Organisation
development
through
self development

Atlas Honda Limited

CERTIFIED
IQNet
MANAGEMENT SYSTEM

DQS

Vision & Mission

Vision

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

Mission

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

Strategic Goals

Customers

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

Quality

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

Local Manufacturing

To be the industry leader in indigenization of motorcycle parts.

Technology

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

Shareholders

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

Employees

To enhance and continuously up-date each member's capabilities and education and to provide an environment which encourages practical expression of the individual potential in goal directed team efforts and compensate them attractively according to their abilities and performance.

Corporate Citizen

To comply with all Government laws and regulations, to maintain a high standard of ethics in all operations and to act as a responsible member of the community.

Code of Ethics (Summary)

- Atlas Honda Limited (AHL) conducts its operations with honesty, integrity and openness, and with respect for human rights and interests of the employees. It respects the legitimate interests of all those with whom it has relationships. AHL is committed to comply with the laws and regulations of Pakistan.

- AHL is committed to create the working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of the company. AHL is an equal opportunity employer which recruits, employs and promotes employees on the sole basis of the qualifications and abilities needed for the work to be performed. AHL is committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labor. AHL is committed to provide branded products and services, which consistently offer value in terms of price and quality. Products and services will be accurately and properly labeled, advertised and communicated.

- AHL conducts its operations in accordance with principles of good corporate governance. It provides timely, regular and reliable information of its activities, structure, financial situation and performance to all the shareholders.

- AHL is committed to establish mutually beneficial relations with its suppliers, customers and business partners.

- AHL strives to be a trusted corporate citizen and, as an integral part of society, fulfills its responsibilities to the societies and communities in which it operates.

Code of Ethics (Summary)

- AHL is committed to make continuous improvements in the management of environmental impact. It works in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

- AHL make innovations to meet consumer needs. It respects the concerns of consumers and of society. It works on the basis of sound research, applying high quality standards.

- AHL believes in fair competition and supports development of appropriate competition laws. AHL and employees conduct their operations in accordance with the principles of fair competition and all applicable regulations.

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

Contents

Company Information

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive Officer	Saquib H. Shirazi
Directors	Masahiro Takedagawa
	Nurul Hoda
	Sanaullah Qureshi
	Sherali Mundrawala
	Toshitsugu Kaneko
	Takatoshi Akiyoshi
Company Secretary	Zaryab Tarique

GROUP EXECUTIVE COMMITTEE

President	Aamir H. Shirazi
Members	Bashir Makki
	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmed
	Saquib H. Shirazi
Secretary	Theresa Dias

GROUP HUMAN RESOURCE COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Bashir Makki

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

Chairman	Iftikhar H. Shirazi
Members	Mushtaq Alam
	Zia Ullah Begg
Secretary	Sarfraz Hassan

Company Information

AUDIT COMMITTEE

Chairman	Sanaullah Qureshi
Members	Sherali Mundrawala
	Nurul Hoda
Head of Internal Audit	Zaheer Ul Haq
Secretary	Syed Tanvir Haider

MANAGEMENT COMMITTEE

Chief Executive Officer	Saquib H. Shirazi
Vice President Marketing	Nurul Hoda
Vice President Technical	Toshitsugu Kaneko
Chief Financial Officer	Suhail Ahmed
General Manager Plants	M. Amir Awan
General Manager Development	Takatoshi Akiyoshi
General Manager Quality Assurance	Lt. Col. (R) Sultan Ahmed
General Manager Human Resources	Raffat Iqbal
General Manager Information Technology	Mushtaq Alam
General Manager Supply Chain	Talha Saad
General Manager Marketing	Javed Afghani
G. M. Corporate Affairs & Management Audit	Maqsood A. Basraa

AUDITORS	Hameed Chaudhri & Co.
LEGAL ADVISORS	Mohsin Tayebaly & Co.
	Agha Faisal-Barrister at Law
TAX ADVISOR	Ford Rhodes Sidat Hyder & Co.
BANKERS	Atlas Bank Limited
	Bank Al-Habib Limited
	Deutsche Bank AG
	Habib Bank Limited
	MCB Bank Limited
	National Bank of Pakistan
	NIB Bank Limited
	Standard Chartered Bank
	The Bank of Tokyo-Mitsubishi UFJ Limited
	Union Bank Limited
	United Bank Limited

Company Information

LENDING INSTITUTIONS	Habib Bank Limited MCB Bank Limited National Bank of Pakistan The Bank of Tokyo-Mitsubishi UFJ Limited Union Bank Limited
REGISTERED OFFICE	1-McLeod Road, Lahore-54000 Tel : (92-42) 7225015-17, 7233515-17 Fax : (92-42) 7233518, 7351119 E-mail : ahl@atlas.com.pk Website: www.atlashonda.com.pk
FACTORIES	F-36, Estate Avenue, S.I.T.E., Karachi-75730 Tel : (92-21) 2575561-65 Fax : (92-21) 2563758 E-mail : ahl@atlas.com.pk 26-27 KM, Lahore-Sheikhupura Road, Sheikhupura-39321 Tel : (92-56) 3406501-8, (92-42) 7222222 Fax : (92-56) 3406009 E-mail : ahl@atlas.com.pk
BRANCH OFFICES	Azmat Wasti Road, Multan Tel : (92-61) 4540054, 4540028, 4571989 Fax : (92-61) 4541690 140-B, Satellite Town Scheme, Murree Road, Rawalpindi Tel : (92-51) 4418115, 4455328 Fax : (92-51) 4418115
SHOW ROOM	West View Building, Preedy Street, Saddar, Karachi Tel : (92-21) 7720833, 7727607
SPARE PARTS DIVISION	D-181/A, S.I.T.E., Karachi-75730 Tel : (92-21) 2576690
WARRANTY & TRAINING CENTRES	7-Pak Chambers, West Wharf Road, Karachi Tel : (92-21) 2310142 28 Mozang Road, Lahore Tel : (92-42) 6375360, 6305231 Azmat Wasti Road, Multan Tel : (92-61) 4540028

NOTICE OF 42nd ANNUAL GENERAL MEETING

Notice is hereby given that the forty second Annual General Meeting of the members of Atlas Honda Limited will be held on September 29, 2006, at 10:30 a.m., at 1-McLeod Road, Lahore, to transact the following businesses:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting held on October 13, 2005.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2006 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2007. The present auditors M/s Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To consider and approve the cash dividend of Rs.6.0 per share i.e. 60% for the year ended June 30, 2006 as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To consider and approve the bonus shares issue @ 15% (three shares for every twenty shares held) for the year ended June 30, 2006 as recommended by the Board of Directors.

To consider and, if thought fit, to pass with or without modification the following resolutions as Ordinary Resolutions:

(i) RESOLVED "that a sum of Rs. 53,646,640 out of Company's profit be capitalized for issuing 5,364,664 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names stand in the register of members at the close of the business on September 21, 2006 in the proportion of three share for every twenty shares held by a member. The said shares shall rank pari passu with the existing shares of the Company as regard future dividend and all other respects."

(ii) FURTHER RESOLVED "that all the fractional Bonus Shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares so combined in the Stock Market and pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 2001."

A statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

OTHER BUSINESS

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

By Order of the Board

Zaryab Tarique
Company Secretary

Karachi: September 08, 2006

NOTES:

i) The register of members of the Company will remain closed from September 22, 2006 to September 29, 2006 (both days inclusive).

ii) A member entitled to attend and vote at this meeting may appoint another person as his proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarized/certified copy of the power of attorney must be received at the registered office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.

iii) No person shall act as proxy unless he/she is member of the Company.

iv) 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.

v) Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC account number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

vi) Members are requested to notify any change in their registered addresses immediately.

vii) Members are requested to provide by mail or fax, photocopy of their CNIC or Passport, if foreigner, (unless it has been provided earlier) to enable the Company comply with the relevant laws.

viii) For the convenience of the shareholders a Proxy Application Format is attached with this report.

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

This statement is annexed to the Notice of the Forty Second Annual General Meeting of Atlas Honda Limited to be held on September 29, 2006 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

ITEM NO. 5 OF THE AGENDA

The Board of Directors has recommended to the members of the Company to declare dividend by way of issue of fully paid bonus shares @15% for the year ended June 30, 2006 and thereby capitalize a sum of Rs. 53,646,640.

SHAREHOLDERS' INFORMATION

Registered and Shares Registration Office:
1-McLeod Road Lahore
Tel: 92-42-7225015-17
92-42-7233515-17
Fax: 92-42-7233518, 92-42-7351119

Listing on Stock Exchanges
Atlas Honda Limited is listed on Karachi and Lahore Stock Exchanges

Listing Fees
The annual listing fees for the financial year 2006-07 have been paid to the Karachi and Lahore stock exchanges and Central Depository Company within the prescribed time limit.

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

Shares Registrar
All work relating to physical transfer, transmission, splitting and consolidation of share certificates, payment of dividend, issue of bonus share certificates and fractional amount, etc. is done at the registered office of the Company. The Company has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate / re-validated dividend warrants, issue of replaced share certificates, change of address and other related matters. For assistance, shareholders may contact the registered office
Contact person:
Mr. Sarfraz Mufti
Tel: 92-42-7225015-17
92-42-7233515-17
Fax: 92-42-7233518, 92-42-7351119

Statutory Compliance
During the year your company has complied with all applicable provisions, filed all returns/forms and furnished all relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan Regulations and the listing requirements.

Annual General Meeting

Date:	September 29, 2006
Time:	10:30 A.M.
Venue:	Registered Office at 1-Mcleod Road Lahore

Financial Calendar
Audited annual results for year ended June 30, 2006:
Second half of August

Mailing of annual reports:
Mid of September

Annual General Meeting:
End of September

Unaudited first quarter financial results:
Second half of October

Unaudited second quarter financial results:
Second half of February

Unaudited third quarter financial results:
Second half of April

Dividend Announcement
The board of directors of the Company has proposed a cash dividend of Rs. 6.0 per share (60%) and bonus shares @ 15% (three shares for every twenty shares held) for the financial year ended June 30, 2006, subject to approval by the shareholders of the Company at the annual general meeting.
Dividend paid for the previous year ended June 30, 2005 was cash dividend Rs. 6.0 per share (60%) and bonus shares issue at 40% i.e. two bonus shares for every five shares held.

Dates of Book Closure
The register of members and shares transfer books of the Company will remain closed from September 22, 2006 to September 29, 2006 (both days inclusive).

Date of Dividend Payment

The payment of dividend and issue of bonus shares, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after October 02, 2006.

Last year your company dispatched the cash dividend, bonus shares and bonus fractions within 48 hours after approval from the shareholders at the annual general meeting.

Payment of Dividend

Cash dividends are paid through dividend warrants addressed to the shareholders whose names appear in the register of members at the date of book closure. Shareholders are requested to deposit those warrants into their bank accounts.

Share Transfer System

Share transfers received by the company are registered within 30 days from the date of receipt, provided the documents are complete in all respects.

General Meeting

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

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the company who is entitled to attend and vote at a general meeting of the company can appoint another person as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who ought to be a member of the company. The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the company not less than forty eight hours before the meeting.

Website of the Company

Your company is operating website www.atlashonda.com.pk containing updated information regarding the company. The website contains the financial results of the company together with company's profile, the Atlas group philosophy and products of the company.

Market Price Data

The following table shows the month-wise share price of the company in the Karachi and Lahore Stock Exchanges:

	Karachi Stock Exchange		Lahore Stock Exchange	
Months	High	Low	High	Low
July 05	304.0	281.0	305.00	281.00
August 05	307.7	275.0	307.70	275.00
September 05	327.9	283.0	327.90	280.00
November 05	324.9	196.5	327.90	193.10
October 05	205.0	196.0	305.00	281.00
December 05	204.0	197.5	205.00	196.00
January 06	251.0	199.0	206.00	197.00
February 06	235.0	207.5	251.00	199.00
March 06	217.0	198.1	217.00	198.10
April 06	215.0	198.0	215.00	198.00
May 06	227.9	203.5	227.90	203.50
June 06	222.6	202.0	222.00	202.00

Change of Address

All registered shareholders should send information on changes of addresses at the Registered Office of the Company mentioned above.

TEN YEARS AT A GLANCE

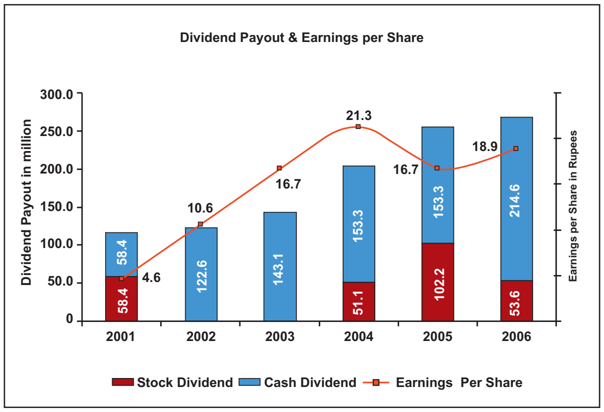
(Rupees in million)

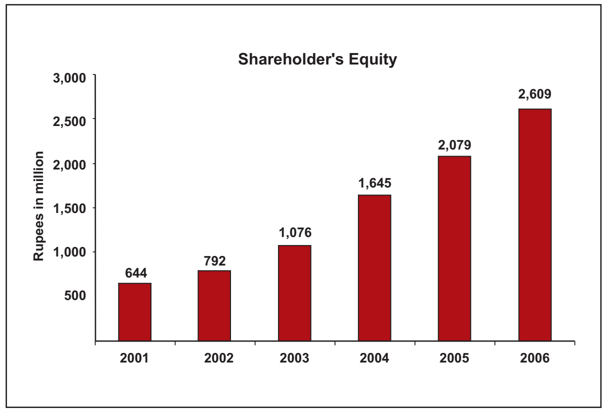
YEARS	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Condensed Balance Sheet										
Assets										
Non Current Assets:										
Fixed assets	3,598.7	1,888.7	1,405.6	566.1	536.0	450.7	490.3	366.7	379.4	374.9
Other non current assets	57.2	36.7	15.1	15.7	22.5	22.6	16.0	20.1	21.3	17.7
Current Assets										
Inventory	2,317.1	1,794.1	1,429.6	650.2	500.3	569.0	443.5	410.0	494.6	572.8
Investments & bank balances	1,009.4	1,842.6	751.5	1,021.0	406.8	159.3	252.4	186.2	441.0	75.3
Other current assets	647.8	529.2	510.1	404.1	366.0	285.6	217.1	242.2	201.7	167.8
Total Assets	7,630.2	6,091.3	4,111.9	2,657.1	1,831.6	1,487.2	1,419.3	1,225.2	1,538.0	1,208.5
Equity & Liabilities										
Share capital	357.6	255.5	204.4	204.4	204.4	146.0	146.0	146.0	146.0	132.7
Reserves	2,251.3	1,822.8	1,441.3	872.2	587.9	498.4	439.0	408.0	335.7	259.9
Non current liabilities	2,009.8	1,124.8	584.1	172.3	113.8	156.8	208.7	160.1	190.0	140.0
Current Liabilities										
Creditors & provisions	2,478.3	2,369.2	1,570.1	990.0	591.0	476.4	394.0	336.1	507.7	420.1
Other current liabilities	533.2	519.0	312.0	418.2	334.5	209.6	231.6	175.0	358.6	255.8
Total Equity & Liabilities	7,630.2	6,091.3	4,111.9	2,657.1	1,831.6	1,487.2	1,419.3	1,225.2	1,538.0	1,208.5
Condensed Profit & Loss Account										
Sales	17,420.2	14,120.8	9,948.1	6,977.4	5,524.0	4,704.5	3,397.4	3,424.9	3,423.5	3,498.1
Cost of sales	15,790.5	12,776.7	8,713.9	5,949.6	4,788.5	4,246.1	3,044.5	3,027.8	2,999.0	3,101.3
Gross profit	1,629.7	1,344.1	1,234.2	1,027.8	735.5	458.4	352.9	397.1	424.5	396.8
Operating expenses	528.4	445.2	360.2	360.0	322.4	237.8	199.0	179.8	173.9	159.3
Operating profit	1,101.3	898.9	874.0	667.8	413.1	220.6	153.9	217.3	250.6	237.5
Other charges (net of other income)	54.3	(6.7)	31.5	16.9	18.6	17.7	52.1	36.0	59.7	48.9
Profit before tax	1,047.0	905.6	842.5	650.9	394.5	202.9	101.8	181.3	190.9	188.6
Taxation	370.2	308.5	297.8	223.5	124.0	85.1	41.7	57.6	65.3	63.7
Profit after taxation	676.8	597.1	544.7	427.4	270.5	117.8	60.1	123.7	125.6	124.9
Profitability Ratios										
Gross profit (%)	9.4	9.5	12.4	14.7	13.3	9.7	10.4	11.6	12.4	11.3
Profit before tax (%)	6.0	6.4	8.5	9.3	7.1	4.3	3.0	5.3	5.6	5.4
Profit after tax (%)	3.9	4.2	5.5	6.1	4.9	2.5	1.8	3.6	3.7	3.6
Return on capital employed (%)	16.1	19.8	26.4	35.9	32.5	16.7	8.8	20.7	23.0	25.6
Interest cover ratio (Times)	5.5	6.9	28.1	17.2	11.2	3.6	2.0	3.2	2.6	4.0

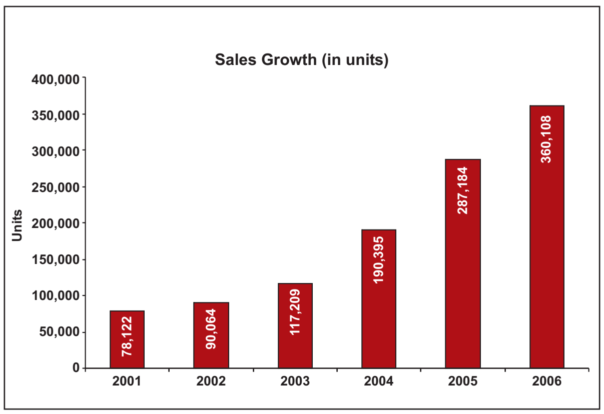
TEN YEARS AT A GLANCE

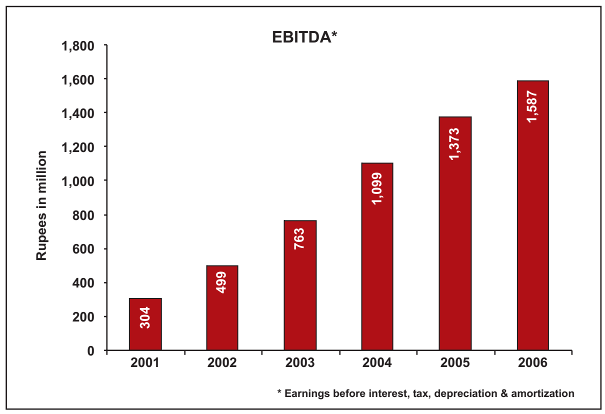
YEARS		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Return to Shareholders											
ROE - before tax	(%)	40.1	43.6	51.2	60.5	49.8	31.5	17.4	32.7	39.6	48.0
ROE - after tax	(%)	25.9	28.7	33.1	39.7	34.1	18.3	10.3	22.3	26.1	31.8
EPS - after tax	(Rs.)	18.9	16.7	21.3	16.7	10.6	4.6	2.4	4.8	4.9	4.9
Price Earning Ratio	(Times)	11.7	18.3	8.2	4.8	3.8	5.4	8.1	4.0	6.1	6.3
Market Price (June 30)	(Rs.)	221.1	305.0	175.0	80.0	40.1	25.0	19.3	19.3	30.0	31.0
Break up Value per Share	(Rs.)	72.9	58.1	64.4	42.1	31.0	25.2	22.9	21.7	18.9	15.4
Dividend											
Cash dividend	(Rs.)	6.0	6.0	7.5	7.0	6.0	4.0	2.0	3.5	2.5	1.5
Stock dividend	(Rs.)	1.5	4.0	2.5	-	-	4.0	-	-	-	1.0
Dividend yield	(%)	3.4	3.3	5.7	8.8	15.0	32.0	10.4	18.2	8.3	8.1
Dividend pay out	(%)	39.6	42.8	39.0	33.5	45.3	99.2	48.6	41.3	29.1	26.6
Asset Utilization											
Total assets turnover	(Times)	2.3	2.3	2.4	2.6	3.0	3.2	2.4	2.8	2.2	2.9
Fixed assets turnover	(Times)	4.8	7.5	7.1	12.3	10.3	10.4	6.9	9.3	9.0	9.3
Inventory turnover	(Times)	7.5	7.9	6.1	9.1	9.6	7.5	6.9	7.4	6.0	5.4
Debtor turnover	(Times)	62.1	101.1	141.5	140.4	33.2	109.9	85.6	122.8	216.1	186.4
Capital employed turnover	(Times)	4.1	4.7	4.8	6.5	7.0	7.3	5.8	6.2	7.1	8.9
Working Capital Cycle											
Inventory holding period	(Days)	48	46	44	35	40	43	51	55	65	64
Trade debtors period	(Days)	4	3	2	6	7	3	4	2	2	4
Creditors period	(Days)	(54)	(55)	(49)	(47)	(41)	(36)	(43)	(52)	(58)	(49)
Working capital cycle	(Days)	(2)	(6)	(3)	(6)	6	10	12	5	9	19
Liquidity/ Leverage											
Current Ratio	(Times)	1.32	1.44	1.43	1.47	1.38	1.48	1.46	1.64	1.31	1.21
Long Term debts to Equity	(Times)	0.6	0.4	0.3	0.1	0.1	0.1	0.3	0.2	0.3	0.3
Total Liabilities to Equity	(Times)	1.9	1.9	1.8	1.5	1.3	1.3	1.4	1.2	2.2	2.1

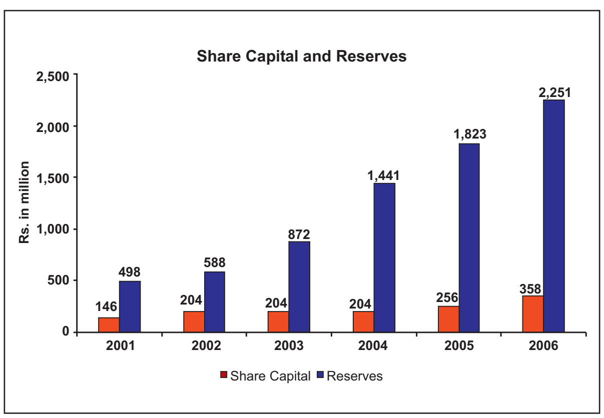
GRAPHICAL PRESENTATION

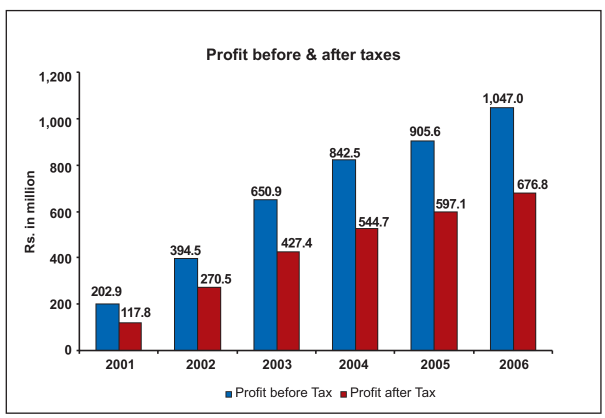








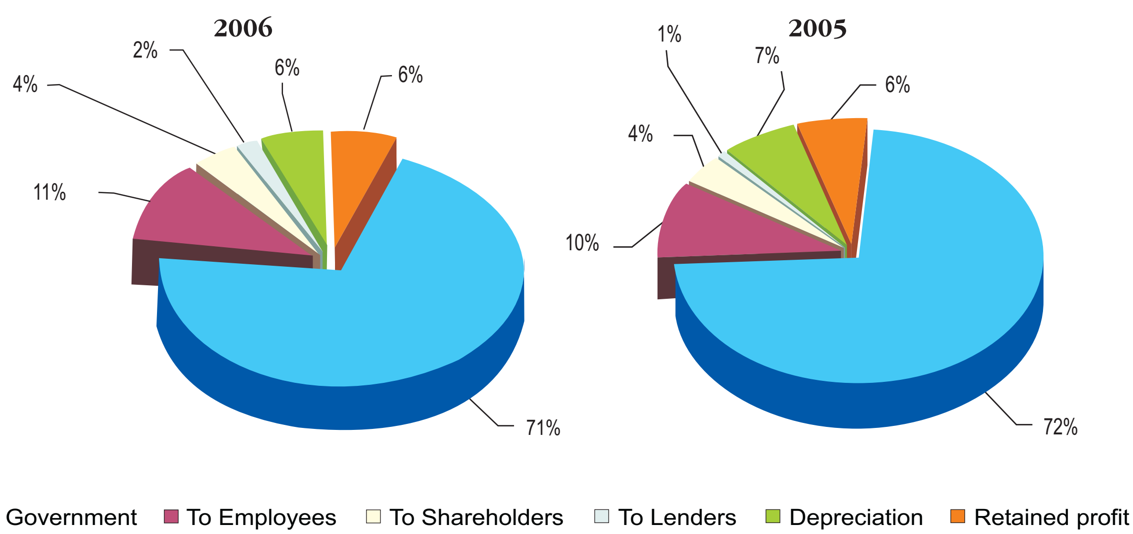




STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2006		2005	
	(Rupees in '000)			
WEALTH GENERATED				
Total revenue - gross	20,675,385		16,947,681	
Material & services (excluding duites)	(13,630,829)		(10,745,132)	
	7,044,556	100.00%	6,202,549	100.00%
WEALTH DISTRIBUTED				
To Government				
Sales tax, income tax, import duty & workers' welfare fund	5,034,162	71.46%	4,514,166	72.78%
To Employees				
Salaries, benefits and related cost	803,342	11.40%	594,579	9.59%
To Providers of Capital				
Dividend/Bonus to shareholders	268,234	3.81%	255,460	4.12%
Markup on borrowed funds	131,150	1.86%	40,669	0.66%
	399,384	5.67%	296,129	4.78%
Retained with the business				
Depreciation	399,070	5.67%	422,679	6.81%
Retained profit	408,598	5.80%	374,996	6.04%
	807,668	11.47%	797,675	12.85%
	7,044,556	100.00%	6,202,549	100.00%

WEALTH DISTRIBUTION - GRAPHICAL PRESENTATION



Yet Another Milestone

Inauguration

The new plant was inaugurated by Mr. Takeo Fukui, President and CEO of Honda Motor Company Ltd. Japan, on July 07, 2006.

500K Expansion

The Company has built a new synchronized assembly plant at Sheikhupura with a capacity of 500K units in which state of the art technology is used with the continuous support of Honda Motor Company Ltd., Japan.

Localization

Drum Gear Shift Shop

Camshaft Shop

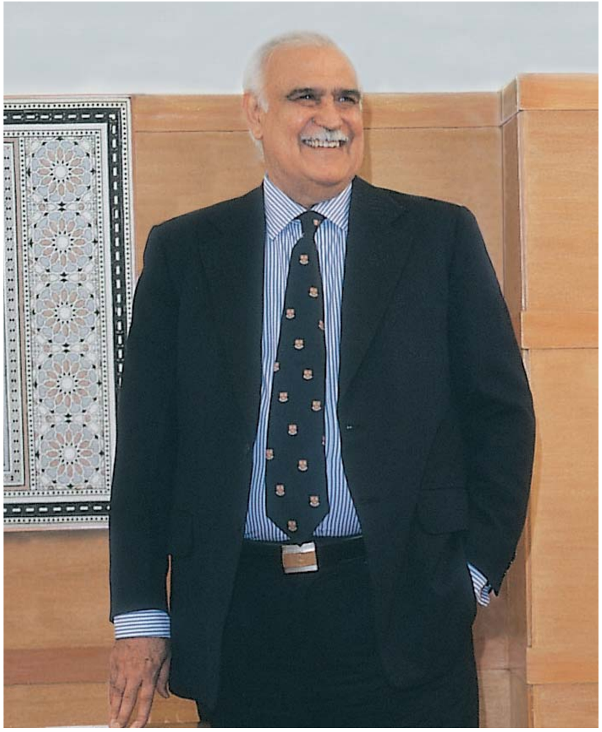
Drum Gear Shift Project

During the year the Company has completed the localization of another hi-tech part-Drum Gear- with the technical collaboration of Autsumitec Company, Japan. The commercial production of this project was started from December 2005 at the Karachi plant.

Camshaft Project

Camshaft project was another part which the Company has been localized during the year with the technical collaboration of Honda Motor Company Ltd., Japan. The commercial production of this project started from December 2005 at the Sheikhupura plant.

Chairman's Review



It is my pleasure to present to you the 42nd Annual Report of the performance of the company for the year ended June 30, 2006.

The Economy

During the year 2005-06, the economy performed at 6.6% growth. The pace has slowed from the previous year. However, the momentum of growth is still positive. The main driver of growth has clearly become the services sector. With over 50% of the economy now in the services sector, the growth rate of around 8% was remarkable. The boom in the services is being fuelled by the transportation, telecommunication, financial and the retail sectors. However, so far only the urban areas are the beneficiaries. As a result, percentage of urban sales of all consumer durables have reached new highs.

The rural areas continue to rely on agriculture. Unfortunately, due to the increase in import cost in the form of diesel prices, fertilizer and pesticides, the surplus disposable income shrank in the year under review. The higher costs were not matched by higher returns due to lower margins on wheat, lower than expected output of cotton; and a lower sugar cane crop size. Going forward, it is important to better manage the water resources and prices to achieve an optimal growth of agriculture, which still remains a huge opportunity. The balance between rural and urban jobs and incomes can only be met through better agriculture policies and management.

The manufacturing sector growth slowed down from the previous year. However, growth over last year continued to be robust. Still largely driven by the consumption pattern of the economy, the large scale manufacturing has been assisted by a loose monetary policy stance of the State Bank. Going forward, given that the interest rates have been raised, the possibility of slower off-take is, however, clearly a reality. For the manufacturing sector, which is already choked by high import cost and taxes, the arrival of a tighter monetary policy is not a welcome sign. If, however, this stance can reduce the possibility of devaluation, then perhaps in the long run it might prove to be prudent. The fear of the "double threat" of higher interest rates and devaluation must, therefore be avoided. Pakistan already faces competitiveness challenges and such a situation would be a huge blow! And, devaluation has historically never helped export grow - as much as cost of business, government expenditure and foreign exchange losses, to say the least!

Going forward, the government has to deal with high oil prices and rising inflation, which is hovering around the 8-10% level. With the reserves at only $ 12 billion, and the trade deficit alone projected at $ 10 billion, it is important to re-visit the trade liberalization measures, Effective tools to reduce imports must be taken expeditiously at all costs! Market access for our exports must also be re-negotiated to give a lift to the exports.

The Automotive Industry

The automotive industry had another good year. The consumer demand remained high on the back of cheap consumer financing. The re-structuring of the financial sector has genuinely brought the purchase of a vehicle within the grasp of the middle class. On the back of this growth, several OEMs are currently in the middle of large expansions. For example, Atlas Group's car and motorcycle units have together invested over $ 150 million in the last two years. The enhanced capacity will ease the availability to a great extent. In fact, going forward there will be excess capacity! Therefore, it is of paramount importance that the import policy is reviewed in order to ease the pressure on the foreign exchange.

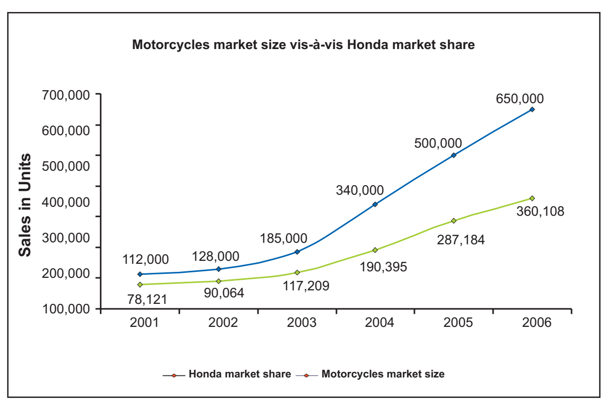
During the year, the industry faced three main challenges. The first was the rise in raw material prices, which have doubled in the last year. This cost has resulted in squeeze in margins, without the ability to effectively pass it on.

The second was the challenge of under-invoicing and tax evasion. The action against the latter by the concerned authorities finally has started and one is hopeful that within the next 12 months, many such practices will be exposed and curbed!

The third obstacle was the liberal import of used or substandard vehicles. This import resulted in a drain of over $ 2 billion from the exchequer and caused a massive setback to the industrialization process. Many representations to the government have been made and one is hoping that it will now reverse some of the more damaging aspects of the existing import policy!

Motorcycle Industry

The two wheeler industry has continued to enjoy a period of growth since 2000-01. The strength of the demand can be judged from the fact that growth of 25 percent on year to year basis was recorded despite the poor agriculture crop. On an annual basis, Industry Sales now have crossed the 650,000 mark.



Traditionally, the motorcycle sales have been directly linked to the performance of the agriculture sector.

However, during the last few years the product has established itself as a necessity for a large segment of the urban population too. It is now well recognized its sale as an indicator of the economy's performance.

The growth in sales has attracted all sorts of entrepreneurs to the arena. In addition to the manufacturers with long standing, and who are members of PAMA, new entrants from all sorts of backgrounds and business interests have started importing and assembling motorcycles. The difference in business practices has also affected the environment of "doing business". Those who go strictly by the law are at a distinct disadvantage as the slack and selective application of law leaves them competing with virtually an unorganized sector that avoids duties and taxes with impunity. The difference in cost structures that ensue leaves an uneven playing field for the organized sector.

Your company accepts the realities of a growing market and expects no more than a level playing field. One is glad to see that the government is finally pursuing this anomaly with vigour. A recent raid of ten units in the unorganized sector, so far, has unearthed a huge tax evasion scam. Over Rs. 1 billion penalties have been assessed. Your company's continued insistence of tax evasion as the main cause of price differences has been proved accurate. One hopes that will not only to recover from the existing ones the past evasion but also from the close down fraudulent assemblers. Atlas Honda has invested and is continuing to invest heavily in localization. It has the strongest vendor base as well as the state of the art in-house manufacturing capabilities. This is a result of decades of strong commitment to the localization cause.

Motorcycle industry has now reached a point where it has achieved production surpluses. Your company has already established export markets but had production constraints that kept it from serving these markets to their satisfaction. The company has now received global export rights for Honda CD-70. This is recognition of over 40 years of consistent performance. It is indeed a huge leap forward for Atlas Honda and is a larger commendation for the potential of Pakistan's auto industry. In next three years, Atlas Honda is targeting at least 10% of its sales to come from exports. For this, an enabling export policy is being pursued at the highest levels of the government.

Marketing

During the year, the company launched several new models. In the 125cc segment Honda CG-125 Deluxe was launched. Modern styling, added power and a disc brake function has made it the choice purchase for a selected segment that was looking for added value in the existing popular CG-125. In addition to this, the regular CG-125 also underwent a Minor Model Change (MMC) which proved to be huge success. A 53 percent growth in sales on year to year basis in the 125 cc category, is a testament to the success of the new model and the CG-125 MMC.

An MMC of the lead product, CD-70, was also launched during the year. The MMC has been a major success and Honda CD-70 is the best selling motorcycle in the market with sales of over 300,000 annually. A 25 percent increase in sales compared to last year is a measure of popularity of this model.

On the back of the sales, there are several departments that complement the marketing effort in many ways. The Service Department conducts massive campaigns to familiarize and train the Service and Sales dealers about the technical features of the new models. During the year, training programmes were attended by 931 Service dealers, 80 Antenna dealers and 3,650 Honda 4 Stroke mechanics. Moreover, 296 sales dealer's staff and 85 Marketing staff of AHL were familiarized with the features of new models.

Antenna Dealers network has been extended from 80 to 85 to provide better warranty facilities to customers; moreover, 15 "5S" dealers have been selected for providing warranty facilities in areas where antenna dealers network was not available. These developments have helped to settle 70 percent of the complaints within 48 hours.

The Customer Care Department, which was established last year, is already making its mark by conducting extensive dealer and customer training. Safety riding training has proved to be a big success and has helped promote better riding skills. The programme has been widely appreciated. During the year, the Customer Care Department also conducted training for the sales dealers as a result of which one saw great improvement in the customer satisfaction index.

Spare Parts Division has continued to perform its critical role of supporting the sales effort through achieving customer satisfaction by providing quality parts at competitive prices. These efforts were hindered by an unorganized market that has no scruples. The Spare Parts Division continues to operate in an environment where smuggling, under-invoicing and supplying counterfeit parts are the norm. The division continued to support the sales effort effectively.

Institutional Sales & Export

The Institutional Sales and Exports Department came into its own during the year. With a 35 percent increase in domestic sales and 32 percent increase in exports, the department helped establish Atlas Honda's name abroad. The company is proud of its exports as this has earned respect for the "Made in Pakistan" brand and acceptability for Atlas Honda in the world markets. In fact, the export would be near the top of the future growth strategy. This strategy stems from the fact that your company now has enough capacity to meet local demand as well as service the export requirements.

Production

The production area was able to produce as per market demand as it rolled out 360,561 units during the year under review. During the year, the engine plant expansion and re-layout was also completed. The activity involved adding 55 new CNC machines and relocating 65 existing ones to improve the efficiency and layout. The target was accomplished without any production loss. Likewise BMR in HPDC, LPDC and Heat Treatment shops were also successfully completed. Utility facilities consisting of power, compressed air, gas and water were also upgraded to meet the increasing demand of the plants.

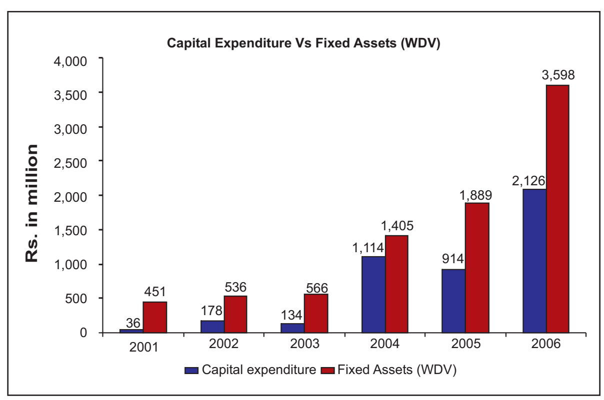
Localization

Localization projects consisting of Drum Gear Shift and Camshaft machining were also successfully completed during the year under review. Installation of ACG machines and equipment along-with staff training were completed. Final evaluation of the project was conducted on June 30, 2006 to formally proceed for mass production. With this, the first phase of this localization project has been completed. Implementation of its 2nd phase is planned to be executed during FY: 2006-07.

Expansion

Trials in the newly established 500K Synchronized plant were carried out in April 2006. The project evaluation for formal approval of the "GO" signal for the start of mass production was done on 1st July, 2006 while the mass production of the new synchronized plant commenced from 7th July, 2006. Infra-structure of the new plant, including utility facilities, is centralized and fully integrated for efficient operations. The internal road network and business gates have also been completed for more efficient flow of materials, components and finished goods. The plant incorporates "Honda Global Standards" including implementation of the unique concept of "Quality Gates" for quality assurance. The system also allows swift adjustment of different models on the same line to meet the shifting demand of the customers.

Fabrication of ED Coating System, as part of the new plant, has also been completed. After a successful installation of all the equipment, the system was switched on June 23, 2006 for trial run. Its evaluation was conducted on June 27, 2006 for subsequent start of mass-production in 500K Synchro-plant as a one unit. ED-Coating system offers special features of "High Corrosion Resistance", "High Weather Durability" and "Excellent Appearance".



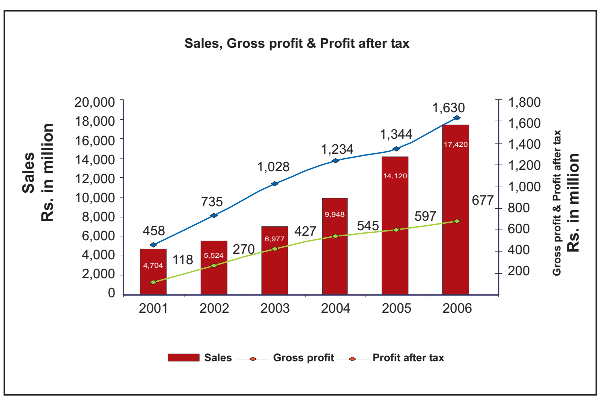
The biggest achievement during the year was timely completion of the new Synchronized Assembly Plant at Sheikhupura. With this addition, your company can now produce over 500,000 motorcycles a year at the new plant. Mr. Takeo Fukui, President & CEO, Honda Motor Company, Japan visited Sheikhupura and graced the occasion to inaugurate the new plant. A high level delegation from Honda Motor Company also accompanied Mr. Fukui on this occasion.

Delivery Control Center

A Delivery Control Center (DCC) has been established separately in order to incorporate the global concept of material supplies "Just In Time". This system entails best practices including "fix part, fix location" concept, delivery of materials in best production lots and introduction of new software. Loading efficiency of the finished products on trucks has also been improved tremendously while following "2F, One Time Loading" system.

Financial Results

The year 2005-06 was a good year! The company undertook several major projects, which were executed in a timely and cost efficient manner. The sales revenue grew to Rs. 17.42 billion. This represents an increase of 23.37% as against the previous year's Rs. 14.12 billion. In the financial year 2005-06, your company continued to build on the successes of the previous year by selling 360,108 units as compared to 287,184 units in the corresponding period of 2005, a 25 percentage growth! The gross profit margin for the period slightly decreased to 9.35 percentage from 9.52 percentage of the corresponding period. This was largely due to unprecedented rise in raw material prices and utility costs. However, the net impact has been more or less offset by an increase in sales volume, benefits of localization and efficient fund management.



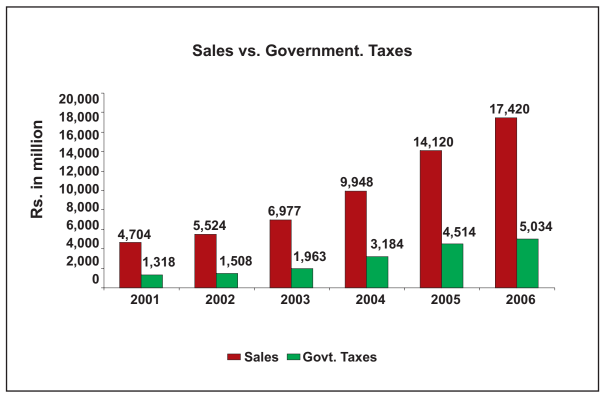
The operating expenses increased to Rs. 528.32 million as against Rs. 445.27 million for the same period last year. This escalation was in line with the increase in sales and the launching of a new CG-125 deluxe, a premium model. The increase in interest rates and additional borrowing for capacity expansion and new projects led to an increase in financial expenses to Rs. 151.61 million. The company had budgeted this rise and feels comfortable with the current capital structure to finance its growth. The company earned ever highest profit before tax of Rs. 1,047.06 million as against Rs. 905.63 million for the previous year - a bottom line growth of 15%:

ع مشک آنست کہ خود ببوید نہ کہ عطار بگوید

(Performance speaks itself)

Contribution to the National Exchequer

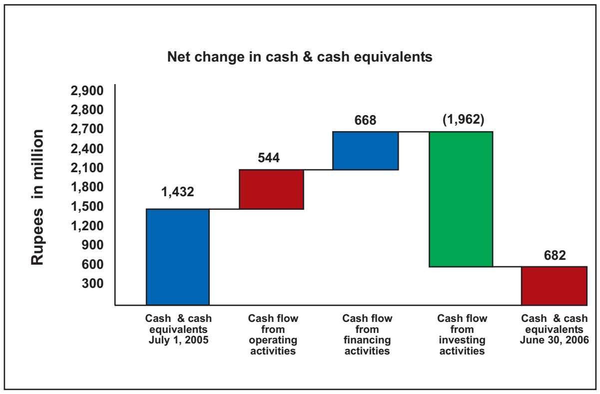
Your Company paid taxes to the national exchequer amounting to Rs. 5.034 billion, the highest ever, on account of sales tax, income tax and custom duties as against Rs. 4.5 billion contributed last year. Payment of these taxes was more than 7.5 times the net after tax earnings. The Company's contribution to the national economy by way of value addition this year amounts to Rs. 7.04 billion 71.46 percent of net receipts from operations 13.6 percent higher as compared to last year.



The Group, of which Atlas Honda is a constituent member, paid taxes of Rs. 15 billion which is almost above 2 percent of the government total revenues. One of the group performance criteria is how much a group entity contributes to the Govt. exchequer - as a social responsibility.

Cash Flow

The cash flow generated through the operating activities was Rs. 543.86 million in 2006 as compared with Rs. 1,489.11 million during 2005. Net income after tax increased to Rs. 676.83 million in 2006 from Rs. 597.12 million in 2005, reflecting higher volume and the growth on impact of Localization.



The positive cash flow during the year was mainly deployed for capital expenditure (Rs. 2,125.86 million), debt repayment (Rs. 231.98 million) and dividends (Rs. 152.51 million).

Treasury Operation

Surplus funds during the year were invested in high yielding deposits and mutual funds. The primary focus of the company was to invest its surplus funds efficiently. One is pleased to say that this department is not only generating substantial income for the company, but is also deploying effective hedging mechanism in the form of swaps and derivatives to reduce the volatility of earnings and minimizing interest rate and foreign exchange risk.

Human Resource

During the year, your company put up a new factory and, as a result, 131 management associates were recruited. To train them, your company arranged extensive in-house and external trainings. Atlas Fundamental Course (AFC-1) and Junior Management (J-Course) for the non-management and middle management associates respectively. Such activities enable the new associates to mesh into the "Atlas Culture" as well as learn shop floor management skills such as statistical quality control and supervision techniques. In all, 436 employees attended AFC-1 and J-Course during the year under review. To recognize the outstanding performances by the Associates, ALA MAYAR awards and educational trips abroad were arranged. To attract, retain and motivate the employees, your company has made significant changes in its compensation & benefit area. During the year, 12 employees were also sent abroad for training. The traditional Family Day functions were held at both the plants, which were well attended by the families of the associates. In recognition of the long association with the company, 153 associates were given Gold Medals. 8 associates were also presented with Gold Medals on the eve of their retirement.

To create a good environment, new trees, green belts and grassy lawns have been planted and developed, which have been appreciated by all those who have attended the factory.

Corporate Affairs

Last year, the Tariff based system for motorcycle industry was approved by Engineering Development Board and sent to Central Board of Revenue for implementation in the national budget 2005-06. However, it was kept pending and advised to submit the system after agreement amongst all the automotive sector. This year, finally a consensus was reached and one is pleased to inform that the new system is now in place. It will create greater transparency and competitiveness in the future.

Over the years, under invoicing has emerged as a core issue for the industry. It is causing unfair competition and loss of revenue to national exchequer in billions of rupees. During the year the matter was sensitized at the highest level. Valuation of 26 major parts was suggested to Valuation Department. Valuation advice for 15 parts was issued and working on remaining 11 parts is in process. The already issued advice was partly implemented on different custom ports. The budget (2006-07) has helped remove the weaknesses in Custom Act regarding the valuation process, which in turn will improve the efficiency in valuation process.

The sales tax evasion, an area of great concern, has multidimensional complexity. The system needs the involvement of various Sales Tax and Custom Collectorates along with dealers' network of various assemblers and all provincial vehicle registration authorities. In the budget (2006-07), some new initiatives have been taken. The assembler and his supplier both are now jointly responsible for the payment of sales tax on the supplies. The implementation of these rules will be a big goal for next year.

Information Technology

The company realized that ERP implementation was essentially needed when old systems became incompatible to business needs. Atlas Honda limited has taken a visionary decision to give coverage to business processes under the ERP (SAP) system.

The task of implementing SAP as an ERP solution was achieved on 1st July 2006. The system is now "here" and will give coverage to business process in the areas such as finance, material management, production planning control, sales and distribution, while it is certainly more time consuming at present, its immediate benefits will be better control on inventory, rejections, production, material planning ability and timely alignment of many decisions.

Future Outlook

The year 2005-06 turned out much as planned, although the task was made harder by the burden of global raw material price hike. Next year will be a difficult year for the country economically. The business environment and the economy are going to change drastically. The economy is becoming more open and the business environment more difficult. The automobile industry policy of deletion and "forced" localization have been abandoned by the government. The implications are severe i.e. "survival of fitness". In this environment, competitiveness is the key success factor. However, your company is well positioned in terms of capacity & efficiency. Barring any unforeseen economic adjustment, Atlas Honda should maintain its growth momentum.

Acknowledgement

I would like to thank Honda Motor Company Ltd., Japan for their continued support in implementing the expansion project and cooperation in maintaining high standards of excellence. I also thank our bankers, Shareholders, Dealers, Vendors, Board of Directors, Group President Mr. Aamir H. Shirazi, the Group Director Engineering Mr. Jawaid Iqbal Ahmed, the CEO Mr. Saquib H. Shirazi and his team - all staff and associates for their initiative, commitment and achievements. We are convinced that their ability, enthusiasm and energy will secure a successful future of your company in order to serve our valued customers better.

On behalf of the Board, I would like to acknowledge the constructive cooperation made by Mr. Motohide Sudo and Mr. Yoshitaka Kitamura, the directors who resigned from the Board during the year, and welcome Mr. Masahiro Takedagawa and Mr. Takatoshi Akiyoshi who replaced the outgoing directors.

Karachi:August 31, 2006

Yusuf H. Shirazi

Directors' Report

The directors of your company take pleasure in presenting their report together with the company's audited financial statements for the year ended June 30, 2006. The director's report prepared under section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance will be put forward to the members at the Forty second Annual General meeting of the company to be held on September 29, 2006.

Financial Results

The operating results of your company for the year ended June 30, 2006 under review are summarized as follows:

	(Rupees in '000)
Profit before taxation	1,047,060
Taxation	
Current	138,014
Prior Years	11,549
Deferred	220,665
	370,228
Profit after taxation	676,832

Subsequent appropriations:

The directors have recommended a final cash dividend of Rs. 6.0 per share i.e. 60% and bonus issue @ 15% (three bonus shares for every twenty shares held). Accordingly the following appropriations will be made.

Available for appropriation	665,168
Appropriation:	
Transfer to General Reserve	395,000
Cash Dividend 60% (2005: 60%)	214,587
Bonus shares 15% (2005: 40%)	53,647
	663,234
Unappropriated profit carried forward	1,934

Earnings per Share

The Basic and Diluted earnings per share after tax is Rs. 18.92 (2005: Rs. 16.70).

Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the performance of the company for the year ended June 30, 2006 and future prospects. The directors endorse the contents of the review.

Board of Directors

The Board comprises of five Executive and three Non-Executive directors. All the non-executive directors are independent from management. During the year, Mr. Yoshitaka Kitamura and Mr. Motohide Sudo resigned from the board effective February 24, 2006 and April 27, 2006 respectively, in their place, Mr. Takatoshi Akiyoshi and Mr. Masahiro Takedagawa were appointed by the Board.

The Board approved the remuneration of the Chairman at Rs. 6.7 million, CEO Rs.11.0 million and three Directors Rs. 7.4 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2006-2007. Furnished accommodation, inclusive of utilities will also be provided to two Directors. The Company also makes contributions to the gratuity and provident funds for Chairman, CEO and one director.

During the year five Board meetings were held, the attendance of the directors has been as follows.

S. No.	Name of Directors	Attendance	Number of directorships in listed companies, including AHL
1	Mr. Yusuf H. Shirazi	5	6
2	Mr. Saquib H. Shirazi	5	4
3	Mr. Sherali Mundrawala	5	2
4	Mr. Sanaullah Qureshi	4	4
5	Mr. Nurul Hoda	5	1
6	Mr. Toshitsugu Kaneko	3	1
7	Mr. Yoshitaka Kitamura (Resigned effective Feb 24, 2006)	3	-
8	Mr. Motohide Sudo (Resigned effective April 27, 2006)	-	-
9	Mr. Takatoshi Akiyoshi (Appointed effective Feb 24, 2006)	-	1
10	Mr. Masahiro Takedagawa (Appointed effective April 27, 2006)		1

Auditors

The present Auditors M/s Hameed Chaudhri & Co., retire and being eligible, offer themselves for re-appointment. The Audit Committee of the company has recommended their re-appointment as auditors of the Company for the year 2006-07.

Our Corporate Governance Principles

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

As part of our Group Corporate strategy we have a number of committees at Group level to guide the Management in various key areas of the company's operations ranging from Human resource, Information technology, Audit and Environment Safety and Health. The following is the summary of the Role and Term of reference of each committee.

Audit Committee

This is the most prime committee of the Board that reviews the financial and internal reporting process, the system of internal controls, management of risks and the internal and external audit processes. It also proposes the appointment of external Auditors to the shareholders and is directly responsible for their remuneration and oversight of their work. An independent Internal Audit function reports to the committee regarding Risks and Internal controls across the organization. The Audit committee reviews reports from external auditors on any accounting matters that might be regarded as critical.

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

The Audit Committee met four times in a year. The Audit committee reviewed the quarterly, half yearly and annual financial statements besides the Internal audit plan, material audit findings and recommendations of the Internal auditor.

During the year four Audit Committee meetings were held and attended as follows:

Mr. Sanaullah Qureshi, Chairman	3
Mr. Sherali Mundrawala, Member	4
Mr. Nurul Hoda, Member	4

Group Executive Committee

The Group Executive Committee is responsible for setting overall corporate objectives and strategies, identifying opportunities, monitoring group business strategies and plans, and developing its group members as leaders of their respective fields.

Group Human Resource Committee

The Group Human Resource Committee determines the compensation package for the management staff. The Committee has also the responsibility to create and maintain conducive work environment that instills trust and ensures respect, fair treatment, development opportunities and grooming and make succession plan for all employees.

Group Systems & Technology Committee

The Group System and Technology Committee is responsible to provide an insight towards the various technological aspects of information systems. The objective of the Committee is to introduce leading edge technology and IT initiative to automate information delivery and accessibility of data for enhancement of time and cost efficiency.

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The Committee has responsibility for reviewing and forwarding long-term plans, capital and expense budget development and stewardship of business plans. The committee is also responsible for maintaining healthy environment within and outside the company through its environment friendly products.

Environment Health and Safety Committee (EHS)

As the world now is increasingly becoming more conscious not only of the safety and health of its employees but also about the preservation of environment the management has created an EHS committee. It is responsible for dealing with the environmental issues created as a result of emissions of wastes and devising mechanisms for environment friendly disposal of the wastes generated during operations of the company.

Material changes

There have been no material changes since June 30, 2006 to date of the report and the company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the company.

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

Communication

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984. The company also has a web site (www.atlashonda.com.pk), which contains up to date information of the company's activities.

Corporate and Financial reporting framework

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

- The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- The company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There is no doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A summary of key operating and financial data of the company is annexed.
- Information about taxes and levies is given in notes to the accounts.
- The Company operates a contributory provident fund scheme for all employees and Defined benefit gratuity fund scheme for its management/non-management employees. The value of investments based on their respective audited accounts are as follows:

■ Provident Fund	Rs. 258.70 million (as at June 30, 2006)
■ Gratuity Funds:	
Management Staff	Rs. 61.69 million (as at June 30, 2006)
Non-Management Staff	Rs. 25.96 million (as at June 30, 2006)

On behalf of the Board of Directors

Saquib H. Shirazi
Chief Executive Officer

Karachi: August 31, 2006

STATEMENTS OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND TRANSFER PRICING

A. Statement of compliance with the Code of Corporate Governance

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

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

1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes three non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.

4. Two casual vacancies occurred in the Board of Directors from July 01, 2005 to June 30, 2006 and were filled up by the Directors within 30 days thereof.

5. The company has adopted a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.

6. The Board has developed a vision and mission statements, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the date on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors, have been taken by the Board. .

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The company had conducted an orientation course for its directors to apprise them of their duties, responsibilities and to update them with recent amendments in applicable laws.

10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

13. Directors, except Mr. Masahiro Takedagawa who purchase one share during the year, CEO, CFO, Company Secretary and their spouses and minor children have made no transactions of company's shares during the year.

14. The company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has already formed an Audit Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code.

17. The Board has set up an effective internal audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.

18. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

B. Statement of Compliance with the Best Practices on Transfer Pricing:

The Company has fully complied with the Best Practices of Transfer Pricing as contained in the Listing Regulation of the Stock Exchanges.

On behalf of the Board of Directors

Saquib H. Shirazi
Chief Executive Officer

Karachi: August 31, 2006

HAMEED CHAUDHRI & CO.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI CHAMBERS,
HASRAT MOHANI ROAD,
KARACHI.
PHONES : 242 4826 - 241 2754
CABLES : "COUNSEL"
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E-MAIL : majeed@khi.comsats.net.pk

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Atlas Honda Limited to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and clause 40 (Chapter XIII) of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2006.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: August 31, 2006

LAHORE OFFICE : HM HOUSE, 7- BANK SQUARE, PHONES : 723 5084 FAX : 723 5083
CABLES :"COUNSEL" E-MAIL : hcc@pol.com.pk

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ATLAS HONDA LIMITED as at 30 June 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change as explained in note 5.7 to the accounts with which we concur;

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

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2006 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Karachi: August 31, 2006

LAHORE OFFICE : HM HOUSE, 7- BANK SQUARE, PHONES : 723 5084 FAX : 723 5083
CABLES :"COUNSEL" E-MAIL : hcc@pol.com.pk

BALANCE SHEET
AS AT JUNE 30, 2006

	Note	2006	2005
		(Rupees in '000)	
ASSETS			
NON CURRENT ASSETS			
Fixed assets	6	3,598,732	1,888,736
Intangible assets	7	29,090	18,725
Long term investments	8	-	-
Long term loans and advances	9	17,097	12,172
Long term deposits and prepayments	10	11,027	5,784
CURRENT ASSETS			
Stores, spares & loose tools	11	379,380	226,540
Stock-in-trade	12	1,937,675	1,567,530
Trade debts	13	280,448	139,701
Loans and advances	14	51,360	37,296
Trade deposits and prepayments	15	2,998	6,802
Investments	16	327,317	410,241
Accrued mark-up / interest	17	543	1,734
Other receivables	18	312,410	343,704
Cash and bank balances	19	682,088	1,432,363
		3,974,219	4,165,911
TOTAL ASSETS		7,630,165	6,091,328
EQUITY AND LIABILITIES			
Capital and reserves			
Authorised Capital			
100,000,000 (2005: 40,000,000 Ordinary Shares of Rs. 10/- each)		1,000,000	400,000
Issued, subscribed & paid-up capital	20	357,644	255,460
Reserves & Unappropriated profit			
Reserves	21	1,586,118	1,203,977
Unappropriated profit		665,168	618,796
		2,251,286	1,822,773
		2,608,930	2,078,233
NON CURRENT LIABILITIES			
Long term financing	22	1,570,441	933,019
Liabilities against assets subject to finance lease	23	19,656	-
Deferred Liabilities			
Compensated leave absences	24	35,224	27,988
Deferred taxation	25	384,465	163,800
		419,689	191,788
CURRENT LIABILITIES			
Trade and other payables	26	2,409,209	2,351,941
Accrued mark-up / interest	27	69,088	17,281
Short term borrowings	28	18,263	-
Current portion of long term liabilities	29	368,928	231,981
Provision for taxation	30	145,961	287,085
		3,011,449	2,888,288
CONTINGENCIES & COMMITMENTS	31		
TOTAL EQUITY AND LIABILITIES		7,630,165	6,091,328

The annexed notes form an integral part of the financial statements

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

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		(Rupees in '000)	
Sales	32	17,420,263	14,120,847
Cost of sales	33	15,790,546	12,776,676
Gross profit		1,629,717	1,344,171
Distribution cost	34	343,087	302,252
Administrative expenses	35	185,232	143,018
		528,319	445,270
Operating profit		1,101,398	898,901
Other operating income	36	173,035	171,513
		1,274,433	1,070,414
Finance cost	37	151,611	68,050
Other operating expenses	38	75,762	96,734
Profit before tax		1,047,060	905,630
Taxation			
Current year	30	138,014	283,800
Prior years	30	11,549	409
Deferred	25	220,665	24,300
		370,228	308,509
Profit after tax		676,832	597,121
Basic earnings per share-Rupees	39	18.92	16.70

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

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES	40	543,869	1,489,117
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,125,862)	(913,672)
Investments acquired		(415,441)	(744,878)
Sale proceeds of fixed assets		9,662	8,367
Sale proceeds of investments		545,908	878,511
Dividend received		95	5,579
Markup / interest received on deposits		43,955	25,254
Software development / acquisition cost		(20,923)	(21,431)
Cash used in investing activities		(1,962,606)	(762,270)
Net cash flow before financing activities		(1,418,737)	726,847
FINANCING ACTIVITIES			
Repayment of long term loan		(231,981)	(120,000)
Long term loan received		1,000,000	750,000
Payment of lease rentals		(5,310)	-
Assets sold under sale and lease back agreement		40,000	-
Short term borrowings		18,263	-
Dividend paid		(152,510)	(151,578)
Net cash generated from financing activities		668,462	478,422
(Decrease) / increase in cash & cash equivalent		(750,275)	1,205,269
Cash and cash equivalent as at July 1		1,432,363	227,094
Cash and cash equivalent as at June 30		682,088	1,432,363

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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

(Rupees in '000)

		Capital Reserves		Revenue Reserves		Unrealized gain/(loss)		
	Share Capital	Share Premium	Gain on Sale of Land	General Reserve	Unappro-priated Profit	on available for sale investments	on hedging instruments cash flow hedge	Total
Balance as at June 30, 2004	204,368	39,953	165	1,171,000	205,876	20,167	4,200	1,645,729
Effect of changes in accounting policy (Note 5.7)	-	-	-	-	20,167	(20,167)	-	-
Balance as at June 30, 2004 (Restated)	204,368	39,953	165	1,171,000	226,043	-	4,200	1,645,729
Profit for the year	-	-	-	-	597,121	-	-	597,121
Dividend	-	-	-	-	(153,276)	-	-	(153,276)
Issue of bonus shares	51,092	-	-	-	(51,092)	-	-	-
Net gain removed from equity and reported in net profit for the period	-	-	-	-	-	-	(4,200)	(4,200)
Unrealized loss on remeasurement of forward foreign exchange contracts	-	-	-	-	-	-	(7,141)	(7,141)
Balance as at June 30, 2005 (Restated)	255,460	39,953	165	1,171,000	618,796	-	(7,141)	2,078,233
Profit for the year	-	-	-	-	676,832	-	-	676,832
Dividend	-	-	-	-	(153,276)	-	-	(153,276)
Issue of bonus shares	102,184				(102,184)	-	-	-
Transfer to general reserve	-	-	-	375,000	(375,000)	-	-	-
Net loss removed from equity and reported in net profit for the period	-	-	-	-		-	7,141	7,141
Balance as at June 30, 2006	357,644	39,953	165	1,546,000	665,168	-	-	2,608,930

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

Yusuf H. Shirazi
Chairman

Saquib H. Shirazi
Chief Executive Officer

Sherali Mundrawala
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1. CORPORATE INFORMATION

Atlas Honda Limited (the Company) was incorporated as a public limited company on October 16, 1962 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office is located at 1-Mcleod Road, Lahore. The manufacturing / assembly facilities of the Company are located at Karachi and Sheikhupura, with branches / warranty and training centers at Karachi, Multan, Lahore and Rawalpindi. The Company is principally engaged in progressive manufacturing and marketing of motorcycles and auto parts.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

Following amendments to existing standards applicable to the company have been published that are mandatory for the company's accounting periods beginning on or after July, 2006 or later periods:

i)	IAS-19 (Amendments) - Employees Benefits	-	effective from January 1, 2006
ii)	IAS-1 Presentation of financial statements		
	Capital Disclosures	-	effective from January 1, 2007

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.

3. BASIS OF PREPARATION

These financial statements are presented in Pak Rupees, rounded to nearest thousand and have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the companies accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Retirement benefit obligations
b) Provision for taxation
c) Accrued liabilities
d) Useful life of depreciable assets
e) Provision for doubtful receivables and slow moving inventories

4. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on August 31, 2006.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Employee Benefits

Defined Benefit Plan
The Company has established funded gratuity scheme for its management and non management staff.

Contributions under the schemes are made on the basis of actuarial valuation and are charged to Profit and Loss account. The valuation of both the schemes was carried out on June 30, 2006 using the "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized transitional liability and as reduced by the fair value of the plan assets.

Cumulative net unrecognized actuarial gain and loss at the end of the previous year which exceed 10% of the greater of present value of the Company's obligation and fair value of plan assets are amortized over the remaining service of employees expected to receive benefits.

Defined Contribution Plan
The Company operates defined contribution plan (i.e. recognized provident fund scheme) for its employees. Equal monthly contributions at the rate of 11 per cent of the basic salary are made to the fund both by the Company and employees. The assets of the fund are held separately under the control of trustees.

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

5.2 Trade and other payables

Trade and other payables are stated at their cost.

5.3 Taxation

Current year
Provision for current year's taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax liability at the rate of 0.5% of turnover.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial statements reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

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

5.4 Property, plant & equipment

Owned and leased assets
In compliance with the revised International Accounting Standard no. 16 'Property, plant & equipment' the company has adopted the cost model for its Property, plant & equipment. Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Property, plant & equipment acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses.

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

Depreciation
Depreciation is charged to income on straight line method except plant & machinery, vehicles, building on leasehold land and building on freehold land, without considering extra shift workings. During the year all plots occupied by the company were consolidated and new lease dated August 10, 2005, was made for a period of 56 years. The company has now revised the rate of amortisation based on revised period.

Depreciation on plant & machinery, vehicles, leased hold, building on leasehold land and building on freehold land is charged to income on the basis of reducing balance method.

International Accounting Standard (IAS) 16, "Property, plant and equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, based on a review of the above, the management has revised the following:

Depreciation on additions is now charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. Previously, full years' depreciation was charged in the year of acquisition while no depreciation was charged in the year of disposal.

The above revisions have been accounted for as changes in accounting estimates in accordance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of these changes in accounting estimates has been recognized prospectively in the profit and loss account of the current year. Had there been no change in these estimates, the profit before taxation would have been lower by Rs. 87.708 million.

The depreciation method and useful lives of items of property, plant & equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal or retirement of Property, plant & equipment are determined as the difference between the sales proceeds and the carrying amount of asset and are included in the profit and loss account.

5.5 Intangible Assets

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

Cost associated with developing or maintaining computer software programs are recognized as an expense. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognized as Intangible assets. Direct costs include staff cost, costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Software licenses are amortised using the straight line method over the period of two years from the month the license is acquired. Whereas, ERP (SAP) implementation cost is amortised using the straight line method over the period of five years from the month ERP is available for use or from the month the extended support cost is incurred.

5.6 Leases

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligation under the finance lease less financial charges allocated to the future periods are shown as liability. Financial charge is calculated at the interest rate implicit in the lease and is charged directly against income.

5.7 Investments

In pursuance of revised International Accounting Standard 39 "Financial Instrument: Recognition and Measurement" which is applicable for the accounting years beginning on or after January 01, 2005 the company has designated available for sale investments as investments at fair value through profit or loss having carrying amount of Rs. 327.317 million (2005: Rs. 410.241 million).

Previously these available for sale investments were initially recognised at cost and at subsequent reporting dates were measured at fair value. Gains or losses from changes in fair values were recognised in the equity. The change in policy has been accounted for retrospectively and the comparative information has been restated in accordance with the benchmark treatment specified in the International Accounting Standard No. 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting policy unappropriated profit as on June 30, 2005 would have been higher by Rs. 33,335 thousands and unrealised gain/ (loss) on available for sale investments lower by Rs. 33,335 thousands.

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

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

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

5.8 Stores, spares and loose tools

Stores, spares and tools are stated at lower of cost and net realizable value. The cost of inventory is based on weighted average cost. Items in transit are stated at cost accumulated to balance sheet date.

5.9 Stock-in-trade

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

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

5.10 Trade debts and other receivables

These are originated by the company and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

5.11 Foreign Currency Transactions

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into pak rupees at the exchange rates prevailing on the balance sheet date. In order to hedge its exposure to foreign exchange risks, the company enters into forward exchange contracts. Such transactions are translated at contracted rates. All exchange differences are charged to profit & loss account.

5.12 Revenue Recognition

Sales of motorcycles and spare parts are recognized as revenue when goods are despatched and invoiced to customers. Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable. Dividend income is recognized when the Company's right to receive dividend has been established.

5.13 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charge to income in the period in which they are incurred.

5.14 Provisions

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

5.15 **Warranty**

The Company recognizes the estimated liability to repair or replace damaged part of products still under warranty at the balance sheet date. The provision is based on the ratio of warranty claims during the year to previous year's sales.

5.16 **Dividend**

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

5.17 **Financial assets and liabilities**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be.

5.18 **Cash and cash equivalents**

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

5.19 **Interest / Mark-up bearing loans and borrowings**

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

5.20 **Impairment**

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

5.21 **Related Party Transactions**

All transactions with related parties are carried out by the Company at arm's length prices.

5.22 **Derivative Financial Instruments**

In certain cases, the Company uses forward foreign exchange contracts and currency options to hedge its risk associated primarily with foreign currency fluctuations relating to purchases of raw materials and fixed assets from overseas suppliers. These contracts (except those having immaterial financial impact or which do not meet criteria for hedge accounting) are included in the balance sheet at fair value and any resultant gain or loss is recognized in the statement of changes in equity and subsequently adjusted against the value of raw materials and fixed assets. The fair values of forward foreign exchange contracts are included in "Other receivables" in case of favorable contracts and "Trade and other payables" in case of unfavorable contracts. The fair values of forward foreign exchange contracts are calculated by reference to current forward foreign exchange rates with similar maturity profiles.

5.23 **Reverse repurchase transactions**

Securities purchased under an agreement to resell (reverse repo) are included as receivable against reverse repo transactions. All such transactions are accounted for on settlement date. The difference between purchase and sale price is treated as income from reverse repo transactions in the profit and loss account and is recognized over the terms of transactions.

6. FIXED ASSETS

	Note	2006	2005
		(Rupees in '000)	
Property, plant and equipment	6.1	2,833,873	1,715,768
Capital work in progress-at cost	6.4	764,859	172,968
		3,598,732	1,888,736

6.1 Property, plant and equipment

Particulars	Cost				Depreciation					
	As at July 01, 2005	Additions	Disposals	As at June 30, 2006	As at July 01, 2005	For the Year	Disposals	As at June 30, 2006	W.D.V. June 30, 2006	Rate %
	(Rupees in '000)									
Owned Assets										
Freehold Land	5,112	-	-	5,112	-	-	-	-	5,112	-
Leasehold Land	33,855	277	-	34,132	5,535	511	-	6,046	28,086	1.79
Building on freehold land	112,568	180,211	-	292,779	32,448	10,418	-	42,866	249,913	10
Building on lease hold land	46,168	20,299	-	66,467	27,122	3,087	-	30,209	36,258	10
Plant & machinery	1,934,347	1,079,951	2,483	3,011,815	608,568	197,814	1,862	804,520	2,207,295	10
Dies & jigs	556,447	77,101	2,732	630,816	446,481	129,287	2,732	573,036	57,780	50
Factory equipment	52,685	32,632	89	85,228	20,159	11,146	74	31,231	53,997	20
Office equipment	14,777	431	72	15,136	7,775	2,089	62	9,802	5,334	20
Computers & accessories	36,121	30,386	366	66,141	25,876	11,007	366	36,517	29,624	25
Furniture & fixtures	9,288	2,049	35	11,302	4,032	1,725	29	5,728	5,574	20
Fixture & equipment	1,300	-	-	1,300	1,245	19	-	1,264	36	20
Electric & gas fittings	71,304	33,609	120	104,793	39,335	12,098	98	51,335	53,458	20
Vehicles	106,921	37,025	16,339	127,607	46,628	15,844	10,217	52,255	75,352	20
Service equipment	389	-	-	389	310	25	-	335	54	20
Total owned assets	2,981,282	1,493,971	22,236	4,453,017	1,265,514	395,070	15,440	1,645,144	2,807,873	
Assets held under finance lease										
Electric & gas fittings	-	30,000	-	30,000	-	4,000	-	4,000	26,000	20
Total-2006	2,981,282	1,523,971	22,236	4,483,017	1,265,514	399,070	15,440	1,649,144	2,833,873	
Total-2005	2,198,229	801,013	17,960	2,981,282	852,932	422,679	10,097	1,265,514	1,715,768	

6.2 Allocation of depreciation

	Note	2006	2005
		(Rupees in '000)	
Cost of goods manufactured	33.1	383,231	410,569
Administrative expenses	35	15,839	12,110
		399,070	422,679

Certain dies and moulds costing Rs. 65,937 thousand (2005: Rs. 65,937 thousand) are held with Electro polymers (Private) Limited, Pak Polymer (Private) Limited, Sigma Industries (Private) Limited, Syed Bhais (Private) Limited, Zahoor Die Casting Company, Pakistan Machine Tool Factory (Private) Limited, Auvitronics Limited and Allwin Engineering Industries Limited (Associated company) for production of components to be supplied to the Company.

6.3 Disposal of Fixed Assets

The details of property, plant and equipment sold, having book value in excess of Rs. 50,000 each are as follows:-

(Rupees in '000)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/ (Loss)	Mode of disposal	Particulars of Buyers
Plant & machinery							
Air end unit	638	338	300	286	(14)	Negotiation	Abdul Rasheed , A-46, Ahmed Abdul Ghani Textile Mills, Karachi
Tig Welding Machine Mac Top	198	129	69	16	(53)	Negotiation	Muhammad Ramzan, Mustafa Abad Shahdra Lahore
Tig Plant 400Amp Miller USA	275	157	118	23	(95)	Negotiation	Muhammad Ramzan, Mustafa Abad Shahdra Lahore
Air Compressors with Driers	587	522	65	52	(13)	Negotiation	Muhammad Ramzan, Mustafa Abad Shahdra Lahore
Vehicles							
Daihatsu Coure	439	295	144	180	36	Co. Policy	S. Ashraf Ali, Employee
Honda City	820	546	274	338	64	Negotiation	Zafar Ali, R-401, Block 17, Ancholi Society, FB Area, Karachi
Honda Civic	995	662	333	409	76	Co. Policy	Sardar Akhtar, Ex. Employee
Honda Civic	935	809	126	516	390	Auction	Muhammad Kamal, House # 289, Block-W-Housing Colony SKP
Daihatsu Coure	419	282	137	172	35	Co. Policy	Zahid Mehmud Khan, Employee
Honda CG125	67	13	54	51	(3)	Co. Policy	Nauman Tariq, Employee
Honda CG125	67	-	67	64	(3)	Co. Policy	M. Bilal Aslam, Employee
Honda CG125	67	-	67	59	(8)	Co. Policy	Junaid Ahmed Khattana, Employee
Honda CG125	67	13	54	54	-	Co. Policy	Zia Ul Hassan Khan, Employee
Daihatsu Coure	439	295	144	180	36	Co. Policy	M. Siddique, Employee
Honda City	812	490	322	336	14	Co. Policy	Aijaz Ur Rahim, Employee
Daihatsu Coure	439	262	177	180	3	Negotiation	Ashfaq Ahmed, R-984/15, FB Area, Gulberg, Karachi
Honda Civic	792	473	319	327	8	Negotiation	Dr. Sahia Jawed, C-186, Block C, North Nazimabad, Karachi
Honda City	725	495	230	635	405	Negotiation	Jawed Ali, House No. 9, Al Meher Society, Garden East, Karachi
Suzuki Cultas	604	369	235	250	15	Negotiation	Atta Rabbani, House No.218 Taj complex , Garden East, Karachi
Honda CD 70	69	18	51	52	1	Negotiation	M. Irfan, Employee
Honda CD-100	61	8	53	53	-	Insurance Claim	Atlas Insurance Co. Ltd, Bank Square, The Mall, Lahore (Relatedparty)
Honda Civic	700	497	203	305	102	Negotiation	Syed Majid Ali, B-505, Rao Heights, Block G North. Nazimabad
Dihatsu Coure	442	291	151	182	31	Negotiation	Zubaida Rais, Employee
Honda Civic	1,290	858	432	605	173	Co. Policy	Jawed Iqbal Ahmed, Employee
Dihatsu Coure	439	259	180	180	-	Co. Policy	Akmal Dar, Employee
Dihatsu Coure	439	259	180	180	-	Co. Policy	Tauqeer Rana, Employee
Dihatsu Coure	439	259	180	180	-	Co. Policy	Zahid Saleem, Employee
Honda City	769	454	315	315	-	Co. Policy	Muhammad Siddique, Employee
Suzuki Alto	497	99	398	400	2	Co. Policy	Rashid Amin, Employee
	14,091	8,893	5,198	6,400	1,202		
Items having book value less than Rs. 50,000	8,145	6,547	1,598	3,262	1,664	Tender/Co.Policy	Various
	22,236	15,440	6,796	9,662	2,866		

6.4 Capital work in progress

	Note	2006	2005
		(Rupees in '000)	
Plant and Machinery	6.5	548,634	137,497
Building		9,590	18,643
Dies & jigs		104,315	410
Factory Equipment		31,260	8,570
Electric & gas fittings		64,652	-
Vehicles		-	4,153
Computer & accessories		-	3,695
Advances to contractors / suppliers		6,408	-
		764,859	172,968

6.5 Plant and machinery includes Rs. 32,890 thousands (2005:Nil) borrowing cost capitalised during the year.

7. INTANGIBLE ASSETS

Particulars	Cost: As at July 01, 2005	Cost: Additions	Cost: As at June 30, 2006	Amortization: As at July 01, 2005	Amortization: For the Year	Amortization: As at June 30, 2006	W.D.V.: June 30, 2006
	(Rupees in '000)						
Software licenses	13,190	-	13,190	9,086	3,737	12,823	367
SAP implementation cost	14,621	20,923	35,544	-	6,821	6,821	28,723
2006	27,811	20,923	48,734	9,086	10,558	19,644	29,090
2005	6,380	21,431	27,811	4,855	4,231	9,086	18,725

		2006	2005
		(Rupees in '000)	

8. LONG TERM INVESTMENTS

Available-for-sale

		2006	2005
Unquoted:			
Arabian Sea Country Club Limited			
200,000 (2005: 200,000) ordinary shares of Rs. 10 each.		2,000	2,000
Less: Impairment in the value of investment		2,000	2,000
		-	-
Automotive Testing & Training Centre (Private) Limited			
50,000 (2005: 50,000) ordinary shares of Rs. 10 each		500	500
Less: Impairment in the value of investment		500	500
		-	-
		-	-

9. LONG TERM LOANS AND ADVANCES

		2006	2005
Considered Good			
Due from:			
Executives	9.1	2,120	885
Non executives		25,385	20,983
		27,505	21,868
Less: Installments recoverable within twelve months			
Executives		1,614	551
Non executives		8,794	9,145
		10,408	9,696
		17,097	12,172

9.1 Reconciliation of loans and advances to executives

	2006	2005
Balance at beginning of the year	885	401
Disbursement	2,048	696
	2,933	1,097
Less: Recovered during the year	813	212
	2,120	885

9.2 Car / Motorcycle loans given to employees including executives are in accordance with the Company's policy. The loans are repayable in equal monthly installments within a maximum period of four years. The loans are secured against car / motorcycles which are registered in the name of the Company.

9.3 The maximum amount due from executives at the end of any month was Rs. 2,120 thousand (2005: Rs. 977 thousand).

10. LONG TERM DEPOSITS AND PREPAYMENTS

	2006	2005
	(Rupees in '000)	
Considered Good		
Deposits	11,027	5,483
Prepayments	-	301
	11,027	5,784

	Note	2006	2005
		(Rupees in '000)	

11. STORES, SPARES & LOOSE TOOLS

Consumables stores		67,416	49,302
Maintenance spares		106,621	59,680
Tools		215,190	123,967
Stores-in-transit (inter factories: Karachi / Sheikhupura)		-	884
		389,227	233,833
Less: Provision for slow moving stores		9,847	7,293
		379,380	226,540

12. STOCK IN TRADE

Raw materials & components			
In hand		1,246,263	869,729
With third parties		77,956	34,591
In transit (inter factories: Karachi / Sheikhupura)		-	17,805
		1,324,219	922,125
Work in Process		233,800	194,049
Finished Goods			
Motorcycles		42,301	29,702
Spare parts		69,411	86,134
		111,712	115,836
Goods in transit		289,561	335,520
Less: Provision for slow moving stocks		21,617	-
		1,937,675	1,567,530

12.1 Stock-in-trade and trade debtors upto a maximum amount of Rs. 1,780.2 million (2005: Rs. 1,255 million) are under hypothecation as security for the Company's short term finances (Note 28).

13. TRADE DEBTS

Considered Good			
Export - Secured		37,113	23,453
Local - Unsecured		243,335	116,248
		280,448	139,701

13.1 The bank has lien on export bills / contracts upto a maximum of Rs. 30 million (2005: Rs. 30 million) against foreign currency financing (Note 12.1 & Note 28).

14. LOANS AND ADVANCES

Loan and advances to other employees		2,831	1,893
Advances to employees for expenses			
- unsecured, Considered Good	14.1	1,784	2,003
Advances to suppliers, contractors and others			
- unsecured, Considered Good	14.2	36,337	23,704
Current portion of car / motorcycle loans	9	10,408	9,696
		51,360	37,296

14.1 Advances to employees for expenses include amount due from executives Rs. Nil (2005: Rs. 22 thousand).

14.2 Maximum amounts due from associated companies at the end of any month during the year was Rs. Nil (2005: Rs. Nil).

			Note	2006	2005
				(Rupees in '000)	
15. TRADE DEPOSITS AND PREPAYMENTS					
Trade deposits				1,283	4,020
Prepayments				1,715	2,782
				2,998	6,802
16. INVESTMENTS					
Investment at fair value through profit or loss					
	No of Units				
	2006	2005			
Related parties:					
Atlas Stock Market Fund	323,327	198,390		211,722	111,771
Atlas Income Fund	61,740	183,196		34,299	100,010
Atlas Fund of Funds	8,338,050	7,941,000		81,296	78,616
Others:					
Pakistan Stock Market Fund	-	603,316		-	69,442
Pakistan Income Fund	-	919,751		-	50,402
				327,317	410,241
17. ACCRUED MARKUP/INTEREST					
Interest accrued on savings deposit accounts				543	1,734
18. OTHER RECEIVABLES					
Receivable from Government					
- Income tax deducted at source / paid in advance				234,853	183,022
- Sales Tax adjustable				45,362	146,350
Other receivable			18.1	32,195	14,332
				312,410	343,704
Other receivable- Considered doubtful				615	615
				313,025	344,319
Provision for doubtful receivable				615	615
				312,410	343,704

18.1 Other receivables include Rs. 23,366 thousand (2005: Rs. 13,768 thousand) duty draw back receivable from Collector of Customs and insurance claim Rs. 7,121 (2005:Nil) receivable from Atlas Insurance Limited, an associated undertaking.

	2006	2005
	(Rupees in '000)	

19. CASH AND BANK BALANCES

In current account	320,048	167,506
In savings deposit accounts	357,153	1,264,857
Cheques in hand	4,887	-
	682,088	1,432,363

20. ISSUED, SUBSCRIBED & PAID-UP SHARE CAPITAL

2006	2005		2006	2005
(No. of Shares)			(Rupees in '000)	
6,352,748	6,352,748	Ordinary shares of Rs. 10 each fully paid-up in cash	63,528	63,528
29,152,380	18,933,972	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	291,523	189,339
259,300	259,300	Ordinary shares of Rs. 10 each issued against consideration other than cash	2,593	2,593
35,764,428	25,546,020		357,644	255,460

20.1 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to company's residual assets.

20.2 On October 15, 2005 issue of two bonus shares for every five shares held resulted in an increase in issued capital of Rs. 102,184 thousands.

20.3 19,221,537 (2005: 13,658,670) ordinary shares of Rs. 10/- each were held by associated companies at the year end.

21. RESERVES

	2006	2005
	(Rupees in '000)	
Capital Reserves	40,118	40,118
General Reserve	1,546,000	1,171,000
Unrealized (loss) / gain on remeasurement of hedge instrument	-	(7,141)
	1,586,118	1,203,977

22. LONG TERM FINANCING-SECURED

Name of Banks	Sale price	Purchase price	No. of installments and date of commencement	Rate of markup	2006	2005
					(Rupees in '000)	
The Bank of Tokyo-Mitsubishi UFJ Ltd (Loan I)	250,000	353,767	10 Half yearly 05-04-06	0.5% over 6 months Kibor	175,000	225,000
The Bank of Tokyo-Mitsubishi UFJ Ltd (Loan II)	500,000	744,973	10 Half yearly 05-01-07	0.5% over 6 months Kibor	450,000	-
Habib Bank Limited	250,000	273,153	10 Half yearly 08-10-04	1.25% over 6 months T-bill	100,000	150,000
MCB Bank Limited	250,000	360,896	10 Half yearly 27-09-05	0.5% over 6 months KIBOR	170,441	213,019
National Bank of Pakistan (Loan I)	250,000	327,343	10 Half yearly 28-06-04	1.25% over 6 months T-bill	75,000	125,000
National Bank of Pakistan (Loan II)	250,000	387,123	10 Half yearly 30-09-05	0.5% over 6 months KIBOR	150,000	200,000
National Bank of Pakistan (Loan III)	250,000	368,151	10 Half yearly 30-09-06	0.5% over 6 months KIBOR	225,000	-
National Bank of Pakistan (Loan IV)	250,000	368,151	10 Half yearly 02-01-07	0.5% over 6 months KIBOR	225,000	-
Union Bank Limited	100,000	133,333	10 Half yearly 04-01-03	0.75% over 6 months T-bill	-	20,000
					1,570,441	933,019

These loans are secured against first equitable mortgage charge ranking pari passu on immovable properties of the company, first pari passu charge by way of hypothecation of fixed assets of the company and demand promissory note.

	2006	2005
	(Rupees in '000)	

23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2006	2005
Present value of assets subject to finance lease	26,006	-
Current maturity shown under current liability	6,350	-
	19,656	-
Minimum lease payments		
Not later than one year	7,966	-
Later than one year and not later than five years	21,587	-
	29,553	-
Future finance charges on fiance leases	(3,547)	-
Present value of finance lease liability	26,006	-
Present value of finance lease liabilities		
Not later than one year	6,350	-
Later than one year and not later than five years	19,656	-
	26,006	-

The above represents finance lease entered into with Atlas Investment Bank Limited, an associated undertaking for generators. The balance of liability is payable by October 2009 in monthly installments. Monthly lease payments include finance charge of 7% per annum which is used as discounting factor.

24. COMPENSATED LEAVE ABSENCES

	2006	2005
Balance at beginning	27,988	25,269
Add: Provision for the year	9,504	3,386
	37,492	28,655
Less : Payments during the year	2,268	667
	35,224	27,988

25. DEFERRED TAXATION

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

	2006	2005
Deferred credit arising in respect of accelerated tax depreciation allowance	411,028	182,902
Deferred debit arising in respect of various provisions	(26,563)	(19,102)
	384,465	163,800

25.1 The movement for the year in the Company's net deferred tax position was as follows:

	2006	2005
Balance at beginning	163,800	139,500
Increase in deferred tax liabilities	229,448	29,777
Decrease in deferred tax assets	(8,783)	(5,477)
Charge to income for the year	220,665	24,300
	384,465	163,800

	Note	2006	2005
		(Rupees in '000)	

26. TRADE AND OTHER PAYABLES

	Note	2006	2005
Trade creditors		1,062,597	648,528
Accrued liabilities	26.1	677,272	420,227
Provision for warranty	26.2	9,700	9,500
Customers advances & credit balances		505,266	1,151,884
Retention money		4,272	761
Withholding tax payable		8,272	-
Sales tax payable		39,482	23,260
Workers' Profit Participation Fund	26.3	56,086	50,433
Provision for gratuity	26.4	6,492	4,730
Workers' Welfare Fund	26.7	21,313	19,026
Unrealized loss on remeasurement of Forward Foreign Exchange Contracts		-	7,141
Unclaimed dividend	26.8	9,161	8,395
Other liabilities	26.9	9,296	8,056
		2,409,209	2,351,941

26.1 Accrued liabilities include marking fees amounting to Rs. 4,714 thousands (2005: Rs. 30,009 thousands) payable to Pakistan Standard and Quality Control Authority.

26.2 Provision for Warranty

		2006	2005
Balance at beginning		9,500	5,500
Provided during the year		1,200	4,000
		10,700	9,500
Paid / reversed during the year		1,000	-
		9,700	9,500

26.3 Workers' Profit Participation Fund

		2006	2005
Balance as at beginning		50,433	45,531
Add : Interest on funds utilised by the company		2,072	4,131
		52,505	49,662
Less : Payment made during the year		52,505	49,297
		-	365
Contributions for the year @ 5%		56,086	50,068
		56,086	50,433

26.4 PROVISION FOR GRATUITY

	Note	2006	2005
Balance at beginning		4,730	4,382
Add: Provision for the year	26.5	6,492	4,730
		11,222	9,112
Less : Payments during the year		4,730	4,382
Balance at end		6,492	4,730

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

		Management (Funded)		Non-management (Funded)		Total	
	Note	2006	2005	2006	2005	2006	2005
		(Rupees in 000's)					
Present value of defined benefit obligation (actuarial liability)		81,193	74,118	22,069	22,507	103,262	96,625
Fair value of plan assets		(61,695)	(53,048)	(25,963)	(27,250)	(87,658)	(80,298)
Payable/(Receivable) to associated companies in respect of transferees		-	122	-	-	- -	122
Unrecognized actuarial gain / (loss)		(13,323)	(16,812)	4,211	5,093	(9,112)	(11,719)
Balance at end		6,175	4,380	317	350	6,492	4,730
Net Liability at the beginning of the year		4,380	2,484	350	1,898	4,730	4,382
Charge for the year	26.6	6,379	4,380	317	350	6,696	4,730
Contributions		(4,584)	(2,484)	(350)	(1,898)	(4,934)	(4,382)
Net Liability at the end of the year		6,175	4,380	317	350	6,492	4,730

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

		Management 2006	Management 2005	Non-management 2006	Non-management 2005	Total 2006	Total 2005
Cost of sales	33.4	2,424	1,752	317	350	2,741	2,102
Distribution cost	34.2	765	660	-	-	765	660
Administrative expenses	35.2	3,190	1,968	-	-	3,190	1,968
		6,379	4,380	317	350	6,696	4,730

Principal actuarial assumptions at the balance sheet date for:

	Management 2006	Management 2005	Non-management 2006	Non-management 2005
Discount rate	9%	9%	9%	9%
Future salary increases	8%	8%	8%	8%
Return on investment	9%	8%	9%	9%

	2006	2005
	(Rupees in '000)	
26.7 Workers' Welfare Fund		
Balance at beginning	19,026	17,174
Paid during the year	16,279	10,470
	2,747	6,704
Charge for the current year	21,313	19,026
(Adjustment) / prior year	(2,747)	(6,704)
	18,566	12,322
	21,313	19,026
26.8 Unclaimed dividend		
Dividends	9,151	8,366
Bonus fractions	10	29
	9,161	8,395

The board of directors have proposed a final dividend for the year ended June 30, 2006 of Rs. 6.0 (2005: Rs. 6.0) per share and bonus shares issue at 15% i.e. three bonus shares for every twenty shares held (2005: 40% i.e. two bonus shares for every five shares held), amounting to Rs. 268.234 million (2005: Rs 255.460 million) at their meeting held on August 31, 2006 for approval of the members at the Annual General Meeting to be held on September 29, 2006. These financial statements do not reflect this dividend payable as explained above.

26.9 Other liabilities include vehicle deposits / installments under company vehicle policy amounting to Rs. 3,598 thousands (2005: 2,925 thousands)

	Note	2006	2005
		(Rupees in '000)	
27. ACCRUED MARK-UP/INTEREST			
Long term financing		56,149	16,037
Short term borrowing		12,939	1,244
		69,088	17,281
28. SHORT TERM FINANCES			
Balances with banks		18,263	-

The Company has facilities for short-term running finance under mark-up arrangements amounting to Rs. 1,050 million (2005: Rs. 735 million). The facilities carry mark-up at the rate of Re 0.2630 to 0.2945 (2005: Re 0.1721 to Re 0.2241) per thousand per day on daily product basis. These facilities are secured against joint hypothecation charge on stocks-in-trade and trade debts amounting to Rs. 1,782.20 million (2005: Rs. 1,255 million). These facilities are expiring on various dates by January 31, 2007. The markup on running finance facilities is payable on quarterly basis.

The facility for opening letters of credit and guarantees as at June 30, 2006 amounted to Rs. 1,960 million (2005: Rs. 1,975 million) of which the amount remaining unutilized at the year-end was Rs. 1,040 million (2005: Rs. 1,068 million)

The facility for post shipment export refinance as at June 30, 2006 amounted to Rs. 15 million (2005: Rs. 15 million). This facility is secured against lien on export bills / contract. The Company has facility for foreign currency finance amounting to Rs. 30 million (2005: Rs. 30 million) which is secured against lien on export bills / contracts.

	Note	2006	2005
		(Rupees in '000)	
29. Current portion of long term financing			
Current portion of long term loans	29.1	362,578	231,981
Current portion of liability agaisnt assets subject to finance lease	23.0	6,350	-
		368,928	231,981
29.1 Current portion of long term financing			
The Bank of Tokyo-Mitsubishi UFJ Ltd (Loan I)		50,000	25,000
The Bank of Tokyo-Mitsubishi UFJ Ltd (Loan II)		50,000	-
Habib Bank Limited		50,000	50,000
MCB Bank Limited		42,578	36,981
National Bank of Pakistan (Loan I)		50,000	50,000
National Bank of Pakistan (Loan II)		50,000	50,000
National Bank of Pakistan (Loan III)		25,000	-
National Bank of Pakistan (Loan IV)		25,000	-
Union Bank Ltd		20,000	20,000
		362,578	231,981

		2006	2005
		(Rupees in '000)	

30. PROVISION FOR TAXATION

	2006	2005
Balance at beginning	287,085	192,000
Add: Provision made during the year		
Current year	138,014	283,800
Prior year	11,549	409
	149,563	284,209
Less: Payment during the year	290,687	189,124
	145,961	287,085

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

	%	2006	2005
Profit before tax		1,047,060	905,630
Tax at the applicable income tax rate	35.00%	366,471	316,971
Tax effect of expenses that are not deductible in determining taxable profit as under:			
Gratuity	-0.29%	(3,020)	322
Leave Encashment	0.10%	1,071	393
Depreciation	-20.02%	(209,628)	(32,955)
Gain on disposal of fixed assets	0.02%	176	359
Other	0.03%	361	8,511
Gain on sale of investment	-1.53%	(16,025)	(6,821)
Effect of difference in tax rates under normal assessment and presumptive tax regime	-0.13%	(1,392)	(1,306)
Effect of difference in tax rates under normal assessment and tax on dividend for companies	0.00%	-	(1,674)
	13.18%	138,014	283,800

The income tax assessments of the Company have been finalized upto and including tax year 2005 (income year ended June 30, 2005).

31. CONTINGENCIES & COMMITMENTS

CONTINGENCIES

31.1 Cases have been filed against the Company by some former employees claiming approximately Rs. 2.0 million (2005: Rs. 2.0 million) in aggregate. These cases are pending in different courts. The management is confident that the outcome of these cases will be in the Company's favor.

	2006	2005
31.2 Guarantees		
Issued by bank	90,246	44,553

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

	2006	2005
31.3 COMMITMENTS		
Confirmed letters of credit relating to raw materials	657,237	799,653
Plant and equipment	697,413	103,032
Forward foreign exchange contracts	146,832	485,558

Commitments for rentals under extendable operating lease arrangements with associated undertaking in respect of electric and gas fittings are as follows:

	2006	2005
Due within six months	5,396	-

The operating lease arrangement is extendible after six months.

	Note	2006	2005
		(Rupees in '000)	

32. SALES - NET

Motorcycles & spare parts		20,547,248	16,855,150
Less: Trade discount & commission		44,898	78,982
Sales Tax		3,082,087	2,655,321
		17,420,263	14,120,847

Commission to associated company on export sales amounting to Rs. 10,506 thousand (2005: Rs. 6,164 thousand) is included in trade discount.

33. COST OF SALES

	Note	2006	2005
Stock at beginning		115,836	72,147
Cost of goods manufactured	33.1	15,341,590	12,449,391
Purchases		444,832	370,974
		15,786,422	12,820,365
		15,902,258	12,892,512
Stocks at end	12	111,712	115,836
		15,790,546	12,776,676

33.1 COST OF GOODS MANUFACTURED

	Note	2006	2005
Work in process at beginning		194,049	150,463
Raw materials & components consumed	33.2	12,712,312	10,451,061
Direct labour	33.3	171,936	146,778
Technical director's remuneration	43.1	647	953
Salaries, wages & benefits	33.3 & 33.4	377,732	241,769
Stores consumed		338,594	232,153
Light, heat & water		170,584	98,665
Insurance		36,552	25,105
Rent, rates & taxes		29,447	5,276
Repair & maintenance		124,461	84,817
Royalty		894,716	613,402
Technical assistance		38,236	96,476
Traveling, conveyance and entertainment		34,872	30,376
Postage & telephone		7,257	8,613
Printing & stationery		7,028	6,274
Vehicle running		7,899	5,415
Depreciation	6.2	383,231	410,569
Canteen		26,970	22,491
Newspapers, magazines & subscription		3,274	1,114
Staff training		4,678	7,839
Intangible assets amortized		10,558	3,388
Other manufacturing expenses		357	443
		15,575,390	12,643,440
Work in Process at end	12	233,800	194,049
		15,341,590	12,449,391

33.2 RAW MATERIALS & COMPONENTS CONSUMED

	Note	2006	2005
Stock at beginning		922,125	614,389
Purchases	33.5	13,114,406	10,758,797
		14,036,531	11,373,186
Stock at end	12	1,324,219	922,125
		12,712,312	10,451,061

33.3 Direct labour and salaries & benefits include Rs. 9,199 thousand (2005: Rs. 6,951 thousand) in respect of provident fund contributions.

	Note	2006	2005
		(Rupees in '000)	

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

Current service cost	2,333	2,066
Interest costs	4,334	3,516
Expected return on plan assets	(4,054)	(3,419)
Amortization of loss/(gain)	128	(61)
	2,741	2,102

33.5 Purchases include custom duty rebates netted-off aggregating Rs 33,055 thousand (2005: Rs.10,027 thousand).

34. DISTRIBUTION COST

	Note	2006	2005
Directors remuneration	43.1	14,454	11,562
Salaries & benefits	34.1 & 34.2	62,724	51,378
Traveling, conveyance, entertainment & vehicle running		24,454	18,261
Rent, rates & taxes		4,178	4,178
Advertisement & publicity		79,687	104,873
Repairs & maintenance		1,648	1,353
Gas & electricity		1,486	1,082
Freight & forwarding		100,331	63,543
Printing & stationery		2,903	3,083
Postage & telephone		5,873	7,937
Sales promotion		11,643	13,030
Services charges		30,254	18,753
Insurance		2,021	1,619
Newspapers, magazines & subscription		454	250
Others		977	1,350
		343,087	302,252

34.1 Salaries and benefits include Rs. 2,650 thousand (2005: Rs. 2,175 thousand) in respect of provident fund contributions.

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

Current service cost	456	461
Interest costs	736	688
Expected return on Plan Assets	(521)	(549)
Amortization of loss	94	60
	765	660

35. ADMINISTRATIVE EXPENSES

	Note	2006	2005
Directors' Remuneration	43.1	6,611	6,170
Directors' meeting fee	43.2	71	5
Salaries & benefits	35.1 & 35.2	111,009	81,765
Traveling, conveyance & entertainment		11,940	10,562
Rent, rates & taxes		4,199	3,039
Insurance		1,889	1,791
Repairs & maintenance		5,520	4,421
Legal & professional charges		2,129	2,434
Gas & electricity		1,328	986
Fees & subscription		4,879	1,618
Postage & telephone		3,110	5,058
Printing & stationery		1,719	1,369
Vehicle running		4,765	2,532
Training expense		537	4,259
Depreciation	6.2	15,839	12,110
Donation	35.3	9,405	3,000
Intangible assets amortized		-	843
Others		282	1,056
		185,232	143,018

35.1 Salaries and benefits include Rs 5,224 thousand (2005: Rs. 3,233 thousand) in respect of provident fund contributions.

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

	Note	2006	2005
		(Rupees in '000)	
Current service cost		1,902	1,374
Interest costs		3,067	2,052
Expected return on Plan Assets		(2,171)	(1,636)
Amortization of loss		392	178
		3,190	1,968

35.3 Donations include Rs. 9,400 thousand (2005: 3,000 thousand) paid to Atlas Foundation (formerly Shirazi Foundation). Mr. Yusuf H. Shirazi, Chairman and Mr. Saquib H. Shirazi, Chief Executive Officer are on the Board of the Foundation.

36. OTHER OPERATING INCOME

	Note	2006	2005
Income from financial assets:			
Interest on Deposits:			
Associated Company		32,302	23,614
Others		10,462	3,039
		42,764	26,653
Dividend Income		95	5,579
Income from reverse repurchase transactions		43,717	54,656
Gain on sale of investments		36,265	52,822
Gain on re-measurement of investments		11,278	-
Exchange gain		239	747
Income from non financial assets:			
Other income		31	88
Scrap Sales		35,780	30,464
Gain on sale of fixed assets		2,866	504
		173,035	171,513

37. FINANCE COST

	Note	2006	2005
Interest / mark-up on:			
Short term loans		39,532	5,748
Long term loans		90,302	34,921
Workers' profit participation fund	26.3	2,072	4,131
Finance charge on finance lease		1,316	-
Other financial charges		16,618	14,287
Exchange risk fee		1,771	8,963
		151,611	68,050

38. OTHER OPERATING EXPENSES

	Note	2006	2005
Auditors' remuneration	38.1	1,110	1,009
Workers' Profit Participation Fund		56,086	50,068
Workers' Welfare Fund		18,566	12,322
Loss on re-measurement of investments		-	33,335
		75,762	96,734

38.1 Auditor's Remuneration

	2006	2005
Audit fee	405	369
Provident Fund /Workers' Profit Participation Fund audit and certification	640	581
Out of pocket expenses	65	59
	1,110	1,009

	Note	2006	2005
		(Rupees in '000)	

39. EARNINGS PER SHARE

		2006	2005
Basic earnings per share			
Earnings for purposes of basic earnings per share (net profit for the year)		676,832	597,121
Weighted average number of outstanding ordinary shares for the purposes of basic earnings per share		35,764,428	35,764,428
Basic earnings per share - Rupees		18.92	16.70

There is no dilutive effect on basic earning per share of the company 10,218,408 bonus shares were issued during the year. Weighted average number of ordinary shares for the previous year have been restated accordingly.

40. CASH FLOWS FROM OPERATING ACTIVITIES

		2006	2005
Net Profit before taxation		1,047,060	905,630
Adjustment for:			
Depreciation		399,070	422,679
Unrealised (gain)/loss on remeasurement of investment		(11,278)	33,335
Gain on sale of investment		(36,265)	(52,822)
Interest income		(42,764)	(26,653)
Interest expense		129,834	40,669
Dividend income		(95)	(5,579)
Amortization		10,558	4,231
Finance cost on finance leased assets		1,316	-
Provision for employee compensated absences		9,504	3,386
(Gain) / loss on sale of fixed assets		(2,866)	(504)
Operating profit before working capital changes		1,504,074	1,324,372
Working capital changes:			
(Increase)/decrease in current assets			
Stores, spares & tools		(152,840)	(81,958)
Stock-in-trade		(370,145)	(282,487)
Trade debtors		(140,747)	(69,379)
Loans and advances		(14,064)	(10,202)
Trade deposits and prepayments		3,804	7,324
Other receivables		83,125	(30,152)
		(590,867)	(466,854)
Increase in current liabilities			
Trade and other payables		63,643	771,122
Cash generated from operations		976,850	1,628,640
Interest paid		(78,027)	(25,848)
Income taxes paid (including tax deducted at source)		(342,518)	(108,615)
Compensated absences paid		(2,268)	(667)
Long term loans and advances		(4,925)	(2,926)
Long term deposits and prepayments		(5,243)	(1,467)
Cash flow from operating activities		543,869	1,489,117

41. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company presently has no significant interest-bearing assets. The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of June 30, 2006 are summarized as follows:

(Rupees in '000)

	2 0 0 6							2005
	Interest bearing			Non-Interest bearing				
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total	Total
Financial assets								
Long term loans and advances	-	-	-	10,408	17,097	27,505	27,505	21,868
Long term deposits	-	-	-	-	11,027	11,027	11,027	5,483
Trade Debtors	-	-	-	280,448	-	280,448	280,448	139,701
Loans and advances	-	-	-	51,360	-	51,360	51,360	37,296
Trade deposits	-	-	-	1,283	-	1,283	1,283	4,020
Other Receivables	-	-	-	32,195	-	32,195	32,195	14,332
Accrued mark-up / interest	-	-	-	543	-	543	543	1,734
Investments	-	-	-	327,317	-	327,317	327,317	410,241
Bank balances	357,153	-	357,153	320,048	-	320,048	677,201	1,432,363
	357,153	-	357,153	1,023,602	28,124	1,051,726	1,408,879	2,067,038
Financial liabilities								
Long term loan	362,578	1,570,441	1,933,019	-	-	-	1,933,019	1,165,000
Liability under finance lease	6,350	19,656	26,006	-	-	-	26,006	-
Trade and other payables	-	-	-	2,348,414	-	2,348,414	2,348,414	2,309,655
Accrued mark-up / interest	-	-	-	69,088	-	69,088	69,088	17,281
	368,928	1,590,097	1,959,025	2,417,502	-	2,417,502	4,376,527	3,491,936
On-balance sheet gap	(11,775)	(1,590,097)	(1,601,872)	(1,393,900)	28,124	(1,365,776)	(2,967,648)	(1,424,898)

41.1 Effective interest rate

	2006 %	2005 %
Assets		
Short term investments	9.70 to 11.0	9.70 to 10.0
Cash at bank	2.0 to 5.0	2.0 to 5.0
Liabilities		
Long term loan	9.04 to 10.16	5.85 to 8.73
Liability against assets subject to finance lease	7.0	-

41.2 **Concentration of credit risks**

The Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. Out of the total financial assets, following amount of financial assets are subject to credit risk:

2006	2005
(Rupees in '000)	
1,408,879	2,067,038

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.

41.3 **Foreign exchange risk management**

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Japanese Yen. The Company use forward exchange contracts, to hedge their exposure to foreign currency risk in the local reporting currency.

41.4 **Fair value of the financial instruments**

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values except for long term loans, loans to employees and other receivables which are stated at Cost.

41.5 Rates on short term finances are effectively fixed.

41.6 Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to effective cash management and planning policy, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

42. RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, staff retirement funds, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. All transactions with related parties have been carried out on commercialterms and conditions. Amount due from and to related parties, if any, shown under receivables and payables and remuneration of key management personnel is disclosed in the note no. 43. Other significant transactions with related parties are as follows:

	2006	2005
	(Rupees in '000)	
Sales	17,111	15,749
Sale of fixed assets	-	1,528
Purchases	3,676,200	2,461,160
Fixed assets purchased	706,621	90,407
Sale and lease back of fixed assets	40,000	-
Royalty	849,399	584,622
Export commission	10,506	4,112
Technical Fees	55,007	48,404
Interest on deposits	32,302	5,823
Lease rental paid	5,611	-
Brokerage fees	5,143	4,837
Rent paid	19,023	8,477
Insurance premium	94,875	71,498
Insurance claim	7,174	8,236
Actual reimbursement of expenses - net	8,719	2,432
Dividend paid	131,821	94,473
Donation paid	9,400	3,000
Contribution to staff retirement funds	23,769	17,089

43. DIRECTORS' AND EXECUTIVES' REMUNERATION

43.1 The aggregate amounts charged in the accounts for remuneration including certain benefits to the chairman, chief executive officer, working directors and other executives of the company were as follows:

	Chairman		Chief Executive Officer		Directors		Executives	
	2006	2005	2006	2005	2006	2005	2006	2005
Remuneration	2,661	2,661	4,640	4,219	2,660	2,878	35,236	21,048
Rent and Utilities	1,197	1,197	2,189	1,926	1,411	967	23,505	9,826
Bonus	1,331	1,552	2,009	1,223	1,006	586	10,004	5,483
Provident Fund & Gratuity	293	293	441	404	221	193	3,849	1,998
Medical and Others	769	107	524	21	-	-	604	190
Reimbursement of Expenses	360	360	-	-	-	98	-	-
Total	6,611	6,170	9,803	7,793	5,298	4,722	73,198	38,545
Number of Persons	1	1	1	1	3	3	39	19

The Chairman, the Chief Executive, three directors and two ex-patriate executives are provided with free use of company maintained cars and telephones at residences. Two directors and two ex-patriate executives are also provided with furnished accommodation.

43.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fees to two directors was Rs. 70.5 thousand (2005: Rs 5 thousand).

44. 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.

45. CORRESPONDING FIGURES

Figures related to Provision for gratuity has been reclassified as a current liability in these financial statements. Prior year's figures have also been rearranged and/or reclassified wherever necessary for the purpose of comparison.

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

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2006

No. of Shareholders	Shareholdings				Total Shares held
372	From	1	To	100	15,222
274	From	101	To	500	73,849
122	From	501	To	1,000	96,831
239	From	1,001	To	5,000	592,739
63	From	5,001	To	10,000	438,689
23	From	10,001	To	15,000	289,510
11	From	15,001	To	20,000	175,372
2	From	20,001	To	25,000	47,790
2	From	25,001	To	30,000	55,149
2	From	30,001	To	35,000	65,251
3	From	35,001	To	40,000	117,744
2	From	40,001	To	45,000	84,148
1	From	45,001	To	50,000	46,176
1	From	50,001	To	55,000	52,474
1	From	55,001	To	60,000	56,035
1	From	60,001	To	65,000	61,164
1	From	65,001	To	70,000	68,889
2	From	70,001	To	75,000	148,163
2	From	75,001	To	80,000	157,484
1	From	105,001	To	110,000	109,627
1	From	120,001	To	125,000	120,235
1	From	155,001	To	160,000	157,536
1	From	190,001	To	195,000	194,892
1	From	240,001	To	245,000	242,578
1	From	355,001	To	360,000	355,516
1	From	1,010,001	To	1,015,000	1,013,975
1	From	1,195,001	To	1,200,000	1,198,723
4	From	2,880,001	To	2,885,000	11,521,105
1	From	5,690,001	To	5,695,000	5,690,011
1	From	12,515,001	To	12,520,000	12,517,551
1138					35,764,428

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors, CEO and their spouses and minor children and Associates	11,636,018	32.53
** Associated Companies, undertakings and related parties	19,221,537	53.75
NIT and ICP	195,983	0.55
Banks, Development Finance Institutions,	-	
Non-Banking Finance Institutions		
* Insurance Companies		-
Modarabas and Mutual Funds	-	0.00
** Shareholders holding 10%		-
General Public		
Local	3,443,245	9.63
Foreign	-	
Others		
Corporate Law Authority (SECP)	1	0.00
Joint Stock Companies	48,237	0.13
Cooperative Society	338	0.00
Trusts	20,346	0.06
JPMorgan Chase Bank (437-2)	1,198,723	3.35
	35,764,428	100.00

Note : Included in Associated Companies

* Atlas Insurance Ltd. 1,013,975 shares

** Honda Motor Company Ltd. 12,517,551 shares, Shirazi Investments (Pvt) Ltd. 5,690,011 shares

PATTERN OF SHAREHOLDING
ADDITIONAL INFORMATION
AS AT JUNE 30, 2006

Shareholders Category	No. of Shares held	Percentage
Associated Companies, Undertakings and related Parties:		
Atlas Insurance Limited	1,013,975	2.84
Shirazi Investments (Pvt) Limited	5,690,011	15.91
Honda Motor Company Limited	12,517,551	35.00
	19,221,537	53.75
NIT and ICP:		
National Bank Of Pakistan Trustee Depptt.	194,892	0.55
Investment Corporation Of Pakistan	1,091	0.00
	195,983	0.55
Directors, CEO and their Spouses and minor children and Associates		
Mr.Yusuf H.Shirazi & Associates	8,750,457	24.47
Mr. Saquib H. Shirazi (CEO)	2,880,275	8.05
Mr. Sanaullah Qureshi	140	0.00
Mr. Sherali Mundrawala	5,145	0.01
Mr. Masahiro Takedagawa	1	0.00
	11,636,018	32.53
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds.	-	-
Individuals	3,443,245	9.63
Others	1,267,645	3.54
Total	35,764,428	100.00

Shareholders holding 10% or more voting interest

Shirazi Investments (Pvt) Limited	5,690,011	15.91
Honda Motor Company Limited	12,517,551	35.00

Details of Trading in the shares by Directors

Name	No. of Shares Purchased	Date of Purchase	Price per Share
Mr.Masahiro Takedagawa	1	06-05-2006	226

**SAFETY
RIDING
CAMPAIGN**

SAFETY RIDERS

HONDA

A Helmet Protects Your Head.

KEY SAFETY RIDING PRINCIPLES

A Helmet protects your head.
Wear it when you ride.
Ride according to the signals and signposts.
Ride according to the 'keep left' principle.
Stay within the prescribed speed limit.
Apply both brakes at the same time.

HONDA

میں تے ہنڈا ای لیساں

CG125
DELUXE

CD70

CG125

CD100

Atlas Group Companies

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

The Secretary
Atlas Honda Limited,
1-Mcleod Road,
Lahore.

PROXY FORM

I/We ____
of ____
being member(s) of Atlas Honda Limited and holder(s) of ______________________________
Ordinary Shares as per Register Folio No. ____ hereby appoint

____

of ____
or failing him ____
of ____
as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 42nd Annual General Meeting of the company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Friday, September 29, 2006 at 10.30 a.m. and at every adjournment thereof.

As witness my/our hand this ____________________ day of __________________________2006
signed by the Said ____ in the presence of

(Witness)

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

Affix
Revenue
Stamp

Signature

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

AFFIX
POSTAGE

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

Fold Here

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