796	3.35
4	800,001	805,000	3,202,381	24.13
1	950,001	955,000	953,797	7.19
1	2,570,001	2,575,000	2,574,215	19.40
1	2,650,001	2,655,000	2,654,132	20.00
-----			-----	-----
843			13,270,660	100.00
=====			=====	=====

CATEGORIES OF SHAREHOLDERS

AS AT 30 JUNE, 1997

	SHARE HOLDERS	SHARE HOLDING	PERCENTAGE
Individuals	816	5,026,649	37.88
Investment Companies	14	1,051,250	7.92
Insurance Companies	2	667,964	5.03
Financial Institutions	4	3,024,685	22.79
Joint Stock Companies	2	246,149	1.85
Others			
Honda Motor Company Ltd. Japan	1	2,654,132	20.00
Tokyo-Mitsubishi International (H.K)	1	444,796	3.35
Administrators A. Properties	1	154,767	1.18
Corporate Law Authority	1	1	0.00
Co-operative Society	1	267	0.00
	-----	-----	-----
	843	13,270,660	100.00
	=====	=====	=====

ATLAS GROUP COMPANIES

	Year of Establishment Acquisition*
Shirazi Investments (Pvt) Ltd.	1962
Atlas Honda Ltd.	1963
Atlas Battery Ltd.	1966
Shirazi Trading Co. (Pvt) Ltd.	1973
Atlas Warehousing (Pvt) Ltd.	1979
Atlas Office Equipment (Pvt) Ltd.	1979*
Muslim Insurance Co. Ltd.	1980*
Allwin Engineering Industries Ltd.	1981*
Atlas Lease Ltd.	1989
Atlas Investment Bank Ltd.	1990
Honda Atlas Cars (Pakistan) Ltd.	1993
Honda Atlas Services (Pvt) Ltd.	1994
Atlas Information Technology (Pvt) Ltd.	1996