



QUARTERLY REPORT

June 30, 2013



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# Company Information

## Board of Directors

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Yusuf H. Shirazi  
Chairman

Hisao Kobayashi  
Director

Hiroaki Hirose  
Director

Nurul Hoda  
Director

Sanaullah Qureshi  
Director

Shigeki Takane  
Director

Tariq Amin  
Director

Saqib H. Shirazi  
Chief Executive Officer

Syed Tanvir Hyder  
Company Secretary

## Audit Committee

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Sanaullah Qureshi  
Chairman

Tariq Amin  
Member

Nurul Hoda  
Member

Zaheer Ul Haq  
Head of Internal Audit

Syed Tanvir Hyder  
Secretary

## Human Resource & Remuneration Committee

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Sanaullah Qureshi  
Chairman

Tariq Amin  
Member

Saqib H. Shirazi  
Member

Razi Ur Rehman  
Secretary

## Management Committee

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Saqib H. Shirazi  
Chief Executive Officer

Suhail Ahmed  
Vice President Marketing

Hisao Kobayashi  
Vice President Technical

Kashif Yasin  
Chief Financial Officer

Muhammad Khalid Aziz  
General Manager Plants

Sultan Ahmed  
General Manager Quality Assurance

Hiroaki Hirose  
General Manager Technical

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

Shakil Mirza  
General Manager Supply Chain

Afaq Ahmed  
General Manager Research & Development

Muhammad Qadeer Khan  
General Manager Engineering & 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  
Bank Alfalah Limited  
Barclays Bank PLC Pakistan  
Deutsche Bank AG  
Faysal Bank Limited  
Habib Bank Limited  
MCB Bank Limited  
Meezan 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.atlashonda.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, 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

391, Block D, Latifabad Unit # 6, Hyderabad  
Tel: (92-22) 3864983-4  
Fax: (92-22) 3864985

## 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

I am pleased to present the unaudited condensed interim financial information of the Company for the three months period ended June 30, 2013.

## The Economy

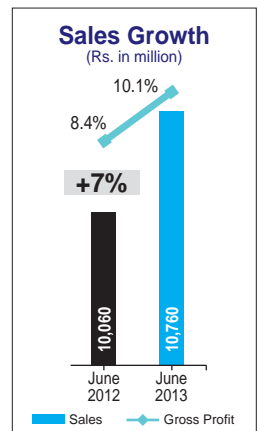
The macroeconomic conditions continued to be challenging despite modest growth momentum. Inflation maintained its downward trend reducing to 7.4%. The easing inflationary pressures allowed SBP to cut policy rate by further 50 bps to 9%. Workers' remittances continued to shore up the domestic economy posting inflows of USD 14 billion. Foreign direct investment posted a growth of 76% and stood at USD 1.44 billion. Also, exports went up by 6.3% for 11 MFY 2013 in comparison to imports which decreased by 0.8%. The improving trade deficit and receipt from Coalition Support Fund has reduced the Current account deficit to USD 1.9 billion. However, foreign currency reserves remained under pressure on the back of IMF repayments and depleted to USD 11.4 billion, a Y-o-Y decline of 26.1%. This has resulted in devaluation of Pak Rupee by 5.4% against US Dollar. On the fiscal front, low tax collections and heavy subsidies resulted in fiscal deficit accumulating upto 8.8% of GDP. Resultantly, the Government is financing the entire deficit through local borrowings. Given the foregoing challenges on external and fiscal fronts, the GDP growth is recorded at 3.6% against target of 4.2%.

In the agriculture sector, the Kharif crop was adversely affected by floods and rising input cost. This was neutralized by the timely increase in wheat support prices and higher agri-credit disbursements in Rabi season. However, lowering income levels and liquidity continues to restrain the demand of two wheelers in rural areas.

Large Scale Manufacturing registered growth of 4.17% during July - May 2012-13. The recovery in index is attributable to improved margins on account of lower financing costs, declining raw material prices, increase in construction activities and higher demand of cotton yarn. However, ongoing energy crisis remains the biggest threat to production activities.

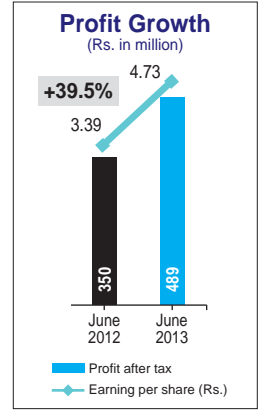
## Operating Results

As the Company has started the 50th year since its inception, it placed even greater emphasis on the strategic objectives aimed at delivering sustainable long term growth. The sales for the three months period ended June 30, 2013 amounted to Rs. 10.8 billion, an increase of 7% from corresponding period. Gross profit margin improved to 10.1% from 8.4%. This positive performance reflects favorable impact of volume growth, right product mix, weakening of JPY against USD and cost control measures. Sales & marketing and administrative expenses were Rs.423.7 million, an increase of 6.5% over the corresponding period. The increase mainly represents spending on advertising and promotional activities



and effects of general inflation. Other operating income net of finance cost improved by 6.3% over the corresponding period on account of effective treasury management. The aforementioned factors enabled the Company to register highest ever net profit before taxation of Rs. 679 million.

Accordingly, net profit after taxation was recorded at Rs. 488.9 million, an increase of 39.5% over the corresponding period. Healthy profit figures have improved Earnings per Share (EPS) to Rs. 4.73 per share for the three months period ended June 30, 2013, in comparison to Rs. 3.39 per share (restated) for the corresponding period.



## Future Outlook

The key challenges facing Pakistan's economy emanate from long standing structural issues which have continued to stifle economic activity and growth. The macro economic outlook is largely dependent on the government's ability to control fiscal deficit and addressing energy needs for revitalizing LSM and GDP growth. Government's recent efforts to resolve circular debt is an encouraging sign. However, the terms of IMF's recent bailout package are expected to disturb certain economic indicators. Agriculture, being the largest employer, holds the key to revival. Reasonable support prices, improved acreage and timely subsidies to farmers will bring positive results to the economy. This is expected to strengthen demand of two-wheelers in the rural areas.

Despite the challenging environment, optimum operational excellence and enhanced management skills have positioned the Company to achieve sustained and qualitative growth over the long-term. The Company believes that the principles of "The Atlas Way" will continue to provide a path to operational excellence and market leadership in the years ahead.

لَيْسَ لِلْإِنْسَانِ إِلَّا مَا سَعَى ۝  
(انسان کو اتنا ہی ملے گا جتنی اس نے کوشش کی)

## Acknowledgement

The Atlas Group takes great pride in its partnership with Honda Motor Company Limited and would like to acknowledge their continued support and cooperation in maintaining high standards of excellence. I would like to thank our valued customers for the confidence they continue to place in us, the management team for their sincere efforts, the Board of Directors for their guidance, Mr. Saquib H. Shirazi - C.E.O. for his inspiring leadership and all stakeholders - Bankers, Dealers, Vendors, Associates and Shareholders for helping to build Atlas Honda Limited into a unique company.

Yusuf H. Shirazi

Dated: July 31, 2013  
Karachi

# Condensed Interim Balance Sheet

As at June 30, 2013

	Note	June 30, 2013 (Unaudited)	March 31, 2013 (Audited) Restated
(Rupees in '000)			
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	4,384,689	4,421,744
Intangible assets		7,799	5,555
Long-term investments		-	-
Long-term loans and advances		26,291	25,583
Long-term deposits		8,399	8,399
		4,427,178	4,461,281
<b>Current Assets</b>			
Stores, spares and loose tools		381,294	390,250
Stock-in-trade		2,856,602	2,171,536
Trade debts		497,533	514,742
Loans and advances		33,564	33,253
Trade deposits and prepayments		22,030	47,722
Short-term investments	6	1,713,116	1,635,183
Accrued mark-up / interest		19,090	11,603
Other receivables		4,283	6,302
Taxation - net		15,648	2,578
Cash and bank balances		2,612,472	2,739,988
		8,155,632	7,553,157
		12,582,810	12,014,438
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	7	1,034,066	827,253
Reserves		5,347,465	5,685,823
		6,381,531	6,513,076
<b>Non-Current Liabilities</b>			
Compensated absences		180,234	170,248
Deferred taxation		696,727	696,727
		876,961	866,975
<b>Current Liabilities</b>			
Trade and other payables	8	5,324,318	4,634,387
<b>Contingencies and Commitments</b>			
	9	12,582,810	12,014,438

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Yusuf H. Shirazi  
Chairman




Saquib H. Shirazi  
Chief Executive Officer


# Condensed Interim Profit and Loss Account (Unaudited)

For the Three Months Period Ended June 30, 2013

	Note	Three months period ended June 30,	
		2013	2012
		(Rupees in '000)	
Sales		10,759,975	10,060,181
Cost of sales	10	(9,675,412)	(9,212,038)
<b>Gross profit</b>		1,084,563	848,143
Sales and marketing expenses		(317,419)	(305,032)
Administrative expenses		(106,325)	(92,759)
Other operating income		73,250	69,085
Other operating expenses		(51,870)	(36,133)
<b>Profit from operations</b>		682,199	483,304
Finance cost		(3,190)	(3,166)
<b>Profit before taxation</b>		679,009	480,138
Taxation		(190,114)	(129,685)
<b>Profit after taxation</b>		488,895	350,453
Other comprehensive income		-	-
<b>Total comprehensive income</b>		488,895	350,453
		----(Rupees)----	
		Restated	
<b>Earnings per share</b> - basic and diluted	11	4.73	3.39

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

  
Yusuf H. Shirazi  
Chairman

  
Saquib H. Shirazi  
Chief Executive Officer



# Condensed Interim Cash Flow Statement (Unaudited)

For the Three Months Period Ended June 30, 2013

	Note	Three months period ended June 30,	
		2013	2012
<b>Cash Flows from Operating Activities</b>			
Cash generated from operations	12	734,893	634,240
Income tax paid		(203,184)	(187,027)
Compensated absences paid		(745)	(1,296)
Mark-up / interest received		25,836	10,799
Workers' profit participation fund paid		(118,931)	(87,135)
Long-term loans and advances		(708)	(2,174)
Long-term deposits		-	(1,380)
<b>Net cash generated from operating activities</b>		<b>437,161</b>	<b>366,027</b>
<b>Cash flows from Investing Activities</b>			
Fixed capital expenditure		(135,704)	(889,115)
Investments acquired		(200,000)	-
Sale proceeds from disposal of operating fixed assets		2,937	8,833
Sale proceeds from disposal of investments		150,000	-
<b>Net cash used in investing activities</b>		<b>(182,767)</b>	<b>(880,282)</b>
<b>Cash flows from Financing Activities</b>			
Dividend paid		(381,910)	-
<b>Net decrease in cash and cash equivalents</b>		<b>(127,516)</b>	<b>(514,255)</b>
Cash and cash equivalents - at beginning of the period		2,739,988	2,149,154
<b>Cash and cash equivalents - at end of the period</b>		<b>2,612,472</b>	<b>1,634,899</b>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer

# Condensed Interim Statement of Changes in Equity

For the Three Months Period Ended June 30, 2013

(Rupees in '000)

	Share Capital	Capital Reserves		Revenue Reserves		Total
		Share Premium	Gain on Sale of Land	General Reserve	Unappropriated Profit	
<b>Balance as at April 1, 2012 (audited)</b>	719,350	39,953	165	3,442,000	1,218,466	5,419,934
Remeasurement of retirement benefit obligation due to implementation of amendments in IAS 19 - (note 3.1)	-	-	-	-	(50,201)	(50,201)
<b>Balance as at April 1, 2012 (restated)</b>	719,350	39,953	165	3,442,000	1,168,265	5,369,733
Transfer to general reserve	-	-	-	630,000	(630,000)	-
<b>Transactions with owners</b>						
Bonus shares issued during the period in ratio of 3 shares for every 20 shares held	107,903	-	-	-	(107,903)	-
Final cash dividend for the year ended March 31, 2012 at the rate of Rs.6.50 per share	-	-	-	-	(467,578)	(467,578)
	107,903	-	-	-	(575,481)	(467,578)
Total comprehensive income for the three months period ended June 30, 2012	-	-	-	-	350,453	350,453
<b>Balance as at June 30, 2012 (unaudited)</b>	827,253	39,953	165	4,072,000	313,237	5,252,608
Total comprehensive income for the nine months period ended March 31, 2013	-	-	-	-	1,257,351	1,257,351
Remeasurement of retirement benefit obligation due to implementation of amendments in IAS 19 - (note 3.1)	-	-	-	-	3,117	3,117
<b>Balance as at March 31, 2013 (restated)</b>	827,253	39,953	165	4,072,000	1,573,705	6,513,076
Transfer to general reserve	-	-	-	630,000	(630,000)	-
<b>Transactions with owners</b>						
Bonus shares issued during the period in ratio of 1 share for every 4 shares held	206,813	-	-	-	(206,813)	-
Final cash dividend for the year ended March 31, 2013 at the rate of Rs.7.50 per share	-	-	-	-	(620,440)	(620,440)
	206,813	-	-	-	(827,253)	(620,440)
Total comprehensive income for the three months period ended June 30, 2013	-	-	-	-	488,895	488,895
<b>Balance as at June 30, 2013 (unaudited)</b>	1,034,066	39,953	165	4,702,000	605,347	6,381,531

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer

# Notes to the Condensed Interim Financial Information (Unaudited)

For the Three Months Period Ended June 30, 2013

## 1. The Company and its Activities

Atlas Honda Limited (the Company) is a public limited company incorporated in Pakistan and is listed on Karachi and Lahore Stock Exchanges. The Company is principally engaged in progressive manufacturing and marketing of motorcycles and spare parts.

## 2. Basis of Preparation

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended March 31, 2013.

## 3. Accounting Policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements for the year ended March 31, 2013, except as noted below.

### 3.1 Change in accounting policy due to the application of amendments in IAS 19 'Employee benefits'

The Company has applied amendments in IAS 19 'Employee benefits', which is applicable on accounting periods beginning on or after January 1, 2013. The amendments have changed the accounting for defined benefits plans and employee termination benefits. However, the most significant change relates to elimination of corridor approach for recognizing actuarial gains and losses and calculation of finance cost on net funding basis. The amendments require the actuarial gains and losses to be recognized in the balance sheet immediately. The charge to profit and loss statement is based on interest income or expense calculated on the net defined benefit liability / asset at the start of the year by applying the discount rate to such net liability / asset.

In accordance with the transitional provisions, the Company has considered these amendments as a change in accounting policy and applied them retrospectively. Consequently, the earliest periods presented in the Condensed Interim Statement of Changes in Equity and the Condensed Interim Balance Sheet have been restated. There is no impact on the Condensed Interim Profit and Loss account and Condensed Interim Cash Flow Statement.

The effects of retrospective application of the change in accounting policy are as follows:

	Trade and other payables	Equity
	(Rupees in '000)	
<b>Balance reported as at March 31, 2013</b>	4,587,303	6,560,160
Remeasurement of retirement benefit obligation due to implementation of amendments in IAS 19 for the year ended March 31, 2012	50,201	(50,201)
Remeasurement of retirement benefit obligation due to implementation of amendments in IAS 19 for the year ended March 31, 2013	(3,117)	3,117
<b>Restated balance as at March 31, 2013</b>	<u>4,634,387</u>	<u>6,513,076</u>

#### 4. Accounting Estimates and Judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. 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 expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

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 were applied to the audited annual financial statements for the year ended March 31, 2013.

	Note	June 30, 2013 (Unaudited) (Rupees in '000)	March 31, 2013 (Audited)
<b>5. Property, Plant and Equipment</b>			
Operating fixed assets	5.1	4,331,258	4,385,058
Capital work-in-progress		53,431	36,686
		<u>4,384,689</u>	<u>4,421,744</u>
<b>5.1 Operating fixed assets</b>			
Book value at beginning of the period / year		4,385,058	3,758,282
Additions during the period / year	5.2	115,720	1,306,268
Disposals, costing Rs. 6,223 thousand (March 31, 2013: Rs.166,023 thousand) - at book value	5.3	(2,937)	(57,962)
Write-offs, costing Nil (March 31, 2013: Rs. 1,330 thousand) - at book value		-	(408)
Depreciation charge for the period / year		(166,583)	(621,122)
Book value at end of the period / year		<u>4,331,258</u>	<u>4,385,058</u>
<b>5.2 Following is the detail of additions during the period / year:</b>			
Building on freehold land		665	8,942
Building on leasehold land		-	118,967
Plant and machinery		57,454	707,681
Dies and jigs		31,849	296,430
Factory equipment		2,910	39,823
Office equipment		92	3,202
Computers and accessories		5,703	10,769
Furniture and fixtures		157	10,346
Electric and gas fittings		6,267	67,292
Vehicles		10,623	42,816
		<u>115,720</u>	<u>1,306,268</u>
<b>5.3 Following is the detail of disposals during the period / year:</b>			
Plant and machinery		-	10,694
Dies and jigs		-	22,916
Factory equipment		-	924
Electric and gas fittings		-	306
Vehicles		2,937	23,122
		<u>2,937</u>	<u>57,962</u>

	<b>June 30, 2013 (Unaudited) (Rupees in '000)</b>	March 31, 2013 (Audited)
<b>6. Short-Term Investments</b> - at fair value through profit or loss		
Investments in mutual funds:		
- Related parties	1,124,181	1,056,901
- Others	588,935	578,282
	<u>1,713,116</u>	<u>1,635,183</u>
<b>7. Share Capital</b>		

During the period, a 25% issue of bonus shares in the ratio of one bonus share for every four shares held by the shareholders was proposed in the Board of Directors meeting held on April 30, 2013. The approval of the members for issue of bonus shares was obtained in the Annual General Meeting held on June 19, 2013. The effect of the issue of 20,681,322 bonus shares of Rs.10 each has been accounted for in this condensed interim financial information.

	<b>Note</b>	<b>June 30, 2013 (Unaudited) (Rupees in '000)</b>	March 31, 2013 (Audited) Restated
<b>8. Trade and Other Payables</b>			
Creditors		2,640,053	2,173,387
Accrued liabilities		814,775	679,023
Royalty payable	8.1	553,898	613,886
Warranty obligations		30,212	27,812
Advances from customers		566,423	613,684
Retention money		5,942	6,311
Sales tax payable		251,775	237,575
Workers' profit participation fund		36,492	118,931
Workers' welfare fund		67,555	53,687
Payable to staff retirement benefit funds - gratuity		76,176	70,687
Current / unclaimed dividend		262,220	23,690
Others		18,797	15,714
		<u>5,324,318</u>	<u>4,634,387</u>

**8.1** Includes Rs. 502,457 thousand (March 31, 2013: Rs. 512,960 thousand) due to Honda Motor Company Limited, Japan - a related party.

## **9. Contingencies and Commitments**

### **9.1 Contingencies**

**9.1.1** There is no change in status of the contingencies as disclosed in note 22.1 of the audited annual financial statements of the Company for the year ended March 31, 2013.

	<b>June 30, 2013 (Unaudited) (Rupees in '000)</b>	March 31, 2013 (Audited)
<b>9.1.2</b> Outstanding bank guarantees	<u>78,518</u>	<u>118,315</u>

	<b>June 30, 2013 (Unaudited)</b>	March 31, 2013 (Audited)
	(Rupees in '000)	

## 9.2 Commitments

### 9.2.1 Commitments in respect of:

- capital expenditure through confirmed letters of credit	115,127	-
- capital expenditure other than through letters of credit	13,102	91,220
- raw materials and components through confirmed letters of credit	996,924	1,349,083

### 9.2.2 Commitment for rentals of ijarah arrangements for electric & gas fittings and vehicles with various banks as at June 30, 2013 amounted to Rs.147,388 thousand (March 31, 2013: Rs.162,798 thousand) payable as follows:

	<b>June 30, 2013 (Unaudited)</b>	March 31, 2013 (Audited)
	(Rupees in '000)	
Not later than one year	101,879	119,172
Over one year to five years	45,509	43,626
	147,388	162,798

	<b>Three months period ended June 30,</b>	
Note	2013	2012
	(Unaudited)	
	(Rupees in '000)	

## 10. Cost of Sales

Finished goods at beginning of the period	250,247	264,073
Cost of goods manufactured	9,226,521	8,712,959
Purchases during the period	481,357	531,521
	9,707,878	9,244,480
	9,958,125	9,508,553
Finished goods at end of the period	(282,713)	(296,515)
	9,675,412	9,212,038

### 10.1 Cost of goods manufactured

Work-in-process at beginning of the period	6,587	11,113
Raw materials and components consumed	7,709,546	7,333,638
Factory overheads	1,541,434	1,405,311
	9,250,980	8,738,949
	9,257,567	8,750,062
Work-in-process at end of the period	(31,046)	(37,103)
	9,226,521	8,712,959

	Three months period ended June 30,	
	2013	2012
	(Unaudited) (Rupees in '000)	
11. Earnings per Share - basic and diluted		
Net Profit for the period	488,895	350,453
	----- (Number of shares) -----	
Weighted average number of ordinary shares in issue during the period	103,406,613	103,406,613
	----- (Rupees) -----	
Basic and diluted earnings per share	4.73	Restated 3.39

**11.1** There is no dilutive effect on the basic earnings per share of the Company. Number of shares in issue and earnings per share for the three months period ended June 30, 2012 have been restated, taking the effect of bonus shares at the rate of 25% issued during the current period.

	Note	Three months period ended June 30,	
		2013	2012
		(Unaudited) (Rupees in '000)	
12. Cash Generated from Operations			
Profit before taxation		679,009	480,138
<b>Adjustments for non-cash charges and other items</b>			
Depreciation of operating fixed assets		166,583	144,621
Amortization of intangible assets		995	584
Net change in fair value of investments at fair value through profit or loss		(25,275)	(36,823)
Gain on sale of investments		(2,658)	-
Mark-up / interest on savings deposit accounts and term deposit receipts		(33,323)	(18,489)
Workers' profit participation fund		36,492	25,814
Workers' welfare fund		13,868	9,809
Provision for compensated absences		10,731	13,607
Loss on disposal of operating fixed assets		-	1,265
Operating fixed assets written-off		-	768
		167,413	141,156
Working capital changes	12.1	(111,529)	12,946
		734,893	634,240

**Three months period ended  
June 30,**

	2013	2012
	<b>(Unaudited)</b>	
	<b>(Rupees in '000)</b>	

**12.1 Working capital changes**

(Increase) / decrease in current assets:

Stores, spares and loose tools

Stock-in-trade

Trade debts

Loans and advances

Trade deposits and prepayments

Other receivables

	8,956	1,545
	(685,066)	(771,296)
	17,209	(1,223)
	(311)	(4,984)
	25,692	26,625
	2,019	(6,711)
	(631,501)	(756,044)
Increase in trade and other payables	519,972	768,990
	(111,529)	12,946

**13. Financial Risk Management**

- 13.1** The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended March 31, 2013.

There has been no change in Company's sensitivity to these risks since March 31, 2013 except for general exposure to fluctuations in foreign currency and interest rates. There have been no change in the risk management policies during the period.

- 13.2** There have been no significant changes in the business or economic circumstances during the period that would have affected the fair values of the financial assets of the Company. Further, no re-classifications in the categories of financial assets have been made since March 31, 2013.



## 14. Transactions with Related Parties

Significant transactions with related parties are as follows:

Relationship with the Company	Nature of transactions	Three months period ended June 30,	
		2013 (Unaudited) (Rupees in '000)	2012
(i) Associates	<b>Sales</b>		
	- goods and services	35,589	6,329
	- operating fixed assets	763	7,794
	<b>Purchases</b>		
	- goods and services	1,365,391	1,374,797
	- operating fixed assets	5,877	2,062
	Sale of units in mutual funds	50,000	-
	Purchase of units in mutual funds	100,000	-
	Royalty	502,457	478,461
	Export commission	2,645	4,905
	Technical assistance fee	-	4,149
	Commission income	4,575	5,155
	Rent	10,540	9,706
	Insurance premium paid	18,245	27,666
	Insurance claims received	433	2,054
	Reimbursement of expenses - net	632	174
Dividend paid	538,497	-	
(ii) Staff retirement funds	Contributions paid to provident funds / pension schemes	11,342	10,689
(iii) Key management personnel	Remuneration and other benefits	24,942	26,029

## 15. Corresponding Figures

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of audited annual financial statements of preceding financial year, whereas, the condensed interim profit and loss account and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. No significant re-arrangements have been made except for restatement due to change in accounting policy as stated in note 3.1. The condensed interim balance sheet of beginning of preceding period has not been disclosed as the effect of changes was considered to be immaterial.

## 16. Date of Authorization for Issue

This condensed interim financial information was authorized for issue by the Board of Directors on July 31, 2013.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer

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