



Quarterly Report  
June 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

Saqib 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

Saqib 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 quarterly report together with the un-audited condensed interim financial information of the Company for the first quarter ended June 30, 2011.

## The Economy

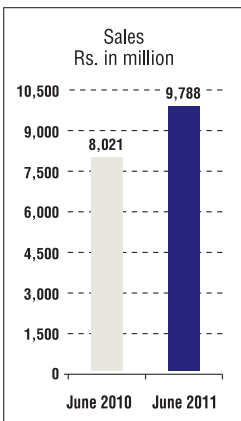
The economy has shown signs of recovery through improvement in variety of macroeconomic indicators. Stability of external account remained a key positive, driven by strong export performance on the back of higher commodity prices, thus, reaching to US\$ 30.3 billion in FY 2011, an increase of 22% from last year. This was supplemented by 26% Y-o-Y growth in workers' remittances crossing USD 11 billion. Consequently, current account surplus was recorded at USD 205 million during 11M/FY11 against last year deficit of USD 3.4 billion. This has in turn grown foreign currency reserves presently at a record high of USD 18 billion in July 2011 and provided much needed stability to PKR against USD. All this contributed in achieving GDP growth of 2.4% in FY11.

However, the revival of economy was thwarted from complete recovery due to large fiscal deficit which is estimated at around 6% of GDP. With drying up of external funding from IFIs and multinational donors, the impact of widening fiscal deficit is visible through sharply rising domestic debt which exceeded PKR 5.6 trillion. Inflation continued to be the major concern and averaged at 14% in FY11 owing to escalating food and oil prices. Foreign direct investment (FDI) fell by 12% during 10M/FY11 to a meager USD1.4 billion on account of a poor security situation and chronic power shortages, which have put off long-term investors.

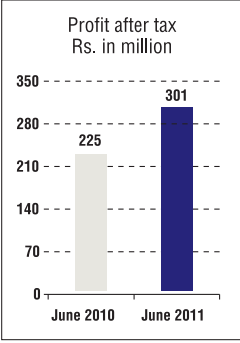
Agriculture which accounted for 21% share in GDP remained a key player and recorded a modest growth of 1.2% in 10M/FY11. Higher prices of agricultural produce provided much needed support for boosting exports and reviving manufacturing sector by creating additional demand for goods and services.

Large scale manufacturing (LSM) sector registered a meager growth of 1% during 10M/FY11, with a major push coming from agri-based industries and automobile sector. However, many industries continue to face operational constraints due to gas and electricity shortages, hampering full production and resulting in underutilization of capacity.

## Operating Results



The year began with a good momentum and the Company posted its highest ever turnover of Rs. 9.8 billion for any quarter which is 22% higher compared to the same period last year. The positive performance primarily represents volume growth and a better sales mix. However, gross profit percentage declined from 7.7% to 7.0%. The decline was affected by rising input costs in international markets compounded with the deterioration of the Rupee against Japanese Yen and escalating energy cost. Distribution and administrative expenses for the period were Rs. 316 million, which are 3.2% of sales as against 3.8% for the corresponding period. The Company has been successful in maintaining tight control over expenses despite persistent high inflation and increase in fuel cost. Other income, net of financial charges, was recorded at Rs. 86.4 million, an encouraging increase



of 61%. This was due to improved liquidity, better treasury management and early repayment of long term borrowings. Currently, Company has no outstanding borrowings and achieved the status of "debt free company". All this contributed to register a record post tax profit for a single quarter of Rs. 300.7 million as compared to Rs. 224.8 million of corresponding period, an encouraging increase of 33.7% with net profit margin improved from 2.8% to 3.1%. Resultantly, the Company achieved earnings per share of Rs. 4.18 against corresponding quarter of Rs. 3.13.

## Future Outlook

The economy over the years has shown resilience despite crisis after crisis. The macro economic outlook seems challenging on account of rising inflation, fiscal slippages and drying up of financial inflows. The revenue generating measures through widening of tax net are necessary to contain fiscal deficit. These measures along with better debt management will protect the private sector from being crowded out of bank credit, reduce inflation and secure the external account position. Going forward, growth in agriculture sector holds the key which should improve on account of expected recovery from Kharif crops and improved water availability. This augurs well for two wheeler industry too. However, persistent energy problems and security issues will continue to put pressure on LSM growth.

With its product line up, strong market position and an efficient management, the Company is well positioned to grow the two wheeler market as a whole and its own share therein. The Company is focused on growth opportunities and is determined to significantly improve operating results by adding value to shareholders' wealth through volumes, improved manpower productivity and cost efficiency.

سے چشمِ داکردو جهانِ دیگرے پیدا شد  
(Renewed efforts will bring renewed results)

## Acknowledgement

I would like to thank Honda Motor Company Ltd., Japan, for its continued support and cooperation in maintaining high standards of excellence. I would also like to thank our valued customers for their confidence in our products, 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, Dealers, Vendors and Shareholders for helping build Atlas Honda Limited into a unique company in the two wheeler industry.

Yusuf H. Shirazi

Dated: July 28, 2011  
Karachi

# Condensed Interim Balance Sheet

As at June 30, 2011

	Note	June 30, 2011 (Unaudited) (Rupees in '000)	March 31, 2011 (Audited)
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	3,372,025	3,259,193
Intangible assets		6,708	7,137
Long-term investments - available for sale		-	-
Long-term loans and advances		21,429	22,403
Long-term deposits		15,379	10,765
		<u>3,415,541</u>	<u>3,299,498</u>
<b>Current Assets</b>			
Stores, spares and loose tools		320,636	325,891
Stock-in-trade	6	2,752,532	2,003,029
Trade debts		523,736	401,435
Loans and advances		36,489	33,525
Trade deposits and prepayments		19,631	36,936
Short-term investments - at fair value through profit or loss	7	1,373,688	1,338,474
Accrued mark-up / interest		11,956	8,517
Other receivables		25,566	15,075
Income tax receivable		107,346	68,050
Cash and bank balances		1,812,397	2,090,800
		<u>6,983,977</u>	<u>6,321,732</u>
		<u>10,399,518</u>	<u>9,621,230</u>

# Condensed Interim Balance Sheet

As at June 30, 2011

	Note	June 30, 2011 (Unaudited) (Rupees in '000)	March 31, 2011 (Audited)
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	8	719,350	625,522
Reserves and unappropriated profits		3,797,151	3,996,892
		<u>4,516,501</u>	<u>4,622,414</u>
<b>Non-Current Liabilities</b>			
Deferred liabilities		661,788	649,354
<b>Current Liabilities</b>			
Trade and other payables		5,221,229	4,255,584
Accrued mark-up / interest		-	6,378
Current portion of long-term borrowings	9	-	87,500
		<u>5,221,229</u>	<u>4,349,462</u>
<b>Contingencies and Commitments</b>	11		
		<u><u>10,399,518</u></u>	<u><u>9,621,230</u></u>

The annexed notes 1 to 19 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 Ended June 30, 2011

	Note	June 30, 2011 (Rupees in '000)	2010
Net sales		9,788,383	8,021,294
Cost of sales	12	(9,101,325)	(7,403,191)
<b>Gross profit</b>		687,058	618,103
Distribution cost		(229,862)	(229,666)
Administrative expenses		(85,823)	(75,657)
Other operating income		90,137	83,562
Other operating expenses		(32,101)	(25,757)
<b>Profit from operations</b>		429,409	370,585
Finance cost		(3,668)	(29,939)
<b>Net profit before taxation</b>		425,741	340,646
Taxation	13	(125,065)	(115,820)
<b>Net profit after taxation</b>		300,676	224,826
Other comprehensive income		-	-
<b>Total comprehensive income</b>		300,676	224,826
<b>(Rupees)</b>			
<b>Earnings per share - basic and diluted</b>	14	4.18	3.13

The annexed notes 1 to 19 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 Three Months Period Ended June 30, 2011

	Note	June 30,	
		2011	2010
		(Rupees in '000)	
<b>Cash Flows from Investing Activities</b>			
Cash generated from operations	15	259,955	889,918
Mark-up / interest paid		(7,725)	(25,561)
Income tax paid		(164,361)	(156,759)
Compensated leave absences paid		(361)	(570)
Workers' Profit Participation Fund paid		(75,668)	(57,853)
Long-term loans and advances - net		974	(2,795)
Long-term deposits - net		(4,614)	613
<b>Net cash generated from operating activities</b>		<b>8,200</b>	<b>646,993</b>
<b>Cash Flows from Investing Activities</b>			
Fixed capital expenditure		(264,610)	(176,388)
Investments acquired		(250,000)	(154,253)
Sale proceeds from disposal of property, plant and equipment		29,299	9,016
Sale proceeds from disposal of investments		250,000	162,152
Mark-up / interest received		36,208	33,137
<b>Net cash used in investing activities</b>		<b>(199,103)</b>	<b>(126,336)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of long-term borrowings		(87,500)	(125,000)
Dividends paid		-	(152,067)
<b>Net cash flows used in financing activities</b>		<b>(87,500)</b>	<b>(277,067)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(278,403)</b>	<b>243,590</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>1,812,397</b>	<b>1,885,553</b>

The annexed notes 1 to 19 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 Three Months Period Ended June 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 three months period ended June 30, 2010 - - - - 224,826 224,826

**Balance as at June 30, 2010 (Unaudited)** 625,522 39,953 165 2,582,000 597,044 3,844,684

Total comprehensive income for nine months period ended March 31, 2011 - - - - 777,730 777,730

**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 three months period ended June 30, 2011 - - - - 300,676 300,676

**Balance as at June 30, 2011 (Unaudited)** 719,350 39,953 165 3,442,000 315,033 4,516,501

The annexed notes 1 to 19 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 Three Months Period Ended June 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 three months period ended June 30, 2011 is unaudited and 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 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.

**2.3** 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 hierarchy, change in classification of financial assets and changes in contingent liabilities and assets. The amendment has resulted in an additional disclosure as presented in note 16 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

## Notes to the Condensed Interim Financial Information (Unaudited) For the Three Months Period Ended June 30, 2011

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 24 (Revised), 'Related party transactions'	(effective from January 2011)
- IAS 27 (Amendment), 'Consolidated and separate financial statements'	(effective from January 2011)
- 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 January 2011)
- 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.

**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 annual audited financial statements of the Company for the year ended March 31, 2011.

	Note	June 30, 2011 (Unaudited)	March 31, 2011 (Audited)
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(Rupees in '000)

#### 5. Property, Plant and Equipment

Operating fixed assets	5.1	3,327,337	3,256,040
Capital work-in-progress		44,688	3,153
		<u>3,372,025</u>	<u>3,259,193</u>

##### 5.1 Operating fixed assets

Book value at beginning of the period / year		3,256,040	3,160,666
Additions	5.2	223,075	612,701
Disposals, costing Rs. 59,828 thousand (March 31, 2011: Rs. 190,733 thousand)			
- at book value	5.3	(29,290)	(54,041)
Depreciation		<u>(122,488)</u>	<u>(463,286)</u>
Book value at end of the period / year		<u>3,327,337</u>	<u>3,256,040</u>

## Notes to the Condensed Interim Financial Information (Unaudited)

For the Three Months Period Ended June 30, 2011

	June 30, 2011 (Unaudited) (Rupees in '000)	March 31, 2011 (Audited)
<b>5.2 Additions</b>		
Building on freehold land	200	8,231
Building on leasehold land	-	7,487
Plant and machinery	187,084	275,713
Dies and jigs	28,945	205,185
Factory equipment	2,605	6,690
Office equipment	45	1,967
Computers and accessories	112	14,272
Furniture and fixtures	-	1,506
Electric and gas fittings	901	22,716
Vehicles	3,183	68,934
	<u>223,075</u>	<u>612,701</u>
<b>5.3 Disposals - at book value</b>		
Building on leasehold land	-	638
Plant and machinery	24,009	21,967
Dies and jigs	-	12,736
Factory equipment	-	2,097
Office equipment	-	2
Computers and accessories	-	494
Electric and gas fittings	-	965
Vehicles	5,281	15,142
	<u>29,290</u>	<u>54,041</u>
<b>6. Stock-In-Trade</b>		
Raw materials and components	2,406,447	1,652,572
Work-in-process	39,891	10,112
Finished goods	223,689	199,834
Goods-in-transit	83,325	141,331
	<u>2,753,352</u>	<u>2,003,849</u>
Provision for slow moving stocks	(820)	(820)
	<u>2,752,532</u>	<u>2,003,029</u>
<b>7. Short-Term Investments - at Fair Value Through Profit or Loss</b>		
Investments in mutual funds:		
Related parties	769,162	603,215
Others	604,526	735,259
	<u>1,373,688</u>	<u>1,338,474</u>

## Notes to the Condensed Interim Financial Information (Unaudited)

For the Three Months Period Ended June 30, 2011

### 8. Share Capital

June 30, 2011 (Unaudited) (Number of shares)	March 31, 2011 (Audited)		June 30, 2011 (Unaudited) (Rupees in '000)	March 31, 2011 (Audited)
100,000,000	100,000,000	Authorized capital		
		Ordinary shares of Rs. 10 each	1,000,000	1,000,000
		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

### 9. Current Portion of Long-Term Borrowings

During the period, the Company repaid borrowings of Rs. 87,500 thousand (March 31, 2011: Rs. 787,500 thousand), out of which, current portion amounted to Rs. 87,500 thousand (March 31, 2011: Rs. 362,500 thousand). The discharge of liability also includes Rs. 50,000 thousand (March 31, 2011: Rs. 400,000 thousand) on account of early repayment. As at June 30, 2011 there are no borrowings outstanding towards the Company.

### 10. Short-Term Finances

**10.1** 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. 0.3803 to Re. 0.4008 (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). These facilities are expiring on various dates by March 31, 2012. The mark-up on running finance facilities is payable on quarterly basis. As at period end, no facilities were availed by the Company.

**10.2** 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.

## Notes to the Condensed Interim Financial Information (Unaudited)

For the Three Months Period Ended June 30, 2011

### 11. Contingencies and Commitments

#### 11.1 Contingencies

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

	June 30, 2011 (Unaudited) (Rupees in '000)	March 31, 2011 (Audited) (Rupees in '000)
<b>11.2 Outstanding bank guarantees</b>	71,862	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.

#### 11.3 Commitments

Confirmed letters of credit relating to:

Capital expenditure	66,523	29,763
Raw materials and components	759,875	1,227,898
	<u>826,398</u>	<u>1,257,661</u>

Rentals under Ijarah arrangements:

Due within one year	57,282	38,485
Later than one year but not later than five years	133,117	86,644
	<u>190,399</u>	<u>125,129</u>

	Note	June 30, 2011 (Rupees in '000)	2010
<b>12. Cost of Sales</b>			
Finished goods at beginning of the period		199,834	147,920
Cost of goods manufactured	12.1	8,666,515	7,041,156
Purchases		458,665	331,928
		<u>9,125,180</u>	<u>7,373,084</u>
		9,325,014	7,521,004
Finished goods at end of the period		(223,689)	(117,813)
		<u>9,101,325</u>	<u>7,403,191</u>
<b>12.1 Cost of goods manufactured</b>			
Work-in-process at beginning of the period		10,112	24,397
Raw materials and components consumed		7,331,717	5,973,141
Factory overheads		1,364,577	1,092,001
		<u>8,696,294</u>	<u>7,065,142</u>
		8,706,406	7,089,539
Work-in-process at end of the period		(39,891)	(48,383)
		<u>8,666,515</u>	<u>7,041,156</u>
<b>13. Taxation</b>			
Current		129,851	115,820
Adjustment for prior years		(4,786)	-
		<u>125,065</u>	<u>115,820</u>



## Notes to the Condensed Interim Financial Information (Unaudited)

For the Three Months Period Ended June 30, 2011

	Note	June 30, 2011	2010
(Rupees in '000)			
<b>14. Earnings Per Share</b>			
<b>Basic and diluted earnings per share</b>			
Net profit after taxation		300,676	224,826
Weighted average number of ordinary shares outstanding for the period	8	71,935,036	71,935,036
			<b>Restated</b>
Basic and diluted earnings per share (Rupees)		4.18	3.13
<b>15. Cash Generated from Operations</b>			
Net profit before taxation		425,741	340,646
<b>Adjustment for non-cash charges and other items</b>			
Depreciation of operating fixed assets	5.1	122,488	118,343
Amortization of intangible assets		429	2,389
Net change in fair value of 'investments at fair value through profit of loss'		(30,880)	(5,814)
Gain on sale of investments		(4,334)	(17,056)
Mark-up / interest on deposits		(39,647)	(35,566)
Mark-up / interest on short-term finances and long-term borrowings		1,347	26,338
Workers' Profit Participation Fund		22,892	18,295
Provision for compensated leave absences		12,795	10,876
(Gain) / loss on disposal of operating fixed assets		(9)	5,785
Working capital changes	15.1	(250,867)	425,682
		259,955	889,918
<b>15.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		5,255	3,129
Stock-in-trade		(749,503)	(331,728)
Trade debts		(122,301)	(172,661)
Loans and advances		(2,964)	(2,523)
Trade deposits and prepayments		17,305	30,135
Other receivables		(10,491)	(4,379)
Increase in current liabilities		(862,699)	(478,027)
Trade and other payables		611,832	903,709
		(250,867)	425,682
<b>16. Financial Risk Management</b>			
<b>16.1</b> 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 material 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 (note 9). There have been no changes in the treasury department and risk management policies of the Company during the period.			
<b>16.2</b> Short-term investments of the Company, as given in note 7 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.			

## Notes to the Condensed Interim Financial Information (Unaudited)

For the Three Months Period Ended June 30, 2011

### 17. Transactions with Related Parties

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

Relationship	Nature of transactions	June 30,	
		2011 (Rupees in '000)	2010
Associated companies	Sale of goods	9,017	9,889
	Sale of operating fixed assets	3,543	-
	Sale of investments	-	570,692
	Purchase of goods and services	1,449,769	1,357,673
	Purchase of operating fixed assets	6,372	5,471
	Purchase of investments	150,000	558,477
	Royalty	470,650	380,754
	Export commission	11,371	7,066
	Technical assistance fee	8,500	3,000
	Commission income earned	6,129	4,361
	Rent paid	8,824	4,947
	Insurance premium paid	26,116	16,520
	Insurance claims received	798	193
	Reimbursement of expenses-net	9,844	9,334
	Dividend paid	-	140,859
Staff retirement funds/schemes	Contributions paid	9,741	8,190
Key management personnel	Remuneration and other benefits	25,041	24,747
		<b>June 30, 2011 (Unaudited)</b>	<b>March 31, 2011 (Audited)</b>
		<b>(Rupees in '000)</b>	
Period end balances			
Payable to related parties - net		927,353	669,156

### 18. Date of Authorization For Issue

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

### 19. 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. three months period ended June 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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