

**HALF YEARLY  
REPORT  
December 31, 2007**



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## COMPANY INFORMATION

### BOARD OF DIRECTORS

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

### AUDIT COMMITTEE

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

### MANAGEMENT COMMITTEE

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

## COMPANY INFORMATION

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<b>AUDITORS</b>	Hameed Chaudhri & Co.
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<b>LEGAL ADVISORS</b>	Mohsin Tayebaly & Co. Agha Faisal-Barrister at Law
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<b>TAX ADVISOR</b>	Ford Rhodes Sidat Hyder & Co.
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<b>BANKERS</b>	Atlas Bank Limited Bank Al-Habib Limited Deutsche Bank AG Habib Bank Limited MCB Bank Limited National Bank of Pakistan NIB Bank Limited Standard Chartered Bank (Pakistan) Limited The Bank of Tokyo-Mitsubishi UFJ Limited United Bank Limited
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<b>LENDING INSTITUTIONS</b>	Habib Bank Limited MCB Bank Limited National Bank of Pakistan The Bank of Tokyo-Mitsubishi UFJ Limited
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<b>REGISTERED OFFICE</b>	1-McLeod Road, Lahore-54000 Tel : (92-42) 7225015-17, 7233515-17 Fax : (92-42) 7233518, 7351119 E-mail : ahl@atlas.com.pk Website: www.atlashonda.com.pk
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<b>FACTORIES</b>	F-36, Estate Avenue, S.I.T.E., Karachi-75730 Tel : (92-21) 2575561-65 Fax : (92-21) 2563758 E-mail : ahl@atlas.com.pk  26-27 KM, Lahore-Sheikhupura Road, Sheikhupura-39321 Tel : (92-56) 3406501-8, Fax : (92-56) 3406009 E-mail : ahl@atlas.com.pk
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## COMPANY INFORMATION

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### BRANCH OFFICES

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

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

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### SHOW ROOM

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

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### SPARE PARTS DIVISION

D-181/A, S.I.T.E., Karachi-75730  
Tel : (92-21) 2576690

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### WARRANTY & TRAINING CENTRES

7-Pak Chambers, West Wharf Road,  
Karachi Tel : (92-21) 2310142

28 Mozang Road, Lahore  
Tel : (92-42) 6375360, 6305262

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

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## CHAIRMAN'S REVIEW

It is a pleasure for me to present to you the half-yearly accounts and review of the performance of the company for the period ending December 31, 2007.

### The Economy

Whilst the growth is still high at around 6.5 %, on the back of a robust services sector, the budget deficit, reserves and inflation higher interest rates and a lower exchange rate are the issues to be addressed during this consolidation period that the economy is passing through.

On the other hand agriculture sector, is once again showing resilience and giving the economy a solid base. A record high output of 62.3 million tons of sugarcane on the back of better water availability, favourable weather conditions and high sugarcane price is a good sign. Sugar industry is the second largest industry in the country and it will also benefit from this bumper harvest as estimates are of a record production of 4 million tons of sugar this year. Wheat production target is also set at an all time high of 24 million tons. With farm produce prices at fairly high level, the agro sector is set to perform well and may very well surpass its budgeted growth target of 4.8 percent for the year 2008.

The large scale manufacturing is passing through a consolidation period. There has been a slow down in the textile sector, which could post a meagre growth of only 2 percent YoY for the Jul-Sep 07 compared to a growth of 14.3 for the same period of the previous year. Still, a growth of 6.9 percent on a larger base of the economy is a significant achievement, given the difficult period the economy is passing through. The average GDP growth from 1951 to 2007 has been 5.14% which I believe will be maintained in all circumstances.

### Motorcycle Industry

Motorcycle industry has held its own in the wake of a general slowdown in the automotive sector. The motorcycle sector registered a 32 percent growth during Jan 07 to Dec 07 over the same period last year. The industry has around 52 manufacturers and an installed capacity of around 2 million units per annum. Production in the year 2008 should easily surpass last year's achievement of 800,000 units. However, the industry is being held back by a few negative factors, which if properly addressed, will allow the industry to become a major source of revenue for the nation in local currency as well as in foreign exchange. First, the healthy growth has been held back in face of unfair competition from the unorganized sector that is taking an unfair price advantage as it is flouting the Government's efforts to create a level playing field by avoiding taxes and Government levies. Secondly, the ever increasing cost of inputs is pushing up production costs exponentially. This in the long run may affect the aspiration of the industry to become a major export industry, which it is poised to become one.

During July - Dec FY08 your company achieved sales of 207,588 units - an all time high achievement! These sales were achieved as many initiatives that had been taken over the last couple of years came together to make Atlas Honda the most rapidly growing brand in the industry. The effect of price reduction that was offered to customers in June last year came through in the period under review. The products are now quite reasonably priced for the customers and they, in turn, have helped the company serve a wider cross section of the population. The product range now has something for everyone.

The improvements made in the marketing structure and the related penetration achieved through the introduction of new form of sales points has helped the company expand. The improvement in customer satisfaction, through improved availability of original parts and enhanced reach of warranty and service network, has also helped achieve the record sales.

On the growth front, the company is still endeavouring to keep up with the demand. The production team has done a great job by raising level of production and productivity. The vendors too have improved their productivity and efficiency.

### Operating Results

During the first half, the company revenue increased 19.15 percent to Rs. 9.52 billion as against Rs. 7.99 billion of the last corresponding period. The gross profit ratio of 8.8 percent remains at par as compared to corresponding period. However, it must be kept in mind that this year's margin already reflects an 8 percent reduction in price from July 07. Fortunately, a 28 % higher sales volume has more than compensated for the reduced price per motorcycle. In line with the increase in sales, the selling expenses and administrative cost increased to Rs. 293.20 million against Rs. 274.60 million of corresponding period. The financial charges reduced from Rs. 127.67 million to Rs 91.50 million compared to the corresponding period. This was largely due to a healthy cash position and efficient fund management. Surplus fund during the period were invested in high yielding deposits, deploying effective hedging mechanism to reduce the volatility of earning and minimizing interest rate and foreign exchange risk.

For the six months, profit before tax increased to Rs. 532.12 million as against Rs. 350.34 million and profit after tax to Rs. 381.05 million as compared to Rs. 221.82 million, up 71.78 percent as compared to the corresponding period last year.

### Future Outlook

Barring any unforeseen situation the growth of the motorcycle industry appears positive. With an expected bumper agriculture crop, the second half sales should exceed the result of the first half. However, it is pertinent to add that the government action against the unscrupulous segment of the industry must remain tough and uncompromising:

ڈٹو شاہیں ہے پرواز ہے کام تیرا

(Let us continue to keep our horizon high)

### Acknowledgement

Success is a product of team work. This is now especially true for your company also. I am grateful for the cooperation of Honda Motor Company Ltd., Japan, for helping us maintaining the standards of excellence over the years and especially in times of high growth. I would like to thank the Board of Directors, the Group Executive Committee and the Group President, for their guidance and support. I thank the financial institutions, dealers, vendors and customers for their confidence and the shareholders for the trust and confidence they have reposed in your company. I must also thank the Chief Executive Officer and his management team - all the staff and associates for their countless hours of work to build an even greater company in order to serve our valued customers better.



Yusuf H. Shirazi

Karachi: February 27, 2008

## REVIEW REPORT TO THE MEMBERS

### Introduction

We have reviewed the accompanying interim condensed balance sheet of Atlas Honda Limited as at December 31, 2007 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and the presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express our conclusion on this interim financial information based on our review.

### 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 become to our attention that causes us to believe that the accompanying interim financial information is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Karachi: February 27, 2008

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS



**INTERIM CONDENSED BALANCE SHEET**

AS AT DECEMBER 31, 2007

	Note	December 31, 2007 (Unaudited)	June 30, 2007 (Audited)
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	3,439,855	3,566,931
Intangible assets		21,428	24,324
		3,461,283	3,591,255
Investments - Available for sale		-	51,761
Long term loans and advances		11,205	12,943
Long term deposits and prepayments		8,366	15,900
<b>CURRENT ASSETS</b>			
Stores, spares & loose tools		399,907	407,730
Stock-in-trade	7	1,701,215	1,580,925
Trade debts		360,763	282,249
Loans and advances		47,487	20,553
Trade deposits and prepayments		61,959	5,075
Investments at fair value through profit and loss	8	1,687,733	864,989
Accrued mark-up / interest		-	90
Other receivables		306,421	283,552
Cash and bank balances		518,649	919,623
		5,084,134	4,364,786
		8,564,988	8,036,645
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	9	472,985	411,291
Reserves		2,265,543	2,009,004
Unappropriated profit		382,105	555,526
		3,120,633	2,975,821
<b>NON CURRENT LIABILITIES</b>			
Long term liabilities	10	903,455	1,109,267
Deferred Liabilities	11	545,531	559,487
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,306,977	2,770,966
Accrued mark-up / interest		54,877	57,035
Current portion of long term liabilities		459,649	465,829
Dividend payable		3,585	-
Provision for taxation		170,281	98,240
		3,995,369	3,392,070
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	12	8,564,988	8,036,645

The annexed notes 1 to 19 form an integral part of these interim condensed financial statements.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

## INTERIM CONDENSED PROFIT & LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	Note	Quarter ended December 31		Half year ended December 31	
		2007	2006	2007	2006
(Rupees in '000)					
Net sales		4,924,031	4,211,211	9,520,607	7,995,116
Cost of sales	13	(4,503,390)	(3,815,589)	(8,689,895)	(7,284,484)
Gross profit		420,641	395,622	830,712	710,632
Distribution cost		(82,266)	(79,366)	(177,875)	(167,297)
Administrative expenses		(58,250)	(53,083)	(115,327)	(107,309)
Other operating income		78,253	30,538	126,186	69,055
Other operating expenses		(20,311)	(15,282)	(40,110)	(27,065)
Profit from operations		338,067	278,429	623,586	478,016
Finance cost		(56,066)	(80,326)	(91,463)	(127,674)
Profit before tax		282,001	198,103	532,123	350,342
Taxation					
Current		(85,471)	51,684	(170,281)	-
Prior years'		1,009	(19,396)	1,009	(19,396)
Deferred		18,197	(109,125)	18,197	(109,125)
		(66,265)	(76,837)	(151,075)	(128,521)
Profit after tax		215,736	121,266	381,048	221,821
Earnings per share - basic and diluted (Rupees)	14	4.56	2.56	8.06	4.69

The annexed notes 1 to 19 form an integral part of these interim condensed financial statements.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

**INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED)**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	Note	Half year ended December 31	
		2007	2006
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES	15	823,788	(9,631)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(109,635)	(279,041)
Investments acquired		(1,955,000)	(811,060)
Sale proceeds of fixed assets		14,792	12,894
Sale proceeds of Investments		1,253,843	298,500
Dividend received		13,341	12,507
Mark-up/interest received on deposits		19,300	6,530
Acquisition cost of intangible assets		(5,583)	(12,749)
Net cash used in investing activities		(768,942)	(772,419)
Net cash flows before financing activities		54,846	(782,050)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loans		(208,647)	(133,040)
Payment of finance lease rentals		(3,983)	(3,983)
Acquisition of short term borrowings		-	913,843
Dividend paid		(243,190)	(214,586)
Net cash flows (used in) / generated from financing activities		(455,820)	562,234
Net decrease in cash & cash equivalents		(400,974)	(219,816)
Cash and cash equivalents at July 1		919,623	682,088
Cash and cash equivalents at December 31		518,649	462,272

The annexed notes 1 to 19 form an integral part of these interim condensed financial statements.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer




Sherali Mundrawala  
Director

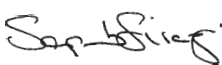
## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2007

(Rupees in '000)

	Capital Reserves			Revenue Reserves		Unrealized gain/(loss)		Total
	Share Capital	Share Premium	Gain on sale of land	General Reserve	Unappropriated Profit	on available for sale investments	on hedging instruments cash flow hedge	
Balance as at June 30, 2006 (Audited)	357,644	39,953	165	1,546,000	665,168	-	-	2,608,930
Final dividend (2006) @ Rs 6 per share	-	-	-	-	(214,586)	-	-	(214,586)
Issue of bonus shares	53,647	-	-	-	(53,647)	-	-	-
Transfer to General Reserve	-	-	-	395,000	(395,000)	-	-	-
Profit for the period	-	-	-	-	221,821	-	-	221,821
Balance as at December 31, 2006 (Unaudited)	411,291	39,953	165	1,941,000	223,756	-	-	2,616,165
Profit for the period	-	-	-	-	331,770	-	-	331,770
Unrealised gain on remeasurement of hedging instruments	-	-	-	-	-	-	26,125	26,125
Unrealised gain on remeasurement of investment	-	-	-	-	-	1,761	-	1,761
Balance as at June 30, 2007 (Audited)	411,291	39,953	165	1,941,000	555,526	1,761	26,125	2,975,821
Final dividend (2007) @ Rs 6 per share	-	-	-	-	(246,775)	-	-	(246,775)
Issue of bonus shares	61,694	-	-	-	(61,694)	-	-	-
Transfer to General Reserve	-	-	-	246,000	(246,000)	-	-	-
Removed from equity and transferred to profit & loss account	-	-	-	-	-	(1,963)	(7,646)	(9,609)
Unrealised gain on remeasurement	-	-	-	-	-	202	19,946	20,148
Profit for the period	-	-	-	-	381,048	-	-	381,048
Balance as at December 31, 2007 (Unaudited)	472,985	39,953	165	2,187,000	382,105	-	38,425	3,120,633

The annexed notes 1 to 19 form an integral part of these interim condensed financial statements.

  
Yusuf H. Shirazi  
Chairman

  
Saquib H. Shirazi  
Chief Executive Officer

  
Sherali Mundrawala  
Director

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007

**1. CORPORATE INFORMATION**

The company was incorporated as a public limited company on October 16, 1962 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The company is principally engaged in progressive manufacturing and marketing of motorcycles and parts.

**2. BASIS OF PRESENTATION**

These interim condensed financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS)-34, "Interim Financial Reporting", as applicable in Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2007.

**4. APPROVAL OF FINANCIAL STATEMENTS**

These interim condensed financial statements were approved by the Board of Directors and authorised for issue on February 27, 2008.

**5. PRESENTATION**

Figures in these interim condensed financial statements have been rounded off to the nearest thousand rupees.

December 31, 2007 (Unaudited)	June 30, 2007 (Audited)
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(Rupees in '000)

**6. FIXED ASSETS**

Property, plant and equipment	6.1	3,435,250	3,550,937
Capital work in progress		4,605	15,994
		<u>3,439,855</u>	<u>3,566,931</u>
<b>6.1 Property, plant and equipment</b>			
Book value at the beginning of the period / year		3,550,937	2,833,873
Additions during the period / year	6.2	121,024	1,202,989
Disposals during the period / year - at book value	6.3	(13,527)	(20,771)
Depreciation charged during the period / year		(223,184)	(465,154)
		<u>3,435,250</u>	<u>3,550,937</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	December 31, 2007 (Unaudited)	June 30, 2007 (Audited)		December 31, 2007 (Unaudited)	June 30, 2007 (Audited)
	(Rupees in '000)			(Rupees in '000)	
<b>6.2 Additions during the period / year - Owned assets</b>					
Building on freehold land	63	51,920			
Building on leasehold land	770	12,394			
Plant & machinery	13,949	880,328			
Dies & jigs	50,384	112,788			
Factory equipment	12,213	27,817			
Office equipment	595	357			
Computer & accessories	1,724	5,974			
Furniture & fixture	-	3,436			
Electric & gas fittings	8,147	29,500			
Vehicles	33,179	78,475			
	<u>121,024</u>	<u>1,202,989</u>			
<b>6.3 Disposals during the period / year - at book value</b>					
Plant & machinery	652	423			
Office equipment	-	180			
Furniture & fixture	8	103			
Electric & gas fittings	-	135			
Vehicles	12,867	19,930			
	<u>13,527</u>	<u>20,771</u>			
<b>7. STOCK IN TRADE</b>					
Raw material	1,251,563	1,247,761			
Work in process	29,948	6,378			
Finished goods	101,139	100,889			
Goods in transit	318,565	225,897			
	<u>1,701,215</u>	<u>1,580,925</u>			
<b>8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>					
Mutual funds:					
Related parties	-	864,989			
Others	1,687,648	-			
	<u>1,687,648</u>	<u>864,989</u>			
<b>9. SHARE CAPITAL</b>					
December 31, 2007 (No. of shares)	June 30, 2007		December 31, 2007 (Unaudited)	June 30, 2007 (Audited)	
			(Rupees in '000)		
		<b>Authorised Capital</b>			
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000</u>	<u>1,000,000</u>	
		<b>Issued, subscribed and paid up capital</b>			
<u>47,298,455</u>	<u>41,129,092</u>	Ordinary Shares of Rs. 10/- each	<u>472,985</u>	<u>411,291</u>	

On September 29, 2007 issuance of three bonus shares for every twenty shares (2007: three bonus shares for every twenty shares) held resulted in an increase in issued capital by Rs. 61,694 thousands (2007: Rs. 53,647 thousands).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	December 31, 2007 (Unaudited) (Rupees in '000)	June 30, 2007 (Audited)
<b>10. LONG TERM LIABILITIES</b>		
Long term financing -secured	894,193	1,096,419
Liabilities against assets subject to finance lease	9,262	12,848
	903,455	1,109,267
<b>11. DEFERRED LIABILITIES</b>		
Compensated leave absences	46,734	42,493
Deferred taxation	498,797	516,994
	545,531	559,487
<b>12. CONTINGENCIES &amp; COMMITMENTS</b>		
<b>12.1 Contingencies</b>		
Cases have been filed against the Company by some former employees for reinstatement of service. These cases are pending in different courts. The management is confident that the outcome of these cases will be in the Company's favor.		
<b>12.2 Guarantees</b>		
Issued by banks	133,965	142,063
Guarantees are issued to Collector of Customs and Government institutions and shall be released on delivery of motorcycles. These are issued under normal business operations.		
<b>12.3 Commitments</b>		
Confirmed letters of credit relating to raw materials	700,009	581,850
Capital expenditure commitments	11,695	7,056
Operating lease rentals:		
Due in one year	27,108	5,963
Due in one to five years	60,608	-

	Note	Quarter ended December 31		Half year ended December 31	
		2007	2006	2007	2006
<b>13. COST OF SALES</b>					
Stock at beginning		101,738	130,148	100,889	111,712
Cost of goods manufactured	13.1	4,385,386	3,768,071	8,416,197	7,104,050
Purchases		117,405	47,728	273,948	199,080
		4,502,791	3,815,799	8,690,145	7,303,130
		4,604,529	3,945,947	8,791,034	7,414,842
Stocks at end		(101,139)	(130,358)	(101,139)	(130,358)
		4,503,390	3,815,589	8,689,895	7,284,484

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	Quarter ended December 31		Half year ended December 31	
	2007	2006	2007	2006
<b>13.1 Cost of goods manufactured</b>	(Rupees in '000)			
Work in process at beginning	18,937	234,796	6,378	233,800
Raw materials & components consumed	3,666,990	2,899,682	6,983,244	5,525,453
Overheads	729,407	641,404	1,456,523	1,352,608
	4,396,397	3,541,086	8,439,767	6,878,061
	4,415,334	3,775,882	8,446,145	7,111,861
Work in process at end	(29,948)	(7,811)	(29,948)	(7,811)
	4,385,386	3,768,071	8,416,197	7,104,050

### 14. EARNINGS PER SHARE

#### Basic and diluted earnings per share

Earnings for purposes of basic earnings per share (net profit after tax for the period)	215,736	121,266	381,048	221,821
Weighted average number of outstanding ordinary shares for the purposes of basic earnings per share	47,298,455	47,298,455	47,298,455	47,298,455
Basic and diluted earnings per share - Rupees	4.56	2.56	8.06	4.69

6,169,363 (2007: 5,364,664) bonus shares of Rs 10 each were issued on September 29, 2007. Weighted average number of ordinary shares for the previous periods have been restated accordingly.

Half year ended  
December 31  
2007                      2006  
(Rupees in '000)

### 15. CASH FLOW FROM OPERATING ACTIVITIES

Net profit before taxation	532,123	350,342
Adjustment for:		
Depreciation	223,184	215,118
Unrealised (gain)/loss on remeasurement of investments	(28,089)	-
Gain on sale of investments	(43,498)	(26,147)
Interest income	(19,210)	(7,852)
Interest expense	83,814	112,306
Dividend income	(13,341)	(12,507)
Amortization	8,479	6,498
Finance cost on finance leased assets	638	863
Provision for employee compensated absences	7,588	3,640
Gain on sale of fixed assets	(1,266)	(752)
Operating profit before working capital changes	750,422	641,509



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	Half year ended December 31	
	2007	2006
	(Rupees in '000)	
<b>Working capital changes:</b>		
(Increase)/decrease in current assets:		
Stores, spares & loose tools	7,823	(61,189)
Stock in trade	(120,290)	(161,288)
Trade debtors	(78,514)	(38,493)
Loans and advances	(26,934)	(821)
Trade deposits and prepayments	(56,884)	(49,474)
Other receivables	(28,290)	49,878
	(303,089)	(261,387)
Increase in current liabilities:		
Trade and other payables	535,993	(206,430)
<b>Cash generated from operations</b>	<b>983,326</b>	<b>173,692</b>
Interest paid	(85,972)	(109,766)
Income taxes paid (including tax deducted at source)	(79,491)	(77,396)
Compensated leave absences paid	(3,347)	(630)
Long term loans and advances	1,738	(718)
Long term deposits and prepayments	7,534	5,187
<b>Net cash flows from operating activities</b>	<b>823,788</b>	<b>(9,631)</b>

**16. RELATED PARTY TRANSACTIONS**

Related parties comprise of associated companies, staff retirement funds, directors and key management personnel. The company in the normal course of business carries out transactions with various related parties. All transactions with related parties have been carried out on commercial terms and conditions. Significant transactions with related parties are as follows:

	Half year ended December 31	
	2007	2006
	(Rupees in '000)	
<b>Associated Companies</b>		
Sales	7,242	8,561
Purchases	1,731,142	1,475,663
Actual reimbursement of expenses-net	13,096	11,032
Rent paid	22,159	20,483
Insurance claim	3,682	8,497
Insurance premium	83,258	78,595
Interest on saving account	17,698	945
Brokerage & commission	303	-
Lease rentals paid	9,653	9,456
Royalty	453,109	412,763
Technical Fee	10,003	12,300
Export Commission	1,641	3,356
Purchase of fixed assets	15,406	35,308
Sale of fixed assets	-	159
Sale of investments	874,682	-
Dividend received	13,341	12,507
Dividend paid	206,053	179,118
Contribution to Staff retirement funds	11,051	9,780
Key management personnel compensation	42,921	30,658

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	December 31, 2007 (Unaudited)	June 30, 2007 (Audited)
Period end balances		
Due to associated undertakings	<u>647,641</u>	<u>500,137</u>

### 17. JUDGEMENTS AND ESTIMATES

Judgement and estimates made by the management were the same except for change in useful life of Dies & Jigs as explain below, as those that were applied to the financial statements as at and for the year ended June 30, 2007.

The company has changed its annual depreciation rate from 50% to 25% for Dies & Jigs due to change in useful life. Had the rate and useful life not been changed, the profit for the period would have been lower by 34.4 million.

### 18. COMPARATIVES


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

### 19. DIVIDENDS

During the interim period, a dividend of Rs. 6 (2006: Rs. 6) per share was paid to the shareholders.



Yusuf H. Shirazi  
Chairman



Saquib H. Shirazi  
Chief Executive Officer



Sherali Mundrawala  
Director

# Atlas Honda Limited

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