



Half Yearly Report  
September 30, 2011



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# Company Information

## Board of Directors

Yusuf H. Shirazi  
Chairman

Hisao Kobayashi  
Director

Koji Takamatsu  
Director

Nurul Hoda  
Director

Sanaullah Qureshi  
Director

Sherali Mundrawala  
Director

Takashi Nagai  
Director

Saquib H. Shirazi  
Chief Executive Officer

Rashid Amin  
Company Secretary

## Audit Committee

Sanaullah Qureshi  
Chairman

Sherali Mundrawala  
Member

Nurul Hoda  
Member

Zaheer Ul Haq  
Head of Internal Audit

Syed Tanvir Hyder  
Secretary

## Management Committee

Saquib H. Shirazi  
Chief Executive Officer

Nurul Hoda  
Vice President Marketing

Hisao Kobayashi  
Vice President Technical

Suhail Ahmed  
Chief Financial Officer

Muhammad Khalid Aziz  
General Manager Plants

Sultan Ahmed  
General Manager Quality Assurance

Koji Takamatsu  
General Manager Research & Development

Mushtaq Alam  
General Manager Information Technology

Javed Afghani  
General Manager Marketing

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

Khawaja Shujauddin  
General Manager Planning & Commercial

Shakeel Mirza  
General Manager Supply Chain

Afaq Ahmed  
General Manager Research,  
Development & Projects

# Company Information

## Auditors

Hameed Chaudhri & Co.  
Chartered Accountants

## Legal Advisors

Mohsin Tayebaly & Co.  
Agha Faisal - Barrister at Law

## Tax Advisor

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Shares Registrar

Hameed Majeed Associates (Pvt.) Limited  
H. M. House, 7-Bank Square,  
Shahrah-e-Quaid-e-Azam, Lahore  
Tel: (92-42) 37235081-82  
Fax: (92-42) 37358817

## Bankers

Allied Bank Limited  
Bank Al-Habib Limited  
Barclays Bank PLC Pakistan  
Deutsche Bank AG  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Tokyo-Mitsubishi UFJ Limited  
United Bank Limited

## Registered Office

1-McLeod Road, Lahore-54000  
Tel: (92-42) 37225015-17, 37233515-17  
Fax: (92-42) 37233518, 37351119  
E-mail: ahl@atlas.com.pk  
Website: www.atlashed.com.pk

## Factories

F-36, Estate Avenue, S.I.T.E.,  
Karachi-75730  
Tel: (92-21) 32575561-65  
Fax: (92-21) 32563758

26-27 KM, Lahore-Sheikhupura Road,  
Sheikhupura-39321  
Tel: (92-56) 3406501-8  
Fax: (92-56) 3406009

## Branch Offices

Azmat Wasti Road, Multan  
Tel: (92-61) 4540054, 4540028,  
4571989, 4572898  
Fax: (92-61) 4541690

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

4B, Zamindara Colony, Rahim Yar Khan  
Tel: (92-68) 5888809

## Show Room

West View Building, Preedy Street,  
Saddar, Karachi.  
Tel: (92-21) 32720833, 32727607

## Spare Parts Division

D-181/A, S.I.T.E, Karachi-75730  
Tel: (92-21) 32576690

## Warranty & Training Centres

7-Pak Chambers, West Wharf Road,  
Karachi. Tel: (92-21) 32310142

28 Mozang Road, Lahore  
Tel: (92-42) 36375360, 36303366

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

# Chairman's Review

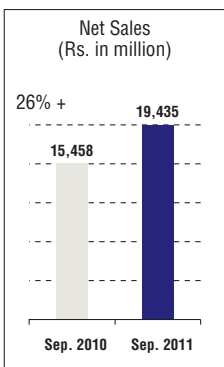
It is my pleasure to present the unaudited condensed interim financial information of the Company for the half year ended September 30, 2011, duly reviewed by the statutory auditors of the Company.

## The Economy

The economy of Pakistan is showing improvement with some positive macroeconomic indicators. Exports during 1QFY12 were recorded at US \$ 7.3 billion against US \$ 6.2 billion for the corresponding period of last year. Food and textile added to the export bill, which increased by 10.34% in value terms. The international oil prices, on average, moved up by 45%, inflating the import bill by 24%, whereas exports increased by only 18%. However, the remittances supported the Current Account Deficit (CAD) with an amount of US \$ 3.2 billion, a year on year increase of 25%. Foreign exchange reserves are currently standing at US \$ 17.3 billion, adequate to meet both the short-term debt and the current account financing needs. Inflation during the quarter stands at 11.5% against 13.4% of the corresponding period, largely due to revision of the base year and change in weightage of commodities that constitute price index. The State Bank of Pakistan slashed its key interest rate by 150 basis points (bps) to 12%, which should ease the cost of financing for the industry. To some extent, this should help to ease the pain caused by the floods in Sindh, which have put pressure on the GDP growth.

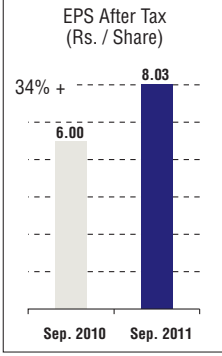
During the first quarter of current fiscal year, large scale manufacturing index posted meager growth of only 0.7%. This was largely due to the slowdown in textile on account of persistent energy crisis as well as slow off-take in the engineering and consumer products. Major demand of two-wheeler comes from the rural areas, so the healthy cash flows of the previous two years are sustaining the momentum of demand growth of motorcycles. The correlation of motorcycle sales with agriculture income is evident from 14% growth in two-wheeler during the fiscal quarter. Atlas Honda Limited, thus, was able to post volume growth of 20% in the first half of the financial year.

## Operating Results



Your Company has remained committed to back its volume growth with stronger financial performance. Accordingly, it has managed to achieve encouraging financial results. The Company has posted its all time highest turnover of Rs. 19.4 billion for the half year under review, which is 26% higher than the corresponding period. This is the direct result of efficient utilization of rising market demand and improved sales mix. The Gross Profit (GP) for the half year under review amounted to Rs. 1.4 billion, 19% higher as compared to Rs. 1.1 billion of corresponding period. However, the GP percentage experienced a decrease from 7.4% of the corresponding period to around 7.0%, owing to increase in raw material prices, rising energy cost and depreciation of Pak Rupee against US Dollar and Japanese Yen.

Distribution and administrative expenses for the half year under review amounted to Rs. 634.2 million, which are 3.3% of sales against 3.6% for the corresponding period. The Company remained focused on controlling operational costs in order to optimize its financial performance despite the high inflation. The Company registered other income, net of finance cost and other expenses at Rs. 85.6 million for the half year under review, which is an encouraging 65% higher than the corresponding period. This was achieved due to better



treasury management and early repayment of borrowings. It is worth mentioning here that your Company maintained its status of being completely debt free during the second financial quarter. As on September 30, 2011, the Company has no outstanding borrowings.

The above factors have helped to achieve a record profit after tax of Rs. 577.8 million as compared to Rs. 431.5 million of the corresponding period, an increase of 34%. Resultantly, the Company achieved earnings per share (EPS) for the half year under review of Rs. 8.03 against EPS of Rs. 6.00 for the corresponding period.

## Future Outlook

Pakistan's economy has done reasonably well in terms of economic and social indicators over the last few decades by maintaining an average growth rate of 5% per annum in spite of huge challenges. Further strengthening of economy will largely depend on the implementation of such measures that address the key problems such as inflation, budget deficit and low tax-to-GDP ratio. The power sector is the biggest challenge for the economy. Persistent energy problems and security issues will continue to check Pakistan's growth, with rising inflation posing a further major risk. Growth revival will depend on expedited implementation of structural reforms and fiscal improvements.

According to an estimate, Rs. 1 trillion have trickled from urban economies to rural areas over the last three years. The affect of raised support prices, coupled with transfers of income from urban to rural areas, can be seen in the rising trend of motorcycle sales. Government has recently raised the wheat support price which will help to grow the motorcycle demand.

With expanded capacities already in place, the Company is uniquely positioned to meet the increasing demand and in return, create value for its stakeholders. Considering the fact that margins are under pressure due to currency devaluation, rising input cost and hike in energy prices, focus would be given on increasing volumes, productivity, operational efficiency and cost control measures.

جتنے لہجے پیب دھردی اُتھے اگدا سُرودا بُوٹا

(When one puts down the foot, it grows and grows)

## Acknowledgement

I take this opportunity to thank Honda Motor Company Limited, Japan, for its continued support and cooperation in maintaining high standards of excellence. I would also like to thank our valued customers for their patronage, Mr. Saquib H. Shirazi and his management team for their continued commitment and the Board of Directors for its guidance. One would like to acknowledge the continued support of all stakeholders - Bankers, Associates, Dealers, Vendors and Shareholders for helping build Atlas Honda Limited into a unique company in the two wheeler industry.

Yusuf H. Shirazi

November 28, 2011  
Karachi



## HAMEED CHAUDHRI & CO. CHARTERED ACCOUNTANTS

# Auditors' Report to the Members on Review of Interim Financial Information

## Introduction

We have reviewed the accompanying condensed interim balance sheet of **Atlas Honda Limited** ("the Company") as at September 30, 2011 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures for the condensed interim profit and loss account for the quarters ended September 30, 2011 and September 30, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended September 30, 2011.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended September 30, 2011 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi: November 28, 2011  
Engagement partner: Abdul Majeed Chaudhri

*Hameed Chaudhri & Co.*  
HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

### LAHORE:

HM House, 7-Bank Square.  
Tel : 37235084-87 Fax : 042-37235083  
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URL : www.hccpk.com

### KARACHI:

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Tel : 32411474, 32412754, 32424826  
Fax : 021-32424835 E-mail : khi@hccpk.com  
URL : www.hccpk.com

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# Condensed Interim Balance Sheet

As at September 30, 2011

	Note	September 30, 2011 (Unaudited) (Rupees in '000)	March 31, 2011 (Audited)
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	3,409,019	3,259,193
Intangible assets		7,171	7,137
Long-term investments - available for sale		-	-
Long-term loans and advances		21,593	22,403
Long-term deposits		15,852	10,765
		<u>3,453,635</u>	<u>3,299,498</u>
<b>Current Assets</b>			
Stores, spares and loose tools		330,551	325,891
Stock-in-trade	6	2,686,392	2,003,029
Trade debts	7	730,952	401,435
Loans and advances		32,291	33,525
Trade deposits and prepayments	8	128,620	36,936
Short-term investments - at fair value through profit or loss	9	1,392,052	1,338,474
Accrued mark-up / interest		4,552	8,517
Other receivables		21,593	15,075
Income tax receivable		77,839	68,050
Cash and bank balances		1,285,795	2,090,800
		<u>6,690,637</u>	<u>6,321,732</u>
		<u>10,144,272</u>	<u>9,621,230</u>



# Condensed Interim Balance Sheet

As at September 30, 2011

	Note	September 30, 2011 (Unaudited)	March 31, 2011 (Audited)
<b>(Rupees in '000)</b>			
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	10	719,350	625,522
Reserves and unappropriated profits		4,074,239	3,996,892
		4,793,589	4,622,414
<b>Non-Current Liabilities</b>			
Deferred liabilities		669,840	649,354
<b>Current Liabilities</b>			
Trade and other payables		4,680,843	4,255,584
Accrued mark-up / interest		-	6,378
Current portion of long-term borrowings		-	87,500
		4,680,843	4,349,462
<b>Contingencies and Commitments</b>			
	12		
		10,144,272	9,621,230

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

## Condensed Interim Profit and Loss Account (Unaudited)

For the Three Months Period and Half Year Ended September 30, 2011

	Note	Three months period ended September 30,		Half year ended September 30,	
		2011	2010	2011	2010
(Rupees in '000)					
Net sales		9,646,618	7,436,520	19,435,001	15,457,814
Cost of sales	13	(8,972,008)	(6,914,625)	(18,073,333)	(14,317,816)
<b>Gross profit</b>		674,610	521,895	1,361,668	1,139,998
Distribution cost		(231,128)	(175,729)	(460,990)	(405,395)
Administrative expenses		(87,362)	(68,830)	(173,185)	(144,487)
Other operating income		61,513	72,446	151,650	156,008
Other operating expenses		(29,179)	(22,801)	(61,280)	(48,558)
<b>Profit from operations</b>		388,454	326,981	817,863	697,566
Finance cost		(1,056)	(25,704)	(4,724)	(55,643)
<b>Net profit before taxation</b>		387,398	301,277	813,139	641,923
Taxation	14	(110,310)	(94,595)	(235,375)	(210,415)
<b>Net profit after taxation</b>		277,088	206,682	577,764	431,508
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		277,088	206,682	577,764	431,508
(Rupees)					
<b>Earnings per share - basic and diluted</b>	15	3.85	2.87	8.03	6.00

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

# Condensed Interim Cash Flow Statement (Unaudited)

For the Half Year Ended September 30, 2011

	Note	September 30,	
		2011	2010
<b>(Rupees in '000)</b>			
<b>Cash Flows from Operating Activities</b>			
Cash generated from operations	16	337,286	1,011,229
Mark-up / interest paid		(7,917)	(61,035)
Income tax paid		(245,164)	(277,260)
Compensated leave absences paid		(1,323)	(1,006)
Workers' Profit Participation Fund paid		(75,668)	(57,853)
Long-term loans and advances - net		810	(1,792)
Long-term deposits - net		(5,087)	(486)
<b>Net cash generated from operating activities</b>		<b>2,937</b>	<b>611,797</b>
<b>Cash Flows from Investing Activities</b>			
Fixed capital expenditure		(424,697)	(313,319)
Investments acquired		(365,000)	(436,044)
Sale proceeds from disposal of operating fixed assets		39,474	34,639
Sale proceeds from disposal of investments		367,813	297,217
Mark-up / interest received		68,557	72,195
<b>Net cash used in investing activities</b>		<b>(313,853)</b>	<b>(345,312)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings		(87,500)	(237,500)
Dividend paid		(406,589)	(268,086)
<b>Net cash used in financing activities</b>		<b>(494,089)</b>	<b>(505,586)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(805,005)</b>	<b>(239,101)</b>
Cash and cash equivalents at beginning of the period		2,090,800	1,641,963
<b>Cash and cash equivalents at end of the period</b>		<b>1,285,795</b>	<b>1,402,862</b>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

# Condensed Interim Statement of Changes In Equity

For the Half Year Ended September 30, 2011

(Rupees in '000)

Share Capital	Capital Reserves		Revenue Reserves		Total
	Share Premium	Gain on sale of land	General Reserve	Unappropriated Profits	

**Balance as at April 1, 2010 (Audited)** 543,932 39,953 165 2,582,000 725,774 3,891,824

## Transactions with owners

Final dividend for the year ended March 31, 2010 @ Rs. 5 per share	-	-	-	-	(271,966)	(271,966)
Bonus shares issued during the year in the ratio of 3 shares for every 20 shares held	81,590	-	-	-	(81,590)	-
	81,590	-	-	-	(353,556)	(271,966)

Total comprehensive income for the half year ended September 30, 2010 - - - - 431,508 431,508

**Balance as at September 30, 2010 (Unaudited)** 625,522 39,953 165 2,582,000 803,726 4,051,366

Total comprehensive income for six months period ended March 31, 2011 - - - - 571,048 571,048

**Balance as at March 31, 2011 (Audited)** 625,522 39,953 165 2,582,000 1,374,774 4,622,414

## Transactions with owners

Final dividend for the year ended March 31, 2011 @ Rs. 6.5 per share	-	-	-	-	(406,589)	(406,589)
Bonus shares issued during the year in the ratio of 3 shares for every 20 shares held	93,828	-	-	-	(93,828)	-
	93,828	-	-	-	(500,417)	(406,589)

Transfer to general reserve - - - 860,000 (860,000) -

Total comprehensive income for the half year ended September 30, 2011 - - - - 577,764 577,764

**Balance as at September 30, 2011 (Unaudited)** 719,350 39,953 165 3,442,000 592,121 4,793,589

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

# Notes to the Condensed Interim Financial Information (Unaudited)

## For the Half Year Ended September 30, 2011

### 1. Legal Status and Operations

Atlas Honda Limited (the Company) was incorporated as a public limited company on October 16, 1962 under the Companies Act, 1913, now Companies Ordinance, 1984. Currently, the shares of the Company are listed on Karachi and Lahore stock exchanges of Pakistan. The registered office is located at 1-Mcleod Road, Lahore. The Company is principally engaged in progressive manufacturing and marketing of motorcycles and spare parts. The manufacturing and assembly facilities of the Company are located at Karachi and Sheikhpura, with branches, warranty and training centres and other offices located at Karachi, Multan, Lahore, Rahim Yar Khan and Rawalpindi.

### 2. Basis of Preparation

- 2.1 This condensed interim financial information of the Company for the half year ended September 30, 2011 is being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984 (the Ordinance) and the listing regulations of Karachi and Lahore stock exchanges and has been prepared in accordance with the requirements of the International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34) and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Ordinance. Wherever the requirements of IAS 34 differ from the requirements of the Ordinance or directives issued by the SECP, the Ordinance and the said directives have been followed.
- 2.2 This condensed interim financial information is unaudited, however, has been reviewed by the statutory auditors under limited scope in accordance with the requirements of the Code of Corporate Governance.
- 2.3 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended March 31, 2011.
- 2.4 This condensed interim financial information is presented in Pak Rupee, which is the functional currency of the Company. All the financial information presented in Pak Rupee has been rounded off to the nearest thousand, except for earnings per share which is presented in whole figures.

### 3. Summary of Significant Accounting Policies

- 3.1 The accounting policies and the methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited annual financial statements of the Company for the year ended March 31, 2011, except for the adoption of new accounting policies as referred to in note 3.2 and 3.3.
- 3.2 Following amendment to existing approved accounting standard became effective for the periods beginning on or after January 1, 2011 and is relevant to the Company:

IAS 34 (Amendment), 'Interim financial reporting'. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value measurement hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment has resulted in an additional disclosure as presented in note 17 to this condensed interim financial information.

**3.3** Following new accounting standards, amendments to existing approved accounting standards and interpretations became effective during the period, but are either not currently relevant to the Company or do not have any significant impact on the Company's financial information:

- IAS 1 (Amendment), 'Presentation of financial statements'	(effective from January 2011)
- IAS 12 (Amendment), 'Income taxes'	(effective from January 2011)
- IAS 24 (Revised), 'Related party transactions'	(effective from January 2011)
- IAS 27 (Amendment), 'Consolidated and separate financial statements'	(effective from July 2010)
- IAS 28 (Amendment), 'Investments in associates'	(effective from July 2010)
- IAS 31 (Amendment), 'Interest in joint ventures'	(effective from July 2010)
- IFRS 1 (Amendment), 'First-time adoption of International Financial Reporting Standards'	(effective from January 2011)
- IFRS 3 (Amendment), 'Business combinations'	(effective from July 2010)
- IFRS 7 (Amendment), 'Financial instruments: Disclosures'	(effective from January 2011)
- IFRIC 4, 'Determining whether an arrangement contains a lease'	(effective from July 2010)
- IFRIC 13 (Amendment), 'Customer loyalty programmes'	(effective from January 2011)
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'	(effective from January 2011)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	(effective from January 2011)

#### 4. Critical Accounting Estimates and Judgments

**4.1** The preparation of this condensed interim financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's 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 resulting accounting estimates will, by definition, seldom equal the related actual results, however, the differences are not expected to be significant.

**4.2** During the preparation of this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the annual audited financial statements of the Company for the year ended March 31, 2011.

	Note	September 30, 2011 (Unaudited)	March 31, 2011 (Audited)
(Rupees in '000)			
Operating fixed assets	5.1	3,341,669	3,256,040
Capital work-in-progress		67,350	3,153
		<u>3,409,019</u>	<u>3,259,193</u>

#### 5. Property, Plant and Equipment

<b>5.1 Operating fixed assets</b>			
Book value at beginning of the period / year		3,256,040	3,160,666
Additions	5.2	359,539	612,701
Disposals, costing Rs. 134,572 thousand (March 31, 2011: Rs. 190,733 thousand)			
- at book value	5.3	(35,628)	(54,041)
Depreciation		(238,282)	(463,286)
Book value at end of the period / year		<u>3,341,669</u>	<u>3,256,040</u>

September 30,  
2011  
(Unaudited)  
(Rupees in '000)

March 31,  
2011  
(Audited)

## 5.2 Additions

Building on freehold land	2,944	8,231
Building on leasehold land	393	7,487
Plant and machinery	244,408	275,713
Dies and jigs	50,168	205,185
Factory equipment	15,587	6,690
Office equipment	751	1,967
Computers and accessories	2,325	14,272
Furniture and fixtures	1,005	1,506
Electric and gas fittings	24,757	22,716
Vehicles	17,201	68,934
	<u>359,539</u>	<u>612,701</u>

## 5.3 Disposals - at book value

Building on leasehold land	-	638
Plant and machinery	24,337	21,967
Dies and jigs	-	12,736
Factory equipment	82	2,097
Office equipment	-	2
Computers and accessories	27	494
Electric and gas fittings	10	965
Vehicles	11,172	15,142
	<u>35,628</u>	<u>54,041</u>

## 6. Stock-In-Trade

Raw materials and components	2,037,050	1,652,572
Work-in-process	61,515	10,112
Finished goods	277,874	199,834
Goods-in-transit	310,773	141,331
	<u>2,687,212</u>	<u>2,003,849</u>
Provision for slow moving stocks	(820)	(820)
	<u>2,686,392</u>	<u>2,003,029</u>

## 7. Trade Debts

### Considered good

Export - secured	6,182	19,704
Local - unsecured	724,770	381,731
	<u>730,952</u>	<u>401,435</u>

## 8. Trade Deposits and Prepayments

Includes prepayments of Rs. 123,920 thousand (March 31, 2011: Rs. 35,048 thousand) made during the period in respect of renewals of insurance policies, rental agreements and maintenance contracts.

September 30,  
2011  
(Unaudited)  
(Rupees in '000)

March 31,  
2011  
(Audited)

## 9. Short-Term Investments - at Fair Value Through Profit or Loss

Investments in mutual funds:  
Related parties  
Others

	771,861	603,215
	620,191	735,259
	1,392,052	1,338,474

## 10. Share Capital

September 30, 2011  
(Unaudited)  
(Number of shares)

March 31, 2011  
(Audited)

100,000,000	100,000,000	Authorized capital	1,000,000	1,000,000
		Ordinary shares of Rs. 10 each		
		Issued, subscribed and paid up capital		
62,552,206	54,393,223	Balance at beginning of the period / year	625,522	543,932
9,382,830	8,158,983	Issued ordinary shares of Rs.10 each as fully paid bonus shares	93,828	81,590
71,935,036	62,552,206	Balance at end of the period / year	719,350	625,522

## 11. Short-Term Finances

**11.1** The Company has facilities for short-term running finance from various commercial banks under mark-up arrangements amounting to Rs. 2,865,000 thousand (March 31, 2011: Rs. 2,865,000 thousand). The facilities carry mark-up at the rate of Re. 0.3847 to Re. 0.4052 (March 31, 2011: Re. 0.3518 to Re. 0.4030) per thousand per day on daily product basis and are secured against pari passu joint-hypothecation charge over Company's stock-in-trade and trade debts upto a maximum of Rs. 4,058,000 thousand (March 31, 2011: Rs. 4,058,000 thousand). These facilities are expiring on various dates by March 31, 2012. The mark-up on running finance facilities is payable on quarterly basis. There is no availed balance outstanding against these facilities as at September 30, 2011.

**11.2** The Company also has a facility for foreign currency finance and export re-finance amounting to Rs. 400,000 thousand (March 31, 2011: Rs. 400,000 thousand), secured against lien on export bills / contracts.

## 12. Contingencies and Commitments

### 12.1 Contingencies

There is no change in status of the contingencies as disclosed in Note 24.1 of the annual audited financial statements of the Company for the year ended March 31, 2011.



September 30,  
2011  
(Unaudited)  
(Rupees in '000)

March 31,  
2011  
(Audited)

## 12.2 Outstanding bank guarantees

67,416

66,178

Guarantees are issued by commercial banks to Collector of Customs and Government institutions for imported raw materials and spare parts as part of normal operations.

## 12.3 Commitments

Confirmed letters of credit relating to:

Capital expenditure

Raw materials and components

31,201

29,763

967,939

1,227,898

999,140

1,257,661

Rentals under Ijarah arrangements:

Due within one year

Later than one year but not later than five years

59,030

38,485

92,766

86,644

151,796

125,129

## 13. Cost of Sales

Finished goods at beginning of the period

223,689

117,813

199,834

147,920

Cost of goods manufactured

8,617,115

6,713,092

17,283,630

13,754,248

Purchases

409,078

262,504

867,743

594,432

9,026,193

6,975,596

18,151,373

14,348,680

9,249,882

7,093,409

18,351,207

14,496,600

Finished goods at end of the period

(277,874)

(178,784)

(277,874)

(178,784)

8,972,008

6,914,625

18,073,333

14,317,816

### 13.1 Cost of goods manufactured

Work-in-process at beginning of the period

39,891

48,383

10,112

24,397

Raw materials and components consumed

7,266,757

5,613,042

14,598,474

11,586,183

Factory overheads

1,371,982

1,097,749

2,736,559

2,189,750

8,638,739

6,710,791

17,335,033

13,775,933

8,678,630

6,759,174

17,345,145

13,800,330

Work-in-process at end of the period

(61,515)

(46,082)

(61,515)

(46,082)

8,617,115

6,713,092

17,283,630

13,754,248

## 14. Taxation

Current

100,478

84,161

230,329

199,981

Adjustments of prior years

-

-

(4,786)

-

Deferred

9,832

10,434

9,832

10,434

110,310

94,595

235,375

210,415

Note	Three months period ended September 30,		Half year ended September 30,	
	2011	2010	2011	2010

(Unaudited)  
(Rupees in '000)

## 15. Earnings Per Share

### Basic and diluted earnings per share

Net profit after taxation		277,088	206,682	577,764	431,508
Weighted average number of ordinary shares outstanding for the period	10	71,935,036	71,935,036	71,935,036	71,935,036
Basic and diluted earnings per share (Rupees)		3.85	2.87	8.03	6.00

Note	Half year ended September 30,	
	2011	2010

(Unaudited)  
(Rupees in '000)

## 16. Cash Generated from Operations

Net profit before taxation		813,139	641,923
<b>Adjustments for non-cash charges and other items</b>			
Depreciation of operating fixed assets	5.1	238,282	223,503
Amortization of intangible assets		927	3,881
Net change in fair value of 'investments at fair value through profit or loss'		(48,816)	(24,986)
Gain on sale of investments		(7,575)	(18,275)
Mark-up / interest on deposits		(64,592)	(72,645)
Mark-up / interest on short-term finances and long-term borrowings		1,539	48,796
Workers' Profit Participation Fund		43,665	34,475
Provision for compensated leave absences		21,809	25,189
Gain on disposal of operating fixed assets		(3,846)	(3,075)
Working capital changes	16.1	(657,246)	152,443
		337,286	1,011,229

### 16.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spares and loose tools	(4,660)	(16,838)
Stock-in-trade	(683,363)	(601,786)
Trade debts	(329,517)	(56,537)
Loans and advances	1,234	(1,004)
Trade deposits and prepayments	(91,684)	(57,096)
Other receivables	(6,518)	(18,707)
	(1,114,508)	(751,968)

Increase in current liabilities:

Trade and other payables	457,262	904,411
	(657,246)	152,443

## 17. Financial Risk Management

**17.1** This condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended March 31, 2011. The Company's activities expose it to a variety of financial risks, which are (i) market risk (including foreign currency risk, interest rate risk and other price risk), (ii) credit risk and (iii) liquidity risk. There has been no change in Company's sensitivity to these risks since March 31, 2011, except for the reduction of exposure from liquidity risk due to early repayment of borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no changes in the treasury department and risk management objectives and policies of the Company during the period.

17.2 Short-term investments of the Company, as given in note 9 are recognized at fair value and are placed at level 1 in the fair value measurement hierarchy, due to the reason that they are tradable at a quoted price in the active market. There were no significant changes in the business or economic circumstances during the period that would have affected the fair value of the financial assets of the Company. No reclassifications in the categories of financial assets have been made since March 31, 2011.

## 18. Transactions with Related Parties

Related parties comprise of associated companies, staff retirement funds / schemes, directors and other key management personnel. Details of the transactions carried out with related parties during the period are as follows:

Relationship	Nature of transactions	Half year ended September 30,	
		2011 (Unaudited) (Rupees in '000)	2010 (Audited)
Associated companies	Sale of goods	18,707	18,014
	Sale of services	968	1,034
	Sale of operating fixed assets	4,386	1,490
	Sale of investments	50,000	62,191
	Purchase of goods and services	2,825,761	2,804,047
	Purchase of operating fixed assets	12,412	23,676
	Purchase of investments	200,000	50,000
	Royalty	953,472	765,884
	Export commission	20,400	14,898
	Technical assistance fee	13,500	5,140
	Commission income earned	10,212	7,241
	Rent paid	58,144	46,241
	Insurance premium paid	158,714	118,275
	Insurance claims received	1,988	1,366
Reimbursement of expenses - net	26,253	17,926	
Dividend paid	352,891	236,047	
Donation paid	-	5,386	
Staff retirement funds / schemes	Contributions paid	19,346	16,530
Key management personnel	Remuneration and other benefits	52,640	47,782
		<b>September 30, 2011 (Unaudited) (Rupees in '000)</b>	<b>March 31, 2011 (Audited)</b>
<b>Period / year end balances</b>			
Trade debts		1,627	-
Loans and advances		1,494	-
Trade and other payables		1,237,480	438,955

## 19. Date of Authorization For Issue

This condensed interim financial information was approved by the Board of Directors and authorized for issue on November 28, 2011.

## 20. Corresponding Figures

Corresponding figures in the condensed interim balance sheet comprise of balances as per the annual audited financial statements of the Company for the year ended March 31, 2011 and corresponding figures in the condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity comprise of balances of comparable period of the immediately preceding financial year i.e. half year ended September 30, 2010. In addition, corresponding figures in the condensed interim profit and loss account also include balances of the three months period ended September 30, 2010. Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is immaterial.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

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