

# Atlas Honda Limited

## Annual Report 2000

### MISSION STATEMENT

*To be a dynamic, profitable and growth oriented company through market leadership, excellence in quality and service adding value to the shares and maximizing exports.*  
*To give attractive return to business associates, share-holders as per their expectations and market value and employees according to their abilities and performance, and to be a good corporate citizen to fulfill its social responsibilities.*

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### COMPANY IN FORMATION

	<b>BOARD OF DIRECTORS</b>	
<b>Chairman</b>	Yusuf H. Shirazi	
<b>Chief Executive Officer</b>	Aamir H. Shirazi	
<b>Directors</b>	Aitzaz Shahbaz	
	Firasat Ali	(representing National Investment Trust Ltd.)
	Motohide Sudo	(representing Honda Motor Company Ltd.)
	Nasim Beg	(representing National Investment Trust Ltd.)
	Sherali Mundrawala	
	Takemi Ishikawa	(representing Honda Motor Company Ltd.)
<b>Company Secretary</b>	Saleem Ahmed	

	<b>GROUP EXECUTIVE COMMITTEE</b>	
<b>Chairman</b>	Yusuf H. Shirazi	
<b>Members</b>	Jawaid Iqbal Ahmed	
	Frahim Ali Khan	
	Iftikhar H. Shirazi	
	Aamir H. Shirazi	

**Secretary** Saquib H. Shirazi  
Amjad Hussain

**Chairman** **GROUP PERSONNEL COMMITTEE**  
Yusuf H. Shirazi

**Chairman** **GROUP AUDIT COMMITTEE**  
Sanaullah Qureshi

**COMPANY MANAGEMENT**  
**Chief Executive Officer** Aamir H. Shirazi  
**Technical Director** Takemi Ishikawa  
**Director Finance** Saleem Ahmed  
**General Manager Marketing** Nurul Hoda  
**General Manager Human Resources** Zamir Haider

**Auditors** Hameed Chaudhri & Co.  
Chartered Accountants

**Legal Advisors** Mohsin Tayebaly & Co.  
**Tax Advisors** Mahmood Law Associates  
**Bankers** Credit Agricole Indosuez  
Deutsche Bank AG  
Emirates Bank International P.J.S.C.  
Habib Bank Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan  
The Bank of Tokyo-Mitsubishi Limited  
United Bank Limited

**Lending Institutions** Atlas Investment Bank Limited  
Muslim Commercial Bank Limited  
Saudi Pak Industrial and Agricultural  
Investment Company (Pvt) Limited

**Registered Office** 1-McLeod Road, Lahore-54000  
Tel: (92-42) 7225015-17, 7233515-17  
Fax: (92-42) 7233518  
Email: ahl@lhr.atlasgroup.pk

**Factories** F-36, Estate Avenue, S.I.T.E., Karachi-75730  
Tel: (92-21) 2575561-65 Fax: (92-21) 2563758  
Email: ahl@atlasgroup.pk

26-27 KM, Lahore-Sheikhupura Road, Sheikhupura-39321  
Tel: (92-4931) 6655-57, (92-42) 7222222  
Fax: (92-342) 354111  
Email: ahlskp@lhr.atlasgroup.pk

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

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

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

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

**Warranty & Training Centres** 7-Pak Chambers, West Wharf Road, Karachi. Tel: 2310142  
28 Mozang Road, Lahore. Tel: 6375360  
Azmat Wasti Road, Multan. Tel: 72028  
366/A, Gulistan Colony No.2, Near Millat Chowk,  
Shaikhupura Road, Faisalabad-38700

## **NOTICE OF ANNUAL GENERAL MEETING**

The Thirty-sixth Annual General Meeting of the Company will be held on Thursday, 14 December, 2000 at 10.30 A.M. at 1-McLeod Road, Lahore to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 8 December, 1999.
2. To receive and adopt the Audited Accounts of Atlas Honda .Limited together with the Directors' and Auditors' reports for the year ended 30 June, 2000.
3. To approve the dividend @ 20% for the year ended 30 June, 2000 as recommended by the Board of Directors.
4. To appoint the Auditors for the year 2000-2001 and to fix their remuneration.
5. To transact such other ordinary business as may be placed before the meeting with the permission of the chair.

**BY ORDER OF THE BOARD**

Lahore: November 23, 2000

**SECRETARY**

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

### **NOTES:**

1. The share transfer book of the Company will be closed from 7 December, 2000 to 14 December, 2000 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy 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.
3. No person shall act as proxy unless he is a member of the Company.
4. Signature of the shareholder on Proxy Application must agree with the specimen signature registered with the Company. Appropriate revenue stamp should be affixed on the Proxy Application.
5. For the convenience of the shareholder a Proxy Application format is attached with this report.

6. Shareholders are requested to immediately notify the Company of any change in their addresses.

7. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity, and in the case of proxy, must enclose an attested copy of his/her National Identity Card. Representative of corporate members should bring the usual documents required for such purpose.

## TEN YEARS GROWTH AT A GLANCE

Years	(Rs. in Million)									
	2000	1999	1998	1997	1996	1995*	1994	1993	1992	1991
Sales	3,397.5	3,424.9	3,423.5	3,498.1	3,092.5	2,139.7	1,836.5	1,940.2	1,655.5	1,562.5
Gross Profit	352.9	396.8	424.5	396.8	338.4	160.7	176.8	151.3	141.2	103.8
Profit Before Tax	101.9	180.9	190.9	188.6	176.1	31.4	18.7	17.7	7.9	0.9
Profit After Tax	60.2	123.4	125.6	124.9	101.5	20.6	11.5	13.4	(0.4)	(10.5)
Share Capital	145.98	145.98	145.98	132.71	120.64	120.64	120.64	109.68	109.68	58.75
Share Holders' Equity	585.00	554.02	481.70	392.6	287.53	204.17	211.95	200.50	187.12	85.61
Fixed Assets - Net	490.27	366.73	379.37	374.86	270.83	289.24	296.69	319.53	340.66	315.85
Total Assets	1,491.35	1,225.24	1,537.96	1,208.46	1,039.67	788.27	757.16	852.55	833.73	829.88
<b>Dividend</b>										
Cash	20%	35%	25%	15%	15%	15%	0%	0%	0%	0%
Stock	0%	0%	0%	10%	10%	0%	0%	10%	0%	0%
<b>Ratios:</b>										
Profitability (%)										
Gross Profit	10.4%	11.6%	12.4%	11.3%	10.9%	7.5%	9.6%	7.8%	8.5%	6.6%
Profit Before Tax	3.0%	5.3%	5.6%	5.4%	5.7%	1.5%	1.0%	0.9%	0.5%	0.0%
Profit After Tax	1.8%	3.6%	3.7%	3.6%	3.3%	1.0%	0.6%	0.7%	0.0%	(0.7)%
<b>Return To Shareholders</b>										
R.O.E. - Before Tax	17.4%	32.7%	39.6%	48.0%	61.3%	15.4%	8.8%	8.8%	4.2%	1.1%
R.O.E. -AfterTax	10.3%	22.3%	26.1%	31.8%	35.3%	10.1%	5.4%	6.7%	(0.2)%	(12.3)%
E.P.S. - After Tax	4.12	8.45	8.60	9.41	8.41	1.71	0.95	1.22	(0.04)	(1.79)
<b>Activity</b>										
Sales To Total Assets	2.28	2.80	2.23	2.89	2.97	2.71	2.43	2.28	1.99	1.88
Sales To Fixed Assets	6.93	9.34	9.02	9.33	11.42	7.40	6.19	6.07	4.86	4.95
<b>Liquidity/Leverage</b>										
Current Ratio	1.53	1.64	1.31	1.21	1.10	1.01	1.05	1.06	0.98	0.85
Break up value per share	40.07	37.95	33.00	29.58	23.83	16.92	17.57	18.28	17.06	14.57
Long Term Debts To Equity (Times)	0.36	1.14	0.39	0.36	0.26	0.48	0.53	0.76	0.79	1.67
Total Liabilities To Equity (Times)	1.43	1.21	2.19	2.08	2.62	2.86	2.57	3.25	3.46	8.69

\* Annualized

## **CHAIRMAN'S REVIEW**

It is my pleasure to present to you the 36th Annual Report and review of the performance of your company for the year ended 30th June 2000.

### **THE ECONOMY**

The year ending June 30, 2000 remained under the shadow of the international and domestic political and economic situation prevailing in the year 1999. Nuclear detonation, Kargil issue and ultimately army take over have had its impact on the political, economic and social fabric of the country. Good cotton, rice and wheat crops, however did help in raising the GDP growth but inept pricing and other policy measures could not yield the desired economic-socio benefits at the grass roots so as to uplift the economy on the whole. It was against this background that the National Budget for the year 2000-2001 was presented as a part of 3 years Perspective Plan aimed at achieving a 6% GDP growth and budgetary deficit below 5% by the year ending 2003.

The GDP growth for the year 1999-2000 was 4.8%, agriculture being highest at 7.2%, manufacturing the lowest at 1.1% and service sector at 4.5%. Inflation was claimed to be 3.6% which was the lowest in the past decade. The GDP growth target set for the year 2000-2001 vis-a-vis 1999-2000 is at 5%, up by only 0.2% from the previous year. Agriculture growth is projected at 3.9%, services at 5.2%, and the manufacturing at 5.9%. The target growth rates are an encouraging sign. The inflation for the year 2000-2001 is estimated at 4.5%, 0.9% higher than last year. Despite government's emphasis on agriculture sector, a projection of lower growth as compared to last year seems reasonably cautious keeping in view the current water shortage and vagaries of the weather. In the present circumstances, the growth in manufacturing at 5.9% seems to be optimistic but achievable! Similarly, the budgetary deficit target set at 4.6% of GDP vis-a-vis 6.5% of last year and 6.6% average of the last 4 years seems to be somewhat realistic thought with a lot of focus on the rough edges of the economy. The revenue target hinges on collection of an extra Rs. 100 bn. It is essential that all these targets are met in the wake of prevailing economic situation particularly the IMF conditionalities and the overall external pressures, which are becoming increasingly arduous for the borrowing nations with Pakistan the most hard hit at the present time.

On the other hand, in July 2000 the State Bank of Pakistan chose to remove the restrictions on the inter bank market and freed the rupee-dollar parity which caused the rupee to fall from Rs.52.36 to Rs.59.30 a dollar in early October 2000, about a 13.3% devaluation within a period of 10 weeks. In the kerb market, the rupee went as low as Rs.63 to a dollar- resulting in cost-push pressures in the long run. This was stated to meet one of the IMF conditionalities - before any settlement with them in sight. There is thus no alternative but to come out of the vicious circle of ever rising debts, falling rupee, debt servicing and costlier imports, consequently rendering exports uncompetitive due to rising internal costs. This can only be done by a better business environment, which promotes greater investment and savings. The devaluation has indeed made everything costlier without a corresponding increase in investment and production - productivity, value addition and volume growth. Full utilization of capacity needs to be the focus, which alone will bring the cost down and result in export competitiveness.

In order to revive the economy, the world financing agencies prescription may be just marginal. It has hardly helped any developing country so far. A recommendation in this connection to phase out seven main industries in Pakistan - steel, fertiliser, sugar, oil refineries, chemicals, pharmaceuticals and automobile, constituting over 50% of the economy, being not competitive by world standards, will further damage the economy as a whole. What will then remain for achieving self-reliance, a view the Government does espouse. Unemployment is becoming a bigger concern and challenge day by day. Similarly, a report that localization programmes will be done away will only discourage investment. Equally important is the competitive advantage of the local industry being eroded without which localization is effected. Imagine the rate of custom duty is being reduced from 35% to 25%, without a corresponding reduction in raw material duty which remains at 10%. Since the automobile engineering industry clearly does not come under the world financing institutions and other regulatory agencies - WTO - there is no reason to succumb to any pressure from any other international agency. Otherwise such policies will suspend investment, production and export - and above all, any entrepreneurial initiatives in these industries, to say the least, unless the situation is rectified or clarified in bold letters:

*(The state secrets are the preservatives of the statesmen)*

**THE AUTOMOBILE INDUSTRY**

During the year under review, the automobile industry in general did not perform well except the tractor segment. The production of tractors increased to 34,559 units from 26,644 units in the previous year, up 30%. The sales at 33,201 units were, up 21%, from 27,414 units in the previous year, mainly due to support from the agricultural sector.

Production of cars on the whole, however, was at 32,461 units against 38,682 units in the previous year, down 16%. The sale was also down 15% to 31,759 units from 37,262 units in the previous year. However, the industry witnessed rise in the production of cars in the category of 1300 cc and above - HONDA MARKET - and stood at 17,326 units by June 2000 against 15,190 units by June 1999, up 14%. The sales also increased to 17,452 units against 14,653 units of the last year, up 19% with Honda cars increasing production from 3,926 to 4,744 up 21%.

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

<i>Particulars</i>	<i>2000</i>	<i>1999</i>	<i>Incr/(Decr)</i>	<i>%age</i>
Cars	32,461	38,682	(6,221)	-16.08%
Motorcycles	86,959	87,504	(545)	-0.62%
Tractors	34,559	26,644	7,915	+29.71%
Buses, trucks & LCVs	9,409	10,908	(1,499)	-13.75%
<b>Total</b>	163,388	163,738	350	-0.21%
<b>Atlas Honda motorcycles</b>	59,357	59,639	(282)	-0.48

*Source: PAMA*

The production of the motorcycles also fell to 86,959 units from 87,504 units of the previous year, down 0.62%. In this declining situation, Atlas Honda, however, maintained its market share of 64% by producing 59,357 units and selling 58,597 units. This is despite the entry of the Chinese motorcycle in the market, who have managed however to achieve only 8% of the market. The Honda motorcycles have thus continued to dominate the market despite the adverse circumstances prevailing in the Industry.

The total installed capacity of the motorcycle industry comprising six units is, however, about 275,000 with Honda at about 125,000 motorcycles. According to generally accepted principles the ratio of sale of motorcycle to a car should be 10:1.

According to the sales figure of cars shown above, the production of motorcycles should be above 300,000 units. With annual new car sales of between 40,000 units to 50,000, sale of the motorcycles should be atleast 400,000 units against an actual figure of less than 90,000 a year. Considering the above production figures, the industry's capacity utilization is hardly 35% of the total installed capacity, with Honda at 65%. If this capacity is used fully the prices of motorcycles will reduce,' more so on localization. However, some of the motorcycle manufacturers operating in this country are without valid sanction or a deletion program, from the Engineering Development Board, the only competent authority. This all is happening right under the Government's nose! The deviators, however, continue with irregular import or procurement from one unrecognized source or another! In the interest of the industry, formalization of all the units under one umbrella will be in the interest of the industry. Equally important is the competitive advantage being eroded without which localization is affected. Imagine the rate of custom duty being the same 35% for CKD and for spare parts. Since automobile engineering clearly does not come under the ambit of WTO, there is no reason to succumb to any pressure from any other multilateral agency. The above anomaly must be rectified in the larger interest of the economy, much less the industry and particularly to promote investment, production and export.

#### **MARKET REVIEW**

Be it as it may, the year under review, however, was no less difficult than the previous year. The large manufacturing sector, with the exception of textiles, witnessed a sharp decline whose impact was evident in the motorcycle industry. Dealers incentive scheme, "Holiday In Malaysia", was offered to Atlas Honda dealers in the last quarter of the previous year, the spill over of which effected the company's sales in the very first month of the financial year under review. Moreover, liquidity crunch in the market due to many cash prize schemes offered by the financial institutions, also had an impact on the traditional liquidity available to motorcycle customers. Inspire of a bumper cotton crop, no economic benefit was passed on to the farmers due to the low cotton rates - also because of the excess stocks imported last year- so as to benefit the economy at its grassroots. Though the government expressed a desire to establish the cotton prices but this vital issue was not settled in time; the growers were left alone at the mercy of the 'market forces'! At a later stage, the T.C.P. did intervene and fixed the cotton prices,



which, however, were much lower than the expectations of the growers. Payment of cotton purchased by T.C.P. was also not timely. All this resulted in deprivation of the customer in the rural areas, in particular, the cotton belt - the backbone of the economy. Due to these factors your company was unable to meet its targets for the first half of the year.

The government also started tax survey in order to document the economy, covering 13 big cities, to begin with. The government has targeted about Rs. 100 billion additional revenue collection from this survey. Tax amnesty scheme resulted in additional collection of revenue of over Rs. 10 billion. This scheme had the highest response over all the previous such schemes. With the collection of Rs. 10 billion, wealth of Rs. 100 billion came into the net of regular economy, a welcome step indeed. Although there has been unrest among the traders and the stockist in the market which has affected normal business activities, it is hoped that the matter will be settled sooner than better!

Situation started to improve in the new millennium with a bumper wheat crop duly supported with better prices offered to the growers and payments made in time. About 60 billion rupees were stately pumped into the economy due to payments made on this account. Being vigilant of the market situation, your company encashed this opportunity by timely introduction of new models of the two motorcycles i.e. CD70 and CG125. This prompt activity proved to be a success. The change of the model of the CG125 was especially successful among 100 - 125 cc model customers. Due to these favourable conditions, your company was not only able to meet the target of the 2nd half but was also able to make up some losses of the first half as well. As a result, Honda market share was maintained at 64% which reflects the confidence of the discontinuing customer in Honda products. It also reflects the continued success of the marketing policies of your management.

During the year, your company also continued its efforts to strengthen the dealership network. Dealers investment was maintained and their return on investment was ensured. Upgradation and renovation was also carried out in the dealer showrooms and new design shop boards were installed to give a millennium look to our dealerships. Your company's policy to place "Customer Satisfaction at the Top" was supported by our service dealers network. Warranty claims settlement time was further shortened to provide speedier service

to customers through countrywide spread of antenna dealers network. Free service camps were arranged. Your company imparted technical training about our product including a 4-Stroke technology transfer to general mechanics throughout Pakistan. Service training courses called Honda Service Training Courses (H.S.T.C.) for our dealers were arranged. The company supported Government sponsored Vocational Training Institutions (V.T.I.) all over Punjab by providing essential training material and preparing syllabus for their courses. In the Karachi market, value added activity of "One Year Free Maintenance & Warranty" was carried out to retain customers and to penetrate the institutional clientele.

The operations of the Parts Division were shifted to the factory premises to improve working efficiency and to provide faster service to dealers. Your company successfully launched Honda Motorcycle Engine Oil in collaboration with Total Atlas Lubricants Pakistan (Pvt) Ltd. during the year. This was a long awaited demand of our customers which was a success in line with our expectations.

#### **INDIGENIZATION**

The Government has clearly stated, once again, that the world financial and other regulatory institutions conditionalities are not applicable to the automobile industry. So a reasonable protection to the industry as determined by the Government itself will continue and so will the localization programmes. The Government is preparing the next 5 years deletion programme for the automobile industry as a whole, which we believe will be economically viable. I dare say that Honda prides itself in following the policies of the local governments, wherever they have setup plants - in 33 countries - all over the world. For Honda, Pakistan is no exception to this rule.

Atlas thus continues to vigorously pursue its policy of indigenization- to control cost, to reduce impact of exchange fluctuation and to introduce broad-base technology. During the year deletion of 2.48% and 1.12% was achieved in CD70 and CG125, totaling around 79% and 75% respectively. Focus for the year 2000-2001 shall be on local manufacturing of switch assembly, light & winker. crankshaft forging and preparing a feasibility study to localize the last major undeleted engine part - cylinder head.

The machines and equipment for the crankshaft project costing Rs 200 mn were received in the Sheikhpura factory in April 2000. Installation, testing, and commissioning was completed according to the original plan. Deletion for both the

models i.e. CD70 and CG125 was confirmed from June, 2000 shipment. Mass production has commenced from June 14, 2000 after successful completion of the project. The introduction of the crankshaft technology in Pakistan is a major step for the engineering industry as a whole. This process of indigenization and technology transfer will continue in the best interest of the economy at large and ultimately the consumer which would be to our satisfaction.

#### **COMPANY OPERATIONS**

As explained above, the unit sales were lower than last year. In the rural cotton belt areas, which is the traditional motorcycle market, the cotton prices were exceptionally low inspite of a bumper crop as described above. The sales targets particularly in the 2nd quarter of the year were not met. However, the market began to show signs of recovery in the 3rd quarter. As a result, the company was able to sell 58,597 motorcycles in the year under review as compared to 61,481 motorcycles in the previous year, not bad at all, in the given circumstances!

The sales revenue for the year was also down to Rs.3.40 bn. This figure, however, includes exports of 1000 units worth about Rs. 40 mn against Rs. 8 mn in the previous year. Accordingly, the profit before tax was down to Rs.101.91 mn as compared to Rs. 181.00 mn for the preceding year. Resultantly, the gross profit ratio for the year was down 10.39% against 11.58% of the previous year. In addition, lower sales volume than the previous year was also partly because of the unfavourable currency exchange rates. The total cost push could not be passed onto the customer due to the availability of cheaper alternatives in the market.

The operating expenses increased by 6.6% to Rs.198.94 mn due to a newly introduced performance based compensation structure recommended by the Remuneration Committee. This will be a major motivator for the staff to improve performance and reduce cost in the years to come. Financial expenses for the year under review were Rs.57.7 million as compared to Rs.56.7 million last year. Your company paid taxes amounting to Rs.1.138 billion on account of sales tax, income tax and custom duties, against Rs. 1.125 billion of the last year. Since the tax holiday period ended in 1972 -your company has paid Rs 8.4 bn to the government exchequer, by no means a small contribution.

Before tax your company achieved an ROE of 16.6% and EPS of Rs.6.9 down from 32.7% and

Rs. 12.3 respectively of last year.

The equity of the company stands at Rs. 585.00 mn, including reserves amounting to Rs. 439.02 mn, reflecting a sound financial position.

Liquidity remained positive with cash balance aggregating to Rs.252.68 mn.

Your directors have proposed a cash dividend of Rs 2 per share absorbing Rs 29.20 mn and the balance of Rs 31.0 mn to be carried forward to the reserves totaling Rs 585.00 mn against a paid up capital of Rs.145.98 mn.

## **HUMAN RESOURCE**

The Group Personnel Committee headed by the Chairman is continuously working to shape group personnel policies, so that the employees are motivated and rewarded according to their contribution in meeting the company's objectives.

As a result, where the number of staff decreased from 870 during 1991 to 792 during the year, the total wage bill increased to Rs. 204.30 mn during the year from Rs. 68.30 mn in 1991 correspondingly increasing salary per person from Rs. 78,510 during 1991 to Rs. 257,960 during the year and sale per person from Rs. 1.80 mn during 1991 to Rs. 4.29 mn during the year under review.

Further, all benchmark job descriptions were written in accordance with the Hay's format and then evaluated. Consequently, your company is being restructured to meet the challenges of the millennium and to be competitive in the face of globalization. It is only through a world class team that the company will be able to compete globally. The Management Committee has been reconstituted with the general managers of the five major functions represented. Mr. Amir Awan who has been with the company for 19 years, has been promoted as General Manager Production.

The company lays great stress on training of its personnel. In the year under review eight persons went abroad for training. Mr. Nurul Hoda, GM Marketing, attended the PMD course at the Harvard Business School.

The emphasis on human resource development is the hallmark of the Atlas Group of which your company is a constituent member. This is based on strategic vision dovetailed with operational efficiency, team work and individual performance. Individual compensation has been linked with

individual performance with executive bonus being on an agreed basis for the team as a whole. This year our emphasis is more on the role of leadership, management practices and integrity in terms of executive profile, with a view to further improve our performance. In order to implement the Hay's system, the company reviewed and restructured the management salaries to make them competitive in the market. This will enable the company to recruit, train and retain the right employees and a motivated team to face the fast approaching globalisation.

At the Sheikhpura plant, the Charter of Demands has been settled. increased working hours have been negotiated resulting in increased capacity and productivity. Ala Mayar activities at Company and Vendors end have progressed well. Your company will host Asia Oceania Quality Circle Convention in the year 2001. Company gave away gold medals as **Long Service Award** to 293 employees. Employers' Federation of Pakistan gave away **Excellence Award** to Atlas Honda limited being among top ten companies for its human resource/industrial relation policies and practices.

#### **FUTURE OUTLOOK**

The industry capacity utilization, on the whole, is less than 35%. Your company, however, is better at 65%. In addition, the industry is constantly facing the cost increase challenges due to the depreciation of the rupee. In July last, State Bank of Pakistan free floated the rupee. Within 75 days the rupee value slipped down by 12.5% against the US dollar. Cost of imported raw materials and components has escalated thus bringing more pressure on cost. Banks had imposed a 30% cash margin on LCs cost. The mark-up rates are likely to go up after recent hikes in key rates by 2% by the State Bank of Pakistan. This will also have a cost push impact.

The long term solution to controlling cost is localization. With this objective in mind, the company will continue to focus on deletion. In the two models, CD70 and CG125, deletion level now stands at 79% and 75% respectively. Investment in localization has not only saved foreign exchange, it has also minimized the effect of rupee devaluation and brought in new technologies thus creating employment. This is a real value addition.

The Government has, however, taken a number of major steps for revival of the economy which are beginning to take effect. The indicators have an

upward trend and are expected to continue to improve. The indicators from the agriculture sector - particularly the cotton crop- which constitutes 25% (services 50% and manufacturing 25% being the other constituents) of the country's GDP are again positive and thus generally encouraging for the economy. Agriculture is the backbone of our economy catering to the socio-economic well being of 70% of the population. The timely announcement of support prices for cotton and wheat and the relevant economic policies of the Government in support of the agriculture sector are expected to help the economy to perform better in the ensuing year. The number of tax payers from the current figure of 1.3 million is targeted to increase to 3 million and will generate more revenue to bridge the deficit, a welcome trend to lower the debt burden.

Your management is determined to face future challenges including embarking upon exports of complete units and parts. Your company is blessed with a dedicated team of staff and workers. We have further linked reward with performance, which is a great motivator. I am confident that despite difficult times, your company's management team is fully geared to tackle the surmountable situation. We foresee a better future of your company and, as such, a fair shareholders value and reward to the company employees.

#### **ACKNOWLEDGEMENT**

Mr. Aamir H. Shirazi took over as Chief Executive Officer of Atlas Honda in Dec'91 in an extremely challenging situation. The company was losing both money and experienced management due to the onslaught of the then competitive environment. In 9 years, he provided determined leadership, built a new team and created a new vision to overcome the crisis of the time. During his tenure, the company has been converted into a high dividend paying, cash rich company. He successfully completed three major expansion projects for deletion during these years, costing Rs 510 mn with a total capital investment of Rs 622 mn besides vendor investment of Rs 210.5 mn in about a dozen hi-tech value added components. Localization of parts increased by 15% in CD70 and 18% in CG125 motorcycles during this period, a commendable job indeed, particularly in view of hi-tech high value added content of complex vital components in uncertain condition. As a result of his success at your company, Mr. Aamir H. Shirazi has been elevated as President of the Atlas Group, heading also the Group Executive Committee. On your behalf, may I thank him for his valuable and substantive contribution, without which your company would

not have been at this level.

Mr. Saquib H. Shirazi, the new Chief Executive Officer of your company was previously the Chief Executive Officer of another Group company, Atlas Investment Bank Limited, where he was a considerable success. He has a Masters degree in Business Administration from the Harvard Business School brings to the job a rich experience in finance, administration and marketing.

Mr. Saleem Ahmed, Director Finance has been elevated as Member, Group Executive Committee and made Group Director Strategic Planning & Management Audit. He is a Chartered Accountant with 22 years experience of meritorious service with the Group.

Mr. Kanji Kashiwagi representing Honda Motor Company Ltd., Japan upon his new assignment, also resigned from the Board. He was replaced by Mr. Motohide Sudo. Mr. Nasim Beg and Miss Sara Jawaid, both representatives of National Investment Trust Ltd. have also resigned from the Board, and have been replaced by Mr. Istaqbal Mehdi and Mr. Firasat Ali.

I would like to take this opportunity to place on record my appreciation of the valuable contribution made by Mr. Kashiwagi, Mr. Beg and Miss Jawaid.

I welcome Mr. Motohide Sudo, Mr. Istaqbal Medhi and Mr. Firasat Ali on the Board and look forward to their support in managing the affairs of your company.

It is my pleasure to thank Honda Motor Company for their continued help and cooperation and particularly during the year in setting up the Crank Shaft Project and their continued support particularly in localization of parts and components.

I also thank our bankers, shareholders, Board of Directors, Group Executive Committee, associates, vendors and customers for their support and guidance at all time.

**Yusuf H. Shirazi**

## **DIRECTORS' REPORT**

The Directors of your Company take pleasure in presenting their report together with the Audited Accounts and Auditors' Report thereon for the year ended 30 June, 2000.

**FINANCIAL RESULTS**

The financial results of your Company for the year ended 30 June, 2000 are summarised as follows:

	<i>(Rupees in 000's)</i>	
	<i>1999</i>	<i>2000</i>
Profit before taxation	101,905	180,988
Taxation:		
Current	28,000	59,744
Prior year	6,723	(9,846)
Deferred	7,000	7,696
	-----	-----
	41,723	57,594
	-----	-----
Profit after taxation	60,182	123,394
Unappropriated profit brought forward	622	320
	-----	-----
Available for appropriation	60,804	123,714
Appropriation:		
Transfer to General Reserve	31,000	72,000
Cash Dividend 20% (1999: 35%)	29,195	51,092
	-----	-----
	60,195	123,092
	-----	-----
Unappropriated profit carried forward	609	622
	=====	=====

**DIVIDEND**

Directors propose cash dividend at the rate of 20% i.e (Rs.2.0 per share).

**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, 2000 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.

**For and on behalf of the  
BOARD OF DIRECTORS**

**AAMIR H. SHIRAZI  
Chief Executive Officer**

Karachi: 13 November, 2000

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of ATLAS HONDA LIMITED as at 30 June, 2000 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for



the purposes of our audit.

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

We Conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statement. 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 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 the expenditures 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, 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 2000 and of the Profit, its Cash Flows and Changes in Equity for the year ended; and

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

Karachi: 13 November, 2000

**HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS**

## **BALANCE SHEET AS AT JUNE 30, 2000**

	<i>NOTE</i>	<i>(Rupees in 000's)</i>	
		<i>2000</i>	<i>1999</i>
<b>SHARE CAPITAL</b>			
Authorised			
20,000,000 ordinary shares of Rs. 10/- each		200,000	200,000
		=====	=====
Issued, subscribed & paidup capital	3	145,977	145,977

<b>RESERVES &amp; UNAPPROPRIATED PROFIT</b>			
Reserves	4	4,384,181	407,418
Unappropriated profit		609	622
		-----	-----
		439,027	408,040
		-----	-----
		585,004	554,017
<b>REDEEMABLE CAPITAL</b>			
	5	46,242	65,119
<b>LONG TERM LOAN</b>	6	80,366	--
<b>SUPPLIER'S CREDIT</b>	7	20,931	41,861
<b>OBLIGATION UNDER FINANCE LEASE</b>	8	--	471
<b>DEFERRED LIABILITIES</b>			
Staff gratuity	9	17,129	15,572
Deferred taxation	10	44,000	37,000
		-----	-----
		61,129	52,572
<b>CURRENT LIABILITIES</b>			
Short term loans	11	109,281	59,669,073
Current maturity of long term liabilities	12	60,389	
Creditors, provisions, accrued charges & other liabilities	13	393,882	336,069
Taxation	14	30,000	61,744
Dividend	15	32,127	53,096
		-----	-----
		625,679	511,209
<b>CONTINGENT LIABILITIES &amp; COMMITMENTS</b>			
	16		
		-----	-----
		1,419,351	1,225,249
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets	17	490,269	366,734
<b>DEFERRED COST</b>			
	18	--	1,343
<b>INVESTMENTS</b>			
	19	5,863	8,390
<b>LONG TERM LOANS, DEPOSITS &amp; PREPAYMENTS</b>			
	20	10,055	10,409
<b>CURRENT ASSETS</b>			
Stores	21	33,378	31,200
Stocks	22	410,074	378,824
Trade debtors	23	39,673	27,287
Advances, deposits, prepayments & loans	24	177,360	214,291
Cash & bank balances	25	252,679	186,771
		-----	-----
		913,164	838,373
		-----	-----
		1,419,351	1,225,249
		=====	=====

The annexed notes form an integral part of the accounts.

**SHERALI MUNDRAWALA**      **AAMIR H. SHIRAZI**      **YUSUF H. SHIRAZI**  
**DIRECTOR**                      **CHIEF EXECUTIVE OFFICER**      **CHAIRMAN**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE, 2000**

		<i>(Rupees in 000's)</i>	
	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
<b>SALES</b>	26	3,397,441	3,424,853
<b>COST OF SALES</b>	27	3,044,539	3,028,018
		-----	-----
<b>GROSS PROFIT</b>		352,902	396,835
<b>OPERATING EXPENSES</b>			
Administrative	28	1,027,771	91,075
Selling & distribution	29	96,158	95,575
		-----	-----
		198,935	186,650
		-----	-----
<b>OPERATING PROFIT</b>		153,967	210,185
<b>MISCELLANEOUS REVENUE</b>	30	16,036	40,744
		-----	-----
		170,003	250,929
<b>OTHER CHARGES</b>			
Financial expenses	31	57,704	56,702
Provision for diminution in value of investment		2,527	1,054
Workers' profit participation fund		5,489	9,658
Workers' welfare fund		2,378	2,527
		-----	-----
		68,098	69,941
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		101,905	180,988
<b>TAXATION - Current</b>	14	28,000	59,744
- Prior Year		6,723	(9,846)
- Deferred		7,000	7,696
		-----	-----
		41,723	57,594
		-----	-----
<b>PROFIT AFTER TAXATION</b>		60,182	123,394
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		622	320
		-----	-----
		60,804	123,714
<b>APPROPRIATION:</b>			
Transfer to General Reserve		31,000	72,000
Proposed dividend @ 20% (1999: 35%)		29,195	51,092
		-----	-----
		60,195	123,092
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		609	622
		=====	=====

<b>BASIC EARNINGS PER SHARE</b>	32	4.12	8.45
		=====	=====

The annexed notes form an integral part of the accounts.

<b>SHERALI MUNDRAWALA</b>	<b>AAMIR H. SHIRAZI</b>	<b>YUSUF H. SHIRAZI</b>
<b>DIRECTOR</b>	<b>CHIEF EXECUTIVE OFFICER</b>	<b>CHAIRMAN</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE, 2000

		<i>(Rupees in 000's)</i>	
	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
Net cash inflow from operating activities	33	238,167	145,611
Return on investments and servicing of finance			
Mark-up/interest paid		(53,401)	(50,032)
Financial charges on leased assets		(305)	(856)
Mark-up/interest received on advances		152	--
Mark-up/interest received on deposits		14,848	35,754
Dividend received		602	452
Dividend paid		(50,164)	(35,833)
Net cash outflow from return on investments and servicing of finance		-----	-----
		(88,268)	(50,515)
Taxation			
Taxes paid (including tax deducted at source)		(53,020)	(82,829)
Investing activities			
Fixed capital expenditure		(186,294)	(36,585)
Sale proceeds of fixed assets		5,025	12,250
Investment in shares		--	(750)
Software development cost		--	(2,686)
		-----	-----
		(181,269)	(27,771)
Net cash (outflow) before financing activities		-----	-----
		(84,390)	(15,504)
Financing activities			
Long term loan		100,458	--
Increase/(Decrease) in short term borrowings		108,678	(207,140)
Repayment of redeemable capital/loan		(15,952)	(29,440)
Repayment of supplier's credit		(41,861)	--
Repayment of obligation under finance lease		(1,671)	(3,831)
Increase in long term deposits		646	1,712
		-----	-----
Net cash inflow / (outflow) from financing activities		150,298	(238,699)
		-----	-----
Increase / (Decrease) in cash & cash equivalents	34	65,908	(254,203)
		=====	=====

The annexed notes form an integral part of the accounts.

**SHERALI MUNDRAWALA**  
DIRECTOR

**AAMIR H. SHIRAZI**  
CHIEF EXECUTIVE OFFICER

**YUSUF H. SHIRAZI**  
CHAIRMAN

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 30 JUNE, 2000**

	<i>(Rupees in 000's)</i>					
	<i>Share Capital</i>	<i>General Reserve</i>	<i>Share Premium</i>	<i>Gain on sale of Land</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance as at 1 July, 1998	145,977	295,300	39,953	165	320	481,715
Profit for the year	--	--	--	--	123,394	123,394
Dividend	--	--	--	--	(51,092)	(51,092)
Transferred during the year	--	72,000	--	--	(72,000)	--
	-----	-----	-----	-----	-----	-----
Balance as at 30 June, 1999	145,977	367,300	39,953	165	622	554,017
Profit for the year	--	--	--	--	60,182	60,182
Dividend	--	--	--	--	(29,195)	(29,195)
Transferred during the year	--	31,000	--	--	(31,000)	--
	-----	-----	-----	-----	-----	-----
Balance as at 30 June, 2000	145,977	398,300	39,953	165	609	585,004
	=====	=====	=====	=====	=====	=====

The annexed notes form an integral part of the accounts.

**SHERALI MUNDRAWALA**  
DIRECTOR

**AAMIR H. SHIRAZI**  
CHIEF EXECUTIVE OFFICER

**YUSUF H. SHIRAZI**  
CHAIRMAN

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 2000**

**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 stock exchanges in Pakistan. The company is principally engaged in progressive manufacture and sales of motorcycles and pads.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

These accounts have been prepared in accordance with the requirement of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

**2.2 Accounting convention**

These accounts have been prepared under historical cost convention as modified by the exchange rate fluctuation as referred to in note 2.9.

**2.3 Employees' benefits**

The company operates an unfunded gratuity scheme for its non management staff and workers, whose period of service is five years or more and on retirement at the age of sixty years. Annual provision is made to cover the obligation under the scheme.

### **Provident Fund**

The Company operates a recognised provident fund scheme for its employees. Equal monthly contribution at the rate of 11 percent of the basic salary are made to the fund both by the company and employee.

### **2.4 Taxation**

Current taxation is provided on taxable income at the current rates of taxation after taking into account tax credit available, if any:

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 difference will not reverse in the foreseeable future.

### **2.05 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 asset. Full year's depreciation is provided on additions during the year, while no depreciation is charged in the year of disposal.

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

### **Leased assets**

The company accounts for assets acquired under finance lease by recording the assets and related liability. Amounts are determined on the basis of discounted value of minimum lease payment. Financial charges are allocated to accounting period in a manner so as to produce a constant periodic rate of charge on the outstanding liability.

### **2.6 Investments**

These are stated at cost. Provision for diminution in value of investments is made, if considered permanent.

### **2.7 Stores**

These are valued at average cost. Items in transit are stated at cost accumulated to balance sheet date.

### **2.8 Stocks**

These are valued at lower of cost and net realisable value. Goods in transit are valued at cost accumulated to the balance sheet date.

### **2.9 Foreign Currency Translation**

Assets and 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 contract which are translated at the contracted rates. Exchange gains or losses on translation of foreign currency loans utilised for the acquisition of plant and machinery are included in the cost of plant and machinery. All other exchange differences are included in the income.

### **2.10 Revenue recognition**

Sales are recorded on dispatch of goods to the customers. Dividend income is recognised on receipt basis.

### **2.11 Borrowing cost**

Borrowing costs are recognised as an expense in the period in which these are incurred.

**2.12 Deferred cost**

Software development cost is amortised over a period of two years.

**2.13 Presentation**

Figures in these accounts have been rounded off to the nearest thousand rupees. Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.

	<i>(Rupees in 000's)</i>	
	<b>2000</b>	<b>1999</b>
<b>3. ISSUED, SUBSCRIBED &amp; PAID-UP SHARE CAPITAL</b>		
Ordinary shares of Rs. 10/- each.		
6,352,748 Fully paid-up in cash	63,528	63,528
7,985,678 Issued as fully paid bonus shares	79,856	79,856
259,300 Issued for consideration other than cash	2,593	2,593
-----	-----	-----
14,597,726	145,977	145,977
=====	=====	=====
<b>4. RESERVES</b>		
Capital Reserves		
Share Premium	39,953	39,953
Gain on Sale of Land	165	165
	-----	-----
	40,118	40,118
	-----	-----
General Reserve		
Balance as at 1 July	367,300	295,300
Transferred during the year	31,000	72,000
	-----	-----
	398,300	367,000
	-----	-----
	438,418	407,418
	=====	=====
<b>5. REDEEMABLE CAPITAL</b>		
Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd. (Note 5.1)		
	36,242	50,119
Atlas Investment Bank Limited (Note 5.2)	10,000	15,000
	-----	-----
	46,242	65,119
	=====	=====
<b>5.1 Mark-up Finance Agreement</b>		
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited		
Balance as at 1 July	61,071	70,000
Repaid during the year	11,147	8,929
	-----	-----
	49,924	61,071
Less: installment due within the following twelve months	13,682	10,952
	-----	-----
Balance as at 30 June	36,242	50,119

(a) The company has arranged long term finance facility from Saudi Pak Industrial & Agricultural Investment Company (Private) Limited (Saudi Pak). In terms of Mark-up finance agreement, Saudi Pak has agreed to purchase certain assets of the company for a sum of Rs. 70 million and the company has agreed to buy back the said assets for a sum of Rs. 125.143 million. The rate of mark-up on this facility has been reduced during the year from 21.5 percent to 19.33 percent per annum. Liquidated charges at the rate of 0.73 per Rs. 1,000 per day will be payable on the overdue amounts.

(b) The finance facility is repayable in ten half yearly installments commencing from 3 September, 1998 and ending on 3 March, 2003;

(c) The finance facility is secured against first parri passu equitable mortgage on company's immovable assets and a first parri passu floating charge and hypothecation of all moveable equipments and future assets of the company.

(d) A demand promissory note.

## 5.2 Atlas Investment Bank Limited

Balance as at 1 July	20,000	25,000
Repaid during the year	5,000	5,000
	-----	-----
	15,000	20,000
Less: installments due within the following twelve months	5,000	5,000
	-----	-----
	10,000	15,000
	=====	=====

(a) The company has arranged long term finance facility from Atlas Investment Bank Limited, (the bank) an associated undertaking. In terms of Mark-up finance agreement, the bank purchased certain assets of the company for a sum of Rs. 25 million and the company simultaneously repurchased the said assets for a sum of Rs. 42.489 million. The mark-up rate is 18% (1999-21.5%) per annum;

(b) The facility carries project monitoring fee at the rate of 0.25 percent on outstanding amount representing repurchase price. In case of default in payment on due dates, liquidated damages will be payable at the rate of 20% on the default amount;

(c) The 'mark-up price' is repayable in 10 half yearly installments commencing on 10 January, 1998 and ending on 10 January, 2003; and

(d) The facility is secured against a first mortgage ranking parri passu on immovable properties of the company, a first ranking parri passu charge by way of hypothecation of all fixed assets of the company and a demand promissory note.

## 6. LONG TERM LOAN

### Muslim Commercial Bank Limited

Disbursed during the year	100,458	--
	-----	-----
	100,458	--
Less: Installments due within the following twelve months	20,092	--
	-----	-----



Balance as at 30 June	80,366	--
	=====	=====

(a) The Company has arranged Demand Finance amounting to Rs. 100.458 million from Muslim Commercial Bank Limited For import of Crank Shaft Machinery.

(b) The demand Finance is repayable in 10 half yearly installments commencing on 22 September, 2000 and ending on 22 March, 2005.

(c) The demand Finance carries mark-up at the rate of 3 percent over Treasury Bills to be fixed on annual basis, presently 13.88 percent, subject to a ceiling of 16 percent per annum.

(d) The Demand Finance is secured against first parri passu equitable mortgage on company's immovable properties.

#### 7. SUPPLIER'S CREDIT

Honda Trading Corporation

Foreign Currency Loan - Unsecured

Balance as at 1 July,	83,721	83,721
Repaid during the year	41,860	--
	-----	-----
	41,861	83,721
	-----	-----
Overdue installment	--	20,930
Installment due within the following twelve month	20,930	20,930
	-----	-----
	20,930	41,860
	-----	-----
	20,931	41,861
	=====	=====

(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) Supplier's Credit is repayable in 5 yearly installments commencing from 30 May, 1998 and ending on 30 May, 2002.

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

#### 8. OBLIGATION UNDER FINANCE LEASE

Balance as at 1 July	2,356	6,187
Less: Repaid during the year	1,671	3,831
	-----	-----
	685	2,356
Less: installments due within the following twelve months	685	1,885
	-----	-----
Balance as at 30 June	--	471
	=====	=====

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

Year ending June 30,		
2000	492	2,204
2001	493	517
	-----	-----
	985	2,721
Less: Financial charges allocated to future periods	300	365
	-----	-----
	685	2,356
Less: Current portion shown under current liabilities	685	1,885
	-----	-----
	--	471
	=====	=====

(a) The company has entered into lease agreements with leasing companies including an associated undertaking for lease of Motor Vehicles, Office Equipment and Plant & Machinery.

(b) The lease rentals which include financial charges at the rate of 18.23 % to 22 % per annum and are payable in equal quarterly / monthly installments.

#### 9. STAFF GRATUITY

Balance as at 1 July	15,572	14,278
Add: Provision for the year	1,586	1,918
	-----	-----
	17,158	16,196
Less: Payments during the year	29	624
	-----	-----
Balance as at 30 June	17,129	15,572
	=====	=====

#### 10. DEFERRED TAXATION

The liability for deferred taxation comprises of timing differences relating to:

Accelerated tax depreciation allowance	48,640	40,957
Lease rentals	1,295	1,182
Deferred debit arising in respect of Provision for gratuity	(5,935)	(5,139)
	-----	-----
	44,000	37,000
	=====	=====

#### 11. SHORT TERM LOANS

Secured (Note 11.1)	108,786	118
Unsecured	495	485
	-----	-----
	109,281	603
	=====	=====

11.1 The Company has arranged short term demand finance amounting to Rs. 80 million from United Bank Limited for its working capital requirements. The demand finance carries mark-up at the rate of 10.50 percent per annum. The company has Credit Facilities upto an aggregate of Rs. 547 million (1999 - Rs. 417 million). The loans carry mark-up at the rate of Re.0.288 to 0.385 (1999 - Re. 0.356 to Re. 0.460) per thousand per day on daily product basis. The Short Term Loans are secured against hypothecation of stocks & book debts.

**12. CURRENT MATURITY OF LONG TERM LIABILITIES**

Redeemable Capital	18,682	15,952
Long term loan	20,092	--
Supplier's Credit	20,930	41,860
Obligation under finance lease	685	1,885
	-----	-----
	60,389	59,697
	=====	=====

**13. CREDITORS, PROVISIONS, ACCRUED CHARGES AND OTHER LIABILITIES**

Trade creditors (Note 13.1)	115,834	58,787
Accrued expenses	119,244	166,560
Customers advance & credit balances	115,794	74,457
Interest / Mark-up on bank loans - secured (Note 13.2)	11,925	7,713
Interest on supplier's credit- unsecured	165	4,017
Retention money	64	64
Sales tax payable	15,472	3,266
Workers' welfare fund	2,856	4,447
Workers' profit participation fund (Note 13.3)	5,799	9,971
Other liabilities	6,729	6,787
	-----	-----
	393,882	336,069
	=====	=====

13.1 Trade creditors include Rs. 453 thousand (1999 - Rs. 731 thousand) payable to associated undertaking.

13.2 Interest/Mark-up payable on secured loan includes Rs. 1,304 thousand (1999 - Rs. 2,061 thousand) payable to associated undertaking.

**13.3 Workers' Profit Participation Fund**

Balance as at 1 July	9,971	10,521
Add: Interest credited	1,878	1,492
	-----	-----
	11,849	12,013
Less: Payment made during the year	11,539	11,700
	-----	-----
	310	313
Contribution for the year	5,489	9,658
	-----	-----
Balance as at 30 June	5,799	9,971
	=====	=====

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

**14. TAXATION**

Corporate Asset Tax	2,000	2,000
Income Tax	28,000	59,744
	-----	-----
	30,000	61,744
	=====	=====

**15. DIVIDEND**

Unclaimed dividends	2,890	1,962
Unclaimed bonus fractions	42	42
Proposed dividend	29,195	51,092
	-----	-----
	32,127	53,096
	=====	=====

**16. CONTINGENT LIABILITIES & COMMITMENTS****16.1 Guarantees**

Issued by banks	6,041	13,469
-----------------	-------	--------

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

**16.2 Commitments**

Confirmed letters of credit	125,750	101,859
Forward exchange contracts	46,916	82,998

**17. STATEMENT OF OPERATING FIXED ASSETS**

(Rupees in 000's)

Particulars	Cost			Depreciation			Rate %	
	As at 01-07-99	Additions	Disposals	As at 30-06-00	As at 30-06-00	W.D.V. 30-06-00		Charge for the year
Freehold Land	5,112	--	--	5,112	--	5,112	--	--
Lease hold Land	11,187	--	--	11,187	2,908	8,279	211	2.5
Building on freehold land	19,042	4,077	--	23,119	13,001	10,118	1,124	10
Building on leasehold land	28,178	--	502	27,676	21,565	6,111	679	10
Plant & machinery	430,178	142,562	--	572,740	244,346	328,394	36,487	10
Dies & jigs	136,284	14,677	--	150,961	89,861	61,100	6,790	10
Factory equipment	7,755	--	--	7,755	5,392	2,363	262	10
Office equipment	25,926	4,844	501	30,269	13,350	16,919	1,880	10
Furniture & fixture	4,094	21	206	3,909	2,589	1,320	147	10
Fixture & equipment	1,300	--	--	1,300	1,172	128	14	10
Electric & gas fittings	24,755	6,059	369	30,445	16,950	13,495	1,500	10
Vehicles	54,010	15,045	7,973	61,082	28,769	32,313	8,078	20
Service equipment	448	--	--	448	252	196	22	10
	-----	-----	-----	-----	-----	-----	-----	-----
	748,269	187,285	9,551	926,003	440,155	485,848	57,194	
	-----	-----	-----	-----	-----	-----	-----	-----
Assets under Finance Lease								
Plant & machinery	4,478	--	--	4,478	1,966	2,512	279	10
Vehicles	3,111	--	2,373	738	360	378	94	20
Office equipment	2,100	--	--	2,100	569	1,531	170	10
	-----	-----	-----	-----	-----	-----	-----	-----
	9,689	--	2,373	7,316	2,895	4,421	543	
	-----	-----	-----	-----	-----	-----	-----	-----
2000	757,958	187,285	11,924	933,319	443,050	490,269	57,737	

1999	737,610	39,581	19,233	757,958	391,224	366,734	43,783
------	---------	--------	--------	---------	---------	---------	--------

**17.1 Lease in respect of two plots is under execution.****17.2 Depreciation for the year has been allocated as follows:**

	2000	1999
Cost of goods manufactured (Note 27.1)	50,763	37,398
Administrative (Note 28)	6,974	6,385
	-----	-----
	57,737	43,783
	=====	=====

**17.3 Disposal of Fixed Assets***(Rupees in 000's)*

ASSETS	Cost	ACC. DEP.	WDV	Sales Proceeds	Profit/ (Loss)	Mode of Disposal	Particulars of Purchasers
<b>Building on lease hold</b>							
Glazing Work	177	134	43	--	(43)	Demolished	
Civil Works	283	146	137	--	(137)	Demolished	
Iron Work Crank Case	42	21	21	--	(21)	Demolished	
	-----	-----	-----	-----	-----		
	502	301	201	--	(201)		
	-----	-----	-----	-----	-----		
<b>Office Equipment</b>							
Air Conditioners (8 Units)	83	63	20	14	(6)	Quotation	M/s R.S. Refrigeration Alnoor society F.B Area Karachi.
Daikin Split Units (3 Units)	135	80	55	74	19	Negotiation	Atlas Ware Housing (Pvt.) Ltd. D/181-A S.I.T.E., Karachi.(Associated Undertaking)
Electric Water cooler (2 Units)	23	8	15	20	5	Negotiation	- do -
UPS	260	89	171	247	76	Insurance Claim	Muslim Insurance Co. 3 Bank Square Sharah-e-Quaid-e-Azam, Lahore (Associated Undertaking)
	-----	-----	-----	-----	-----		
	501	240	261	355	94		
	-----	-----	-----	-----	-----		
<b>Electric &amp; Gas fittings</b>							
Compressor with Capacitor (5 Unit)	29	16	13	--	(13)	Demolished	
Electric Work	340	197	143	--	(143)	Demolished	
	-----	-----	-----	-----	-----		
	369	213	156	--	(156)		
	-----	-----	-----	-----	-----		
<b>Furniture &amp; Fixture</b>							
Furniture	196	170	26	49	23	Negotiation	Atlas Ware Housing (Pvt.) Ltd. D/181-A S.I.T.E., Karachi.(Associated Undertaking)
Refrigerator	10	8	2	10	8	Negotiation	- do -
	-----	-----	-----	-----	-----		
	206	178	28	59	31		
	-----	-----	-----	-----	-----		

**Vehicles**

Bicycle	1	1	--	--	--	
Motorcycle CD-70	48	30	18	20	2	Company Policy Employee Naseer Ahmed
Motorcycle CD-70	49	29	20	20	--	Company Policy Employee Saeed Akbar
Motorcycle CD-70	58	28	30	32	2	Company Policy Employee Mughis Ahmed
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Firasat Ali Khan
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Mohammad Iqbal
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Khan Mohammad
Motorcycle CD-70	54	11	43	45	2	Company Policy Ex-Employee Abdul Rauf
Motorcycle CD-70	49	29	20	20	--	Company Policy Employee Khan Zubair Iqbal
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Tasleem Khan
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Zia Ahmed
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Abdul Rauf
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Liaquat Ali
Motorcycle CD-70	38	27	11	11	--	Company Policy Employee Jamil Ahmed
Motorcycle CD-70	56	27	29	34	5	Insurance Claim Muslim Insurance Co. 3 Bank Square Sharah-e-Quaid-e-Azam, Lahore (Associated Undertaking)
Motorcycle CD-70	49	29	20	20	--	Company Policy Employee S. Ansar ul Haq
Motorcycle CD-70	49	29	20	20	--	Company Policy Employee Waseem ul Haq
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Zulfqar Khan
Motorcycle CD-70	54	32	22	22	--	Company Policy Employee Mohammad Ariff
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Sabir Islam
Motorcycle CD-70	49	29	20	20	--	Company Policy Employee Ansar Mahmood
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Shukat J. Chohan
Motorcycle CD-70	53	31	22	22	--	Company Policy Employee Gulzar Javed
Motorcycle CD-70	59	35	24	24	--	Company Policy Employee Khadim H. Awan
Motorcycle CG-125	66	24	42	48	6	Company Policy Ex-Employee Abdul Qadeer
Motorcycle CG-125	66	24	42	48	6	Insurance Claim Muslim Insurance Co. 3 Bank Square Sharah-e-Quaid-e-Azam, Lahore (Associated Undertaking)
Motorcycle CG-125	64	23	41	40	(1)	Company Policy Employee Khalid Mahmood
Motorcycle CG-125	29	26	3	5	2	Quotation Samson Enterprise Shershah-Karachi
Motorcycle CG-125	29	26	3	5	2	Quotation -- Do --
Motorcycle CG-125	58	28	30	31	1	Quotation Jalil Autos Shadman Town, Karachi.
Motorcycle CG-125	63	13	50	53	3	Insurance Claim Muslim Insurance Co. 3 Bank Square Sharah-e-Quaid-e-Azam, Lahore (Associated Undertaking)
Motorcycle CG-125	59	35	24	24	--	Company Policy Employee Masroor Ahmed
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Mohammad Asif
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Abu Naser Javed
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Shehbaz Ahmed
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Abdul Nasir
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Mian Manzoor Hussain
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Sabir Hussain
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee M. Ayyaz
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee M. Riaz Cheema
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Nasir Bari
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Sh. Abid Hussain
Motorcycle CG-125	63	37	26	26	--	Company Policy Employee Syed Mumtaz Hussain
Motorcycle CG-125	66	31	35	31	(4)	Company Policy Employee M. Sarfraz
Motorcycle CG-125	69	14	55	58	3	Company Policy Employee Sohail Qaiser
Suzuki Khyber	317	114	203	233	30	Company Policy Employee Arshad Siddiqui
Suzuki Khyber	339	68	271	290	19	Company Policy Employee Shakil Mirza
Suzuki Khyber	281	138	143	112	(31)	Company Policy Employee Sohail Raza

Suzuki Khyber	324	158	166	160	(6) Company Policy Ex-Employee	Latif Ullah
Suzuki Mehran	345	204	141	160	19 Company Policy Employee	Mohammad Akhlaq
Toyota Corolla	380	224	156	157	1 Company Policy Employee	Ainus Salikeen
Toyota Corolla	341	202	139	152	13 Company Policy Employee	Masaud Aslam
Toyota Corolla	360	213	147	137	(10) Company Policy Employee	Wadood Butt
Toyota Corolla	396	194	202	158	(44) Company Policy Employee	M. Ashraf
Toyota Corolla	430	254	176	168	(8) Company Policy Employee	Iftikhar Ahmed
Honda Civic	816	482	334	750	416 Insurance Claim Muslim Insurance Co. 3 Bank Square Sharah-e-Quaid-e-Azam, Lahore (Associated Undertaking)	
Honda Civic	593	350	243	243	-- Company Policy Employee	Zameer Haider
Honda Civic	593	350	243	243	-- Company Policy Ex-Employee	Rafat Iqbal
	7,973	4,279	3,694	4,122		428
Sub Total	9,551	5,211	4,340	4,536		196
Vehicle Under Finance Lease						
Honda Civic	593	--	593	593	-- Leased assets transferred to own assets	
Honda Civic	593	--	593	593	-- Leased assets transferred to own assets	
Honda Civic	594	350	244	248	4 Company Policy Employee	Mohammad Nazim
Honda Civic	593	350	243	244	1 Company Policy Employee	Nurul Hoda
Sub Total	2,373	700	1,673	1,679		5
Grand Total	11,924	5,911	6,013	6,214		201

*(Rupees in 000's)*  
2000                      1999

#### 18. DEFERRED COST

Software development cost	1,343	2,686
Amortised during the year	(1,343)	1,343
	--	1,343

#### 19. INVESTMENTS

Associated undertaking (Listed)		
Atlas Battery Limited		
150,500 ordinary shares		
of Rs. 10 each	9,548	9,548
Less: Provision for diminution in value of investment	5,560	5,033
Market value Rs. 3,988 thousand (1999 - Rs. 4,515 thousand)	3,988	4,515
Unlisted		
Arabian Sea Country Club (Pvt) Limited	2,000	2,000
200,000 ordinary shares of Rs. 10 each		
(Name of Chief Executive Mr. Aslam Mohsin Ali)		
Break-up value on the basis of audited		
accounts for the year ended June 30, 2000		
Rs. Nil (1999 - Rs.6.19) per share		

Less: Provision for diminution in value of investment	2,000	--
	-----	-----
	--	2,000
Automotive Testing & Training Centre (Pvt) Ltd. 187,500 (1999:37,500) ordinary shares of Rs. 10 each (Name of Chief Executive Mr. Ramzan Ali Khwaja Break-up value on the basis of audited account for the year ended June 30, 1999 Rs.10 (1998 - Rs.10) Per share	1,875	375
Deposit for shares	--	1,500
	-----	-----
	1,875	1,875
	-----	-----
	5,863	8,390
	=====	=====

Investment in associated companies are stated at cost. Had the equity method been applied, the total profit for the year would have increased by Rs. 436 thousand (1999 -Rs. 2,087 thousand) while the unappropriated profit brought forward would have been higher/(lower) by Rs. 1,667 thousand {(1999 -Rs. 419 thousand)} and long term investment would have increased by Rs.2,103 thousand {1999 - (Rs. 1,065 thousand)}.

## 20. LONG TERM LOANS, DEPOSITS & PREPAYMENTS

Deposits	1,327	1,327
Prepaid Rent	302	--
Car/Motorcycle loans to staff (Note 20.1)	9,082	9,082
	-----	-----
	10,055	10,409
	=====	=====

### 20.1 Car/Motorcycle loans to staff

Balance as at 1 July	14,787	15,608
Receivable within the following twelve months	6,238	6,526
	-----	-----
	8,549	9,082
	=====	=====

Car/Motorcycle loans to staff are secured against motorcycles which are registered in name of the Company and are recoverable in forty-eight monthly installments.

Car/Motorcycle include Rs. 3,134 thousand (1999 - Rs. 2,139 thousand) due from executives. The maximum amount due from executives at the end of any month was Rs. 3,134 thousand (1999 - Rs. 2,139 thousand)

## 21. STORES

Consumables	10,129	8,511
Maintenance spares	8,084	7,096
Tools	15,165	15,593
	-----	-----
	33,378	31,200
	=====	=====

## 22. STOCKS



Raw materials & components		
In hand	257,916	180,082
With third party	8,099	3,889
In transit	4,566	32,413
	-----	-----
	270,581	216,384
Work in process	34,808	57,469
Finished goods		
Motorcycles	48,439	13,888
Spare parts	22,080	23,051
	-----	-----
	70,519	36,939
Goods in transit (at accumulated cost)	34,166	68,032
	-----	-----
	410,074	378,824
	=====	=====

22.1 Cost has been arrived at as follows:-

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

(b) In case of work in process cost includes direct materials, direct labour and manufacturing overhead.

### 23. TRADE DEBTORS-UNSECURED

Considered good (Note 23.1)	39,673	27,287
	=====	=====

22.1 Trade debtors include Rs. 113 thousand (1999 Rs. 13 thousand) due from associated undertaking.

The maximum amount due from associated undertaking at the end of any month was

Rs. 113 thousand (1999 - Rs. 13 thousand).

### 24. ADVANCES, DEPOSITS, PREPAYMENTS & LOANS

Unsecured - considered good		
Loans to staff (Note 24.2)	2,877	4,803
Advances to:		
Staff for expenses	840	919
Suppliers & contractors (Note 24.3)	30,777	36,553
Income tax deducted at source	115,031	128,478
Advance Sales Tax - Motorcycles	1,269	1,269
- Raw materials	1,668	109
Trade deposits	1,228	1,375
Prepayments (Note 24.4)	6,950	13,474
Interest accrued on deposit (Associated undertaking)	735	--
Interest accrued on deposit-others	1,549	4,054
Other receivable (Note 24.5)	8,198	16,731
Secured - considered good		
Car/motorcycle loans to staff (Note 20.1)	6,238	6,526
	-----	-----
	177,360	214,291
Unsecured - considered doubtful		
Other receivable	535	535
	-----	-----
	177,895	214,826
Provision for doubtful receivable	535	535
	-----	-----
	177,360	214,291

24.1 Maximum amounts due from the associated undertakings at the end of any month during the year was Rs.36,764 thousand (1999 - Rs.36,894 thousand).

24.2 Employee advance include Rs 2,491 thousand (1999 - Rs. 3,260 thousand) due from executives. The maximum amount due from executives at the end of any month was Rs. 2,491 thousand (1999 - Rs. 3,260 thousand).

24.3 Advances to suppliers & contractors include Rs. 26,777 thousand (1999 - Rs. 28,343 thousand) receivable from associated undertaking.

24.4 Prepayments include insurance premium of Rs. 3 thousand (1999 - Rs. 4,073 thousand) paid to associated undertaking.

24.5 Other receivables include Rs.272 thousand (1999 - Rs. 8,799 thousand) insurance claim receivable from associated undertaking. Also include Rs. 2,612 thousand (1999 - Rs. 4,097 thousand) octroi refundable from Karachi Municipal Corporation, Rs. 2,307 thousand (1999 - Rs. 1,105 thousand) duty draw back receivable from Collector of Customs and Corporate Assets Tax paid under protest Rs. 2,000 thousand (1999 - Rs. 2,000 thousand).

## 25. CASH & BANK BALANCES

Cash in hand	49	60
Cash with banks:		
- In Current account	64,301	56,764
- In PLS account	128,329	14,947
- In Deposit account:		
- Local currency (Note 25.1)	60,000	115,000
	-----	-----
	252,679	186,771
	=====	=====

25.1 Deposited with associated undertaking, Rs. 60,000 thousand (1999 - Rs. Nil).

## 26. SALES

Motorcycles & spare parts	3,397,441	3,424,853
	=====	=====

(Sales have been recorded at dealer's net prices and after deducting Sales Tax Rs.501.932 million (1999 - Rs. 489.807 million) and discount/allowances Rs.7.157 million (1999 Rs. 6.658 million).

## 27. COST OF SALES

Stocks as at 1 July	36,939	137,336
Cost of goods manufactured (Note 27.1)	2,974,780	28,637,091
Purchases	103,339	639,121
	-----	-----
	3,078,119	2,927,621
	-----	-----
	3,115,058	3,064,957
Stocks as at 30 June	70,519	36,939
	-----	-----
	3,044,539	3,028,018
	=====	=====

### 27.1 Cost of goods manufactured

Work in process as at 1 July	57,469	44,731
Raw materials & components consumed (Note 27.2)	2,599,125	2,534,049
Direct labour	51,091	50,790
Technical Director's Remuneration	492	465
Salaries, wages & benefits	62,111	48,651
Stores consumed	31,518	36,759
Light, heat & water	23,177	20,811
Insurance	14,951	13,242
Rent, rates & taxes	3,182	3,266
Repairs & maintenance	17,644	17,195
Royalty	75,532	92,442
Travelling, conveyance & entertainment	8,759	9,671
Postage & telephone	2,156	2,287
Printing & stationery	2,335	1,512
Vehicle running	2,685	2,130
Depreciation	50,763	37,398
Canteen	4,403	4,552
Newspapers, magazines & subscription	164	144
Staff training	1,559	565
Other manufacturing expenses	472	518
	-----	-----
	3,009,588	2,921,178
Work in process as at 30 June	34,808	57,469
	-----	-----
	2,974,780	2,863,709
	=====	=====

**27.2 Raw material & components consumed**

Stocks as at 1 July	216,384	186,255
Purchases	2,653,322	2,564,178
	-----	-----
	2,869,706	2,750,433
Less: Stocks as at 30 June	270,581	216,384
	-----	-----
	2,599,125	2,534,049
	=====	=====

**28. ADMINISTRATIVE EXPENSES**

Directors' meeting fee	4	4
Directors' remuneration	9,214	7,182
Salaries & benefits	55,476	44,396
Travelling, conveyance & entertainment	8,192	10,146
Rent, rates & taxes	2,023	2,379
Insurance	2,236	2,237
Repairs & maintenance	3,310	2,704
Legal & professional charges	1,650	1,713
Auditors' remuneration (Note 28.1)	393	319
Gas & electricity	1,118	850
Fees & subscription	671	459
Postage & telephone	4,189	4,850
Printing & stationery	2,255	1,671
Vehicle running	1,836	1,525
Training expense	1,188	2,476
Depreciation	6,974	6,385
Deferred cost amortised	1,343	1,343

Others	705	436
	-----	-----
	102,777	91,075
	=====	=====

**28.1 Auditors' remuneration**

Audit fee	225	225
Certification of royalty/other services	80	36
Provident fund / workers' profit participation fund	60	30
Out of pocket expenses	28	28
	-----	-----
	393	319
	=====	=====

**29. SELLING & DISTRIBUTION EXPENSES**

Salaries & benefits	25,885	23,817
Travelling, conveyance, entertainment & vehicle running	10,433	9,651
Rent, rates & taxes	1,780	3,302
Advertising & publicity	26,225	21,635
Repairs & maintenance	433	1,540
Gas & electricity	911	1,071
Freight & forwarding	16,429	15,293
Printing & stationery	285	787
Postage & telephone	3,326	2,989
Sales promotion	6,855	11,885
Service charges	1,895	1,999
Insurance	1,533	1,445
Newspaper, magazines & subscription	132	141
Others	36	20
	-----	-----
	96,158	95,575
	=====	=====

**30. MISCELLANEOUS REVENUE**

Scrap sales	1,983	2,529
Interest on deposits:		
-Associated undertakings	10,672	25,059
-Others	2,406	5,810
Interest on advances - Others	152	
Other Income	20	79
Dividend income - (associated undertaking)	602	452
Profit on sale of fixed assets	201	6,815
	-----	-----
	16,036	40,744
	=====	=====

**31. FINANCIAL EXPENSES**

Interest/mark-up on:		
Short term loans	23,821	17,021
Long term loans	3,767	496
Redeemable capital	14,133	19,113
Supplier's credit	2,743	3,685
Workers' profit participation fund	1,878	1,492
Finance charge on leased assets	305	856
Other financial charges	1,760	1,801
Excise duty	--	10

Exchange risk fee	9,297	12,228
	-----	-----
	57,704	56,702
	=====	=====

**32. EARNINGS PER SHARE**

Net Profit after taxation for the year attributable to Ordinary Shareholders	60,182	123,394
--	--------	---------

**Number of Shares**

Weighted average number of ordinary shares outstanding during the period	14,597,726	14,597,726
--	------------	------------

**Rupees**

Earnings per share	4.12	8.45
	=====	=====

**33. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

Net profit before taxation	101,905	180,988
Depreciation	57,737	43,783
Mark-up/interest expenses	53,761	52,553
Profit on sale of fixed assets	(201)	(6,815)
Provision for gratuity	1,586	1,918
Financial charges on leased assets	305	856
Dividend income	(602)	(452)
Mark-up/interest received on advances	(152)	--
Mark-up/interest received on deposits	(13,078)	(30,869)
Deferred cost amortized	1,343	1,343
Diminution in value of investment	2,527	1,054
	-----	-----
Operating profit before working capital changes	205,131	244,359

**Working capital changes**

(Increase) / Decrease in current assets		
Stores	(2,178)	(3,302)
Stocks	(31,250)	87,833
Trade Debtors	(12,386)	(11,448)
Advances, deposits & prepayments	21,426	2,913
	-----	-----
	(24,388)	75,996

**Increase / (Decrease) in current liabilities**

Creditors, provisions, accrued charges & other liabilities	57,453	(174,120)
	-----	-----
Working capital changes	33,065	(98,124)
Gratuity paid	(29)	(624)
	-----	-----
Cash flow from operating activities	238,167	145,611
	=====	=====

**34. ANALYSIS OF CHANGES IN CASH & CASH EQUIVALENTS**

Balance as at 1 July	186,771	440,974
Increase / (Decrease) in cash & cash equivalents	65,908	(254,203)
	-----	-----
Balance as at 30 June	252,679	186,771

**35. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Sales	13,870	13,046
Purchases	122,866	59,355
Expenses charged by	878	3,690
Expenses charged to	2,303	1,286
Rent, insurance premium & services	19,166	20,002
Lease rentals paid	518	1,755
Dividend received	602	452
Interest on deposits	10,672	25,059
Interest on long term loans	4,076	4,648
Loan repaid	5,000	5,000
Deposit	60,000	--

**36. DIRECTORS' REMUNERATION****36.1 Chairman**

Remuneration	2,745	2,161
Rent & utilities	988	984
Bonus	224	--
Provident fund	241	197
Reimbursement of expenses	360	270
Medical & others	40	8
	-----	-----
	4,598	3,620

Number of person

1 1

**36.2 Chief Executive Officer**

Remuneration	2,897	1,943
Rent & utilities	1,043	1,068
Provident fund	255	214
Medical expenses	35	13
Bonus	386	324
	-----	-----
	4,616	3,562

Number of person

1 1

**36.3 Director**

Remuneration	374	340
Rent & utilities	118	125
	-----	-----
	492	465

Number of person

1 1

**36.4 Meeting fee- other directors**

	4	4
	-----	-----
Number of persons	4	3
	-----	-----

**36.5 Executives**

Remuneration	61,419	33,052
Rent & utilities	22,331	18,179
Provident fund	5,393	3,619
Medical	3,692	2,350
Bonus	6,893	4,257
Leave fare assistance	--	4,958
Reimbursement of expenses	--	158
	-----	-----
	99,728	66,573
	=====	=====
Number of persons	223	159
	=====	=====

The Chairman, Chief Executive Officer, one Director and two ex-patriate executives are provided with free use of company maintained cars and telephones at residences. One Director and two ex-patriate executive are provided furnished accommodation.

**37. AVERAGE NUMBER OF EMPLOYEE**

Average number of employees during the year	792	777
	=====	=====

**38. PLANT CAPACITY**

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

**39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

39.1 The Company's exposure to interest rate and the effective rates on its financial assets and liabilities as of 30 June, 2000 are summarized as follows:

	2000			1999			Total	Total
	<i>Interest bearing</i>			<i>Non-Interest bearing</i>				
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>		
<b>Financial assets</b>								
Investments	--	--	--		5,863	5,863	5,863	8,390
Long term deposits	--	--	--	--	10,055	10,055	10,055	10,409
Trade debtors	--	--	--	39,673	--	39,673	39,673	27,287
Advances, deposit & loans	--	--	--	52,442	--	52,442	52,442	70,961
Cash & bank balances	188,329	--	188,329	64,350	--	64,350	252,679	186,771
	-----	-----	-----	-----	-----	-----	-----	-----
	188,329	--	188,329	156,465	15,918	172,383	3,607,120	303,818
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Financial liabilities</b>								
Redeemable capital	18,682	46,242	64,924	--	--	--	64,924	81,071
Long term loan	20,092	80,366	100,458	--	--	--	100,458	--
Supplier's credit	20,930	20,931	41,861	--	--	--	41,861	83,721
Obligation under finance lease	685	--	685	--	--	--	685	2,356
Short term financing	109,281	--	109,281	--	--	--	109,281	603
Creditors	--	--	--	253,961	--	253,961	253,961	243,928
Dividend	--	--	--	2,932	--	2,932	2,932	53,096

169,670	147,539	317,209	256,893	--	256,893	574,102	464,775
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**39.2 Effective interest rate**

	<i>2000</i>	<i>1999</i>
<b>Assets</b>		
Cash at bank		
-Local currency	5.92% to 14.5 %	8.10% to 18.25%
<b>Liabilities</b>		
Redeemable Capital	18% to 19.33%	21.50%
Long term loan	13.88%	0%
Supplier's credit	17.86%	17.86%
Obligation under finance leases	18.23% to 22%	18.23% to 22%

**39.3 Concentration of credit risk**

Credit risk represent the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets of Rs. 360.712 million (1999 - Rs.303.818 million) the financial assets which are subject to credit risk amounted to Rs. 360.663 million (1999 - Rs. 214.058 million). The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

**39.4 Foreign exchange risk management**

Foreign currency risk arises mainly where receivable and payable exist due to transaction with foreign undertakings. Payables exposed to foreign currency risk are covered through forward foreign exchange contracts.

**39.5 Fair value of the financial instruments**

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

<b>SHERALI MUNDRAWALA</b>	<b>AAMIR H. SHIRAZI</b>	<b>YUSUF H. SHIRAZI</b>
<b>DIRECTOR</b>	<b>CHIEF EXECUTIVE OFFICER</b>	<b>CHAIRMAN</b>

**PATTERN OF SHAREHOLDING AS AT 30 JUNE, 2000**

<i>NO. OF SHARE HOLDERS</i>	<i>HAVING SHARES</i>		<i>SHARES HELD</i>	<i>PERCENTAGE</i>
	<i>FROM</i>	<i>TO</i>		
299	1	100	9,078	0.06
199	101	500	52,959	0.36
98	501	1000	70,477	0.48
205	1001	5000	452,866	3.10
32	5001	10000	209,846	1.44
11	10001	15000	134,915	0.92
7	15001	20000	122,952	0.84
4	20001	25000	87,782	0.60
4	25001	30000	108,763	0.75
3	30001	35000	94,592	0.65
2	40001	45000	83,838	0.57
1	60001	65000	64,301	0.44



2	65001	70000	133,181	0.91
1	85001	90000	86,121	0.59
1	90001	95000	91,275	0.63
1	100001	105000	103,346	0.71
1	240001	245000	242,000	1.66
1	270001	275000	270,435	1.85
1	320001	325000	320,672	2.20
1	410001	415000	413,868	2.84
1	485001	490000	489,275	3.35
4	640001	645000	2,579,697	17.67
1	2585001	2590000	2,587,634	17.73
1	2865001	2870000	2,868,307	19.65
1	2915001	2920000	2,919,546	20.00
-----			-----	-----
882			14,597,726	100.00
=====			=====	=====

**CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE, 2000**

	<i>SHARE HOLDERS</i>	<i>SHARE HOLDING</i>	<i>PERCENTAGE</i>
Individuals	851	4,580,238	31.39
Investment Companies	18	3,832,511	26.26
Insurance Companies	2	734,540	5.03
Financial Institutions	5	1,768,485	12.12
Others			
Honda Motor Company Ltd, Japan	1	3,408,821	23.35
The Bank of New York	1	2100	
Corporate Law Authorities	1	1	0.00
Joint Stock Companies	2	270,763	1.85
Co-operative Society	1	267	0.00
-----			-----
	882	14,597,726	100.00
=====			=====

**ATLAS GROUP COMPANIES**

	<i>Year of Establishment Acquisition *</i>
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 Power Product (Pvt) Ltd.	1997
Total Atlas Lubricants Pakistan (Pvt) Ltd.	1997