

ANNUAL REPORT
2007

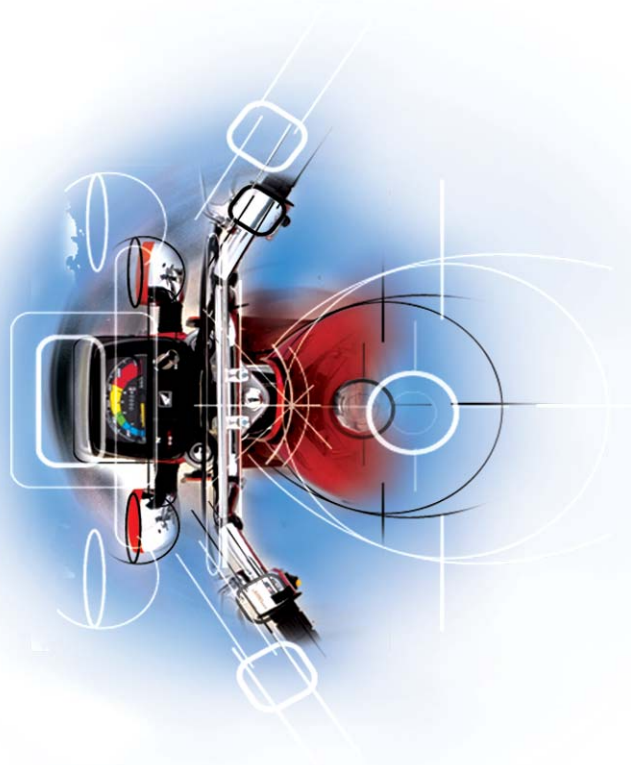


Organisation
development
through
self development



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

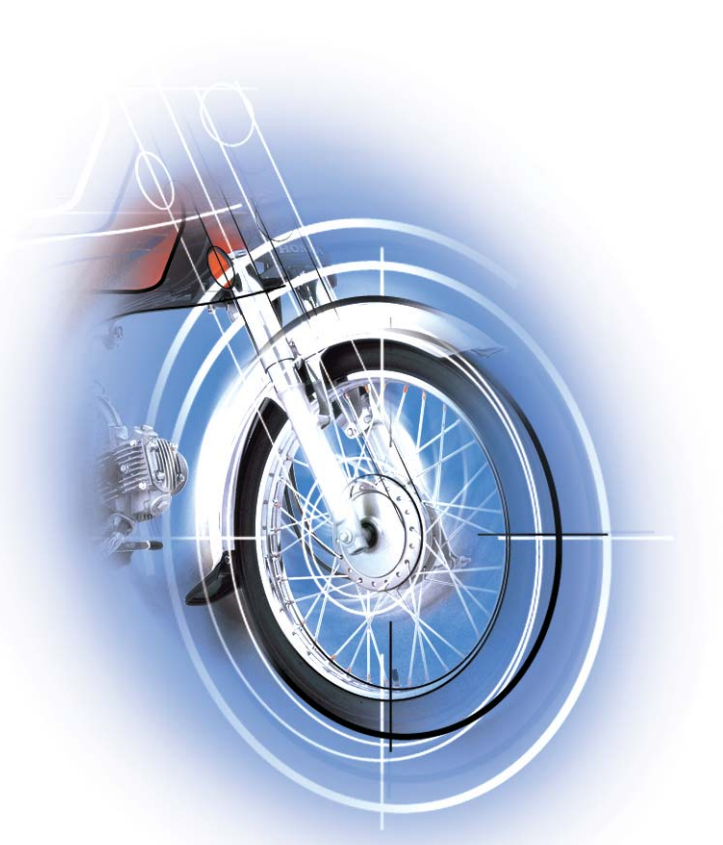
To enhance and continuously up-date each member's capabilities and education and to provide an environment which encourages practical expression of the individual potential in goal directed team efforts and compensate them attractively according to their abilities and performance.

Corporate Citizen

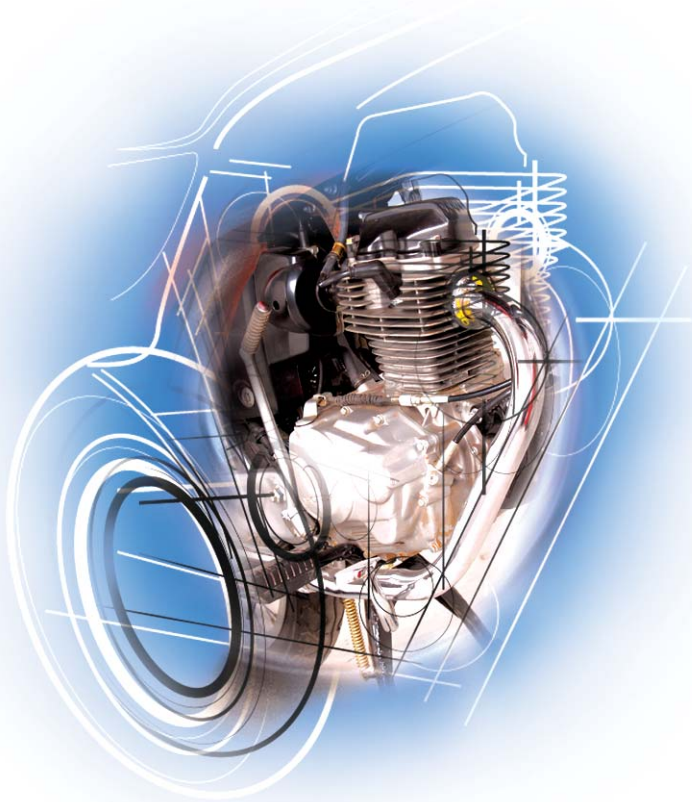
To comply with all Government laws and regulations, to maintain a high standard of ethics in all operations and to act as a responsible member of the community.

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. AHL does 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.
- AHL is committed to make continuous improvements in the management of environmental impact. It works in



Code of Ethics

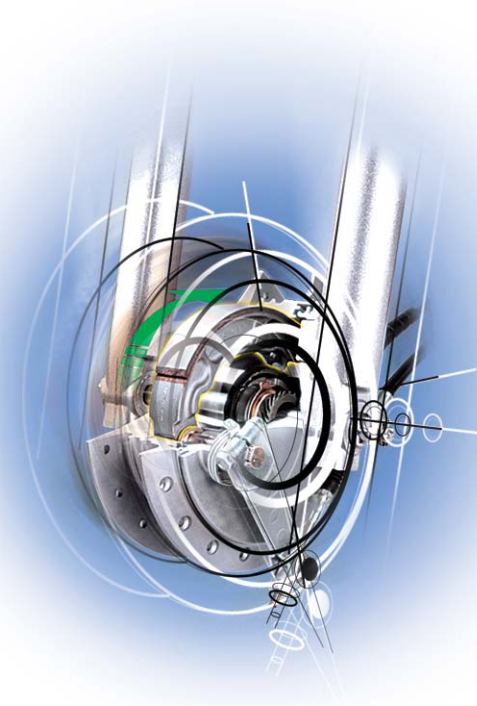
(Summary)

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.

Quality Policy



- Commitment to provide high quality motorcycles and parts.
- Right work in first attempt and on time.
- Maintain and continuously improve quality.
- Training of manpower and acquisition of latest technology.
- Safe, clean and healthy environment.
- Market leadership and prosperity for all.

Environmental Policy

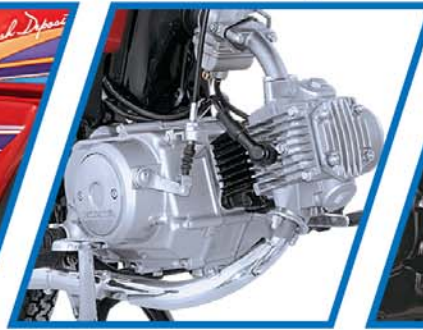
The Company is committed to meeting the needs of our consumers in an environmentally sound and sustainable manner by preventing pollution, continual performance improvement and compliance with all legislation and Honda's policy guidelines on green factory concept.



Strong and sealable side core



Super econo-power
4 stroke engine



Utility box provided



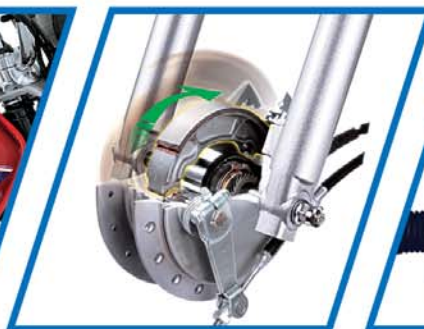
کیشن ڈپارٹ 70
CD70
میں تہنڈا ای لے ساں



- Super econo power 4-stroke engine.
- Non-asbestos breaks.
- Strong and scalable side core.
- Speedometer, utility box, pleasant fuel tank graphics.



Pleasant fuel tank graphics



Non-asbestos breaks
(environment friendly and durable)



Speedometer

Rare Fender



Mud Guard Rare Fender



Elegant Graphics



Comfortable Seat



HONDA
CD100



منقہ ہینڈا
COMFORT PLUS

- High Quality
- High Durability
- High Performance
- Best Fuel Efficiency
- Comfortable, Attractive, Economical
- Matchless Control



Super Econo-Power Engine



Double Cradle Frame



Strong Suspension



Foot-Rest

Year under Review



- Commissioning of Effluent Treatment Plant and inauguration of 3 MW Gas Power Plant at Sheikhupura factory.



- Regional convention of 'New Honda Circle (NHC)' of Asia-Oceania Bloc was held in Pakistan.

- Commencement of the commercial production of 'Alternate Current Generator (ACG)' at Karachi plant.

- Successful implementation of ERP 'Systems Applications and Products (SAP)'.

- Expansion of dealers' network by opening 'Smart Point of Sale (SPS)'.

- Free check up camps and safety riding campaigns were conducted at Atlas Honda dealers.





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COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Directors	Masahiro Takedagawa Nurul Hoda Osamu Ishikawa Sanaullah Qureshi Sherali Mundrawala Takatoshi Akiyoshi
Chief Executive Officer	Saqib H. Shirazi
Company Secretary	Zaryab Tarique

AUDIT COMMITTEE

Chairman	Sanaullah Qureshi
Members	Sherali Mundrawala Nurul Hoda
Head of Internal Audit	Zaheer Ul Haq
Secretary	Naveed Rabbani

MANAGEMENT COMMITTEE

Chief Executive Officer	Saqib H. Shirazi
Vice President Marketing	Nurul Hoda
Vice President Technical	Osamu Ishikawa
Chief Financial Officer & General Manager Supply Chain	Suhail Ahmed
General Manager Plants	Col (R) Khalid Aziz
General Manager Quality Assurance	Lt. Col. (R) Sultan Ahmed
General Manager Engineering & Projects	M. Amir Awan
General Manager Development	Takatoshi Akiyoshi
General Manager Human Resources	Raffat Iqbal
General Manager Information Technology	Mushtaq Alam
General Manager Marketing	Javed Afghani
General Manager Planning & Commercial	Amir Ali Bawa

AUDITORS

Hameed Chaudhri & Co.

LEGAL ADVISORS

Mohsin Tayebaly & Co.
Agha Faisal - Barrister at Law

TAX ADVISOR

Ford Rhodes Sidat Hyder & Co.

COMPANY INFORMATION

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 (Pakistan) Limited
 The Bank of Tokyo-Mitsubishi UFJ Limited
 United Bank Limited

LENDING INSTITUTIONS

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

60-Bank Road, Saddar, Rawalpindi
 Tel : (92-51) 5120494-6, Fax : (92-51) 5120497

SHOW ROOM

West View Building, Preedy Street, Saddar, Karachi
 Tel : (92-21) 2720833, 2727607

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, 6305262

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

NOTICE OF 43rd ANNUAL GENERAL MEETING

Notice is hereby given that the forty third Annual General Meeting of the members of Atlas Honda Limited will be held on September 29, 2007, at 10:30 a.m., at 1-McLeod Road, Lahore, to transact the following businesses after recitation from the Holy Quran:

ORDINARY BUSINESS

1. To confirm Minutes of the Annual General Meeting held on September 29, 2006.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2007 together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2008. 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, 2007 as recommended by the Board of Directors.

SPECIAL BUSINESS

5. To consider and approve the bonus shares issue @ 15% (three bonus shares for every twenty shares held) for the year ended June 30, 2007 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. 61,693,630/- of Company's profit be capitalized for issuing 6,169,363 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, 2007 in the proportion of three bonus shares 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.

Karachi: September 08, 2007

By Order of the Board



Zaryab Tarique
Company Secretary

NOTES:

- i) The register of members of the Company will remain closed from September 22, 2007 to September 29, 2007 (both days inclusive). Transfers received in order at the Company's registered office by the close of business on Friday September 21, 2007 will be treated in time for the purpose of payment of final cash dividend and issue of bonus shares, if approved by the shareholders.
- 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 Third Annual General Meeting of Atlas Honda Limited to be held on September 29, 2007 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, 2007 and thereby capitalize a sum of Rs. 61,693,630/-.

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

SHAREHOLDERS' INFORMATION

Registered 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 2007-08 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 ATLN

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 (SECP) Regulations and the listing requirements.

Annual General Meeting

Date: September 29, 2007

Time: 10:30 a.m.

Venue: Registered Office at
1-McLeod Road
Lahore

Financial Calendar

Audited annual results for year ended June 30, 2007
First half of September

Mailing of annual reports
First half 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 bonus shares for every twenty shares held) for the financial year ended June 30, 2007, subject to approval by the shareholders of the Company at the annual general meeting.

Dividend paid for the previous year ended June 30, 2006 was cash dividend Rs. 6.0 per share (60%) and Bonus shares issue at 15% i.e. three bonus shares for every twenty shares held.

Dates of Book Closure

The register of members and shares transfer books of the Company will remain closed from September 22, 2007 to September 29, 2007 (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 September 29, 2007.

Last year your company dispatched the cash dividend, bonus shares and bonus fractions within 24 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:

Months	Karachi Stock Exchange		Lahore Stock Exchange	
	High	Low	High	Low
July 06	236.25	225.00	236.25	221.00
August 06	248.85	222.30	248.85	222.30
September 06	225.15	158.00	225.15	158.00
October 06	158.80	145.50	158.80	145.50
November 06	138.25	111.25	138.25	111.25
December 06	122.00	113.15	122.00	113.15
January 07	121.00	118.00	121.00	118.00
February 07	121.00	115.00	121.00	115.00
March 07	123.00	108.10	123.00	108.10
April 07	158.00	120.00	158.00	120.00
May 07	137.00	123.00	137.00	123.00
June 07	177.05	130.05	177.05	130.05

Change of Address

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

Contact person:

Mr. Sarfraz Mufti

Tel: 92-42-7225015-17

92-42-7233515-17

Fax: 92-42-7233518, 92-42-7351119

TEN YEARS AT A GLANCE

(Rupees in million)

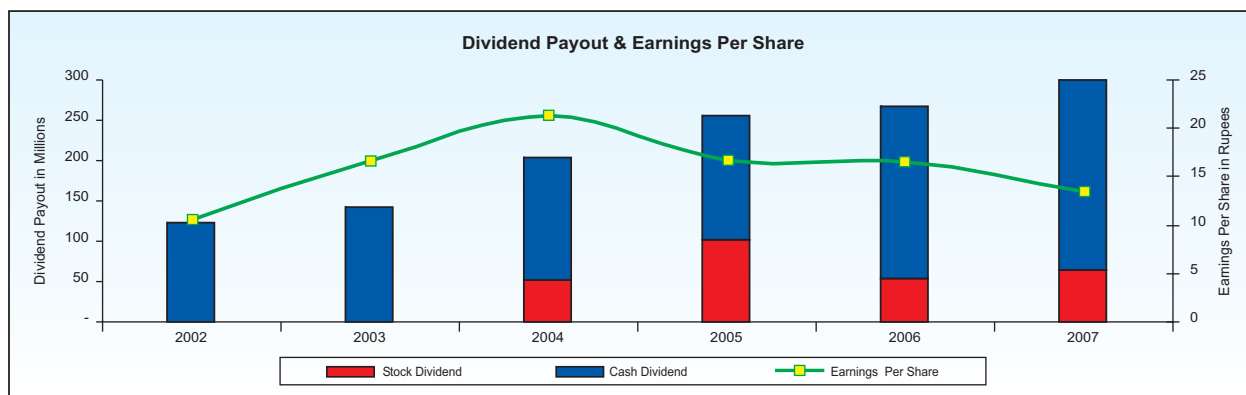
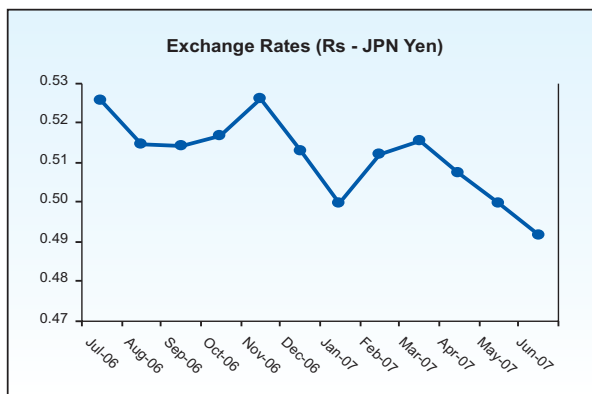
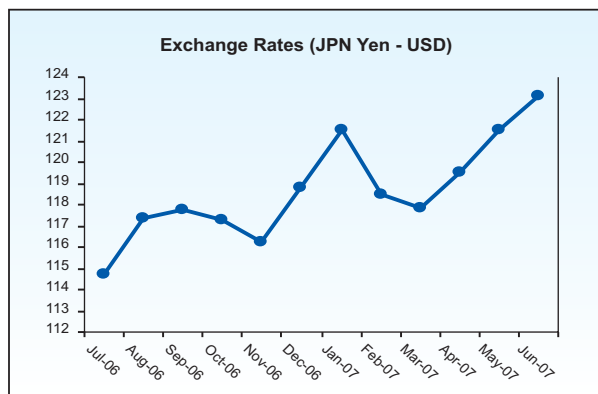
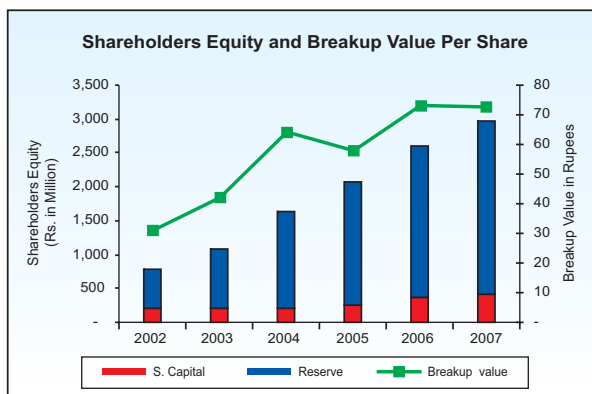
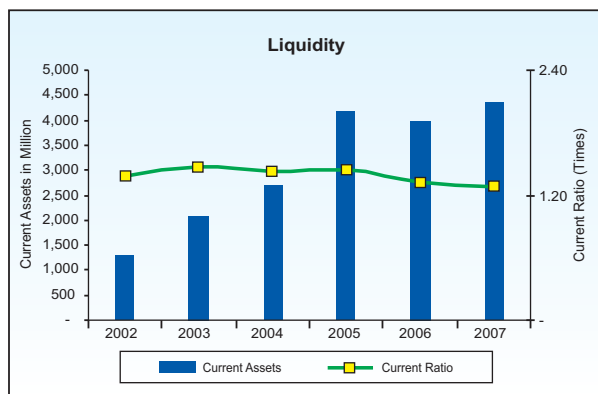
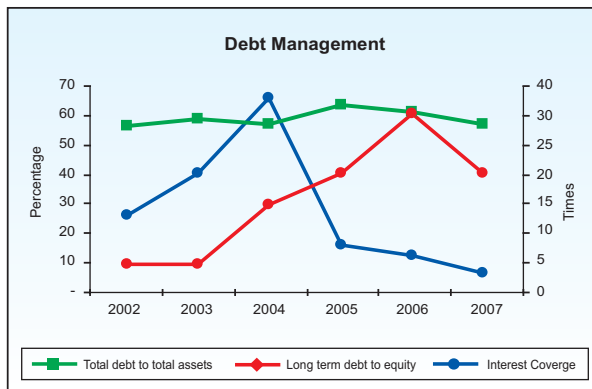
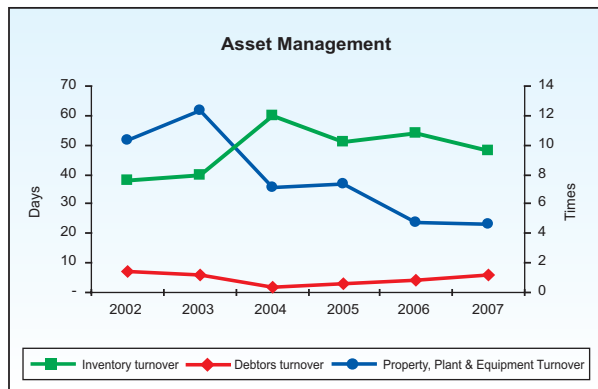
YEARS	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Condensed Balance Sheet										
Assets										
Non Current Assets										
Property, plant & equipment	3,591.2	3,627.8	1,907.5	1,405.6	566.1	536.0	450.7	490.3	366.7	379.4
Other non current assets	80.6	28.1	18.0	15.1	15.7	22.5	22.6	16.0	20.1	21.3
Current Assets										
Inventory	1,988.6	2,317.1	1,794.1	1,429.6	650.2	500.3	569.0	443.5	410.0	494.6
Investments & bank balances	1,784.5	1,009.4	1,842.6	751.5	1,021.0	406.8	159.3	252.4	186.2	441.0
Other current assets	591.9	647.8	529.2	510.1	404.1	366.0	285.6	217.1	242.2	201.7
Total Assets	8,036.8	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
Equity & Liabilities										
Share capital	411.3	357.6	255.5	204.4	204.4	204.4	146.0	146.0	146.0	146.0
Reserves	2,564.5	2,251.3	1,822.8	1,441.3	872.2	587.9	498.4	439.0	408.0	335.7
Non current liabilities	1,668.7	2,009.8	1,124.8	584.1	172.3	113.8	156.8	208.7	160.1	190.0
Current Liabilities										
Creditors & provisions	2,828.2	2,478.3	2,369.2	1,570.1	990.0	591.0	476.4	394.0	336.1	507.7
Other current liabilities	564.1	533.2	519.0	312.0	418.2	334.5	209.6	231.6	175.0	358.6
Total Equity & Liabilities	8,036.8	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
Condensed profit & loss Account										
Sales	16,608.4	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
Cost of sales	15,044.6	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
Gross profit	1,563.8	1,629.7	1,344.1	1,234.2	1,027.8	735.5	458.4	352.9	397.1	424.5
Operating expenses	580.8	528.4	445.2	360.2	360.0	322.4	237.8	199.0	179.8	173.9
Operating profit	983.0	1,101.3	898.9	874.0	667.8	413.1	220.6	153.9	217.3	250.6
Other charges (net of other income)	179.5	54.3	(6.7)	31.5	16.9	18.6	17.7	52.1	36.0	59.7
Profit before tax	803.5	1,047.0	905.6	842.5	650.9	394.5	202.9	101.8	181.3	190.9
Taxation	249.9	370.2	308.5	297.8	223.5	124.0	85.1	41.7	57.6	65.3
Profit after tax	553.6	676.8	597.1	544.7	427.4	270.5	117.8	60.1	123.7	125.6

TEN YEARS AT A GLANCE

(Rupees in million)

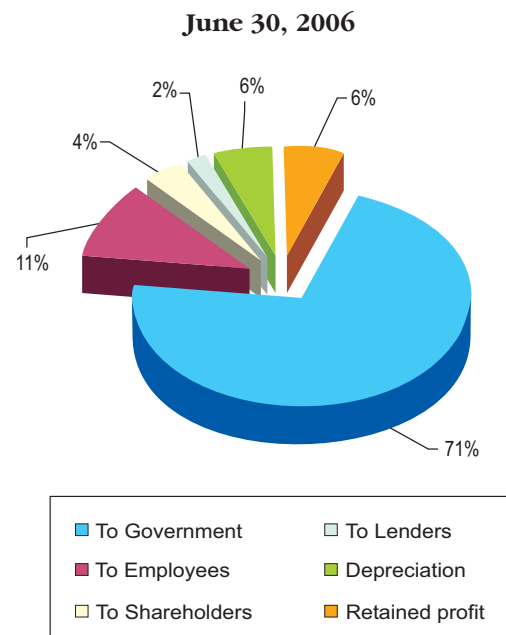
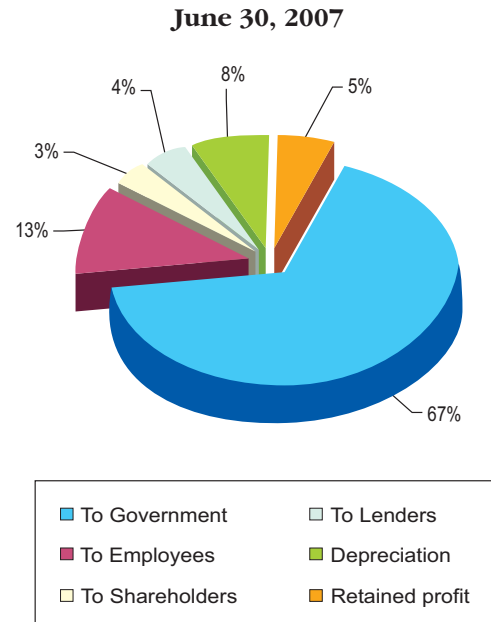
YEARS		2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Profitability Ratios											
Gross Profit	(%)	9.4	9.4	9.5	12.4	14.7	13.3	9.7	10.4	11.6	12.4
Profit before tax	(%)	4.8	6.0	6.4	8.5	9.3	7.1	4.3	3.0	5.3	5.6
Profit after tax	(%)	3.3	3.9	4.2	5.5	6.1	4.9	2.5	1.8	3.6	3.7
Return on capital employed	(%)	20.9	24.6	30.4	38.3	53.6	44.5	16.7	8.8	20.7	23.0
Interest cover ratio	(Times)	3.1	5.5	6.9	28.1	17.2	11.2	3.6	2.0	3.2	2.6
Return to Shareholders											
ROE - before tax	(%)	27.0	40.1	43.6	51.2	60.5	49.8	31.5	17.4	32.7	39.6
ROE - after tax	(%)	18.6	25.9	28.7	33.1	39.7	34.1	18.3	10.3	22.3	26.1
EPS - after tax	(Rs)	13.5	18.9	16.7	21.3	16.7	10.6	4.6	2.4	4.8	4.9
Price Earning Ratio	(Times)	11.7	11.7	18.3	8.2	4.8	3.8	5.4	8.1	4.0	6.1
Market Price (June 30)	(Rs)	158.0	221.1	305.0	175.0	80.0	40.1	25.0	19.3	19.3	30.0
Break up value per share	(Rs)	72.4	72.9	58.1	64.4	42.1	31.0	25.2	22.9	21.7	18.9
Dividend											
Cash dividend	(Rs)	6.0	6.0	6.0	7.5	7.0	6.0	4.0	2.0	3.5	2.5
Stock dividend	(Rs)	1.5	1.5	4.0	2.5	-	-	4.0	-	-	-
Dividend yield	(%)	4.7	3.4	3.3	5.7	8.8	15.0	32.0	10.4	18.2	8.3
Dividend pay out	(%)	55.7	39.6	42.8	39.0	33.5	45.3	99.2	48.6	41.3	29.1
Asset Utilization											
Total assets turnover	(Times)	2.1	2.3	2.3	2.4	2.6	3.0	3.2	2.4	2.8	2.2
Fixed assets turnover	(Times)	4.6	4.8	7.5	7.1	12.3	10.3	10.4	6.9	9.3	9.0
Inventory turnover	(Times)	7.6	6.7	7.1	6.1	9.1	9.6	7.5	7.7	7.4	6.0
Debtor turnover	(Times)	58.9	62.1	101.1	141.5	140.4	33.2	109.9	85.6	122.8	216.1
Capital employed turnover	(Times)	4.1	4.1	4.7	4.8	6.5	7.0	7.3	5.8	6.2	7.1
Working Capital Cycle											
Inventory holding period	(Days)	48	54	51	60	40	38	49	53	49	60
Trade debtors period	(Days)	6	4	3	2	6	7	3	4	2	2
Creditors period	(Days)	(66)	(54)	(55)	(49)	(47)	(41)	(36)	(43)	(52)	(58)
Working capital cycle	(Days)	(11)	4	(1)	13	(1)	4	16	14	(1)	4
Liquidity/ Leverage											
Current Ratio	(Times)	1.29	1.32	1.44	1.43	1.47	1.38	1.48	1.46	1.64	1.31
Long Term debts to Equity	(Times)	0.4	0.6	0.4	0.3	0.1	0.1	0.1	0.3	0.2	0.3
Total Liabilities to Equity	(Times)	1.7	1.9	1.9	1.8	1.5	1.3	1.3	1.4	1.2	2.2

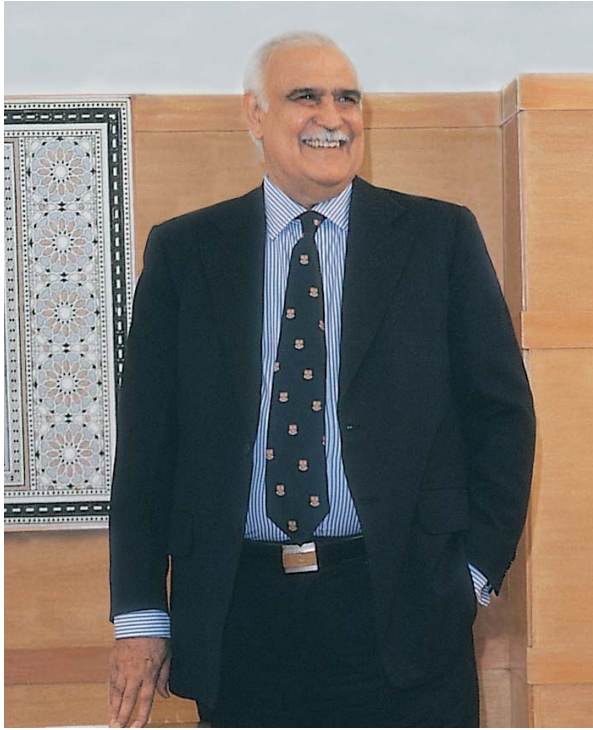
GRAPHICAL PRESENTATION



STATEMENT OF VALUE ADDITION AND ITS DISTRIBUTION

	2007	2006
	(Rupees in '000)	
WEALTH GENERATED		
Total revenue - Gross	19,258,236	20,675,385
Material and services	(12,873,782)	(13,630,829)
	6,384,454	7,044,556
Wealth Distributed		
To Government		
Sales Tax, Income Tax, Import Duty & Workers Welfare Fund	4,294,346	5,034,162
To Employees		
Salaries, benefits and related cost	815,188	803,342
To Providers of Capital		
Dividend / Bonus to Shareholders	214,586	268,234
Markup on borrowed funds	256,175	131,150
	470,761	399,384
Retained with the business		
Depreciation	465,154	399,070
Retained profit	339,005	408,598
	804,159	807,668
	6,384,454	7,044,556
Application in %		
	(%)	(%)
To Government	67	71
To Employees	13	11
To Providers of Capital	7	6
Retained with the business	13	12
	100	100





CHAIRMAN'S REVIEW

It is my pleasure to present to you the 43rd Annual Report of the performance of the company for the year ended June 30, 2007.

The Economy

The Economy witnessed robust growth during 2006-07. The GDP growth accelerated to 7.0 percent in 2006-07 as against the revised estimates of 6.6 percent last year and 7.0 percent target for the year. The acceleration in growth during 2006-07 was driven by the continued momentum in the agriculture, manufacturing and services sectors.

Agriculture registered a sharp recovery with a growth of 5.0 percent, on the back of highest ever production of wheat and impressive increase in sugarcane production. The key driver was the timely winter rains in the rabbi season and higher availability of agriculture credit.

The overall industrial production continued its growth momentum during the year under review. Overall manufacturing recorded an impressive and broad based growth of 8.45 percent, against last year's growth of 9.9 percent. The robust performance of the industrial sector was largely led by higher levels of liquidity in the banking system, stable exchange

rate, low inflation and stronger domestic demand, which was partially offset by the unprecedented rise in metal and oil prices.

During 2006-07, the growth in the service sector was 8.0 percent as compared to last corresponding period of 9.6 percent. The service sector continued to be the key driver of economic activity in the country, contributing nearly three-fifth of the real GDP growth of 7.0 percent. The sub sectors of banking and insurance witnessed particularly strong growth.

Pakistan economy has exhibited a higher trend of inflation during the last three years. A sustained level of high economic growth over the year has increased the levels of income which has resulted in a surge in domestic demand. The pass through effect of the unprecedented increase in international oil and food prices is forcing the upward inflationary pressure.

A strong private sector development strategy is needed to enhance the competitiveness of the private sector. The strategy should focus on enforcing regulatory measures, removing irritants to the private sector growth and improving the country's physical & social infrastructure.

Auto Industry

The year 2006-07 was a period of consolidation for the industry in general. After double digit growth every year for the last seven years, the demand eased during the last 12 months. Although some sectors within the industry managed to perform better, the cumulative growth was negligible.

During the first quarter, the floods in Sindh reduced the motorcycle market demand by 25%. The increase in interest rates followed, which curbed the off take of credit sales in the urban areas, again reducing demand. However, the most important factor remained the un-organized sector's manipulation of the Government policy to its maximum benefit and, in the process, inflicting a great loss to the Government exchequer and the organized industry. In the two wheeler sector, the Government policy basically is designed to promote an industry that fulfills the need of the common man. However, turning a blind eye to tax evasion in the name of consumer interest is short sighted and harmful for sustained competitiveness. Selling sub-standard products at tax evaded prices is actually giving the

industry a bad name globally and hurting the industry's growth.

Your company, however, is determined to lobby in the government circles whilst at the same time compete in the market to maintain its share. During the year under review, the company thus spent a great deal of effort on re-aligning its supplier base, further localizing components and optimizing its internal manufacturing processes. The results for the year do not adequately reflect the effort which led to a substantial price reduction, announced only in the last week of the year. The strong rise in sales in the 2 months of 2007-08 is an indication of a more competitive positioning of your company's motorcycle. With the enforcement of laws recently formulated to check under-invoicing and mis-declaration, the company's future sales momentum looks very positive.

Marketing

During the year, the marketing encountered several challenges. After a period of sustained growth, the company needed to re-structure its marketing department to better present the product to the customer. Ironically, as demand slowed, it gave the company the opportunity to re-visit the marketing mix, staffing requirement and renew its focus on Sales, Service and Spare Parts. The first three quarters of the year witnessed weak demand. By the last quarter, however, sales growth picked up once again. During the year, the performance of Service and Spare Parts also improved substantially. The response to market claims improved, with more than 60% of the customer problems resolved within 24 hours. Next year's target is 70%. The Spare Parts sales also showed a marked improvement. As a result, next year's Spare Parts sale target has been earmarked at Rs.1 billion, a 68% increase in target!

The new team structure brought together the sales, service and spare parts teams into a single entity. Hitherto all three functions had worked independently at the operational level, even though they coordinated at the higher management and policy level. In the revamped organization, the teams have been brought together at the regional operational level to create synergy amongst all areas of marketing and, as a result, create value for the customer through better service.

SPS (Smart Point of Sale) is the company's response to the challenge of expanding its distribution network

in a timely manner. The new SPS will add to the strength of the 5'S' dealers. The new concept dealerships will help expand the total sale network from 267 to 300.

The SPS have been created to penetrate un-serviced areas. They will cover small villages and towns. Depending on the financial strength and quality of management, these SPS can be sale, service, spare parts or all three. A special focus is being made to rejuvenate the company's sales in Karachi, where snatching has been a big menace. New display points in Karachi have been created. The network will be expanded and their promotion will become a special part of the company's strategy.

The customer care department is a manifestation of the company's resolve to play an active role in the realm of social responsibility. The company takes the need for safety training seriously. Safe driving habits improve road safety and mitigate injury risk. The customer care department's foreign trained experts impart training to the sales persons at the dealerships to act as safety instructors for the new customers. They also train existing customers with improved riding skills.

During the year, the Institutional Sales department has matured into a major support centre for the company. With a unique market niche, it offers opportunities for expansion beyond the reach of the regular sales force. During 2006-07, the department recorded sales of around 40,000 units in an environment where the Government regulations have little consideration for quality and favour low priced products. Sales through credit cards have just been introduced and present a huge growth potential.

Exports is also a future avenue for growth. The company is looking forward to the potential this segment offers. Currently, the company is in the final stage of removing the anomalies at the taxation level to make exports more attractive. It is hoped that the government announcement in this regard will be made within a month or so. If all the favourable factors come together during the year, it is hoped that 1000 units exports per month is a realistic target for 2007-08.

Whilst the sales for the year were around 332,000, an 8% decline year on year, the prospects for next year are bright. The targeted growth for 2007-08 is envisaged at over 25%. With a capability to produce

600,000 units, the company is now geared to meet any realistic surge in demand. With production constraints successfully tackled, and quality further improved, the company is undertaking aggressive marketing efforts. In addition to the Government policy of reducing cost of inputs for the manufacturing sector, the economies of scale are beginning to work in the company's favour, giving an opportunity to once again pass on the savings to the customers. In June 2007, the price of the market defining model CD-70 was reduced from Rs. 54,000 to Rs. 49,990. This price reduction has received an enthusiastic response which is reflected in a big surge in sales, since the announcement. The price of CG-125 is now Rs. 69,990 from the previous Rs. 71,000. Similarly CD-100 is now priced at Rs. 59,990 down from Rs. 64,000. The CG-125 Deluxe is available at Rs. 75,990. The response to the price alignment has been tremendous and augurs well for the coming year.

Production

The market driven production target of 331,621 units was met by the production shops in an efficient manner. To achieve the target and enhance operational efficiency, some major changes in the production strategy were resorted to during the year. The major thrust was the consolidation of the production facilities at the two plants in Karachi & Sheikhpura into a more efficient base.

The company shifted the crankcase & cover line shops to Sheikhpura, without any loss of production. Linked with this was the transfer of the engine machining line, which resulted in consolidating the machining facility at one plant thereby cutting down on overheads and ensuring uniform quality.

The fuel tank welding line in Karachi was substantially downsized whilst the Sheikhpura line witnessed expansion. The total fuel tank demand is now being met in Sheikhpura as against the previous practice of manufacturing in Karachi for use at Sheikhpura. Similarly the newly commissioned 500K synchronous plant took on the responsibility of frame body welding for the total welding load of the company. The above activities produced savings and reduced transit damage and cost. Though the process was painful, requiring re-location of shops from one factory to the other, both production and industrial peace were maintained and the savings achieved in time for the June Price re-alignment.

The supply chain department has gone through a revolution. From the vast improvement in the store area to the re-alignment of procurement, vendor and inventory, the results are a source of inspiration. Through further restructuring, this area will contribute significantly to improved margin and control. The company is resolved to restructure its supply chain during the year to bring it in line with the global level.

Quality Management System of the company is now in conformance with the global practices. For this, the Quality department had to be re-structured to meet the challenges of 500K production. In order to meet the above target, concerted effort was made to ensure consistency in Quality parts from the vendors and just-in-time in-house manufacturing. Quality upgradation of all models has led to good feed back from users. Quality of CG-125 Deluxe at its launch was especially appreciated by the market. The company feels very confident that the quality is now a well recognized advantage for its' products which will convert many first time users, who earlier were getting tempted by low quality, low price alternatives. Quality premium with affordable pricing has put the company's competitive advantage on a strong footing.

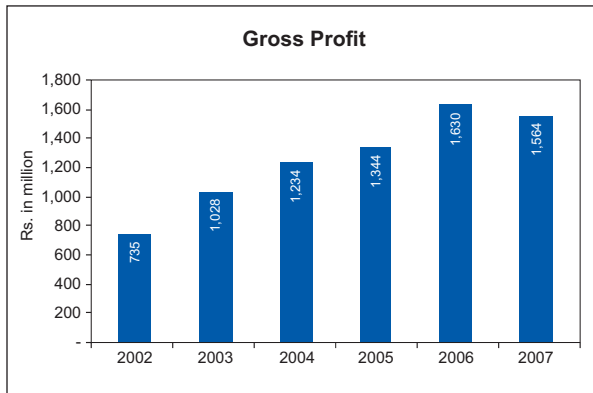
Environment

In line with Honda's policy guidelines on the green factory concept and commitment for fully integrated environmental protection, demonstrated by our expenditure, an effluent treatment plant with a capacity of 1000 cubic meter a day was commissioned at Sheikhpura plant. To safeguard individual mobility in a sustainable manner by using natural resources sparingly and further reduce our product's fuel consumption with the commissioning of the 3 MW Natural Gas power plant at Sheikhpura plant. This has not only added to the company's initiative on an improved environment in terms of emission control but also reduced the energy bill with an expected cost saving of Rs.50 million a year.

Financial Results

For the last seven years, the company sales had grown at an average of 25 percent annually. In the year under review, the results reflect lower sales. However, the year 2006-07 was a year of consolidation and re-structuring for the company, where teething production issues were ironed out after last year's expansion. The re-structuring is now complete. The lower results, therefore, are only a temporary setback.

During the year 2006-07 the Company's revenue was recorded at Rs.16.60 billion as against Rs.17.42 billion of the last corresponding period. The gross profit margin of the period increased to 9.42 percent from 9.36 percent of the corresponding period. Gross profit percentage improved despite lower sales, unfavorable currency exchange rate and the unprecedented rise in raw material.

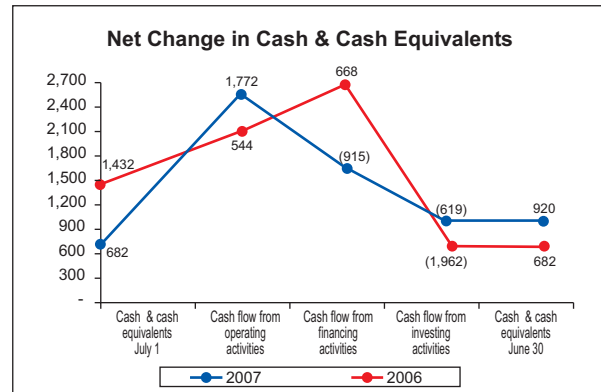


The unfavourable costs were offset by internal efficiency, process optimization and cost down activities.

The selling, general and administrative (SGA) expenses were purposefully not reduced in order to keep the marketing competitiveness for future years. The company views these expenses as an investment for the future. As a result, the SGA expenses increased to Rs.580.83 million against Rs.528.32 million of corresponding period. The increase in interest rates and additional borrowing for capacity expansion led to the increase in financial cost of Rs.269.34 million as against Rs.151.61 million of last corresponding year. For the coming year, the financial cost will be once reduced as all the short term borrowings have been adjusted.

On the back of lower sales, higher depreciation and financial expenses, the company earned a lower profit before tax of Rs.803.51 million as against Rs.1,047.06 million last year. The profit after tax was Rs.553.59 million as compared to Rs.676.83 million. The cash flow position, on the other hand, was much improved.

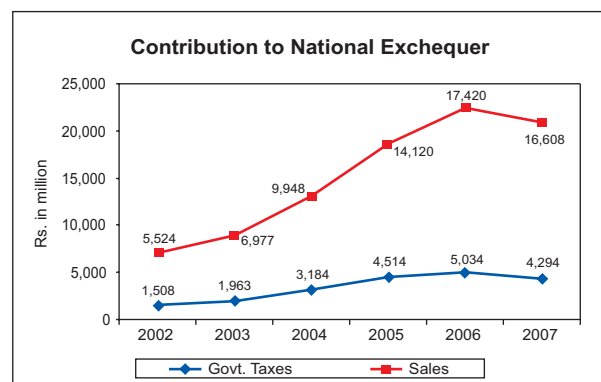
The cash flow generated through the operating activities was Rs.1,772.15 million in 2007 as compared with Rs.543.86 million during 2006. As far as the financial results are concerned, this improvement in cash flow is a very good sign.



This development was due to a decrease in working capital, especially with lower inventory levels and capital expenditure. The positive cash flow during the year was deployed for capital expenditure (Rs.454.12 million), debt repayment (Rs.377.58 million) and dividends (Rs.215.47 million).

The Treasury function played a positive role in reducing financial risk and ensuring sufficient liquidity for the company. Surplus funds during the year were invested in high yielding deposits and mutual funds, which contributed Rs.112.6 million to the net profit. The treasury function is also responsible for risk management of the Company. For this, the company has started using effective hedging mechanism in the form of swaps and derivatives. These instruments have assisted in reducing the volatility of earnings and minimizing interest rate and foreign exchange risk. The use of derivatives is strictly to manage the Company's risks and in no way is used for speculation.

Your Company paid taxes to the national exchequer amounting to Rs. 4.29 billion on account of sales tax, income tax and custom duties as against Rs. 5.03 billion contributed last year. Payment of these taxes was more than 7.76 times the net after tax earnings. The Company's contribution to the national economy by way of value addition this year amounts to Rs. 6.38 billion 67.2 percent of net receipts from operations.



The Group of which Atlas Honda is a constituent member, paid taxes of over Rs. 11.6 billion which is almost 1.38 percent of the government total revenues. One of the group performance criteria is how much a group entity contributes to the Government exchequer - as a social responsibility.

Human Resource

To follow the Group slogan "Organization Development through Self Development", your company arranged external development training courses for 165 employees from various institutes whilst 9 employees were sent abroad for training. This year 13 executives received Atlas-LUMS Diploma in Business Management, an 18 months residence course conducted by LUMS. Regular in-house trainings were also arranged. Since the inception of the in-house training courses Atlas Fundamental Course (AFC-1) for non-management and Junior Management Course (J-Course) for middle management associates, 1041 associates have attended these courses. At the floor level, outstanding performances by the associates were regularly acknowledged in the form of ALA MAYAR awards and educational trips abroad.

During the year under review, your company produced two CEOs for other Group Companies. Mr. Maqsood A. Basraa, General Manager, Corporate Affairs and Mr. Talha Saad, General Manager, Supply Chain have been elevated to the position of CEO of Alas Power Limited and Atlas Battery Limited respectively.

Atlas strives to be a trusted corporate citizen and, as an integral part of society, fulfill its responsibility to the society and community in which it operates. This year, your company provided internship to 44 students of Engineering and Business Administration from various Universities. Students of prestigious institutions like LUMS, UET, Punjab University, NIPA Administrative Staff College, PAF Naval College, Karachi University etc., make frequent visits to grasp knowledge of state of the art plants of your Company.

Your company also proudly hosted the 15th New Honda Circle (NHC) Asia-Oceania Bloc Convention this year. The convention was held in Pakistan for the first time. Dignitaries from nine countries - China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, Thailand and Vietnam participated in the convention.

Information Technology

Atlas Honda is constantly improving its infrastructure and has now successfully implemented the SAP application package as an ERP solution to facilitate business processes. As a result of the initiative, the company is benefiting from improved management information systems, cost control and process efficiencies.

Future Outlook

With improved competitiveness of Atlas Honda's product line, the company is now well positioned to grow the market and its share. After a year of restructuring, there is renewed confidence in the ability of the associates, the product and the production capability to deliver quantity and quality at affordable prices. With the arrival of the banking sector as a financing partner for the motorcycle consumer, the market will soon cross the 1 million barrier.

Your company is well positioned to maintain its market leadership position, despite all the industry malpractices and adversity:

عز نیا زمانہ نئے صبح و شام پیدا کر

(Let us continue to add value, to the mother earth, day in and day out!)

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. Toshitsugu Kaneko, the director who resigned from the Board during the year, and welcome Mr. Osamu Ishikawa who replaced the outgoing director.



Karachi: August 29, 2007

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, 2007. The directors' report, prepared under section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance, will be put forward to the members at the Forty third Annual General Meeting of the company to be held on September 29, 2007.

Operating Results

The operating results of your company for the year ended June 30, 2007 under review are summarized as follows:

	2007	2006
	(Rupees in '000)	
Profit before taxation	803,515	1,047,060
Taxation:		
Current	98,000	138,014
Prior Years	19,395	11,549
Deferred	132,529	220,665
	249,924	370,228
Profit after taxation	553,591	676,832

Subsequent appropriations

The directors have recommended a final cash dividend of Rs. 6.0 (2006: Rs. 6.0) per share along with a 15 % (2006: 15%) bonus issue. Accordingly the following appropriations have been made:

	2007	2006
	(Rupees in '000)	
Profit available for appropriation	555,526	665,168
Appropriation:		
Transfer to General Reserve	246,000	395,000
Cash Dividend 60 % (2006: 60%)	246,775	214,586
Bonus shares 15 % (2006: 15%)	61,694	53,647
	554,469	663,233
Un-appropriated profit carried forward	1,057	1,935

Earning per Share

The Basic and Diluted earnings per share after tax is Rs. 13.46 (2006: Rs. 16.46).

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, 2007 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. Toshitsugu Kaneko resigned from the board effective October 31, 2006, in his place, Mr. Osamu Ishikawa was appointed by the Board.

The Board approved the remuneration of the Chairman, CEO, and the three directors at Rs. 7.0 million, Rs.11.5 million and Rs. 8.0 million respectively, bonus and other benefits like free transportation, telephone facility, medical expenses etc. are as per company's policy for the year 2007-2008. Furnished accommodation, inclusive of utilities will also be provided to two Directors. The Company also makes contributions to the gratuity and provident funds for the Chairman, CEO and one director.

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

S. No.	Name of Directors	Attendance	Number of directorships in listed companies, including AHL
1	Mr. Yusuf H. Shirazi	5	7
2	Mr. Saquib H. Shirazi	5	3
3	Mr. Sherali Mundrawala	4	1
4	Mr. Sanaullah Qureshi	4	3
5	Mr. Nurul Hoda	4	1
6	Mr. Toshitsugu Kaneko (Resigned effective October 31, 2006)	2	-
7	Mr. Osamu Ishikawa (Appointed in place of Mr. Toshitsugu Kaneko)	1	1
8	Mr. Takatoshi Akiyoshi	1	1
9	Mr. Masahiro Takedagawa	1	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 2007-08.

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 the Group Corporate strategy the Company has a number of committees at the Group level that guide the Executive 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 Terms of reference of each committee.

Audit Committee

This is the 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 receives reports from external auditors on any accounting matters that might be regarded as critical. The detailed Charter of the Audit Committee developed in accordance with the Code of Corporate Governance contained in the listing regulations of the stock exchanges.

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 the year 2007. 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	3

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 in their respective fields. The Group Executive committee consists of six members who meet at least five times a year. The committee reviews the organization's overall financial and operational performance and provides its guidelines in the achievement of organizations objectives.

Group Human Resource Committee

The Group Human Resource Committee determines the compensation package for the management staff in accordance with the current market practices. The Committee has also the responsibility to create and maintain a conducive work environment that instills trust and ensures respect, fair treatment, development opportunities and grooming and makes succession plan for all employees. The committee consists of three members and its importance can be gauged from the fact that is headed by the Chairman of the company. It meets four times a year and discusses potential candidates for grooming into future managers of the company, their succession planning and compensation.

Group Systems & Technology Committee

An accurate and timely provision of information is the key to enhancing performance of the organization. The Group System and Technology Committee consist of three members who are 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. This committee has three members which meet at regular intervals to discuss emerging IT issues and their impact on the company's business.

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. The committee is organized on a functional basis and meets monthly to review the performance of each function of the company against its targets set at the beginning of the year.

Environment, Health and Safety Committee

The Company maintain its commitment to higher standards of Environment, Health and Safety. Atlas Honda Limited recognizes its responsibility to protect and maintain the quality of the environment and the health and safety of its employees and the public. The primary responsibility for assuring the Company's compliance with applicable environmental, health, safety and security ("EHS&S") laws and regulations is vested in the operating management of the Company. The management believes that the Company must continuously earn the trust and confidence of its employees, customers, shareholders and neighboring communities and other stakeholders in its EHS&S performance.

Material changes

There have been no material changes since June 30, 2007 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.

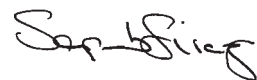
Corporate and Financial reporting framework

The directors confirm under clause (ix) 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 accounts are as follows:

• Provident Fund	Rs. 337.90 million (as at June 30, 2007)
• Gratuity Fund	
Management Staff	Rs. 70.38 million (as at June 30, 2007)
Non-Management Staff	Rs. 26.84 million (as at June 30, 2007)

On behalf of the Board of Directors



Saquib H. Shirazi
Chief Executive Officer

Karachi: August 29, 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE & 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 Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

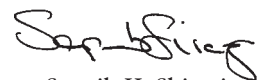
1. The company encourages the representation of independent non-executive directors on its Board of Directors. At present the Board includes three non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. Directors, CEO, CFO, Company Secretary and their spouse and minor children have not made transactions of the Company's shares during the year.
4. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
5. One casual vacancy occurred in the Board of Directors from July 01, 2006 to June 30, 2007 and was filled up by the Directors within 30 days thereof.
6. Executive directors of the Company are not in excess of 75% of total number of directors.
7. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
8. The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.
9. 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. .
10. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
11. The Board members have attended orientation courses on changes in International Financial Reporting Framework and other regulatory changes during the year.
12. The directors' report for the year ended June 30, 2007 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
14. 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.
15. The company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has already formed an Audit Committee in its meeting on June 07, 2002. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.
17. 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.
18. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the internal audit function on a full time basis.
19. 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. 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

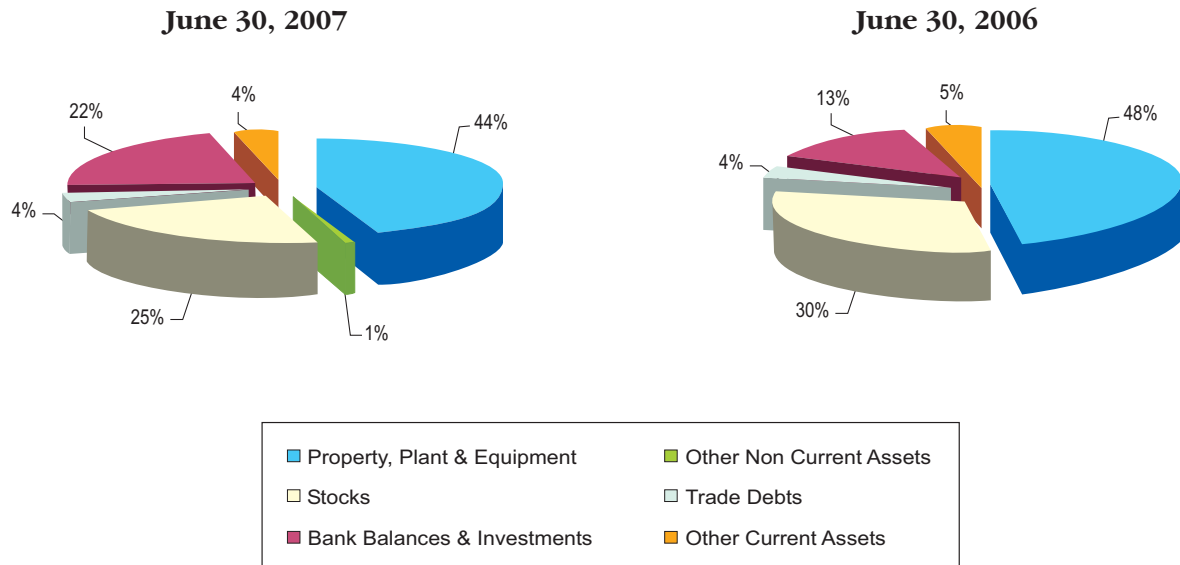


Saquib H. Shirazi
Chief Executive Officer

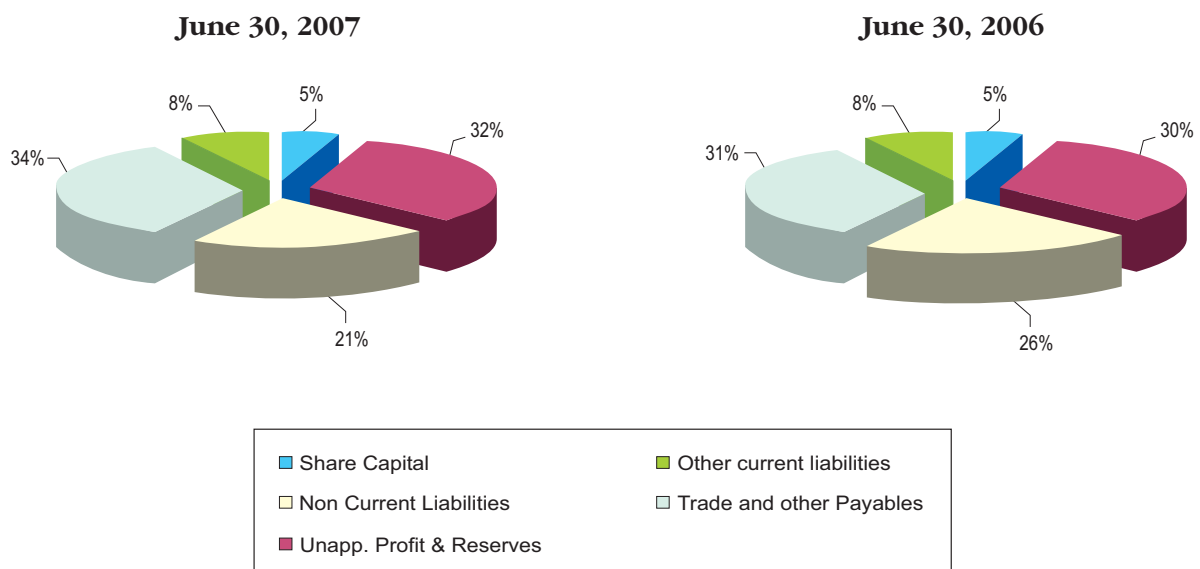
Karachi: August 29, 2007

BALANCE SHEET COMPOSITION

ASSETS



EQUITY & LIABILITIES





HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI CHAMBERS,
HASRAT MOHANI ROAD,
KARACHI.
PHONES : 242 4826 - 241 2754
CABLES : "COUNSEL"
FAX : 242 4835
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, 2007.

Karachi: August 29, 2007

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS



HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI CHAMBERS,
HASRAT MOHANI ROAD,
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ATLAS HONDA LIMITED as at June 30, 2007 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;
 - (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 June 30, 2007 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.

Karachi: August 29, 2007


HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET

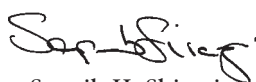
AS AT JUNE 30, 2007

	Note	2007	2006
		(Rupees in '000)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	3,566,931	3,598,732
Intangible assets	7	24,324	29,090
		3,591,255	3,627,822
Investments - Available for sale	8	51,761	-
Long term loans and advances	9	12,943	17,097
Long term deposits and prepayments	10	15,900	11,027
CURRENT ASSETS			
Stores, spares and loose tools	11	407,730	379,380
Stock in trade	12	1,580,925	1,937,675
Trade debts	13	282,249	280,448
Loans and advances	14	20,553	51,360
Trade deposits and prepayments	15	5,075	2,998
Investments at fair value through profit and loss	16	864,989	327,317
Accrued mark-up / interest	17	90	543
Other receivables	18	283,552	312,410
Cash and bank balances	19	919,623	682,088
		4,364,786	3,974,219
		8,036,645	7,630,165
EQUITY AND LIABILITIES			
Share capital & reserves			
Share capital	20	411,291	357,644
Reserves	21	2,009,004	1,586,118
Unappropriated profit		555,526	665,168
		2,975,821	2,608,930
NON CURRENT LIABILITIES			
Long term liabilities	22	1,109,267	1,590,097
Deferred liabilities	23	559,487	419,689
CURRENT LIABILITIES			
Trade and other payables	24	2,770,966	2,409,209
Accrued mark-up / interest	25	57,035	69,088
Short term borrowings	26	-	18,263
Current portion of long term liabilities	27	465,829	368,928
Provision for taxation	28	98,240	145,961
		3,392,070	3,011,449
CONTINGENCIES & COMMITMENTS			
	29		
		8,036,645	7,630,165

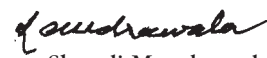
The annexed notes 1 to 44 form an integral part of the financial statements



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer




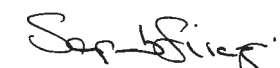
Sherali Mundrawala
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 (Rupees in '000)	2006
Net sales	30	16,608,413	17,420,263
Cost of sales	31	(15,044,640)	(15,790,546)
Gross profit		1,563,773	1,629,717
Distribution cost	32	(371,569)	(343,087)
Administrative expenses	33	(209,261)	(185,232)
Other operating income	34	150,681	173,035
Other operating expenses	35	(60,772)	(75,762)
Profit from operations		1,072,852	1,198,671
Finance cost	36	(269,337)	(151,611)
Profit before tax		803,515	1,047,060
Taxation	37	(249,924)	(370,228)
Profit after tax		553,591	676,832
Earnings per share - Basic & Diluted	38	13.46	16.46

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


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer


Sherali Mundrawala
Director

CASH FLOW STATEMENT

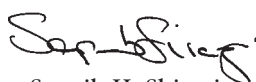
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES	39	1,772,149	543,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(454,124)	(2,125,862)
Investments acquired		(1,413,449)	(415,441)
Sale proceeds of fixed assets		24,968	9,662
Sale proceeds of investments		915,540	545,908
Dividend received		12,507	95
Markup / interest received on deposits		8,415	43,955
Software development / acquisition cost		(9,193)	(20,923)
Cash used in investing activities		(915,336)	(1,962,606)
Net cash flow before financing activities		856,813	(1,418,737)
FINANCING ACTIVITIES			
Repayment of long term loan		(377,579)	(231,981)
Long term loans received		-	1,000,000
Payment of lease rentals		(7,966)	(5,310)
Assets sold under sale and lease back agreement		-	40,000
(Repayment) / acquisition of short term borrowings		(18,263)	18,263
Dividend paid		(215,470)	(152,510)
Net cash generated from financing activities		(619,278)	668,462
Increase/(decrease) in cash & cash equivalent		237,535	(750,275)
Cash and cash equivalent as at July 1		682,088	1,432,363
Cash and cash equivalent as at June 30		919,623	682,088

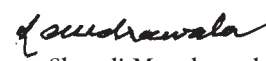
The annexed notes 1 to 44 form an integral part of the financial statements



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer



Sherali Mundrawala
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

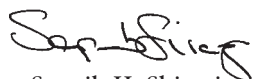
(Rupees in '000)

	Capital Reserves			Revenue Reserves		Unrealized gain/(loss)		Total
	Share Capital	Share Premium	Gain on Sale of Land	General Reserve	Unappropriated Profit	on available for sale investments	on hedging instruments cash flow hedge	
Balance as at June 30, 2005	255,460	39,953	165	1,171,000	618,796	-	(7,141)	2,078,233
Profit for the year	-	-	-	-	676,832	-	-	676,832
Final dividend (2005) @Rs 6 per share	-	-	-	-	(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
Profit for the year	-	-	-	-	553,591	-	-	553,591
Final dividend (2006) @Rs 6 per share	-	-	-	-	(214,586)	-	-	(214,586)
Issue of bonus shares	53,647	-	-	-	(53,647)	-	-	-
Transfer to general reserve	-	-	-	395,000	(395,000)	-	-	-
Unrealized gain on remeasurement of hedging instruments	-	-	-	-	-	-	26,125	26,125
Unrealized gain on remeasurement of investments	-	-	-	-	-	1,761	-	1,761
Balance as at June 30, 2007	411,291	39,953	165	1,941,000	555,526	1,761	26,125	2,975,821

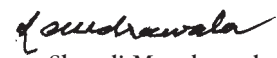
The annexed notes 1 to 44 form an integral part of the financial statements



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer



Sherali Mundrawala
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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 Sheikhpura, 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

2.1 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.

2.2 Standards, interpretations and amendments to published approved accounting standards

Amendments to published standards effective in 2006

IAS 19 (Amendment) - Employee Benefits, is mandatory for the company's accounting periods beginning on or after January 01, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. The company does not intend to adopt the alternative approach for recognition of actuarial gain and losses. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 24.3 to the financial statements.

New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after July 1, 2007 and are either not relevant to the company's operations or are not expected to have a significant impact on the company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures;
- IAS 41- Agriculture;
- IFRS 2 - Share Based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non Current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 8 - Scope of IFRS 2 Share Bases Payments;
- IFRIC 9 - Reassessment of Embedded Derivatives;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11- Group and Treasury Shares Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes.

3. BASIS OF PREPARATION

3.1 Measurement

These financial statements 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.

3.2 Significant accounting judgements and estimates

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 and other factors, 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

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the company's functional currency. All financial information presented in Pak Rupees has been rounded off to the nearest thousand.

4. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on August 29, 2007.

5. SIGNIFICANT ACCOUNTING POLICIES

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

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 schemes was carried out on June 30, 2007 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 arising from differences between tax bases of assets and liabilities and their carrying amount for financial statements reporting purpose. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

Deferred tax is charged or credited in the 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

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.

Additions to plant & machinery includes total additions of Rs 595,187 thousands in respect of 500K plant. This comprises of Plant & machinery amounting to Rs 385,073 thousands, jigs amounting to Rs 103,185 thousands, factory equipment amounting to Rs 33,402 thousands and electric & gas fittings amounting to Rs 73,527 thousands.

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

Items of fixed assets costing Rs 25,000 or less are not capitalized and charged off in the year of purchase.

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.

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

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

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. 500K plant is considered having a useful life of more than twenty years therefore depreciated at the rate applicable to Plant & Machinery.

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.

Payments made under operating lease are charged to profit on straight line basis over the lease term.

5.7 Investments

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.

Investments which are not classified as held to maturity investments, financial assets at fair value through profit and loss or loan and advances are classified as available for sale investments.

All investments are initially recognized at cost, being the fair value of the consideration given. After initial recognition, investments which are classified as available for sale are remeasured at fair value. Unrealized

gain and losses, on available for sale investments, are recognized in equity until the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included 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 the balance sheet date.

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

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 notice deposits and cash & 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

The company uses cross currency interest rate swaps to hedge its risks associated with interest rate fluctuations on its long term loans. Such derivative financial instruments are stated at fair value. The fair value of cross currency interest rate swap is the estimated amount that the company would receive or pay to sell the swap at the balance sheet date and taking into account the current interest rates.

In relation to fair value hedges, which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the profit and loss account. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss account.

In relation to cash flow hedges, which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion is recognised in the profit and loss account.

Company also 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.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2007 (Rupees in '000)	2006
Operating fixed assets	6.1	3,550,937	2,833,873
Capital work in progress	6.6	15,994	764,859
		<u>3,566,931</u>	<u>3,598,732</u>

6.1 Operating Fixed Assets

Particulars	Cost			Depreciation				W.D.V. June 30, 2007	Rate %	
	As at July 01, 2006	Additions	Disposals	As at June 30, 2007	As at July 01, 2006	For the Year	Disposals			As at June 30, 2007
Owned Assets										
Freehold Land	5,112	-	-	5,112	-	-	-	-	5,112	-
Leasehold Land	34,132	-	-	34,132	6,046	510	-	6,556	27,576	1.79
Building on freehold land	292,779	51,920	-	344,699	42,866	27,389	-	70,255	274,444	10
Building on lease hold land	66,467	12,394	-	78,861	30,209	3,897	-	34,106	44,755	10
Plant & machinery	3,011,815	880,328	5,190	3,886,953	804,520	286,503	4,767	1,086,256	2,800,697	10
Dies & jigs	630,816	112,788	-	743,604	573,036	63,640	-	636,676	106,928	50
Factory equipment	85,228	27,817	-	113,045	31,231	18,858	-	50,089	62,956	20
Office equipment	15,136	357	730	14,763	9,802	2,119	550	11,371	3,392	20
Computers & accessories	66,141	5,974	-	72,115	36,517	11,715	-	48,232	23,883	25
Furniture & fixtures	11,302	3,436	535	14,203	5,728	2,208	432	7,504	6,699	20
Fixture & equipment	1,300	-	-	1,300	1,264	18	-	1,282	18	20
Electric & gas fittings	104,793	29,500	1,003	133,290	51,335	19,192	868	69,659	63,631	20
Vehicles	127,607	78,475	42,779	163,303	52,255	23,078	22,849	52,484	110,819	20
Service equipment	389	-	-	389	335	27	-	362	27	20
Total owned assets	4,453,017	1,202,989	50,237	5,605,769	1,645,144	459,154	29,466	2,074,832	3,530,937	
Assets held under finance lease										
Electric & gas fittings	30,000	-	-	30,000	4,000	6,000	-	10,000	20,000	20
Total-2007	4,483,017	1,202,989	50,237	5,635,769	1,649,144	465,154	29,466	2,084,832	3,550,937	
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	

6.2 Allocation of depreciation

	Note	2007 (Rupees in '000)	2006
Depreciation has been allocated as follows:			
Cost of goods manufactured	31.1	436,669	383,231
Administrative expenses	33	28,485	15,839
		<u>465,154</u>	<u>399,070</u>

6.3 Certain dies and moulds having book value of Rs. 36,164 thousand (2006: 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, Automotive plastics and Allwin Engineering Industries Limited (Associated company) for production of components to be supplied to the Company.

6.4 Addition to plant and machinery includes Rs 16.8 million (2006: Rupees 32.9 million) borrowing cost capitalised during the year.

6.5 Disposal of Fixed Assets

Particulars of operating fixed assets having written down value (WDV) exceeding Rs 50,000 each disposed off during the year 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							
Single Purpose Machines	4,297	4,265	32	146	114	Negotiation	Allwin Engineering Ltd, 15th Mile National Highway, Landhi, Karachi (Associated Co.)
Vehicles							
Honda Civic	1,223	479	744	756	12	Negotiation	Shoaib Saleem, House No. 33, Hussaini Society, Alamgir Road, Karachi
Honda Civic	795	175	620	620	-	Negotiation	Atlas Asset Management Ltd, Ground Floor, Federation House, Shahra-e-Firdousi, Karachi (Associated Co.)
Honda Civic	1,018	464	554	623	69	Company Policy	Col. Khalid Aziz, Employee
Honda Civic	1,018	464	554	554	-	Company Policy	Maqsood Basra, Employee
Honda Civic	1,022	488	534	634	100	Company Policy	Talha Saad, Employee
Honda City	828	307	521	586	65	Company Policy	Jaffar Hussain Naqvi, Employee
Suzuki Alto	512	17	495	495	-	Company Policy	Muhammad Asif, Employee
Suzuki Alto	504	25	479	479	-	Negotiation	S.M. Ather, House No. 8-8-A, Block 4-E, Nazimabad, Karachi
Honda City	832	379	453	471	18	Company Policy	Waqar Matloob, Employee
Honda Civic	1,243	801	442	515	73	Company Policy	Jawaid Iqbal Ahmed, Employee
Honda City	828	404	424	512	88	Company Policy	Zaheer Ul Haq, Employee
Honda City	828	407	421	433	12	Company Policy	Afaq Ahmad, Employee
Suzuki Alto	504	131	373	391	18	Company Policy	Manzoor Qadir, Employee
Honda City	832	413	419	471	52	Negotiation	Wazir Ali, F-133/2, Sunehri Mosque, Martin Quarter P.I.B. Colony, Karachi
Honda City	832	420	412	498	86	Company Policy	Khaled Nadeem, Employee
Honda Civic	991	585	406	406	-	Company Policy	M. Amir Awan, Employee
Honda City	832	427	405	455	50	Negotiation	Shamim Habib Bharmal, House No. D-162, Block-5, Clifton Scheme No. 5, Karachi
Suzuki Cultus	615	221	394	410	16	Company Policy	Riaz Ahmad Butt, Employee
Suzuki Alto	511	120	391	402	11	Company Policy	Zia Ul Hassan, Employee
Suzuki Cultus	610	220	390	407	17	Company Policy	Jamil A.Khan, Employee
Suzuki Mehran	398	13	385	398	13	Company Policy	M. Asif, Employee
Honda Civic	975	596	379	403	24	Negotiation	Syed Hasan Ahmed, House No. 183/A, Model Town B, Bahawalpur
Suzuki Mehran	395	20	375	375	-	Insurance Claim	Atlas Insurance Company, Federation House, Shahra-e-Firdousi, Main Clifton, Karachi (Associated Co.)
Honda Civic	975	602	373	404	31	Company Policy	Amir Ali Bawa, Employee
Suzuki Mehran	398	27	371	371	-	Company Policy	Tahir Nazir, Employee
Suzuki Mehran	397	26	371	371	-	Company Policy	M. Saeed Anwar, Employee
Suzuki Mehran	395	33	362	362	-	Negotiation	Mohammad Akram, House No. R-723, Block 1, Sharifabad, F.B. Area, Karachi
Suzuki Mehran	395	33	362	362	-	Company Policy	Syed Shabih Ahmed, Employee
Suzuki Mehran	403	47	356	356	-	Company Policy	Samina Naz, Employee
Honda City	808	477	331	331	-	Company Policy	Iqbal Ahmad, Employee
Honda City	808	477	331	331	-	Company Policy	Maqsood Ur Rehman Rehmani, Employee
Honda City	808	477	331	331	-	Company Policy	Razi Ur Rehman, Employee
Suzuki Mehran	395	66	329	329	-	Negotiation	Muhammad Imran Khan, House No. 7-C, Sunset Lane No. 4, Phase-2, Extension DHA, Karachi
Honda City	812	485	327	347	20	Company Policy	Shakil Ahmed, Employee
Honda City	812	490	322	335	13	Negotiation	Syed Imran Hussain, House No. R-458, Block-8, Azizabad, F.B. Area, Karachi
Suzuki Alto	502	181	321	348	27	Company Policy	M. Rashid Rasheed, Employee
Suzuki Alto	502	231	271	289	18	Company Policy	Sarfraz Mufti, Employee
Honda Civic	931	626	305	381	76	Company Policy	Javaid Iqbal Afghani, Employee
Suzuki Alto	496	194	302	314	12	Negotiation	First Prudential Modarba, Mehersons Estate 1st Floor, Block-1, Talpur Road, Karachi
Honda City	808	510	298	335	37	Company Policy	M. Zafar Iqbal, Employee
Daihatsu Coure	459	170	289	307	18	Company Policy	Khawaja Shujauddin, Employee
Honda City	781	525	256	320	64	Company Policy	Muhammad Zaman, Employee
Suzuki Cultus	390	140	250	270	20	Company Policy	Nisar Zaman Khan, Employee
Daihatsu Coure	439	218	221	239	18	Company Policy	Arshad Ali Abid, Employee
Daihatsu Coure	439	218	221	225	4	Company Policy	Salman Khan, Employee
Daihatsu Coure	434	215	219	237	18	Negotiation	Shafiq Ahmed, House No. 27, Rabia Garden, Co-Operative Society, Block-3, Karachi
Daihatsu Coure	439	244	195	276	81	Company Policy	Zia Ul Islam, Employee
Daihatsu Coure	439	244	195	276	81	Company Policy	Inayatullah, Employee
Honda Civic	872	689	183	357	174	Company Policy	Raffat Iqbal, Employee
Daihatsu Coure	428	253	175	175	-	Company Policy	Mubashar Hassan Rana, Employee
Daihatsu Coure	399	238	161	164	3	Negotiation	Atif Ali, House No. F-47/1, Block-F, Hydri North Nazimabad, Karachi

(Rupees in '000)

Assets	Cost	Accumulated Depreciation	W.D.V.	Sales Proceeds	Profit/(Loss)	Mode of disposal	Particulars of Buyers
Daihatsu Couré	399	241	158	165	7	Negotiation	Muhammad Hassan Salam, Ls-54, Block 16, F.B. Area, Karachi
Honda Civic	835	704	131	420	289	Negotiation	Ather Gulzar Khichi, House No. 22/2, 32 Street Phase-5, D.H.A. Karachi
Honda Civic	901	807	94	390	296	Negotiation	Qaiser Nawaz Janjoa, 25-Nagy Road, Westridge-1 Rawalpindi
Honda CG 125 DLX	73	5	68	68	-	Insurance Claim	Atlas Insurance Company, Federation House, Shakra-e-Firdousi, Main Clifton, Karachi
Honda CG 125	68	2	66	63	(3)	Insurance Claim	Atlas Insurance Co. Ltd, The Mall Road Lahore, (Associated Co.)
Honda CG 125 DLX	73	8	65	65	-	Company Policy	Syed Sabihuddin, Employee
Honda CG 125 DLX	73	8	65	65	-	Insurance Claim	Atlas Insurance Company, Federation House, Shakra-e Firdousi, Main Clifton, Karachi (Associated Co.)
Honda CG 125	68	6	62	62	-	Company Policy	Waqas Masood , Employee
Honda CG 125 DLX	73	12	61	66	5	Company Policy	Ghulam Mustafa , Employee
Honda CG 125	68	10	58	58	-	Company Policy	Imran Idrees, Employee
Honda CG 125	67	13	54	54	-	Company Policy	Adeel Hanif Zaidi, Employee
Honda CG 125	67	16	51	51	-	Company Policy	Zeeshan Mehdi, Employee
Honda CG 125	68	17	51	51	-	Company Policy	M.Ahsan Mir , Employee
Office equipments							
Photo Copier Cannon	695	518	177	45	(132)	Negotiation	Shirazi Trading Co.(Pvt) Ltd., The Mall Road, Lahore (Associated Co.)
Furniture & fixtures							
Office Furniture	490	390	100	40	(60)	Negotiation	Al-Jannat Hospital, Kamra Road, Attock
	<u>42,625</u>	<u>22,734</u>	<u>19,891</u>	<u>21,846</u>	<u>1,955</u>		
Aggregate values of items where WDV is less than Rs. 50,000	7,612	6,732	3,268	3,122	(146)		
2007	<u>50,237</u>	<u>29,466</u>	<u>23,159</u>	<u>24,968</u>	<u>1,809</u>		
2006	<u>22,236</u>	<u>15,440</u>	<u>6,796</u>	<u>9,662</u>	<u>2,866</u>		

Note 2007 2006
(Rupees in '000)

6.6 Capital work in progress

Plant and machinery	6,382	548,634
Building	286	9,590
Dies & jigs	-	104,315
Factory equipment	-	31,260
Electric & gas fittings	6,110	64,652
Vehicles	3,216	-
Advances to contractors / suppliers	-	6,408
	<u>15,994</u>	<u>764,859</u>

7. INTANGIBLE ASSETS

(Rupees in '000)

Particulars	Cost			Amortization			W.D.V.
	As at July 01, 2006	Additions	As at June 30, 2007	As at July 01, 2006	For the Year	As at June 30, 2007	June 30, 2007
Software licenses	13,190	8,946	22,136	12,823	1,858	14,681	7,455
SAP implementation cost	35,544	247	35,791	6,821	12,101	18,922	16,869
2007	<u>48,734</u>	<u>9,193</u>	<u>57,927</u>	<u>19,644</u>	<u>13,959</u>	<u>33,603</u>	<u>24,324</u>
2006	<u>27,811</u>	<u>20,923</u>	<u>48,734</u>	<u>9,086</u>	<u>10,558</u>	<u>19,644</u>	<u>29,090</u>

	Note	2007 (Rupees in '000)	2006
8. INVESTMENTS - AVAILABLE FOR SALE			
Unquoted			
Arabian Sea Country Club Limited 200,000 (2006: 200,000) ordinary shares of Rs. 10 each. Less: Impairment in the value of investment		2,000 2,000	2,000 2,000
		-	-
Automotive Testing & Training Centre (Private) Limited 50,000 (2006: 50,000) ordinary shares of Rs. 10 each Less: Impairment in the value of investment		500 500	500 500
		-	-
Atlas Islamic Fund (Related party) 100,000 units (2006: NIL) of Rs. 500 each	8.1	51,761	-
		<u>51,761</u>	<u>-</u>

8.1 The company as a core investor has agreed to hold the investment for a minimum period of two years from the date of issue of such units. These units can be transferred subject to the condition that they will not be redeemed during the remaining period of two years.

9. LONG TERM LOANS AND ADVANCES

Considered Good

Due from:			
Executives		2,426	2,120
Non executives		20,699	25,385
		23,125	27,505
Less: Installments recoverable within twelve months			
Executives		2,371	1,614
Non executives		7,811	8,794
		10,182	10,408
		<u>12,943</u>	<u>17,097</u>

9.1 Reconciliation of loans and advances to executives

Balance at beginning of the year	2,120	885
Add: Disbursement	3,591	2,048
	5,711	2,933
Less: Recovered during the year	3,285	813
	<u>2,426</u>	<u>2,120</u>

9.2 These loans have been provided to executives and employees for personal use and for purchase of motorcycles. Personal loans are repayable in eighteen monthly installments whereas motorcycles loans are repayable in equal monthly installments within a maximum period of four years. Motorcycles loans are secured against motorcycles which are registered in the name of the Company.

9.3 Maximum amount due from executives at the end of any month was Rs. 2,426 thousand (2006: Rs.2,120 thousand) and due from associated companies at the end of any month was NIL (2006: NIL).

	Note	2007	2006
		(Rupees in '000)	
10. LONG TERM DEPOSITS AND PREPAYMENTS			
Considered Good			
Deposits		13,860	11,027
Prepayments		2,040	-
		<u>15,900</u>	<u>11,027</u>
11. STORES, SPARES & LOOSE TOOLS			
Consumables stores		70,558	67,416
Maintenance spares		104,640	106,621
Loose tools		242,379	215,190
		<u>417,577</u>	<u>389,227</u>
Less: Provision for slow moving stores		9,847	9,847
		<u>407,730</u>	<u>379,380</u>
12. STOCK-IN-TRADE			
Raw materials & components			
In hand		1,184,739	1,246,263
With third parties		90,437	77,956
		<u>1,275,176</u>	<u>1,324,219</u>
Work in Process		6,378	233,800
Finished Goods			
Motorcycles		44,802	42,301
Spare parts		56,087	69,411
		<u>100,889</u>	<u>111,712</u>
Goods in transit		225,897	289,561
		<u>1,608,340</u>	<u>1,959,292</u>
Less: Provision for slow moving stocks		27,415	21,617
		<u>1,580,925</u>	<u>1,937,675</u>

12.1 Stock in trade and trade debtors upto a maximum amount of Rs. 2,529 million (2006: Rs. 1,780.2 million) are under hypothecation as security for the Company's short term finances (Note 26).

	Note	2007 (Rupees in '000)	2006
13. TRADE DEBTS			
Considered Good			
Export - secured		21,002	37,113
Local - unsecured		261,247	243,335
		<u>282,249</u>	<u>280,448</u>

13.1 The bank has lien on export bills / contracts upto a maximum of Rs. 100 million (2006: Rs. 30 million) against foreign currency financing (Note 12.1 & Note 26).

13.2 Amount due from related parties, directors, Chief Executive and executives were NIL (2006:NIL).

	Note	2007 (Rupees in '000)	2006
14. LOANS AND ADVANCES			
Considered good			
Loan and advances to other employees		3,646	2,831
Advances to employees for expenses - unsecured	14.1	314	1,784
Advances to suppliers, contractors and others - unsecured		6,411	36,337
Current portion of loans and advances	9	10,182	10,408
		<u>20,553</u>	<u>51,360</u>

14.1 Advances to employees for expenses include amount due from executives Rs. 62 thousand (2006: NIL).

14.2 Amount due from related parties, directors and Chief Executive were NIL (2006: NIL).

15. TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits		2,264	1,283
Prepayments		2,811	1,715
		<u>5,075</u>	<u>2,998</u>

16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

No of Units		Related Parties	2007	2006
2007	2006			
7,007	323,327	Atlas Stock Market Fund	4,876	211,722
1,433,043	61,740	Atlas Income Fund	783,403	34,299
8,338,050	8,338,050	Atlas Fund of Funds	76,710	81,296
<u>9,778,100</u>	<u>8,723,117</u>		<u>864,989</u>	<u>327,317</u>

	Note	2007	2006
(Rupees in '000)			
17. ACCRUED INTEREST			
Interest accrued on savings deposit accounts		90	543
18. OTHER RECEIVABLES			
Receivable from Government:			
- Income tax deducted at source / paid in advance		236,419	234,853
- Sales Tax		1,590	45,362
		238,009	280,215
Unrealised gain on remeasurement of interest rate swap to fair value	18.1	33,900	-
Other receivable	18.2	11,643	32,195
		283,552	312,410
Other receivable- Considered doubtful		615	615
		284,167	313,025
Provision for doubtful receivable		615	615
		283,552	312,410

18.1 This represents the fair value of three separate Cross Currency Interest Rate Swap agreements, the company has entered into with United Bank Limited and Standard Chartered Bank (Pakistan) Limited at the aggregate notional amount of Rs. 850 million (equivalent to USD 14.9 million). Under the terms of the swap agreements, at each reset date, the company is entitled to receive 6 months KIBOR on notional amounts and is required to pay 6 months LIBOR plus spread ranging from 1.05% to 3.05% on USD notional amount. In addition to this the company is required to pay exchange difference arising due to fluctuation in USD/PKR rates between reset and the settlement dates. These transactions have been remeasured to fair value at the end of the year resulted in a gain of Rs. 26.125 million which has been classified under equity.

18.2 Other receivables include Rs. 9,852 thousand (2006: Rs. 23,366 thousand) duty draw back receivable from Collector of Customs.

	2007	2006
(Rupees in '000)		
19. CASH AND BANK BALANCES		
In current account	393,056	320,048
In savings deposit accounts	442,115	357,153
Term deposits	60,000	-
Cheques in hand	24,452	4,887
	919,623	682,088

20. SHARE CAPITAL

2007 (No. of Shares)	2006		2007 (Rupees in '000)	2006
		Authorised Capital		
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000</u>	<u>1,000,000</u>
		Issued, subscribed and paid up capital		
6,352,748	6,352,748	Ordinary shares of Rs. 10 each fully paid-up in cash	63,528	63,528
34,517,044	29,152,380	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	345,170	291,523
259,300	259,300	Ordinary shares of Rs. 10 each issued against consideration other than cash	2,593	2,593
<u>41,129,092</u>	<u>35,764,428</u>		<u>411,291</u>	<u>357,644</u>

20.1 Movement in share capital during the year

35,764,428	25,546,020	As at June 30	357,644	255,460
5,364,664	10,218,408	Issued ordinary shares of Rs 10 each as fully paid bonus shares	53,647	102,184
<u>41,129,092</u>	<u>35,764,428</u>		<u>411,291</u>	<u>357,644</u>

20.2 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.

20.3 On September 29, 2006 issuance of three bonus shares for every twenty shares held resulted in an increase in issued capital by Rs. 53,647 thousands (2006: Rs 102,184 thousands).

20.4 22,104,766 (2006: 19,221,537) ordinary shares of Rs. 10/- each were held by associated companies at the year end.

	Note	2007 (Rupees in '000)	2006
21. RESERVES			
Capital Reserves		40,118	40,118
General Reserve		1,941,000	1,546,000
Unrealized gain on remeasurement of hedging instruments		26,125	-
Unrealized gain on remeasurement of investments		1,761	-
		<u>2,009,004</u>	<u>1,586,118</u>
22. LONG TERM LIABILITIES			
Long term financing -Secured	22.1	1,096,419	1,570,441
Liabilities against assets subject to finance lease	22.2	12,848	19,656
		<u>1,109,267</u>	<u>1,590,097</u>

22.1 LONG TERM FINANCING-SECURED

Name of Banks	Sale price	Purchase price	No. of installments and date of commencement	Rate of markup	2007 (Rupees in '000)	2006
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
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	500,000
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	170,440	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	250,000
National Bank of Pakistan (Loan IV)	250,000	368,151	10 Half yearly 02-01-07	0.5% over 6 months KIBOR	200,000	250,000
Standard Chartered Bank (Pakistan) Limited	100,000	133,333	10 Half yearly 04-01-03	0.75% over 6 months T-Bill	10,000	20,000
					1,555,440	1,933,019
Less: Current maturity shown under current liabilities - (Note 27)					459,021	362,578
					1,096,419	1,570,441

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.

22.2 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007	2006	2007	2006
	(Rupees in '000)			
	Minimum lease payments		Present value of Minimum lease payments	
Year ended June 30, 2007	-	7,966		6,350
Year ended June 30, 2008	7,966	7,966	6,808	6,808
Year ended June 30, 2009	7,966	7,966	7,299	7,299
Year ended June 30, 2010	5,656	5,655	5,549	5,549
Total minimum lease payments	21,588	29,553	19,656	26,006
Less: Financial charges allocated to future periods	1,932	3,547	-	-
Present value of minimum lease payments	19,656	26,006	19,656	26,006
Current maturity shown under current liabilities-Note 27	6,808	6,350	6,808	6,350
	12,848	19,656	12,848	19,656

The above represents finance lease entered into with Atlas 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 a discounting factor.

	Note	2007	2006
		(Rupees in '000)	
23. DEFERRED LIABILITIES			
Compensated leave absences	23.1	42,493	35,224
Deferred taxation	23.2	516,994	384,465
		559,487	419,689
23.1 Compensated leave absences			
Balance at beginning		35,224	27,988
Add: Provision for the year		10,166	9,504
		45,390	37,492
Less : Payments during the year		2,897	2,268
		42,493	35,224
23.2 Deferred taxation			
The liability for deferred taxation comprises of timing differences relating to:			
Deferred credit arising in respect of accelerated tax depreciation & amortisation		550,712	411,028
Deferred debit arising in respect of various provisions		(33,718)	(26,563)
		516,994	384,465

	Note	2007 (Rupees in '000)	2006
23.3 Movement of deferred tax liability			
Opening balance		384,465	163,800
Increase in deferred tax liabilities		139,684	229,448
Decrease in deferred tax assets		(7,155)	(8,783)
Charge for the year		132,529	220,665
		<u>516,994</u>	<u>384,465</u>
24. TRADE AND OTHER PAYABLES			
Trade creditors		900,262	1,062,597
Accrued liabilities		786,846	677,272
Provision for warranty	24.1	9,600	9,700
Customers advances & credit balances		802,216	505,266
Federal Excise Duty payable		25,685	-
Retention money		3,597	4,272
Withholding tax payable		-	8,272
Sales tax payable		138,384	39,482
Workers' Profit Participation Fund	24.2	43,153	56,086
Provision for gratuity	24.3	6,776	6,492
Workers' Welfare Fund	24.8	37,711	21,313
Unclaimed dividend	24.9	8,277	9,161
Other liabilities	24.10	8,459	9,296
		<u>2,770,966</u>	<u>2,409,209</u>

Accrued liabilities include Rs. 500,137 thousands (2006: Rs. 462,286 thousands) due to Honda Motor Co. Limited, Japan - an associated company.

24.1 Provision for Warranty

Balance at beginning	9,700	9,500
Add: Provided during the year	-	1,200
	<u>9,700</u>	<u>10,700</u>
Less: Paid / reversed during the year	100	1,000
	<u>9,600</u>	<u>9,700</u>

24.2 Workers' Profit Participation Fund

Balance as at beginning	56,086	50,433
Add : Return on funds utilised by the company	1,085	2,072
	<u>57,171</u>	<u>52,505</u>
Less : Payment made during the year	57,171	52,505
	<u>-</u>	<u>-</u>
Contributions for the year	35	56,086
	<u>43,153</u>	<u>56,086</u>

24.3 Provision for gratuity

	Note	2007	2006
(Rupees in '000)			
Balance at beginning		6,492	4,730
Add: Provision for the year	24.4	6,776	6,492
		13,268	11,222
Less : Payments during the year		6,492	4,730
		6,776	6,492

24.4 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:

	Note	Funded Management		Funded Non-management		Total	
		2007	2006	2007	2006	2007	2006
Present value of defined benefit obligation (actuarial liability)		95,225	81,193	24,758	22,069	119,983	103,262
Fair value of plan assets		(70,384)	(61,695)	(26,704)	(25,963)	(97,088)	(87,658)
Payable/(receivable) to associated companies in respect of transferees		2,126	-	361	-	2,487	-
Unrecognized actuarial gain / (loss)		(20,601)	(13,323)	1,995	4,211	(18,606)	(9,112)
Balance at end		6,366	6,175	410	317	6,776	6,492
Net Liability at the beginning of the year		6,175	4,381	317	350	6,492	4,731
Charge for the year		6,366	6,379	410	317	6,776	6,696
Contributions		(6,175)	(4,585)	(317)	(350)	(6,492)	(4,935)
Net Liability at the end of the year		6,366	6,175	410	317	6,776	6,492

Movement in the present value of defined benefit obligation is as follows

Present value of defined benefit obligation	81,193	74,118	22,069	22,507	103,262	96,625
Current service cost	4,272	3,804	856	887	5,128	4,691
Interest cost	6,972	6,134	1,993	2,003	8,965	8,137
Benefit paid	(4,128)	(2,128)	(605)	(1,005)	(4,733)	(3,133)
Actuarial (gain) / loss	9,042	(681)	806	(2,323)	9,848	(3,004)
Receivable/ (payable) to associated companies in respect of transferees	(2,126)	-	(361)	-	(2,487)	-
Present value of defined benefit obligation	95,225	81,247	24,758	22,069	119,983	103,316

Movement in the fair value of plan assets is as follows

Fair value of plan assets as at June 30, 2006	61,695	52,926	25,963	27,250	87,658	80,176
Expected return on plan assets	5,312	4,342	2,323	2,404	7,635	6,746
Contributions	6,175	4,585	317	350	6,492	4,935
Benefits paid	(4,127)	(2,182)	(605)	(1,005)	(4,732)	(3,187)
Actuarial gain / (loss)	1,329	2,024	(1,294)	(3,036)	35	(1,012)
Fair value of plan assets as at June 30, 2007	70,384	61,695	26,704	25,963	97,088	87,658

	Funded Management		Funded Non-management		(Rupees in '000) Total	
	2007	2006	2007	2006	2007	2006
	Plan assets comprises:					
Debt	50,046	26,568	10,621	10,613	60,667	37,181
Equity	20,049	34,294	15,700	14,500	35,749	48,794
Cash	289	833	383	850	672	1,683
	<u>70,384</u>	<u>61,695</u>	<u>26,704</u>	<u>25,963</u>	<u>97,088</u>	<u>87,658</u>

24.5 Comparison of present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund for five years is as follows:

	2007	2006	2005	2004	2003
Present value of defined benefit obligation	119,983	103,262	96,625	83,326	72,302
Fair value of plan assets	97,088	87,658	80,298	73,508	47,555
Surplus / (deficit)	<u>(22,895)</u>	<u>(15,604)</u>	<u>(16,327)</u>	<u>(9,818)</u>	<u>(24,747)</u>
Experience adjustment on obligation (gain)/loss	9,848	(3,004)	7,242	2,704	1,156
Experience adjustment on plan assets (gain)/loss	(35)	1,012	(782)	(763)	1,407

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

		Funded Management		Funded Non-management		(Rupees in '000) Total	
		2007	2006	2007	2006	2007	2006
		Cost of sales	31.4	2,364	2,424	410	317
Distribution cost	32.2	775	765	-	-	775	765
Administrative expenses	33.2	3,227	3,190	-	-	3,227	3,190
		<u>6,366</u>	<u>6,379</u>	<u>410</u>	<u>317</u>	<u>6,776</u>	<u>6,696</u>

24.7 Principal actuarial assumptions at the balance sheet date for:

Discount rate	10%	9%	10%	9%
Future salary increases	9%	8%	9%	8%
Return on investment	10%	9%	10%	9%

24.8 Workers' Welfare Fund

	Note	2007 (Rupees in '000)	2006
Balance at beginning		21,313	19,026
Less: Paid during the year		-	16,279
		<u>21,313</u>	<u>2,747</u>
Add: Charge for the current year (Adjustment) / prior year	35	16,398 -	21,313 (2,747)
		<u>16,398</u>	<u>18,566</u>
		<u>37,711</u>	<u>21,313</u>
24.9 Unclaimed dividend			
Dividends		8,267	9,151
Bonus fractions		10	10
		<u>8,277</u>	<u>9,161</u>

The board of directors have proposed a final dividend for the year ended June 30, 2007 of Rs. 6.0 (2006: Rs. 6.0) per share and bonus shares issue at 15 % i.e three bonus shares for every twenty shares held (2006: 15% i.e. three bonus shares for every twenty shares held), amounting to Rs. 308.469 million (2006: Rs.268.233 million) at their meeting held on August 29, 2007 for approval of the members at the Annual General Meeting to be held on September 29, 2007. These financial statements do not reflect this dividend payable as explained above.

24.10 Other liabilities include vehicle deposits under company vehicle policy amounting to Rs. 3,192 thousands (2006: 3,598 thousands).

	2007 (Rupees in '000)	2006
25. ACCRUED MARK-UP/INTEREST		
Long term financing	49,809	56,149
Short term borrowing	7,226	12,939
	<u>57,035</u>	<u>69,088</u>
26. SHORT TERM FINANCES		
Balances with banks	-	<u>18,263</u>

The Company has facilities for short term running finance under mark-up arrangements amounting to Rs. 1,800 million (2006: Rs. 1,050 million). The facilities carry mark-up at the rate of Re 0.2764 to Re 0.3244 (2006: Re 0.2630 to Re 0.2945) 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. 2,193.06 million (2006: Rs. 1,782.2 million). These facilities are expiring on various dates by March 31, 2008. The markup on running finance facilities is payable on quarterly basis.

The facility for opening letters of credit and guarantees as at 30 June, 2007 amounted to Rs. 2,835 million (2006: Rs. 1,960 million) of which the amount remaining unutilized at the year end was Rs. 2,225 million (2006: Rs. 1,040 million).

This facility is secured against lien on export bills / contracts. The Company has facility for foreign currency finance amounting to Rs. 120 million (2006: Rs. 30 million) which is secured against lien on export bills / contracts.

	Note	2007	2006
(Rupees in '000)			
27. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term loans	22.1	459,021	362,578
Current Portion of liability against assets subject to finance lease	22.2	6,808	6,350
		465,829	368,928
28. PROVISION FOR TAXATION			
Balance at beginning		145,961	287,085
Add: Provision made during the year			
Current year		98,000	138,014
Prior year		19,395	11,549
		117,395	149,563
Less: Payment during the year		165,116	290,687
		98,240	145,961

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

Profit before tax		803,515	1,047,060
Tax at the applicable income tax rate	35%	281,230	366,471
Tax effect of expenses that are not deductible in determining taxable profit as under:			
Gratuity	0.0%	99	(3,020)
Leave Encashment	-0.1%	(782)	1,071
Depreciation & amortisation	-17.7%	(141,896)	(209,628)
Gain on disposal of fixed assets	0.0%	137	176
Other	-0.1%	(874)	361
Gain on sale of investments	-2.1%	(16,656)	(12,078)
Gain on remeasurement of investments	-1.9%	(15,597)	(3,947)
Unrealized gain on remeasurement of derivatives	-0.3%	(2,721)	-
Effect of difference in tax rates under normal assessment and presumptive tax regime	-0.1%	(1,188)	(1,392)
Effect of difference in tax rates under normal assessment and tax on dividend for companies	-0.5%	(3,752)	-
		98,000	138,014

Subsequent to the balance sheet date the Income Tax department has initiated proceeding under section 122(9) of the Income Tax Ordinance, 2001 for amendment of assessment under section 122 (5A) for the tax years 2005 and 2006. The issues involved relate to claim of certain expenses and allocation of profit & loss against exempt capital gains earned by the company. The proceedings are in progress.

29. CONTINGENCIES & COMMITMENTS

29.1 Contingencies

Cases have been filed against the Company by some former employees for reinstatement of service. These cases are pending in different courts. The management is confident that the outcome of these cases will be in the Company's favor.

	Note	2007	2006
(Rupees in '000)			

29.2 Guarantees

Issued by bank

142,063

90,246

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

29.3 Commitments

Confirmed letters of credit relating to raw materials

581,850

657,237

Plant and equipment

7,056

697,413

Forward foreign exchange contracts

-

146,832

The operating lease arrangement with associated undertaking is extendible after six months. Commitment of operating lease rentals in respect of electric and gas fittings is as follows:

Due within six months

5,963

5,396

30. NET SALES

Motorcycles & spare parts

19,601,115

20,547,248

Less: Trade discount & commission

30.1

52,535

44,898

Sales Tax

2,940,167

3,082,087

16,608,413

17,420,263

30.1 Commission to associated company on export sales amounting to Rs. 4,777 thousand (2006: Rs. 10,506 thousand) is included in trade discount.

31. COST OF SALES

Stock at beginning

111,712

115,836

Cost of goods manufactured

31.1

14,609,713

15,341,590

Purchases

424,104

444,832

15,033,817

15,786,422

Stocks at end

12

15,145,529

15,902,258

(100,889)

(111,712)

15,044,640

15,790,546

	Note	2007	2006
(Rupees in '000)			
31.1 Cost of goods manufactured			
Work in process at beginning		233,800	194,049
Raw materials & components consumed	31.2	11,673,687	12,688,141
Direct labour	31.3	328,637	332,626
Technical director's remuneration	42.1	1,055	647
Salaries, wages & benefits	31.3 & 31.4	233,992	217,042
Stores consumed		319,482	338,594
Light, heat & water		174,712	170,584
Insurance		54,024	36,552
Rent, rates & taxes		24,009	29,447
Operating lease rentals		11,361	-
Repair & maintenance		122,855	124,461
Royalty		834,148	894,716
Federal Excise Duty on royalty		45,995	-
Technical assistance		5,569	21,298
Traveling, conveyance and entertainment		25,312	34,872
Postage & telephone		3,489	7,257
Printing & Stationery		4,443	7,028
Vehicle running		12,232	7,899
Depreciation	6.2	436,669	383,231
Canteen		25,849	26,970
Newspapers, magazines & subscription		7,521	3,274
Staff training		1,136	4,678
Intangible assets amortized		13,959	10,558
Provision for slow moving stocks		5,798	24,171
Marking fee		16,019	16,938
Other manufacturing expenses		338	357
		<u>14,616,091</u>	<u>15,575,390</u>
Work in process at end	12	(6,378)	(233,800)
		<u>14,609,713</u>	<u>15,341,590</u>
31.2 Raw materials & components consumed			
Stock at beginning		1,324,219	922,125
Purchases	31.5	11,624,644	13,090,235
		<u>12,948,863</u>	<u>14,012,360</u>
Stock at end	12	(1,275,176)	(1,324,219)
		<u>11,673,687</u>	<u>12,688,141</u>

31.3 Direct labour and salaries & benefits include Rs. 10,524 thousand (2006: Rs. 9,199 thousand) in respect of provident fund contributions.

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

	Note	2007	2006
(Rupees in '000)			
Current service cost		2,361	2,333
Interest costs		4,386	4,334
Expected return on plan assets		(4,102)	(4,054)
Amortization of loss		129	128
		2,774	2,741
		2,774	2,741

31.5 Purchases include custom duty rebates netted-off aggregating Rs 16,720 thousand (2006: Rs.33,055 thousand).

32. DISTRIBUTION COST

Directors remuneration	42.1	15,093	14,454
Salaries & benefits	32.1 & 32.2	67,423	62,724
Traveling, conveyance, entertainment & vehicle running		33,046	24,454
Rent, rates & taxes		9,296	4,178
Advertisement & publicity		63,031	79,687
Repairs & maintenance		1,547	1,648
Gas & electricity		1,842	1,486
Freight & forwarding		110,228	100,331
Printing & stationery		2,762	2,903
Postage & telephone		6,089	5,873
Sales promotion		22,457	11,643
Service charges		33,504	30,254
Insurance		4,439	2,021
Newspapers, magazines & subscription		390	454
Others		422	977
		371,569	343,087
		371,569	343,087

32.1 Salaries and benefits include Rs. 4,585 thousand (2006: Rs. 2,650 thousand) in respect of provident fund contributions.

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

Current service cost		462	456
Interest costs		745	736
Expected return on plan assets		(527)	(521)
Amortization of loss		95	94
		775	765
		775	765

	Note	2007	2006
(Rupees in '000)			
33. ADMINISTRATIVE EXPENSES			
Directors' remuneration	42.1	6,694	6,611
Directors' meeting fee	42.2	80	71
Salaries & benefits	33.1 & 33.2	117,976	111,009
Traveling, conveyance & entertainment		13,843	11,940
Rent, rates & taxes		4,295	4,199
Insurance		3,187	1,889
Repairs & maintenance		6,905	5,520
Legal & professional charges		2,770	2,129
Gas & electricity		1,460	1,328
Fees & subscription		1,233	4,879
Postage & telephone		1,682	3,110
Printing & stationery		1,307	1,719
Vehicle running		7,505	4,765
Training expense		987	537
Depreciation	6.2	28,485	15,839
Donation	33.3	10,485	9,405
Others		367	282
		209,261	185,232

33.1 Salaries and benefits include Rs 4,585 thousand (2006: Rs. 5,224 thousand) in respect of provident fund contributions.

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

Current service cost	1,924	1,902
Interest costs	3,104	3,067
Expected return on plan assets	(2,197)	(2,171)
Amortization of loss	396	392
	3,227	3,190

33.3 Donations include Rs. 10,470 thousand (2006: 9,400 thousand) paid to Atlas Foundation. Mr. Yusuf H. Shirazi, Chairman and Mr. Saquib H. Shirazi, Chief Executive Officer are on the Board of the Foundation.

34. OTHER OPERATING INCOME

Income from financial assets

Interest on Deposits:		
Associated Company	1,917	32,302
Others	6,045	10,462
	7,962	42,764
Dividend Income	12,507	95
Income from reverse repurchase transactions	-	43,717
Gain on sale of investments	47,589	36,265
Gain on re-measurement of investments	44,564	11,278
Unrealised gain on remeasurement of derivative financial instruments at fair value	7,773	-
Exchange gain	1,823	239
Income from non financial assets		
Other income	164	31
Scrap Sales	26,490	35,780
Gain on sale of fixed assets	1,809	2,866
	150,681	173,035

	Note	2007	2006
(Rupees in '000)			
35. OTHER OPERATING EXPENSES			
Auditors' remuneration	35.1	1,221	1,110
Workers' Profit Participation Fund		43,153	56,086
Workers' Welfare Fund		16,398	18,566
		60,772	75,762
35.1 Auditor's Remuneration			
Audit fee		446	405
Provident Fund /Workers' Profit Participation Fund audit and certifications		704	640
Out of pocket expenses		71	65
		1,221	1,110
36. FINANCE COST			
Interest / mark-up / return on:			
Short term loans		85,102	39,532
Long term loans		169,457	90,302
Workers' Profit Participation Fund	24.2	1,085	2,072
Finance charge on finance lease		1,616	1,316
Other financial charges		12,077	16,618
Exchange risk fee		-	1,771
		269,337	151,611
37. TAXATION			
Current year		98,000	138,014
Prior years'		19,395	11,549
Deferred		132,529	220,665
		249,924	370,228
38. EARNINGS PER SHARE			
Basic and diluted earnings per share			
Earnings for purposes of basic earnings per share (net profit for the year)		553,591	676,832
Weighted average number of outstanding ordinary shares for the purposes of basic earnings per share		41,129,092	41,129,092
Basic and diluted earnings per share - Rupees		13.46	16.46

5,364,664 (2006: 10,218,408) bonus shares of Rs.10 each were issued on September 29, 2006. Weighted average number of ordinary shares for the previous periods have been restated accordingly.

2007 2006
(Rupees in '000)

39. CASH FLOWS FROM OPERATING ACTIVITIES

Net Profit before taxation	803,515	1,047,060
Adjustment for:		
Depreciation	465,154	399,070
Unrealised (gain)/loss on remeasurement of investments	(44,564)	(11,278)
Gain on sale of investments	(47,589)	(36,265)
Interest income	(7,962)	(42,764)
Interest expense	254,559	129,834
Dividend income	(12,507)	(95)
Amortization	13,959	10,558
Finance cost on finance leased assets	1,616	1,316
Provision for employee compensated absences	10,166	9,504
Gain on sale of fixed assets	(1,809)	(2,866)
Unrealised gain on remeasurement of derivative financial instruments at fair value	(7,773)	-
Provision for slow moving stocks	5,798	24,171
Operating profit before working capital changes	1,432,563	1,528,245
Working capital changes:		
(Increase)/decrease in current assets:		
Stores, spares & tools	(28,350)	(152,840)
Stock in trade	350,952	(394,316)
Trade debtors	(1,801)	(140,747)
Loans and advances	30,807	(14,064)
Trade deposits and prepayments	(2,077)	3,804
Other receivables	64,324	83,125
	413,855	(615,038)
Increase in current liabilities:		
Trade and other payables	362,641	63,643
Cash generated from operations	2,209,059	976,850
Interest paid	(266,612)	(78,027)
Income taxes paid (including tax deducted at source)	(166,682)	(342,518)
Compensated absences paid	(2,897)	(2,268)
Long term loans and advances	4,154	(4,925)
Long term deposits and prepayments	(4,873)	(5,243)
Cash flow from operating activities	1,772,149	543,869

40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

							(Rupees in '000)	
	Interest bearing			Non-Interest bearing			2007	2006
	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	-	-	-	10,182	12,943	23,125	23,125	27,505
Long term deposits	-	-	-	-	13,860	13,860	13,860	11,027
Trade debtors	-	-	-	282,249	-	282,249	282,249	280,448
Loans and advances	-	-	-	20,553	-	20,553	20,553	51,360
Trade deposits	-	-	-	2,264	-	2,264	2,264	1,283
Other receivables	-	-	-	45,543	-	45,543	45,543	32,195
Accrued mark-up / interest	-	-	-	90	-	90	90	543
Investments	-	-	-	864,989	-	864,989	864,989	327,317
Bank balances	502,115	-	502,115	393,056	-	393,056	895,171	677,201
	502,115	-	502,115	1,618,926	26,803	1,645,729	2,147,844	1,408,879
Financial liabilities								
Long term loan	459,021	1,555,440	2,014,461	-	-	-	2,014,461	1,933,019
Liability under finance lease	6,808	12,848	19,656	-	-	-	19,656	26,006
Trade and other payables	-	-	-	2,569,186	-	2,569,186	2,569,186	2,348,414
Accrued mark-up / interest	-	-	-	57,035	-	57,035	57,035	69,088
	465,829	1,568,288	2,034,117	2,626,221	-	2,626,221	4,660,338	4,376,527
On-balance sheet gap	36,286	(1,568,288)	(1,532,002)	(1,007,295)	26,803	(980,492)	(2,512,494)	(2,967,648)

	2007	2006
40.1 Effective interest rate	(%)	(%)
Assets		
Short term investments	7 to 10	9.70 to 11
Cash at bank	2 to 5	2 to 5
Liabilities		
Long term loan	10.11 to 11.10	9.04 to 10.16
Liability against assets subject to finance lease	7	7

40.2 Concentration of credit risks

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its receivables. Aggregate amount of financial assets subject to credit risk are Rs. 2,148 thousand (2006: Rs 1,409 thousand).

Major part of the sales of the company is against advance payments. Significant receivable balances relate to the balances due from the Government of Pakistan and other government departments. The company believes that it is not exposed to any specific credit risk in respect of these balances. Credit risk for balances at banks is limited by dealing with various banks with reasonably high credit rating.

40.3 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to imports of goods. The company obtains forwards exchange cover, where necessary, to hedge its foreign currency exposure in various currencies primarily with respect to Japanese yen.

40.4 Fair value of the financial assets and liabilities

The carrying values of all the financial assets and liabilities reflected in the financial statements approximates their fair values, except for long term loans, loans to employees, trade deposits and other receivables which are stated at cost / amortised cost.

40.5 Interest / Markup rate risk

The company has long term Rupee based loans at variable rates. Rates on short term finances are effectively fixed. The company has also entered into cross currency and interest rate swap agreements with commercial banks to mitigate against the adverse movement of interest rates.

40.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding to an adequate amount of committed credit facilities. The company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

41. 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 commercial terms 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. 42. Other significant transactions with related parties are as follows:

	2007	2006
	(Rupees in '000)	
Sales	14,286	17,111
Sale of fixed assets	949	-
Purchases	2,986,593	3,676,200
Fixed assets purchased	65,079	706,621
Sale and lease back of fixed assets	-	40,000
Royalty	881,533	849,399
Export commission	4,777	10,506
Technical Fees	18,300	55,007
Interest on deposits	3,010	32,302
Lease rentals paid	19,326	5,611
Brokerage fees	2,936	5,143
Rent paid	21,339	19,023
Insurance premium	103,994	94,875
Insurance claim	9,372	7,174
Actual reimbursement of expenses - net	16,420	8,719
Dividend paid	179,119	131,821
Donation paid	10,470	9,400
Contribution to staff retirement funds	25,497	30,261

42. DIRECTORS' AND EXECUTIVES' REMUNERATION

42.1 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:

	(Rupees in '000)							
	Chairman		Chief Executive Officer		Directors		Executives	
	2007	2006	2007	2006	2007	2006	2007	2006
Remuneration	2,661	2,661	4,990	4,640	3,375	2,660	50,905	35,236
Rent and Utilities	1,197	1,197	2,387	2,189	1,624	1,411	36,578	23,505
Bonus	1,109	1,331	1,808	2,009	1,332	1,006	11,364	10,004
Provident Fund & gratuity	293	293	477	441	255	221	5,600	3,849
Medical and others	710	769	224	524	40	-	1,918	604
Reimbursement of expenses	360	360	-	-	-	-	-	-
Total	6,330	6,611	9,886	9,803	6,626	5,298	106,365	73,198
Number of Persons	1	1	1	1	3	3	56	39

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

42.2 Remuneration to other directors

Aggregate amount charged in the accounts for the year for fees to two directors was Rs. 80 thousand (2006: Rs 70.5 thousand).

43. PLANT CAPACITY

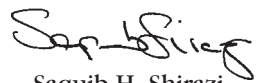
The production capacity of the plant cannot be determined as this depends upon relative proportion of various types of motorcycles and motorcycle components produced.

44. CORRESPONDING FIGURES

Previous figures have been rearranged and reclassified wherever necessary for better presentation in the financial statements. There were no major reclassifications or rearrangements for the year.



Yusuf H. Shirazi
Chairman



Saquib H. Shirazi
Chief Executive Officer



Sherali Mundrawala
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2007

No. of shareholders	Shareholdings			Total shares held	
412	From	1	to	100	16,749
326	From	101	to	500	88,618
139	From	501	to	1,000	106,459
253	From	1,001	to	5,000	595,318
74	From	5,001	to	10,000	516,221
20	From	10,001	to	15,000	235,432
18	From	15,001	to	20,000	306,701
1	From	20,001	to	25,000	22,100
3	From	25,001	to	30,000	81,832
4	From	30,001	to	35,000	125,935
3	From	35,001	to	40,000	111,418
2	From	40,001	to	45,000	85,888
4	From	45,001	to	50,000	187,336
3	From	60,001	to	65,000	187,217
1	From	70,001	to	75,000	70,338
1	From	85,001	to	90,000	85,402
1	From	90,001	to	95,000	90,539
2	From	125,001	to	130,000	251,756
1	From	135,001	to	140,000	138,170
1	From	180,001	to	185,000	181,166
1	From	220,001	to	225,000	224,124
1	From	275,001	to	280,000	278,964
1	From	405,001	to	410,000	408,843
1	From	1,165,001	to	1,170,000	1,166,071
1	From	1,375,001	to	1,380,000	1,378,531
4	From	3,310,001	to	3,315,000	13,249,269
1	From	6,540,001	to	6,545,000	6,543,512
1	From	14,395,001	to	14,400,000	14,395,183
1280					41,129,092

Categories of Shareholders	Shares held	Percentage
Directors, CEO, their spouses, minor children and associates	13,381,418	32.53
** Associated Companies, undertakings and related parties	22,104,766	53.75
NIT and ICP	225,270	0.55
Banks, Development Finance Institutions, Non-Banking Finance Institutions	-	-
* Insurance Companies	-	-
Modarabas and Mutual Funds	-	-
** Shareholders holding 10%		
General Public		
Local	3,789,809	9.21
Foreign	-	-
Others		
Security & Exchange Commission of Pakistan (SECP)	1	0.00
Joint Stock Companies	93,865	0.23
Cooperative Society	388	0.00
Trust	17,044	0.04
Habib Bank AG Zurich (SWT)	138,000	0.34
JP Morgan (Suisse) SA	1,378,531	3.35
	41,129,092	100.00

Note : Included in Associated Companies

* Atlas Insurance Ltd. 1,166,071 shares

** Honda Motor Company Ltd. 14,395,183 shares, Shirazi Investments (Pvt) Ltd. 6,543,512 shares

**PATTERN OF SHAREHOLDING
ADDITIONAL INFORMATION
AS AT JUNE 30, 2007**

Shareholders Category	No. of Shares held	Percentage
Associated Companies, Undertakings and related Parties:		
Atlas Insurance Limited	1,166,071	2.84
Shirazi Investments (Pvt) Limited	6,543,512	15.91
Honda Motor Company Limited	14,395,183	35.00
	22,104,766	53.75
NIT and ICP:		
National Bank Of Pakistan Trustee Department	224,125	0.55
Investment Corporation of Pakistan	462	0.00
IDBP (ICP Unit)	683	0.00
	225,270	0.55
Directors, CEO, their spouses, minor children and associates		
Mr. Yusuf H. Shirazi & Associates	10,063,024	24.47
Mr. Saquib H. Shirazi (CEO)	3,312,316	8.05
Mr. Sanaullah Qureshi	161	0.00
Mr. Sherali Mundrawala	5,916	0.01
Mr. Masahiro Takedagawa	1	0.00
	13,381,418	32.53
Executives	-	-
Public Sector Companies and Corporations	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	-	-
Individuals	3,789,809	9.21
Others	1,627,829	3.96
Total	41,129,092	100.00
Shareholders holding 10% or more voting interest		
Shirazi Investments (Pvt) Limited	6,543,512	15.91
Honda Motor Company Limited	14,395,183	35.00

Details of Trading in the shares by Directors

Name	No. of Shares Purchased	Date of Purchase	Price per Share
Nil	Nil	Nil	Nil

Eye-catching graphics



Strong 4 stroke engine



Comfortable seat with rear grip



CG125

Feel Alive!



- Powerful 125 CC 4-stroke engine.
- Eye-catching graphics with color coded speedometer.
- Bright crystal headlight and bigger tail light.
- Comfortable seat with rear grip.



Bigger and brighter tail light



Bright crystal headlight



Speedometer with color code

Modern & Contoured
Fuel Tank



Speedometer with Trip Meter
Tachometer with
Fuel Gauge Indicator



Strong, Adjustable
Rear Cushion



- Attractive sporty design.
- 4-stroke OHV power-up engine.
- Wider wheel base for balance.
- Non-asbestos brake for better performance.



Leave an impression!

**CG125
DELUXE**



4-Stroke OHV
Power-up Engine



Front Hydraulic Disc Brake



Back Light with
Aerodynamic Cowl

Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 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 Atlas Lubricants	1997
 Atlas Asset Management	2002
 Atlas Capital Markets	2006
 Atlas Power	2007

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 43rd Annual General Meeting of the company to be held at the Registered Office of the Company at 1-Mcleod Road, Lahore, on Saturday, September 29, 2007 at 10:30 a.m. and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2007
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.



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

AFFIX
POSTAGE

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Atlas Honda Limited

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