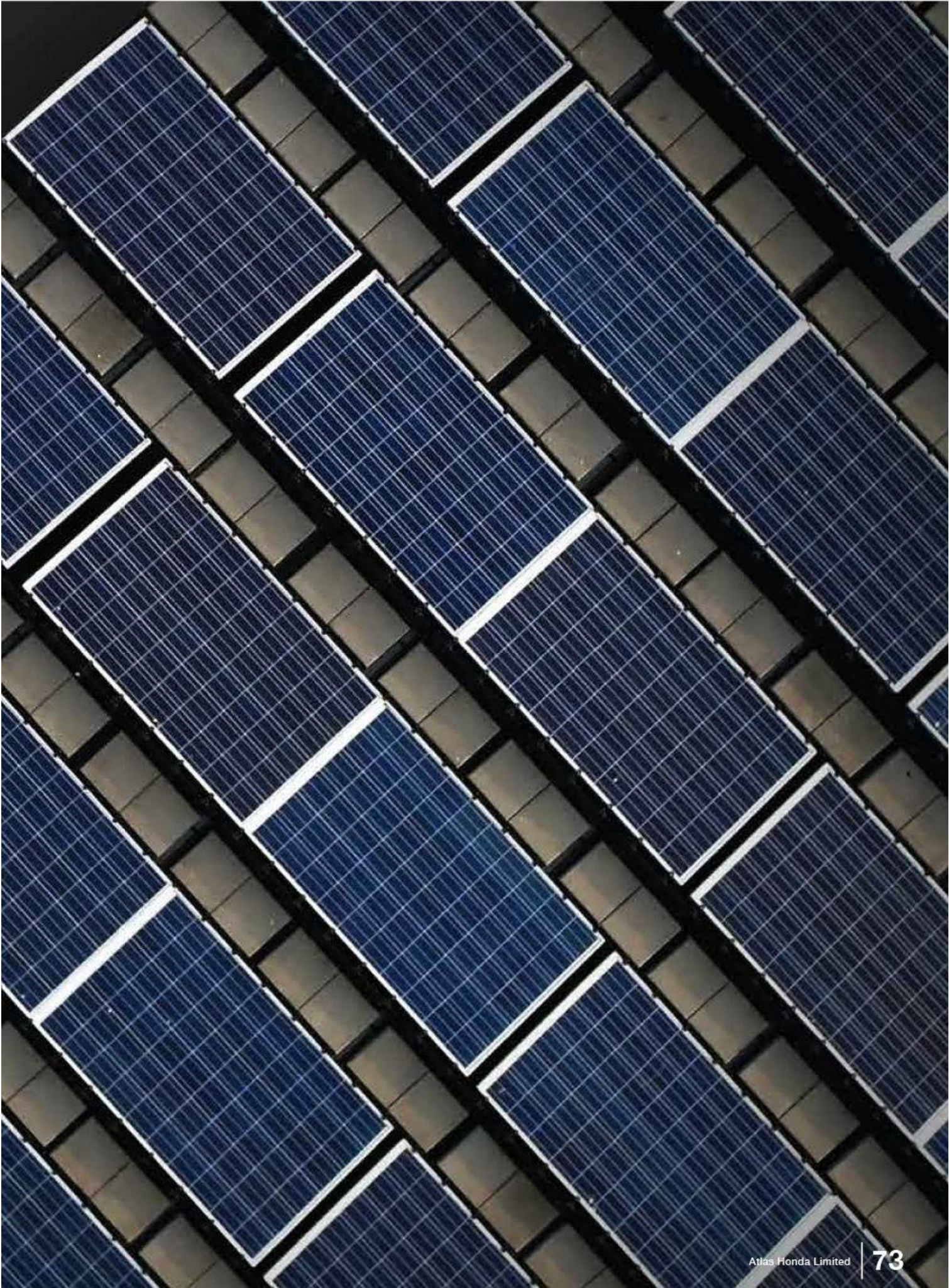


Sustainability Report 2019

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About the report

REPORTING PERIOD

Financial year 2019 (April 01, 2018 to March 31, 2019)

REPORTING CYCLE

Annual

DATE OF PUBLICATION OF PREVIOUS REPORT

June 01, 2018

AVAILABLE VERSION

Online and printed versions are available in English. Online version can be accessed from www.atlashonda.com.pk

REPORT CONTENT

The contents of this report are based on the results of our engagement with stakeholders and requirements of the Global Reporting Initiative (GRI) Sustainability Reporting Standards. All material topics which are important to our business strategy, represent impacts on economy, environment and society and are of interest to various stakeholders & the Company are included in this report.

GLOBAL REPORTING INITIATIVE

This report has been prepared in accordance with the GRI Standards: Core Option. The GRI content index is available on page 109.

ASSURANCE

The report was externally reviewed by Corporate Social Responsibility Center Pakistan (CSRCP), an independent reviewer, in compliance with GRI Standards and ISAE 3000 (2003) standard. The statement of the independent external reviewer describing the activities carried out and the expression of opinion is provided on page 107.

CONTACT FOR FEEDBACK

We value feedback and welcome comments on our reporting. For any questions or suggestions, please get in touch with our sustainability reporting team.
Address: 1-Mcleod Road, Lahore-54000
Phone: +92-42-37225015-17, 37233515-17
Email: ahl.suggestions@atlashonda.com.pk

Sustainability Highlights 2019



In the categories of "CSR Report, Research & Publications" and "Environment & Waste Management/Recycle"



Million donated



Hours spent on employees' training



Plus customers served for free service check ups



Reduction in water consumption per bike



Reduction in effluents and waste per bike



Women trained for bike riding



Prize by Punjab Horticulture Society in Land Scaping, Grassy Lawn & Rose Garden Category



Students attended safety lectures

General Information

Ownership and Legal form

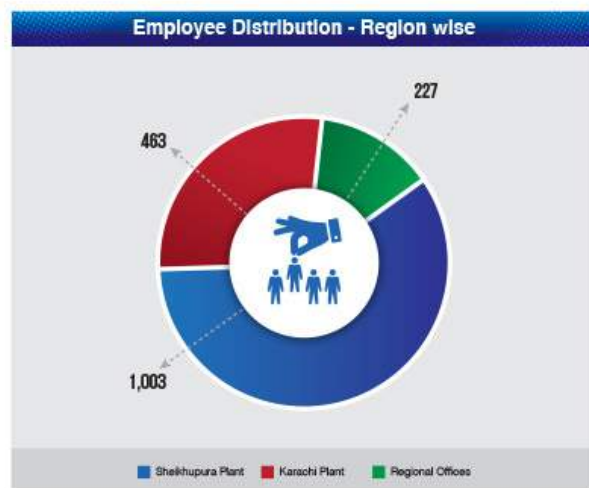
Atlas Honda Limited is a public limited company listed on the Pakistan Stock Exchange. It is a joint venture between Shirazi Investments (Private) Limited (SIL) and Honda Motor Company Limited, with SIL holding 52.43% of issued, subscribed and paid-up capital as at March 31, 2019.

Headquarters and Operations

The Company operates in Pakistan and is engaged in manufacturing and marketing of motorcycles, spare parts and engine oil. The registered office of the Company is located at Lahore whereas its manufacturing & assembly facilities are located at Karachi and Sheikhupura with branches, customer care centers, warranty & training center and other offices located at Karachi, Hyderabad, Multan, Lahore, Faisalabad, Rahim Yar Khan and Islamabad.

Scale of the Company

During the year ended March 31, 2019, net sales of the Company amounted to Rs. 82.4 billion, with sales of more than one million motorcycles. Net profit for the year amounted to Rs. 3.2 billion while total capitalization was Rs. 31.9 million with equity of Rs. 15.4 billion. The workforce of the Company comprised of 1,693 permanent employees as at March 31, 2019. The Company does not hire employees on part-time or temporary basis.



Supply Chain

The supply chain of the Company spans from procurement of machinery, raw materials, semi-finished & finished parts, services and other inputs from local and foreign vendors to delivery of finished motorcycles and parts to customers through a country-wide network of dealers. The Company's supply chain is both labor and capital intensive. During the

year, the Company paid Rs. 80.4 million to its supply chain partners on account of purchases of goods and services.

Activities, Brands, Products & Services and Markets Served

The Company serves the need of automotive sector in Pakistan. The Company's customers mainly include dealers and institutions. The Company manufactures and sells various types of motorcycles in the categories of 70cc, 100cc, 125cc and 150cc through a nation-wide network of dealers. The Company also markets motorcycle parts & engine oil and offers after-sale services through its dealer network. Atlas Honda does not sell any product that is banned in any market.

Memberships and External Initiatives

Atlas Honda is a member of the following major associations:

1. Pakistan Automotive Manufacturers Association
2. Pakistan Business Council
3. Federation of Pakistan's Chambers of Commerce and Industry
4. Chambers of Commerce and Industry of:
 - Karachi
 - Lahore
 - Sheikhupura
 - Overseas Investors
5. Management Association of Pakistan
6. Marketing Association of Pakistan

The Company does not provide any funding to these associations. However, it takes part, through sponsorship or otherwise in events, such as exhibitions, seminars and workshops organized by these associations.

Further, in addition to the Company's internally developed charters, code of conduct and guidelines, the Company is committed to various externally developed initiatives, charters and principles. Please refer page 51 for more details.

Significant Changes

There were no major changes in the Company's supply chain, locations, operations and organizational structure during the year. However, it continued to make significant investments for capacity expansion as per plans. Further, during the year, the Company launched new models in 125cc category.

CEO's Message on Sustainability

"We, as a market leader, see it as an obligation to do business in a responsible and sustainable way. It has become increasingly imperative for companies in today's challenging environment to balance their planetary and societal responsibilities with the pressures to meet commercial expectations."


I am pleased to present our 7th Sustainability Report and reconfirm Atlas Honda's commitment to sustainability. This report focuses on describing how we contribute in protection of environment and how we continue to pursue our business in coexistence with local communities.

Our sustainability framework helps us to manage our performance to ensure our business continues to grow for generations to come. One of our primary focus has been to strengthen our engagement with internal and external stakeholders on issues that are of importance. This allows us to prioritize activities within our business strategy. Our efforts are designed to create solutions that drive growth for our stakeholders while minimizing impact on the planet. As we expand our capabilities to do more for our customers, we are focusing on resource management that encourages reuse and recycling of finite resources. The passion of commitment of our people is a key driving force to our success and we are committed to investing in our employees.

During the year, our teams continued to endeavor and reduce carbon emissions, conserve energy, save water, properly manage waste, produce quality products, raise safety awareness, ensure responsible sourcing of inputs and focus on training & development of our employees. Looking ahead, we will continue doing what's right for our business and what's right for communities. Because at the end of the day, our long term success is intertwined with the well-being of people we serve.

I would like to sincerely thank our partner, Honda Motor Company Limited, for their contribution and constant guidance throughout Atlas Honda's persistent journey of value creation for all its stakeholders.

Karachi: April 24, 2019

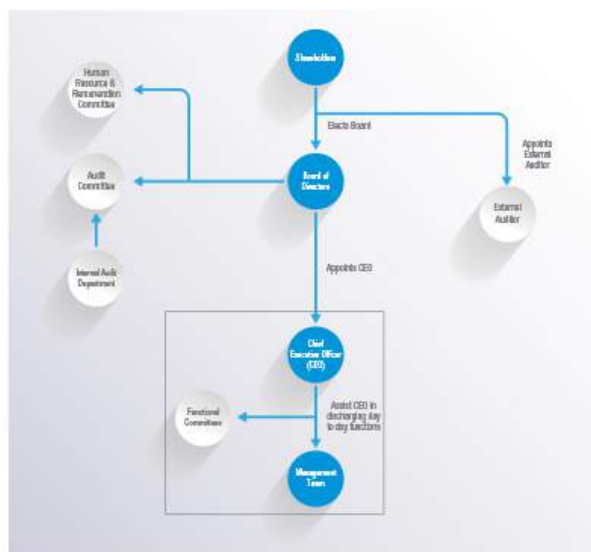


Saquib H. Shirazi
Chief Executive Officer

Sustainability Strategy

Governance Structure

Atlas Honda's governance framework provides a sound structure for effective and responsible decision-making within the organization. The highest decision-making is carried out at the shareholders' meetings, supported by the Board of Directors. The Board has an oversight of the risks and opportunities arising from the Company's activities and is responsible for identifying the direction, strategies & objectives and for monitoring the implementation of the same by management.



Board of Directors

The Company has an experienced and dynamic Board with the right blend of skills to develop strategies. Presently, the Board comprises of eight Directors, including four non-executive Directors, three executive Directors and one independent Director. Non-executive Directors are elected to enhance objectivity. The Company does not have a defined quota for Board of Directors based on gender, ethnicity or age group. The Chairman is responsible for the overall discharge of the Board's duties. The office of the Chairman and the Chief Executive Officer (CEO) are separate and the Chairman is a non-executive Director.

The Chairman of the Board of Directors is selected from within the Board. The statute requires the Board to formulate Audit Committee and Human Resource & Remuneration Committee. Additionally, the Board may from time to time establish committees, to assist it by focusing on specific responsibilities in greater detail than is possible for the Board as a whole, reporting to the Board and making any necessary recommendations.

All the matters including election, appointment and disclosure of interest are governed by the statutory requirements and regulations laid down by SECP and PSX. There were no non-compliances identified during the year. Further details about the Directors and matters carried out during the year can be found in the Director's profile and Statement of Compliance with the Code of Corporate Governance on page 16 and 116 respectively.

Representation of Female Director on the Board

The new Code of Corporate Governance requires listed companies to have representation of female directors on Board from the date of next election. Accordingly, the Company will have at-least one female member after the forthcoming election of Directors.

Roles and Responsibilities of the Board

The Board provides leadership to the Company in a manner that promotes its long-term success, thereby maximizing value for the stakeholders. It also sets the direction for the Company's values, ethics & business policies and practices. The Board exercises all powers granted to it by the Companies Act, 2017 with responsibility, diligence, and in compliance with the legal framework after due deliberations in its meetings. These include but are not limited to, appointment of key management positions, approval of annual budgets including capital expenditures, investments in new ventures and approval of related party transactions. Financial statements of the Company, including interim and final dividends and review of internal / external audit observations regarding the overall control environment including effectiveness of the control procedures, are also approved by the Board. An independent Internal Audit department ensures continuous compliance and monitoring of formal policies and effectiveness of the internal control framework, designed by the Board for the conduct of

the Company's business. The Audit Committee is tasked to report compliance thereof to the Board, at least once every quarter of the year.

Formal Orientation and Director's Training Program

On appointment, Directors take part in an "Induction Program" which is aimed at broadening their knowledge and understanding regarding the Company's business. The orientation program is designed to apprise the Directors regarding the expectations of the majority shareholders and their

responsibilities. The Directors are also encouraged to attend courses which provide information and training relating to their duties, responsibilities, powers and potential liabilities. The Chairman, in collaboration with the Company Secretary and senior management, is responsible to ensure that the Board members are provided, at all times, with the information necessary for them to effectively discharge their duties and responsibilities. The Company Secretary also arranges an appropriate Director's Training Program in line with the mandatory requirements of the Code of Corporate Governance.

Committees of the Board and Terms of Reference

Each committee of the Board has a written 'Terms of Reference' outlining their duties and responsibilities. The

committees report on their activities and results to the Board. The table below summarizes the terms of reference, number of members and frequency of meetings of the committees.

Committee	Roles and responsibilities of committee	Number of members	Frequency of meeting
Audit Committee	<ul style="list-style-type: none"> Monitors the integrity of the financial statements and reporting and makes recommendation to the Board for its approval Oversight of external auditor: to consider findings and recommendations arising from the external audit process Review of compliance procedures to ensure adherence to applicable legal and regulatory standards and internal policies Monitoring the effectiveness of the internal control processes and the internal audit function Oversight of risk management 	Three	Quarterly
Human Resource and Remuneration Committee	<ul style="list-style-type: none"> Recommending Human Resource management policies to the Board Recommending to the Board about selection, evaluation, compensation and succession planning of CEO, VP, CFO, Company Secretary and Head of Internal Audit Consideration and approval of recommendations for key management positions who report directly to CEO and VP Recommending to the Board a policy framework for determining remuneration of directors Undertaking annual evaluation of the Board of Director's performance 	Three	Once a year

Remuneration of Executive, Non-Executive and Independent Directors

The Company has a comprehensive policy for fixing executive Directors' remuneration. In order to attract well qualified and experienced Directors, the Company's remuneration policies are structured in line with prevailing industry trends and business practices. As per the applicable legal and regulatory requirements, the remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding their own remuneration.

The Company does not pay remuneration to non-executive Directors including independent directors except a fee for attending meetings of the Board. For information on remuneration of the Directors and CEO in 2018-19, please refer note 35 to the Financial Statements on page 153.

Policy for Retention of Fee Earned by Executive Directors for Services in Other Companies as Non-executive Directors

The Company's CEO is treated as an executive Director on the Board by virtue of the Companies Act, 2017. In addition,

he holds position as a non-executive Director on the Boards of Pakistan Cables Limited, Cherat Packages Limited and eleven private companies of Atlas Group. Fee paid, if any, by these companies are in compliance with policies of respective companies which have been approved by their Board of Directors. Executive directors other than CEO of the Company do not hold directorship position in any other company.

Security Clearance of Foreign Directors

Every foreign Director who is nominated for election on the Board of Directors of the Company is required to furnish documents which are then submitted to the Ministry of Interior for security clearance.

Board's Performance Evaluation

The evaluation of Board's role of oversight and its effectiveness is a continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company;
- Strategy formulation for sustainable operation;
- Board's independence; and
- Evaluation of the Board's Committees' performance in relation to discharging their responsibilities set out in respective terms of reference.

The Company does not have a policy to involve an external consultant to carry out an evaluation of the Board's performance.

Chairman's Review on the Performance of the Board

Review by the Chairman on the Company's performance, which is derived through the guidance received by the management from the Board of Directors, has been outlined in Chairman's Review. Further detailed explanations have been covered throughout the Annual Report.

Roles & Responsibilities of Chairman & CEO

The Chairman's role is primarily to guide long-term strategic planning of the Company including:

- Presiding over the Board and ensuring that all relevant information has been made available to the Board;
- Defining the Company's philosophy and objectives;
- Safeguarding shareholders' interest in the Company;
- Responsible for building the Company's image nationally and globally;
- Ensuring the appropriate recording and circulation of the minutes of the meeting to the Directors and officers entitled to attend the Board meetings;
- Major spokesman of the Company, responsible for liaison with the senior most levels of the Federal and Provincial Governments;
- Overseeing the Company's macro approaches and public relations in the broad sense, including its relations with public organizations and other companies; and
- Commitments and de-commitments of strategic investments.

The CEO is responsible for reporting the Company's performance to the Board of Directors. He is also responsible for all matters pertaining to operations of the Company under directions of the Board of Directors. His responsibilities include:

- To plan, formulate and implement strategic policies;
- To build and maintain amicable relations with government departments, trade associations and regulatory bodies;
- To ensure the achievement of productivity and profitability targets and that the Company operates efficiently;
- To ensure that the chain of command in the Company is clear to facilitate the maintenance of discipline, the roles and duties of all managers clearly define their functions to ensure accountability;
- To maintain a regular review of duties and functions of the staff to ensure that there are no duplications of efforts in office methods and procedures and that all operations are carried out efficiently and economically;
- To chalk out human resource policies for achieving high professional standards, overall progress / betterment of the Company as a whole;
- To ensure that proper succession planning for all levels of hierarchy exists in the Company and is constantly updated;
- To ensure welfare and training of the staff in accordance with the Company's policy and government regulations which are applicable from time to time;
- To ensure that open and progressive atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best;
- To ensure that every employee is treated equally as an individual regardless of his designation; career development is on merit basis and each employee is helped to develop their performance through continuous study and training so as to form a team in which all levels of employees work together with common goals to strengthen the position of the Company;
- To ensure that necessary coordination exists between various departments of the Company to achieve smooth and effective operations;
- To ensure that technical information made available to the Company under Technical Service or Royalty Agreements are used solely in the manufacturing of approved products and the staff of the Company maintains strict confidentiality of such information;
- To ensure that the Company's interests and assets are properly protected & maintained and all the required Government obligations are complied with in a timely manner;
- To maintain close liaison with the Government, customers, suppliers and sales offices;
- To pay all Government dues on or before due date and obtain all refunds due from the Government;
- To ensure proper functioning of the Management Committees of the Company of which he is the Chairman;
- To prepare and present personally to the Board of Directors the following reports/details:
 - Annual business plan, cash flow projections and long term plans.
 - Budgets including capital, manpower and overhead budgets along with variance analysis.
 - Quarterly operating results of the company in terms of its operating divisions & segments.
 - Promulgations or amendment of the law, rules or regulations, accounting standards and such other matters as may affect the Company.
 - Reviewing performance against budgets / targets, revenue and capital expenditure, profits, other administration,

commercial, personnel and other matters of importance to the Company.

- To always keep the line of communication open with the competitors for taking joint actions for mutual benefits;
- To be responsible for publicity of the Company's products consistent with the company's image and with a view to maximizing sales;
- To ensure that the Company operates with minimum staffing and paperwork.

Committees Reporting to the CEO

The CEO is supported by committees that facilitate him in the performance of his duties. These committees meet frequently and ensure implementation of sustainability framework in various aspects of Atlas Honda's operations. The implementation of the framework is ensured by various departmental heads who report the activities and progress to

CEO's Performance Review

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

these committees. Input is also acquired from associated third parties through the Company's process of stakeholders' engagement. The implementation of sustainability framework is frequently monitored by Internal Audit function along with the annual assurance from an independent expert before reporting the results to the stakeholders.

Committee	Roles and responsibilities of committee	Number of members	Frequency of meeting
Management Committee	<ul style="list-style-type: none"> • Reviewing and forwarding long term plans, capital and expense budget, development and stewardship of business plans • Maintaining healthy environment • Providing advice to CEO in normal course of business 	Twelve	Monthly
Business Ethics Committee	<ul style="list-style-type: none"> • Effective communication and reinforcement of ethical values & best practices in the business • Ensuring compliance with the Company's 3R principles (Respect, Reward and Recognition) 	Nine	Twice a year
Treasury Committee	<ul style="list-style-type: none"> • Oversight of day to day treasury & investment matters • Approval of short term investment decisions • Ensuring subsequent approval of all the decisions by Board 	Three	Monthly
Risk Management Committee	<ul style="list-style-type: none"> • Identifies and propose strategies to mitigate risks, on a timely basis, in accordance with a well-structured risk management process 	Three	Monthly
Environment, Health, Safety and Security Committee	<ul style="list-style-type: none"> • Ensures compliance with applicable Environmental, Health, Safety and Security (EHS&S) laws and regulations 	Six	Monthly
Social Responsibility Committee	<ul style="list-style-type: none"> • Ensures compliance with Social Performance Governance Framework 	Five	Quarterly

Governance Practices Exceeding Legal Requirements

The Company's commitment to the highest levels of moral and ethical values is demonstrated by voluntary adoption of best business practices in addition to the stipulated regulatory requirements. Some of the governance practices exceeding legal requirements that have been adopted by the Company include:

- Best reporting practices recommended by ICAP/ICMAP;
- Adoption of Pakistan Stock Exchange criteria for selecting top companies;
- Disclosure of various financial analysis including ratios, reviews, risk matrix and graphs etc., and
- Implementation of aggressive Health, Safety and Environment strategies to ensure safety of employees and equipment.

Related Parties

The Company maintains a comprehensive and updated list of all related parties. Names of all such related parties along with whom the Company had entered into transactions during the year, along with the nature of their relationship and percentage holdings have been appropriately disclosed in Note 36 of the Financial Statements.

As per the requirements of fourth schedule of the Companies Act 2017, detailed disclosure regarding related party transactions have been presented in note 36 to the Financial Statements.

Risk Management

The Company has an entity-wide risk management processes for identifying, evaluating and managing the principal risks. The Board is responsible for the systems of internal control and risk management and for reviewing each year the effectiveness of those systems. The key features of the Company's entity-wide risk management and internal control process include:

- The Audit Committee, on behalf of the Board, considers the effectiveness of the internal control procedures during the financial year. It reviews reports from the internal and external auditors and reports its conclusions to the Board.
- A Risk Management Committee is responsible for reviewing the key risks and the strategies to mitigate/counter these risks.
- The Company's Internal Audit function carries out the continuing assessments of the quality of risk management and control, reports to the management and the Audit Committee on the status of specific areas identified for improvement and promotes effective risk management in the lines of business processes.

During the year, the Committee discharged its responsibilities and reported the matters in Report of the Audit Committee.

Compliance and Integrity Management

The Company's Code of Conduct (the Code) provides guidelines on ethical standards. It covers issues such as bribery and corruption, fraud, insider trading, legal compliance, conflicts of interests, human rights and discrimination. The Code includes a commitment to conduct the Company's business with due regard to the interests of all stakeholders and the environment. The Code requires compliance with all applicable laws and regulations as a minimum standard. In essence, the guidelines to the Code outline the Company's

approach to ethics management, which includes all elements recognized as best practices in ethics management. The Code guides interactions with all the stakeholders, including employees, vendors and customers.

The Code is reviewed annually and any changes therein are approved by the Board. The same is communicated to all the employees, vendors, service providers and customers and is available on the Company's website.

Whistleblower Policy

The Company's purpose and values set the standard for how it does business and actively encourage openness, integrity and accountability. The Company's Whistleblower Policy has been developed to ensure that concerns are raised regarding actual or suspected contraventions of the Company's ethical and legal standards freely and without fear of repercussions. The policy provides a number of avenues for disclosure including internally through managers and Business Ethics Committee. Matters reported are investigated by the Internal Audit function and it is determined whether there is evidence to support the matter raised or to refute it. Information regarding any incident is reported to the Audit Committee. The reports include details of the matter, measures taken and the status of any investigation. During the year, no such incidences were reported.

Privacy and Data Protection

The stakeholders are understandably concerned about how their personal information is used and shared and they want to feel confident that data communicated or stored online is secure. The Company works regularly to enhance robust processes and systems that protect customers' and employees' data and to raise awareness about the importance of data protection and privacy through the Company's IT Governance Policy which is summarized below:

- The members of Management Committee are responsible for required compliance in their respective functional areas, at all locations.
- The General Manager Systems is responsible for its implementation, maintenance, compliance and for suggesting new areas as per technology enhancement.

Conflict of Interest Policy

The Company has a policy in place to ensure that any conflict of interest is properly disclosed, recorded and addressed, upholding the interests of the company. In line with the provisions of Companies Act, 2017, every Director is required to disclose his interest in writing to the Company Secretary, in respect of any contract/appointment, etc. Such disclosures are circulated to the Board. Interested Directors do not participate in voting on the said resolution and it is properly recorded in the minutes of the Board meeting and also entered in the statutory register maintained for this purpose.

Insider Trading

The Company has a clearly defined policy relating to insider trading which requires all the relevant employees to maintain confidentiality of inside information at all times. The purpose of this policy is to set forth guidelines on purchase or sale of securities while in possession of inside information. The Company is in compliance with the requirements issued by SECP relating to maintenance of register of persons having access to inside information by designated senior management

officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

Anti-corruption and Human Rights

Analysis of risks related to corruption is a continual process at Atlas Honda and no corrupt practices are tolerated. The Company's Code of Conduct contains explicit requirement about Business Integrity and Anti-corruption, which every employee is required to adhere to. The Company has a dedicated internal audit department to implement the risk management systems. The department directly reports the findings to Audit Committee for taking appropriate action. No incidence of corruption was reported during the year.

Grievance/Feedback System

The Company believes in protecting interest of its investors and shareholders. The shareholders give their feedback in General Meetings and are encouraged to do so. It allows the Company to have a good understanding of their views on operations and decisions. Accordingly, a "Grievance/ Feedback System" has

been established that provides an avenue for reporting and resolution of all complaints/queries on timely basis.

A designated e-mail address has been created which is investor.relations@atlashonda.com.pk to facilitate investors for submission of queries/grievances and feedbacks. In addition, complaints and suggestions can also be received in writing, duly addressed to Company Secretary. All grievances/queries are resolved and communicated to the investors on timely basis after due verification procedures.

Board's Role in Shaping Sustainability Policy

The Board provides direction on sustainability policy and initiatives to enhance the positive impacts and reduce the negative impacts on the economy, environment and society. The execution of the Board's directives and policies is carried out by the respective management teams and performance is reviewed by the Board. The Board also oversees operating & financial performance, risk management & internal controls and compliance with legal requirements.

Sustainability Strategy Framework

The Company's sustainability strategy focuses on crafting long-term value and providing a level playing field for future generations to meet their needs. This goal can only be attained through the efficient use of available resources, commitment to creating sustainable products and solutions and treating the environment and people equitably and with respect. The commitment of doing business in a sustainable way sets the Company apart from its competitors, leading to customer satisfaction, appreciation, brand recognition and increasing product demand. The Company's Sustainability Strategy Framework supports its business strategy and is aligned with the Company's purpose. The framework has five key areas of focus:

- Environmental Protection
- Product Responsibility

- Corporate Citizenship
- Employee Management
- Vendor Management

The Company is guided by its sustainability framework while making efforts for creating sustainable value for all its stakeholders. This framework is a product of Atlas Group's fundamental business doctrine - the "ATLAS WAY". It comprises of the principles of the "ATLAS CULTURE" and the "ATLAS SYSTEMS". The principles of the Atlas Way cover all departments, operations, activities and aspects of business and provide ideal guidelines for their progressive development. The ultimate goal is to obtain excellence in operations and quality in products without compromising on protection of environment and interest of society at large.

ATLAS WAY

ATLAS SYSTEMS

- Management by Objectives (MBO) to align activities towards agreed company goals
- Implementing 7S vision (Strategy, Structure, System, Style, Staff, Skills and Shared values) for the company
- Inducting and retaining competent and skilled staff – right man for the right job
- Using BCG model for strategic direction
- Creating values through implementations of internal controls (SOPs and policy manuals)
- Management development to produce performers, organization builders and strategists
- Active participation in management meetings for continuous performance improvements
- Ensuring accuracy and control of information / data through efficient MIS
- Judicious sharing of profitability between employee bonuses, dividend payout and profit retention

ATLAS CULTURE

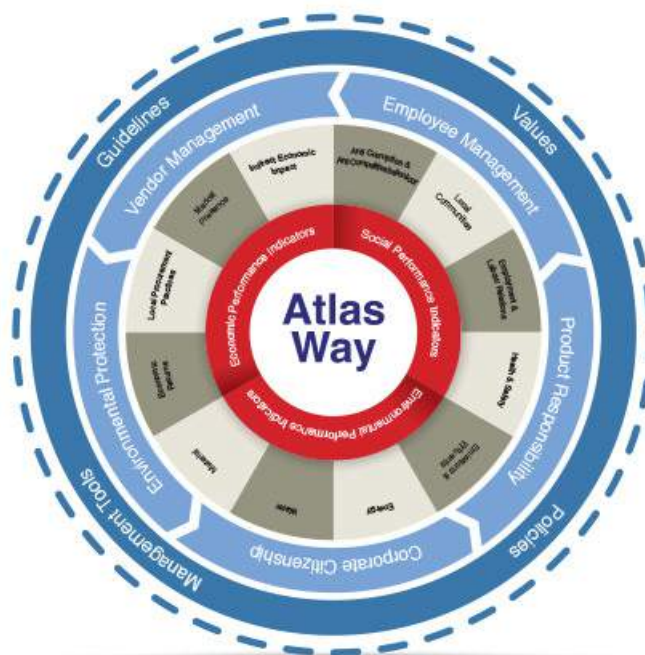
- Corporate Governance
- The 3 Rs – Respect, Recognition and Reward
- Value of time
- Recruitment and career advancement based on integrity, merit, experience and skills
- Education and training of staff and descendants
- Self-reliance
- Leading by example
- Humility and Excellence
- Living within one's means, saving for the future and donating for good cause
- To be happy and healthy

شاہین کا جہاں اور

We Look Beyond Horizons

The Company ensures adherence to best practices for reporting sustainability issues through application of its framework and GRI Standards. The Company's sustainability framework defines the way it conducts business which is supported by policies, guidelines, values and management tools. It commits the Company to consider and take responsibility for the long term economic, social and environmental implications of the Company's decisions and to work in partnership with all stakeholders across its value chain to maximize positive impacts.

The following diagram summarizes the Company's framework and approach to sustainability:



Stakeholder Engagement

Being the largest manufacturer of motorcycles in the country, both the Company's manufacturing activities and its products have significant effect on the environment as well as on diverse groups of stakeholders. Simultaneously, the views, decisions and actions of these groups have an impact on the success of the Company's business. The Company, therefore, engages in an ongoing dialogue regarding sustainability topics with its stakeholders in relevant markets and at all locations. This allows the Company to understand the issues, formulate strategies and deliver according to their expectations.

The engagement process starts with the identification of stakeholders. The Company defines stakeholders as those who are potentially affected by the Company's operations or

who have an interest in or influence on the Company's business. Stakeholders are identified and then prioritized on the basis of nature of relationship, influence, responsibility, dependency proximity and willingness & ability to engage. Consultation is then carried out with the identified stakeholders to gain input on topics which are of interest to stakeholders or which can significantly affect us. The Company's range of stakeholders includes shareholders/investors, employees, customers, dealers, vendors, local community, government & regulators, industry associations & representative bodies and media. Process and frequency of consultations with stakeholders, topics identified and the Company's responses to the same are as follows:

Stakeholders		Frequency and method of engagement	Topics identified	Strategy
Shareholders/ Investors	Individuals, corporate and other organizations that have invested capital	Ongoing	<ul style="list-style-type: none"> Sustained good return on investment through strategic and organic growth Exemplary governance practices Sound risk management 	<ul style="list-style-type: none"> Strong leadership, commitment to growth & value creation Focus on good corporate governance and ethics
		Annual		

Stakeholders		Frequency and method of engagement	Topics identified	Strategy
Employees	Core assets who implement all of management's decisions, strategic and operational	Ongoing <ul style="list-style-type: none"> Communication through immediate supervisors, management, intranet Newsletters and other communications Whistle blowing mechanism Training and development programs Bi-Annual <ul style="list-style-type: none"> Performance Appraisals 	<ul style="list-style-type: none"> Remuneration and benefits, personal development, training and health & safety Clearly defined roles, responsibilities & goals, performance management and development 	<ul style="list-style-type: none"> Provision of competitive remuneration and benefit packages as per industry benchmarks Enforcement of stringent safety measures, on-going training and education programs, open communication
Customers	End-users of the Company's products	Ongoing <ul style="list-style-type: none"> Communication through sales service & warranty centers, conferences, exhibitions, events and seminars Dedicated customer care section on the Company's website and call center 	<ul style="list-style-type: none"> Product/service quality and availability Safe product use Correct product information Transparent communication 	<ul style="list-style-type: none"> Production of high quality products Efficient supply chain Capacity expansion to meet demand Focus on after-sale service
Dealers	Distributors of the Company's products	Ongoing <ul style="list-style-type: none"> B2B links connecting us with dealers Dealer training and education programs Annual <ul style="list-style-type: none"> Dealer's convention 	Return on investment, equal business opportunities, transparent communication	Nurture and protect partnerships that result in mutually beneficial outcomes
Vendors	Businesses that provide raw materials and services which are key to the Company's manufacturing process	Ongoing <ul style="list-style-type: none"> Audits and visits for vendor development and compliance with quality standards B2B link Annual <ul style="list-style-type: none"> Vendor convention and Vendor Excellence Awards (ALAMAYAR) 	<ul style="list-style-type: none"> Shared development Supply chain sustainability Contract terms that are reasonable and as per market norms Timely payment Opportunity for discussion and negotiation 	<ul style="list-style-type: none"> Opportunity to compete for business on the basis of clear and transparent procedures & evaluation criteria Mutually beneficial relationships where all parties integrate talent, resources and efforts to exceed expectations
Local community	Local society and neighborhood	Ongoing <ul style="list-style-type: none"> Seminars, rallies and other awareness campaigns on various issues including road safety, healthy livelihood, education and welfare Internships, management trainee programs and factory visits of members including students from local community 	Creation of employment and business opportunities, investment in infrastructure, environmental protection initiatives	<ul style="list-style-type: none"> Undertake community development programs Support sports, cultural, art and other events and create opportunities for employment and business Undertake environmental protection initiatives

Stakeholders		Frequency and method of engagement	Topics identified	Strategy
Government & regulators	Federal & provincial governments, Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange	Ongoing <ul style="list-style-type: none"> Filing of statutory forms, documents prescribed returns, assessments and other information as per applicable laws and regulations Participation in government initiatives, regulation and policy working groups 	Compliance with legal and regulatory requirements and adherence to policies and guidelines	<ul style="list-style-type: none"> Ensure compliance with legal and regulatory requirements Contribute to the economy through taxes and other payments
Industry associations & representative bodies	Auto sector specific association and various business councils	Ongoing <ul style="list-style-type: none"> Representations in activities of local trade and industry associations, meetings, visits and training programs etc. Providing periodical operational data 	Compliance with regulations and protection of interest of members of associations and representative bodies	Ensure compliance and actively participate in key business and industry initiatives within the constraints of legal frameworks and requirements
Media	Representatives from print, online broadcast and social media	Ongoing <ul style="list-style-type: none"> Media releases, briefings, presentations, interviews and information on social media page 	Information on the operations, growth prospects and sustainability practices, economic contribution	Timely communication of information on relevant subjects

Materiality Analysis

The Company uses GRI Standard GRI 101 Foundation 2016 reporting principles of sustainability context, materiality, completeness and stakeholder inclusiveness, for defining report content. These principles have been consistently applied at varying degrees during identification, prioritization and validation steps, while defining material topics for this report.

The Company maintains an up to date understanding of its material topics through engagement and dialog with key

stakeholders, as well as by monitoring the Company's business context and the relevant trends. This approach helps the Company understand stakeholder perception and the Company's ability to evaluate its ability to create and sustain value. Based on the results of the stakeholder engagement, review of industry specific issues and internal analysis, following materiality matrix has been developed.



The matrix divides up the topics to show those which have high impacts and those which have moderate impacts of Atlas Honda's activities and which are highly relevant and those which are moderately relevant to its stakeholders. The prioritization of topics is based on materiality analysis for non-financial risks as per GRI standards. The severity, likelihood and relevance to business objectives and stakeholder's interests were the guiding principles during this analysis. The risks associated with each material topic are analyzed and actions are recommended for prevention or

mitigation of negative impacts and maximization of positive impacts. The content and scope of this report is also derived from this matrix.

The boundaries for material topics have been identified on the basis of their impacts whether lying within the organization or outside the organization. The reporting principles for defining report content from GRI Standard GRI 101 Foundation 2016 have been used while identifying the boundaries for material topics.

Material Topic	Why is the topic material?	Boundary
Economic returns	Critical for economic contribution and ability to deliver value to stakeholders	Atlas Honda
Energy	Impact on depleting finite resources and environmental impact of use of non-renewable sources	Atlas Honda
Emissions	Environmental impact due to emissions	Atlas Honda, its customers, its vendors
Materials	Depleting raw material resources affecting finite resources	Atlas Honda
Effluents & Waste	Environmental impact through incineration, dumping and discharge of waste	Atlas Honda
Water	Environmental impact due to depleting water reserves leading to water scarcity	Atlas Honda
Anti-corruption and anti-competitive behavior	Impact on competition, negation of competition and equal opportunity rights as per applicable laws and regulations	Atlas Honda, its vendors, its dealers
Human rights	Impact on the basic rights of people defined in charters and conventions	Atlas Honda, its vendors, its dealers
Local communities	Impact of operational activities and developments around plant site for economic development	Atlas Honda
Indirect economic impacts	Impacts on the surrounding communities and socio-economic development	Atlas Honda
Health & Safety	Impacts on health of workforce affecting productivity and consumers concerns	Atlas Honda
Employment and labor relations	Diversified workforce for better productivity and compliance with applicable laws and regulations	Atlas Honda
Training & Education	Impact on workforce ability to effectively contribute to operational success affecting organization's ability to create value	Atlas Honda
Marketing & Labelling	Provision of customer centric product information and compliance with applicable laws and regulations	Atlas Honda, its dealers
Compliance	Compliance with applicable laws and regulations	Atlas Honda
Supply chain impacts	Impact due to activities of supply chain partners	Atlas Honda, its vendors, its dealers
Market presence	Economic contribution and job opportunities for local community	Atlas Honda
Procurement practices	Economic contribution and creation of business opportunities through local sourcing	Atlas Honda
Grievance mechanism	Identification of negative practices and provision of advice on ethical concerns	Atlas Honda

Environmental Protection



Management Approach

Environmental protection is fundamental to the Company's sustainability strategy. In view of challenges such as climate change, pollution and scarcity of resources, Atlas Honda aims to be the most resource-efficient mobility solution provider in Pakistan. The Company's focus lies on increasing the energy and resource efficiency of its production processes and on reducing emissions and waste. These measures allow the Company to minimize impacts on the environment, make a contribution towards achievement of Honda's Environmental Vision and reduce costs. Environment related issues arising from energy & resource consumption, emissions, effluents & waste and water are managed by the Company's Production & HSE departments in coordination with other departments. Necessary procedures are defined and implemented to

achieve targets. The Company has a continuously evolving Environmental Management System (EMS) in place which is supported by the Company's Environmental Policy to ensure effectiveness of processes, monitoring and continual improvement in the Company's environmental performance.

Green practices are being implemented at all locations of the Company and those of its business partners. Awareness is being raised by the Company through continuous training and development programs for its suppliers as well as employees. In recognition of its efforts for protection of environment, the Company has been presented with an Award by National Forum for Environment & Health (NFEH), for the year 2018, in the category of Environment & Waste Management.

Environmental Policy

The Company's Environmental Policy covers every aspect of the Company's operations, whether they are directly or indirectly related to design, engineering, manufacture, distribution and service:

COMPLIANCE	Comply with requirements of environmental legislation and local regulations as a responsible corporate citizen
ENERGY AND RESOURCE CONSERVATION	Establish and implement management programs to encourage energy conservation and reduce consumption of resources.
PREVENTION AND REDUCTION	Prevent, where possible, and reduce generation of emissions and waste throughout the production processes & ensure safe disposal.
KNOWLEDGE AND EDUCATION	Promote relevant environmental protection knowledge and activities through education and training.
KAIZEN - CONTINUOUS IMPROVEMENT	Initiate and extend environmental protection activities from our own operations and to those of our business partners including parts manufacturers, general suppliers and dealers.

Environment Management System

EMS is intended to formalize procedures for managing and reducing environmental footprint. It helps the Company organize and analyze, in a timely manner, the environmental impacts that result from its business operations. It also helps the Company in developing solutions to address those impacts.

The Company's EMS is based on relevant legislation such as the Pakistan Environmental Protection Law, international standards and Honda's guidelines, as well as best practices. The management system is certified in accordance with ISO 14001:2015, an international certification for EMS.

The Company conducts internal and external audits of its EMS and strives for further improvement. During the year, the Company identified tasks as a result of in-house reviews and made improvements accordingly. Periodic visits by representatives from Environmental Protection Agency (EPA) are also facilitated to ensure compliance with regulatory requirements.

No non-compliances have been reported during the year. Further, no environment-related complaints were received through the Company's formal grievance mechanism during the reporting period.

Life Cycle Assessment

The Company applies a product lifecycle approach for management of environmental impacts, which considers the entire lifecycle - from product development to purchasing, manufacturing, sales & service, use, recycling and administration. This approach makes it easier to identify opportunities, minimize or enhance impacts and understand boundaries in every

aspect of the Company's business. It also helps the Company understand how its actions and impacts are interrelated. The Company also applies the precautionary principle, whereby it acts responsibly despite not having the full scientific knowledge of negative impacts, to ensure the Company stays ahead of potential risks.

Life Cycle Stages	Major initiatives in each domain based on impacts identified
Development	<ul style="list-style-type: none"> Environment friendly product design Efficient use of raw material, energy and other resources Focus on reduced waste and emissions Integrate future requirements into development plans
Purchasing	<ul style="list-style-type: none"> Purchase of raw material from environmental friendly sources Increased use of renewable raw materials and materials with sustainable characteristics Implementation of environmental standards within the supply chain Promotion of transparency and resource efficiency Training and improvement programs
Manufacturing	<ul style="list-style-type: none"> Environmental management system Improved resource efficiency Reduced wastewater and emissions initiatives Reuse of water
Sales and Service	<ul style="list-style-type: none"> Promotion of "green dealers" Dealers with 5S certification Introduction of efficiencies in transportation Efficient use of packaging Use of returnable containers
In-use	<ul style="list-style-type: none"> Fuel efficient products
End-of-life	<ul style="list-style-type: none"> Increased parts collection, reuse and recycling Eliminating harmful materials to enable higher quality recycled materials Promoting proper recycling and providing technical support
Administration	<ul style="list-style-type: none"> Environmental management Energy and resource conservation Promotion of "Green Building" design

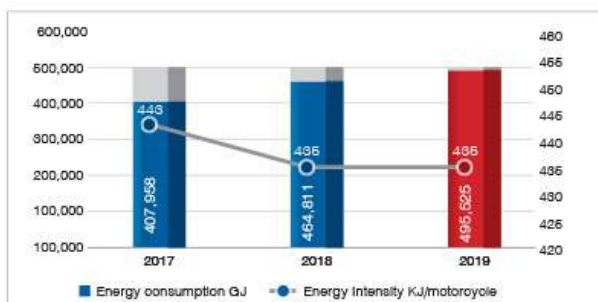
Energy Consumption and Emissions

The Company monitors energy consumption and emissions on regular basis to identify and incorporate best practices and to improve the Company's energy management. Both the Company's manufacturing plants are located away from protected areas to minimize the effects of CO₂ and other greenhouse gases on such areas. The Company's primary sources of energy are grid based electricity, natural gas and diesel. Other sources include solar energy. However, currently only a small part of the total energy is being derived from solar panels. The Company is making efforts to increase the share of renewable sources of energy.

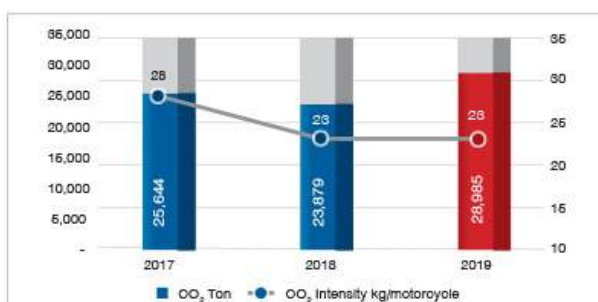
Accurate data on energy consumption and emissions is obtained from management systems. The conversion factors are sourced from U.S. Energy Information Administration. The Company uses previous year as base year to measure energy consumption and emissions. This enables the Company to

address irregularities and implement necessary measures to ensure the Company's performance is on track. Collecting comprehensive data helps in understanding not only the energy savings, but also the economic benefits that can be achieved through specific measures. This year, an energy audit was also conducted by an independent third party licensed by Association of Energy Engineers, USA. The objective of the audit was to understand the energy flows within the Company's plant and to identify opportunities to reduce the amount of energy consumption.

The energy consumption during the year was 495,525 GJ. Compared to 2018, the total energy consumption during the year under review increased by 6.6% on account of higher production level. However, the energy consumption per motorcycle remained constant at 435 KJ/Motorcycle despite rise in energy prices.



The Company's products are in compliance with Pakistan Standards for Quality Control (PSQC) in respect of CO₂ emissions, noise levels and smoke. Further, all products of the Company comply with EURO II standards of carbon emission. The emissions during the year were 28,985 tons mainly comprising of CO₂. Emissions per bike remained constant at 23 kg/motorcycle.



Energy Conservation and Emission Reduction Initiatives

To reduce the Company's energy consumption and emissions, primarily CO₂, investments have been made and energy efficiency measures have been implemented at the Company's offices and production facilities. During the year, energy conservation of 1,656 GJ and emission reduction of 1,194 tons was achieved through following initiatives:

Solar Panels

The Company is determined to extend its use of renewable sources for energy. Installation of solar power systems is one of the major projects under the efforts in this area. This is aimed to derive clean & affordable energy to reduce greenhouse gas emissions and Atlas Honda's dependence on fossil fuel or grid-based electricity. This year, the Company completed its project of installation of solar panels of 336.7 KW at Karachi plant. This initiative will reduce the CO₂ emissions by 500 tons every year.



A view of solar panels at Karachi plant

LED Lights

As part of the Company's project of replacing fluorescent tube lights and mercury bulbs with LED lights, this year, lights at casting plant were replaced in addition to arrangements to use day light wherever possible. Further, lights at gas power house, security gates and walkways were also been changed. This has helped the Company in saving 730 GJ of energy and reducing 93.5 tons of CO₂ in a year.



A view of arrangements for use of day light

Installation of Light Dependent Resistors

To save energy, LDRs have been connected to lights at streets and boundary walls which regulate and automatically turn off the lights during daytime. This is helping the Company to save 203 GJ of energy and reduce 26.1 tons of CO₂ per annum.

Waste Heat Recovery System

The Company continues to restructure and redesign its heat distribution plan on the basis of constant study and analysis to achieve better results from its Waste Heat Recovery System. This is helping the Company in reducing CO₂ emissions by 481 tons per annum.

Installation of Inverters

Previously, at Paint Booth Area, motors of exhaust fan, circular pump & fresh air blower were running on full load frequency of 50 Hz. To reduce the consumption of energy, inverters have been installed which control the frequency of these motors according to the requirement i.e. within the range of 35 to 40 Hz. This initiative has resulted in saving of 723 GJ per year and reduction of 93 tons of CO₂ per annum.

Plantation of Trees

In continuation of the Company's project of plantation of trees, this year, 10,000 trees were donated to Government Degree College Sheikhpura in collaboration with the Environmental Protection Agency. Further, the Company was awarded 1st prize by Punjab Horticulture Society in Land Scaping, Grassy Lawn & Rose Garden category.



A view of garden at Sheikhpura plant

Material, Effluents & Waste

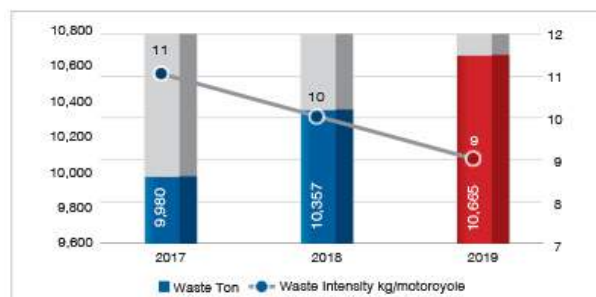
At Atlas Honda, environmentally friendly use of raw materials is taken into account as early as the development phase through life cycle engineering. The Company's supply chain and material cycles have been shaped accordingly. Natural resources are being used in the most efficient manner with the objective to minimize depletion of the planet's resources. The

Company is working to replace artificial materials with renewable materials wherever it makes technical, business and environmental sense and is socially viable. Consumption of raw materials, having substantial impact on the environment, is closely monitored and treated according to the Company's environment policy. Following table shows the materials used:

Renewable / Non-renewable	Material	Unit	2017	2018	2019
Non-Renewable	Ferrous casting	Ton	63,596	71,850	75,236
Non-Renewable	Non-Ferrous casting	Ton	8,474	8,692	9,102
Non-Renewable	Oil paints	Ton	210	273	286
Non-Renewable	Lubricants	KL	1,211	1,685	1,627
Both	Rubber	Ton	5,582	6,351	6,650
Non-Renewable	Plastic	Ton	4,000	4,585	4,800

Waste resulting from the Company's production processes mainly includes waste water, metal, plastic & rubber scrap, packing, used oil. Waste water is treated through Waste Water Treatment Plant before it is released in sewerage drains. The remaining waste and effluents are discharged through incineration, recycling, landfill and disposal to legitimate contractors at certified waste disposal facilities. During the year, 10,665 tons of waste was released with the reduced intensity of 9% per motorcycle. There were no significant spills during the year.

Hazardous/ Non-Hazardous	Waste by disposal method	Unit	2017	2018	2019
Non-Hazardous	Recycling/Reuse (metal scrap, packing, plastic)	Ton	8,712	9,647	8,785
Non-Hazardous	Landfill (waste sludge)	Ton	88	580	315
Hazardous	Incineration - mass burn (sludge, oil contaminated waste)	Ton	nil	130	136
Non-Hazardous	On-site storage (in-house scrap yard)	m3	250	250	250



Packing Wastage

The Company uses recycled packing material for parts to reduce waste and minimize impact on the environment. Use of returnable packaging whenever possible has reduced the Company's packing waste by 3.5 ton per year.



Aluminum Wastage

In aluminum casting process, aluminum is obtained in raw shape initially. During the finishing process wasted aluminum is reused with new material at specific ratio leading to wastage reduction and efficient usage of non-renewable material. This year, this has helped reduce solid waste by 89.6 tons.

Incineration

Incineration is performed to treat solid hazardous waste with controlled combustion, reduce the release of greenhouse gases and save landfill space. Through this process, solid waste is collected, crushed and moved into a heating chamber. Ash generated by burning process is disposed, while gases produced are filtered and exhausted through a chimney. The Company has successfully incinerated 136 tons of hazardous waste this year, in coordination with EPA certified third party.

Reuse of Scrap Tools

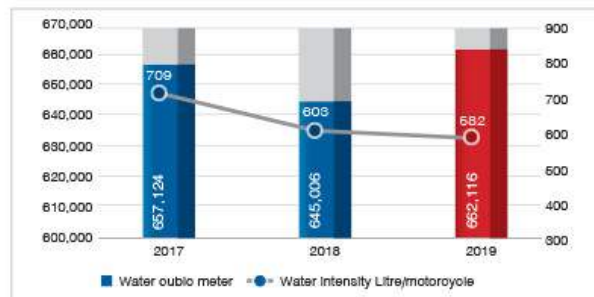
Efforts have been made to identify tools used in one process can be reused in another process. This has enabled the Company to reuse tools obtained from engine machining area in production process of camshaft and crankshaft. This has resulted in reuse of tools weighing more than 1 ton per year.

Water

The Company seeks to reduce its water footprint by promoting water-saving practices amongst employees and adopting

water-efficient technologies and equipment wherever possible. The majority of the Company's water use is attributable to its production processes, cooling and water consumed by employees. Main areas of action are thoughtful use and reuse of water and safe disposal of treated wastewater. Most of the water consumed is drawn from earth which is not designated as a protected area whereas the size or volume of the water body cannot be estimated reliably.

Water consumption and discharge is recorded through flow meters installed at water tanks and treatment plant, respectively. During the year, 662,116 cubic meters of water was consumed with a reduced intensity of 2% per vehicle as compared to the last year. After proper treatment, water used in manufacturing process is released back to environment. Such treatment removes pollutants from the water and makes the same suitable for safe drainage. During the year, 98,832 cubic meters (9.5%) of the water was recycled.



Waste Water Treatment Plant

Water is used throughout the Company's production processes which results in wastewater. To prevent the waste water from

being discharged as produced, waste water from all over the plant is collected and treated to remove the harmful pollutants, at Waste Water Treatment Plant. The Company, as a responsible organization abides by the legal requirements of waste water treatment as well as meets "Punjab Environmental Quality Standards". This year, around 569,284 cubic meter of water was treated and safely drained into the sewerage.



Reuse of Water

Water used in cooling of dies is collected in reservoirs, filtered and reused. This is helping save 58 liter per vehicle of water. Further, at pre-treatment line of paint shop, parts are treated by dipping into water tanks due to which water spills. A process has been developed through which spilled water is collected, filtered and reused. Through this, 1.26 liter per vehicle is being saved.

Visual Monitoring of Casting Machines

In casting area, water pipes have been redesigned to enable visual monitoring of consumption of water during the cooling process of dies. Around 7,109 cubic meters water has been saved through this initiative.

Product Responsibility



Management Approach

The Company is committed to offer sustainable mobility solutions by maintaining the quality of products, ensuring customer safety, appropriate marketing and providing best after-sale service. The Company is continuously expanding its business and providing customers with a diversified selection of quality products. In addition, the Company keeps expanding its sales and service network across Pakistan. To ensure customer satisfaction, the Company takes dealer training initiatives and encourages customer feedback. Further, Company provides safety training to customers throughout the year. The Company follows Honda's vision and takes into account health and safety impacts of its products to ensure safety of customers and other road users. Constant monitoring and regular reviews are carried out on all business aspects and processes in order to ensure they continue to comply with the Company's commitment to produce quality products.

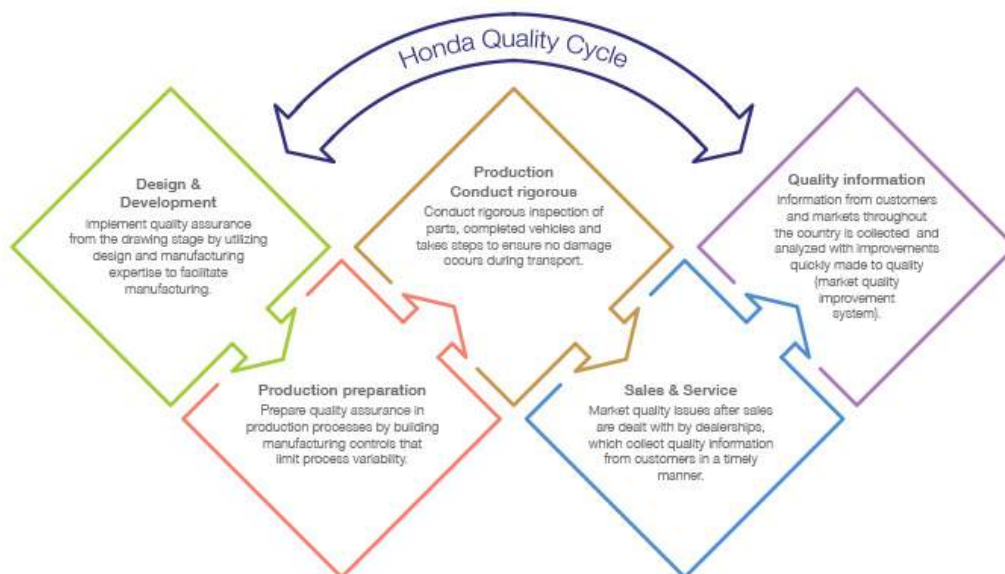
Product Quality

Atlas Honda aims to be a company trusted by its customers for its quality products. The Company focuses on quality at every stage, from the planning of new products through

development, manufacturing, distribution and sales to after-sales. The Company evaluates its products' performance and health & safety impacts. Information derived is used to develop and implement effective solutions. During the year, all products of the Company were in compliance with requirements concerning health and safety impacts.

Honda's Quality Cycle

The Company's global partner, Honda Motor Company Limited follows a uniform quality strategy worldwide. In order to live up to the high quality standards, quality assurance activities are governed by a central body at cross band level. By applying and reflecting design and development expertise at the preparation and production stages, the Company is able to deliver enhanced quality through the creation of drawings designed to facilitate manufacturing, as well as develop manufacturing control techniques that limit process variability. Post-sale, improvements are made to product quality based on an analysis of customer's feedback. These improvements are reflected in our know-how for the next round of design and development.



Quality Improvement Programs

PROGRAM	OBJECTIVE
Vendor Improvement Program (VIP)	To establish Quality Management System (QMS) at vendor end to control process rejections and improve quality management skills of suppliers.
Service Instructor Quality Program (SIQP)	To foster high quality, dedicated service staff and standardize training delivery across the company as per Honda standards. Future trainers are trained to achieve proficiency in training, communication skills and key instructional abilities.
Training of service and dealers Staff	A one day training program to improve their skills of judging the problem pertaining to a claim to ensure timely and efficient rectification.
Quality Control (QC) Foreman course	A two day program to understand how to put into practice the quality control techniques and approaches needed in quality assurance activities in manufacturing.

Marketing & After-Sale Service

Product & Service Labeling

For product information and display, the Company does not only comply with strict local laws and regulations, but also places strong emphasis on safety, human rights, environmental issues and ethical standards. Product labeling is a key feature of the Company's products display which helps in marketing the product and contains detailed instructions for users. In order to convey product information, an Owner's Manual is provided to each customer with purchase of each product; it contains all information relating to operation including safe use and maintenance. At the time of delivery, technical features are explained to the customer through demonstration. Moreover, no incidents of non-compliance with regulations and voluntary codes concerning the product and service labeling were reported as all of the Company's products were in compliance.



Marketing Communication & Anti-Competitive Behaviour

The Company facilitates its customers by providing information and purchasing support services and staying connected through website and social media including Facebook, Twitter and Instagram. Online presence enables the Company:

- To stay connected with customers round the clock;
- To help customers in locating the nearest dealers;

- To provide customers with detailed information pertaining to product features and cost.

The Company makes sure that its advertisement content does not depict any anti-competitive behavior & intentions and abstains from any kind of malicious, offensive or anti-social content in all its marketing communications at all levels. No incidents of non-compliance with regulations and voluntary codes concerning the provision and use of product and marketing communications, including advertising, promotion and sponsorship have been reported during the year. Further, there was no legal action taken against the Company relating to any anti-competitive behaviour, anti-trust and monopoly practices.

Customer Confidentiality

The Company has implemented a B2B system to administer, control and store data centrally for smooth functioning of its business. Stringent privacy guidelines are in place to ensure security of critical data pertaining to customers. The Company has also developed a business continuity and disaster recovery plan to ensure business continuity. Owing to these measures, there has been no non-compliance pertaining to breach of customer privacy and loss of customer data during the year.

Customer Feedback

The Company is aware that customer expectations and inputs are critical for bringing improvements in product quality and making it more user-friendly. Data on customer complaints and expectations is collected through external survey institutions, market surveys and visits to dealerships. The Company also maintains a track of time taken to resolve complaints. During the year 2018-19, the customer contact center satisfactorily responded to a total of 22,141 calls received from customers regarding complaints, comments and information about the Company's products.

Dealers Convention

Dealers are at fore-front and each dealership is vitally important to the Company's continued success. Therefore, the Company only engages with dealers who have the ability to consistently represent its brand. The Company organizes various training sessions to further enrich their skills. During the year, 329 training camps were held which were attended by 13,557 trainees including our staff, mechanics and dealers.

The Company provides its dealers with information on mid and long-term strategies, products, and services in a timely manner. The Company strives to cultivate a relationship of trust and improve communication with dealers and between each other through various sales, service and parts dealer conventions. During the year, 25 conventions were organized in which 14,763 dealers participated.



A view of the Dealers Convention

Free Checkup, Oil Change & Test Rides

The Company organizes a number of customer relationship building activities such as free checkup camps, test rides and oil change activities at different locations throughout the year. This strengthens the Company's bond with its customers and addresses their concerns. In 2018-19, more than 89,000 customers were served at 769 free checkup camps and 36 oil change camps were held. Mega free checkup camps were arranged on March 23, 2019, to serve customers through camps at over 300 towns.



A view of a free check-up camp

Customer Safety

The Company's safety vision is aligned with Honda's Global Safety Slogan. Further, the efforts to create a safe environment for road users are marked by the Company's education and awareness initiatives and campaigns.

Safety Riding Training and Education

This year, the Company trained 365 safety advisors at dealerships across all regions. These trainings are aimed at

improving users' riding skills, road signs knowledge and know-how regarding electrical & mechanical maintenance. Further, follow ups were conducted covering 516 safety advisors throughout the network. Safety advisors then in turn imparted the knowledge to customers at dealerships. Further, the safety riding school in collaboration with City Traffic Police, Lahore continued to educate and train young riders.

Safety lectures are an important feature of the Company's road safety program. Every year the Company engages various institutes, universities and colleges to hold these lectures that impart useful information and help reduce chances of accidents. Following are the details of activities carried out during the year under the banner of safety education:

- Safety riding training & lectures to employees of law enforcement agencies and various organizations such as USAID, Nestle, Unilever, Honda Cars, Rescue 1122 (2,560 Participants)
- Safety lectures to students from various educational institutions (17,100 Participants)

Safety Riding Awareness Campaigns

The Company coordinates with traffic police department to create awareness about the use of indicators, side mirrors and helmets. Under this campaign, the Company distributed more than 200,000 pamphlets in Lahore, Karachi, Islamabad, Chakwal and Gujranwala. Moreover, 1,035 helmets and 1,250 sets of back view mirrors were distributed. Around 5,750 lights were checked and replaced.

This year, additional efforts were made to raise awareness regarding Separate Left Lane for motorcyclists. This was done through distribution of brochures, placement of standees, steamers & pylons and social media. Rallies and safety walks were also organized in Lahore, Karachi and Islamabad. On February 23, 2019, a Safety Awareness Rally on "Left Lane Awareness" was organized by the Company in collaboration with Safety Wing of Emergency Services Academy (ESA).

Moreover, 4th Atlas Honda Safety Rally was held in Karachi on December 25, 2018 in which more than 800 customers participated. Gifts and coupons were distributed amongst participants.



A view of a safety rally

Corporate Citizenship

Management Approach

The Company believes that its activities contribute in overcoming societal challenges while also creating added value for the Company. Atlas Honda is fulfilling its responsibilities as a good corporate citizen through ongoing involvement in socially beneficial activities tailored for well-being of local communities. The Company's approach is driven by the needs of communities at its locations identified through surveys, social media pages, focal groups and meetings. The Company has integrated this perspective into its development plans and overall strategy to garner the trust of and remain close to local residents. Further, the Company has a grievance mechanism in place for filing of issues with Manager Operations at both plants of the Company. During the year, no significant negative effects on local communities were identified.

Implementation and monitoring of social activities at the Company's locations are routed through senior managers in HR, Admin & Corporate Affairs department who are also responsible for review and analysis of monthly progress of such initiatives. Progress is reported to the senior management on a continuous basis.

The Company's commitments & initiatives for society mainly focus on three categories: health, education and other communal initiatives.

Health

Economic progress of a country is highly dependent on healthy individuals. The Company aims to play its role for improvement of health of people including those directly associated with it. In this regard, following initiative was undertaken during the year:

Blood Donation Campaign

Through volunteerism, the Company engages and supports its employees in efforts to give back to society. A two-day blood donation camp was organized in collaboration with Indus Hospital wherein 73 associates from different departments volunteered and donated blood to help those in need.



A view of the blood donation camp

Education & Training

An educated and skilled nation is critical for socioeconomic development of a country. The Company believes that improving access to education & training is one of the most long-lasting investments it can make for the society. In this regard, following activities were carried out to support education & training:

Paid Internships

The Company's internship program offers an opportunity to undergraduate students which helps them in building their career foundations. Such programs give hands-on experience to interns which cannot be obtained in classrooms and is a great way for them to acquaint themselves with the field of their interest. This also helps the Company to discover quality employees for future. During the year, 230 students from reputable universities including NED university, NUST, Quaid-e-Azam university, IoBM, SZABIST, Iqra university, PAF KIET and LUMS, successfully completed their internships.



Students from various universities

SOS Training Institute

The SOS Technical Training Institute trains deserving boys and girls every year to help them break the cycle of poverty, earn a decent and dignified living and develop themselves to become productive members of the society. Demand driven technical education and vocational training in the field of automobile and electrical engineering is provided by experienced instructors. To support the Institute's efforts, the Company has sponsored training of 145 students this year. Further, equipment/hardware support was also provided.



Students at SOS Training Institute

Industrial Visits

The Company facilitates students and officials from various institutes and allows them to visit its Karachi and Sheikhpura plants. This year 250 students from NUST, NED university, IBA Karachi, SOS Technical Training Institute and College of Aviation Safety Management visited the plants and observed the process of production of motorcycles and parts. Visitors took keen interest in the assembly line and appreciated the precision exhibited by the workers.

Shab-e-Hunar

The Hunar Foundation is one of the largest non-profit organization offering technical and vocational training across Pakistan. The Foundation organized a fundraising event Shab-e-Hunar in Lahore. The aim of the event was to raise awareness and funds for education of students at Hunar Institutes in Punjab. The Company partnered with the Hunar Foundation as one of the sponsors of the event and helped them in raising funds.

Communal Initiatives

The Company acknowledges that the community initiatives are a investment that works hand-in-glove with its overall business strategy and values. Therefore, the Company collaborates with various stakeholders to address social issues and carry out initiatives that matter to local people.

Donation

The Company supports Atlas Foundation, a welfare and charitable organization formed with a mission of betterment of society with particular emphasis on health and education. It provides assistance to the needy and deserving without discrimination, directly and/or through organizations of repute in the field of Health, Education and General Welfare.

The Company recognizes the foundation's role in improving quality of life of local communities and donates at least one

percent of our profits to it, every year. In 2018-19, the Company made a contribution of Rs. 62.6 million.

The Company does not make any contributions to any political party or for any political purpose to any individual or body.

Women on Wheels

The Company has been undertaking initiatives to empower women and help them to be more independent and be able to contribute more effectively in the society. Such initiatives include training and distribution of motorcycles under project of Women on Wheels. The project has been initiated by Government of Punjab in various districts. This year, customized CD 70 Dream Pink bikes were distributed amongst 500 women. In addition, rallies in the cities of Lahore, Multan, Sargodha, Faisalabad and Rawalpindi were also organized.



A view of Women's Rally in Lahore

Women in Business and Leadership Conference

Pakistan Society of Training and Development organized 11th Women in Business Leadership Conference in which the Company participated as a sponsor. The aim of the conference is to bring successful women from all over Pakistan and engage them in initiatives to uplift women and encourage them to rise to their full potential.

Paint Work at Wagah Border

A ceremony is conducted every day at the border with much splendor which includes a parade, closing of international gates and the lowering of the flags. Seating arrangements are available for thousands of spectators who come to watch the ceremony. Exclusive seats are reserved for women. This year, the Company facilitated painting of chairs at the border in collaboration with border control authorities.

Promoting Sports

To keep up with the larger objective of nation building, the Company remains committed to support and nurture multiple disciplines of sports. In this regard, the Company sponsored following sports events:

- 13th CNS Open International Squash Championship held in Karachi;
- 26th Sindh Women's Swimming Championship held in Karachi

Vendor Management

Management Approach

The Company's engagement with vendors is a major source of value creation. Therefore, working closely with them on issues including sustainability is key for achievement of the Company's long-term goals. The Company's supply chain has a wide network of vendors and it recognizes the complexity of maintaining sustainability standards within it. At the same time, the Company sees great opportunities in leveraging its expertise and know-how to help vendors improve their performance.

The Company's supply chain is based on the philosophy of 3As which are:

1. Agility: Quick response to any change in demand.
2. Alignment: Design strategies aligned with the business plan of company.
3. Adaptability: Continuously updated with the latest tools, technologies and methodologies of modern era.

During engagement with vendors, challenges and opportunities are discussed and in-depth analysis is carried out. Solutions to key issues are arrived at in a collaborative manner. Policies relating to suppliers are evaluated regularly and updated, if required. The Company seeks mutual benefit and carries out business transactions based on principles of unrestricted competition with rational evaluation criteria. The Company's core focus areas are parts quality, vendor development and environmental and social performance of its vendors.



All relevant departments at the Company, including Coordination & Planning, Procurement, Quality Assurance and Logistics are jointly responsible for ensuring sustainable supply chain management. The Company's focus is on managing and minimizing vendor risks and leveraging vendor potential, in order to ensure sustainability and continuous improvement. A number of company-specific guidelines and policies have been implemented to ensure that the Company and its business partners are aware of local environmental, health, safety, and labor laws, as well as legal requirements and international sustainability principles. These guidelines and policies enable the Company to drive forward the sustainability goals and ensure their compliance.

The Company procures most of its required materials from Pakistan i.e. where its operating facilities are located as far as the same is qualitatively compatible, technically feasible and economically justifiable. The raw materials and parts which are easily available in Pakistan are procured locally, except for those which are not available in Pakistan.

Vendor Induction and Communication

Vendor Selection

The Company's vendor selection and approval process is based on a criteria comprising not only on their ability to provide quality parts at competitive terms but also their adherence to sustainability principles. Input for sourcing decisions is received from Supply Chain, Production, Coordination & Planning, Logistics and Finance departments. The Company also identifies and works with companies that have standards aligned or consistent with its own procurement and production practices. The Company also ensures that its Vendor Policy and Vendor CSR Guidelines are acknowledged and signed by all of its vendors.

In line with the Company's selection criteria, all new vendors are screened and inducted only if they comply with sustainability principles detailed in 'environmental and social performance' section.

Vendor Diversity

The Company recognizes that a diverse supply base is an integral part of growth and success. It is crucial to deliver the promise of providing the best mobility solutions. The Company is committed to work with and developing businesses by creating opportunities and initiatives that enable diverse vendors to grow into profitable and sustainable enterprises. The Company continues to foster productive relationships with entrepreneurs from a wide range of backgrounds to meet its customers' needs and expectations.

Business to Business Communication Portal

Open and transparent communication with fair and consistent behaviors is a key component in establishing strong and lasting relationships with the Company's vendors. The Company has made available various forums for engagement at different levels, including regional vendor meetings, business unit reviews, quarterly business update calls and participation in events organized by vendors and industry associations. In addition, Business to Business link has been established which allows the Company's supply chain department and vendors to communicate without delays. It has helped to achieve:

- Real Time Communication;
- Paper less Environment;
- On-Time Receiving & delivery; and
- Improvement in efficiency and effectiveness of Supply Chain.

Further, this portal enables evaluation and appraisal of vendors on the basis of standardized quality and timely deliveries.

Parts Quality

The Company aims to keep its customers' trust by emphasizing on importance of quality throughout its supply chain. To achieve this objective, the Company binds its vendors to establish and operate within a quality assurance system. Apart from the Company's objective of procuring inspection free parts, its vendors validate that parts delivered through their manufacturing processes meet the drawings accurately and achieve target of 0.1% rejection for incoming parts. Following measures were taken to achieve these quality objectives:

Vendor Improvement Program (VIP)

The Company assists its vendors in improving quality and operations through various initiatives especially the Company's VIP program launched few years ago. This program focuses on following six core areas:

- Drawing & Specification Control
- Dies & Tool Management
- In Process Inspection System
- Incoming Inspection
- Final Inspection System
- Warranty Analysis system

Certificates are awarded to vendors at the time of completion

of the program. Further, they are reviewed and audited each year for recertification. Continuous follow up is carried out by VIP designated team which comprises of the Company's employees from Supply Chain and Quality Assurance department. This year, 10 more vendors were analyzed and assessed under this program.

Supplier Quality Management

SQM is an extension of Vendor Improvement Program aimed to reduce vendors' incoming rejection level. It addresses and emphasizes on supply of high quality parts that satisfy the needs and exceed the expectations of the Company's customers. This year, 9 suppliers were trained under this program.

ALA MAYAR Quality Event

ALA MAYAR Quality Event is an initiative where the Company's vendors are encouraged to participate and collaborate to solve problems, add value and introduce innovation. Circles are formed where the Company's employees and those of its vendors work together to discuss issues and devise solutions. This year, more than 120 themes were presented by the Company's vendors out of which three best themes each from Karachi & Sheikhpura plants were awarded on basis of a pre-defined criteria. The 28th ALA MAYAR Awards were distributed at our Annual Vendor Conference 2018 held on April 21, 2018.



Vendor Development

The Company encourages its vendors to invest in their facilities including their manufacturing capacity and new technology. The idea is to ensure that the Company's vendors remain well-equipped to meet the demands of business while earning attractive returns on their investments. Since, the Company is going through a phase wise capacity expansion, it is a prerequisite that its vendors upgrade their operations accordingly to support the said expansion. This year, an investment of Rs. 0.3 billion was made by the Company's vendors in this regard.

The Company also believes in developing and strengthening competencies and skills of its vendors apart from their manufacturing capacities. For the purpose, the Company has been providing major technological assistance to its vendors, resulting in enhancement of their engineering skills and creation of employment opportunities.

Environmental and Social Performance

The Company applies the same level of scrutiny to its suppliers with regards to labor rights, human rights, health, social and environmental requirements as it does to its own operations. The Company's goal is to follow best practices and enable its vendors to replicate the same and be accountable for their sustainability performance.

Guidelines to Vendors

Corporate Social Responsibility is embedded in the Company's day to day operations in a clear and practical manner. All products and services are regularly monitored for their impact on society and the environment. Given the increased expectations regarding sustainability, the Company recognizes that it is essential to share its approach to sustainability with its vendors. In this regard, following guidelines have been issued to vendors. The Company believes that these guidelines help its vendors in maintaining a shared understanding of sustainability, to carry out initiatives

proactively and to continue growing together.

- Establish and monitor a company-wide social management system;
- Prevent climate change via reducing GHG emissions;
- Optimize packaging and establish efficient logistics operations in order to reduce waste disposal and transport emissions;
- Prevent pollution and contamination of air, water, soil, etc;
- Enforce proper disposal of waste and implement optimum recycling of waste and disposals etc; and
- Compliance with laws and regulations along with commitment to protect human rights.

All vendors are monitored and evaluated against these guidelines and based on such evaluation, the Company has not come across any significant actual or potential negative impact of its supply chain or vendors' on labor practices, human rights and society requiring termination of relationship.

Emissions Reduction Caravan

In 2014, the Company undertook an initiative called 'Emissions Reduction Caravan' for its vendors. Since then, under this initiative, the Company's supply chain engineers are working in close coordination with major vendors to reduce their environmental footprint. Technical guidance is being provided for process improvements focused on production efficiency, energy conservation, material recycling, reuse and reduction in CO₂ emission. 35 vendors from both plants, covering 76% of total purchases have participated and achieved the target of reduction in CO₂ emission by 1%.



Logistics Operations

The Company's supply chain operations manage the transportation of parts and components from its vendors to manufacturing facilities ("inbound" freight) while logistics operations ensure the same for finished motorcycles from the Company's plants to its dealerships ("outbound" freight). With activities coordinated regionally, the responsibilities include designing and operating the transportation network and devising high-quality and efficient packaging to protect materials in transit. Freight emissions are influenced by a wide and complex range of inter-related factors, including the mode of transportation, the efficiency of the equipment used and the design of the freight network. The Company finds the most effective ways of achieving reductions through:

- Improving the design and operation of transportation networks
- Increasing vehicle utilization
- Increasing the use of greener modes of transport such as using rail network

Environmental Impact Assessment Survey

Every year, the Company participates in environmental impact assessment survey developed by Honda Motor Japan. This year, 35 vendors were assessed on basis of following criteria:

- Direct & Indirect GHG Emissions
- Green Purchasing Guideline
- Chemical Substance Management
- Environmental Management System
- Energy Conservation Guidelines
- Water Resources Guidelines
- Pollution Prevention Guidelines
- Biodiversity Guidelines

None of the selected vendors were identified as having any significant actual and potential negative environmental impacts.

Human Rights & Working Conditions

Respecting and protecting human rights - the fundamental and inalienable rights and freedoms to which all people are entitled - is at the core of the Company's labor practices. The Company aims to ensure that everything it makes or that others make for the Company is consistent with local laws and the Company's commitment to protecting human rights. The Company has implemented strict requirements within its operations and for suppliers to protect the rights of employees as detailed in following guidelines issued:

- Eliminate discrimination and ensure zero harassment at workplace in any aspect of employment based on race, ethnicity, nationality, religion, gender, or other characteristics;

- Avoid employment of workers who do not meet the legal minimum working age of each country and region;
- Avoid practicing forced labor. Guarantee that all labor is voluntary and those employees are free to leave their jobs;
- To comply with the laws & regulations regarding minimum wages, overtime, wage deductions, performance-based pay and other remuneration;
- To obey with the laws & regulations regarding the setting of employees' working hours (including overtime) and granting of scheduled days off and paid annual vacation time etc; and
- Ensure a safe and healthy working environment for all associates.

Responsible Sourcing of Minerals

International regulations such as the Dodd-Frank Act in the United States obligate companies to disclose the origin of certain raw materials to ensure that "conflict minerals", such as

tin, tungsten, tantalum and gold from the Democratic Republic of Congo or neighboring states, do not enter their products through their supply chain. The Company, therefore, monitors all vendors to make sure they do not source raw materials from the affected regions. Using a structured survey process and by working closely with vendors for increased supply chain transparency, the Company obtains confirmation that its suppliers and their upstream suppliers are obtaining material free from conflict minerals. Furthermore, the Company provides clear guidelines for suppliers and raises awareness on conflict mineral related issues through education and support. The Company also collaborates with a cross-industry group called Conflict-Free Sourcing Initiative (CFSI) in this regard. In order to be confirmed as conflict free, the smelters and refiners are required to pass an independent third-party audit. The results from this year's survey confirmed that our supply chain is based on conflict free sourcing.

Employee Management

Management Approach

The Company ensures long-term employee development by seeking out the right employees, making the most of their talents, developing potential and ensuring employability. The Company strives to unlock the potential of human resources management and resultantly, add value to its business. A corporate culture guided by the principles of the Atlas Way (as described in Sustainability Strategy) forms the basis of the Company's efforts in this area.

The Company has policies in place covering all aspects of employment, including employee relations, training, equal opportunity and health & safety of its workforce. The Company fully complies with applicable labor and health & safety laws and regulations that prohibit forced, compulsory and child labor. The Company is committed to the observance of fair working conditions and human rights. Gender equality and respect for diversity is deep rooted in the Company's culture to encourage talented individuals with diverse backgrounds to demonstrate their full potential and evolve into leaders. The Company is continuously working to upgrade its human resources expertise, practices, systems, and service quality. As part of the Company's talent management, performance appraisals are carried out which help in identification of career development and training needs. This also helps the Company in ensuring a fair reward system. Further, the Company's performance is constantly evaluated through surveys and awards.

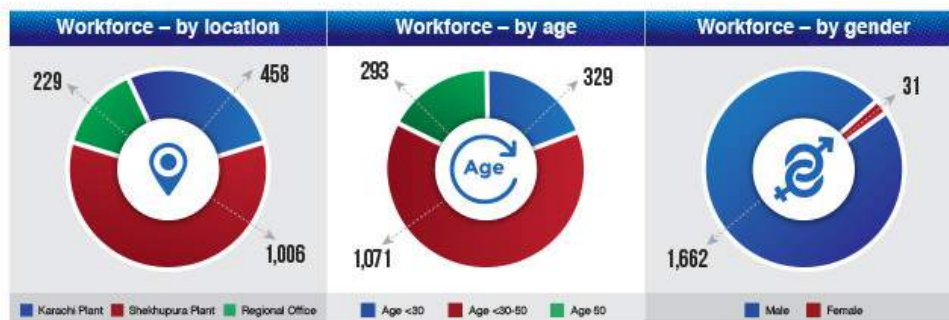
Recruitment and Retention

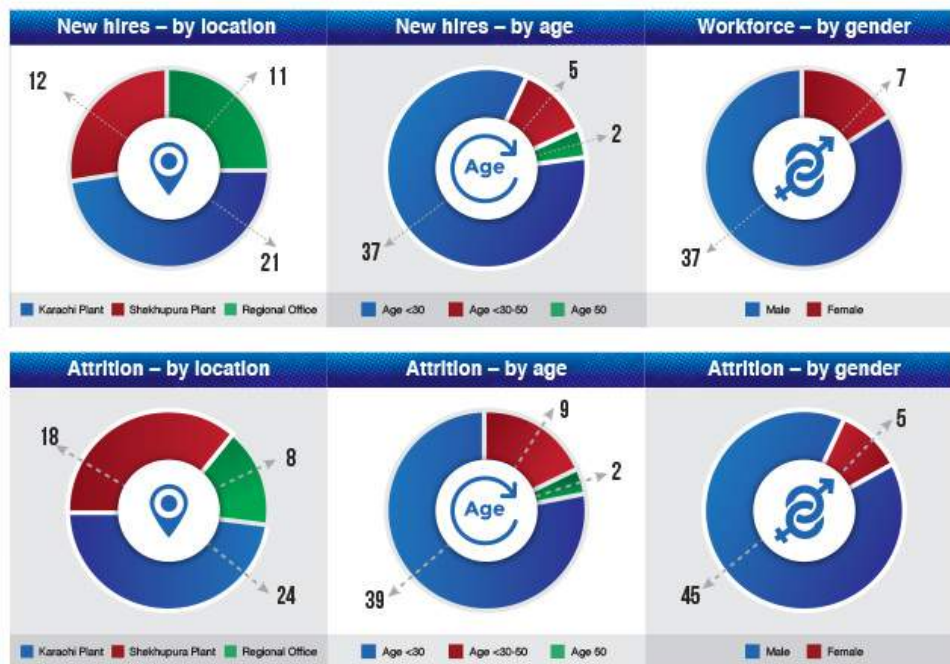
To sustain its market leadership, the Company aims to attract, recruit and retain the best talent. The Company's ability to offer unique opportunities, such as a diverse and supportive work environment, helps differentiate Atlas Honda from other employers and attracts high-performing professionals who are competent and highly skilled. Recruitment and retention of appropriate workforce becomes more crucial as the Company has been undergoing a phase wise capacity expansion plan. A uniform policy for hiring, job placement and human resource development is followed. A comprehensive "Employee Orientation Training Program / Onboarding Program" has been designed to provide an overview of the Company's culture and processes to all new joiners.



Employee Composition

The Company's employees' composition is as follows. No major variations have been reported. Further, the data has been compiled by the Company's human resource department as per actual and no assumptions have been made.





Diversity and Inclusion

The Company values equality, diversity and inclusion. Merit-based recruitment practices have been adopted and equal employment opportunities for all regardless of race, religion, gender, marital status and age or disability are being made available by the Company. During the year, no incidents of discrimination were reported. For hiring workers, equal weightage is given to candidates from across the country. The Company also focuses on recruitment and qualification of local personnel as a way of developing the local communities and regions in which it operates.

The Company hires men and women with vast experiences, from different industry backgrounds, cultures, beliefs and ethnicities. This ensures that the Company is able to adapt to the changing needs of business. However, it is currently a challenge for the entire auto industry in Pakistan to attract sufficient number of female employees. Various initiatives are being undertaken to enhance the participation of women. During the year, 7 female executives were hired. Female staff is entitled to three-month maternal leave. During the year under review, three female associates availed maternal leave. Women's day was celebrated at all the offices and the female staff was given an opportunity to discuss and share their views and expectations.



The Company also supports creation of job opportunities for persons with disabilities through provision of additional facilities and appropriate training. Currently, 21 individuals, who are differently-abled, are working for the Company.

Career Development and Training

The Company believes in the principle of "Organization Development through Self-Development" and places great emphasis on capacity and skill building. Life-long learning is promoted through the 70:20:10 formula, where 70% learning comes from an individual's performance at their current job, 20% from coaching and 10% from formal training. Accordingly, the Company provides a broad range of opportunities to its employees in form of on-the-job learning, mentoring programs, trainings and courses. Such programs include various in-house, national and international programs. The Company also provides support to its employees for higher education and management courses at renowned business schools such as Harvard Business School and INSEAD. A number of rotational programs are strategically and systematically implemented to give employees the experience needed to serve at management positions.



The Company's efforts, during the year under review, for training and development of its employees are presented in the following table:

Internal Training Programs	24
No. of Persons trained in internal training	361 (Female: 16)
External Training Programs	25
Foreign Training Programs	10
No. of Persons trained in external trainings	128 (Female: 2)
Trainings days	1,628 (Female: 92)
Training hours	13,024 (Female: 736)
Average training hours per year per employee	26.14
Average training days per employee	2.2 (Female: 2.0)

Performance Appraisal and Reward System

The Company adheres to all laws and regulations with regard to employee benefits, including minimum wages and separation benefits. Basic salaries and packages are set on the basis of education and experience of the employees. Compensation packages offered are competitive and equitable and are in line with the industry benchmarks. These include salaries, bonus, health care benefits, transportation allowances, company provided vehicles, fuel allowances and retirement benefits. An employee's salary is adjusted based on the results of performance evaluations. The Company only provides full time employment and does not offer part time jobs.

All employees undergo performance appraisals twice a year. Annual Performance Appraisal is used as a basis for positioning of personnel within the Company and determination of annual increment. High performing individuals are promoted to higher grades and are awarded higher increments. The Company's performance management policy, under the Individual Development Program for management cadre employees, requires determination of areas of focus for internal and external trainings necessary for creation of future leaders.

Long serving employees are recognized through award of gold medals for their association with the company for 15 years or more.

Employees' Engagement and Connectivity

The Company supports the creation of a high performing work environment by ensuring a balance between personal and professional lives of its employees. The Company believes in a culture of inclusion and well-being that inspires employee engagement for better productivity. For this, the Company organizes various activities such as family day, picnics, sports and other activities which provide employees an opportunity for leisure.



A glimpse of picnic organised for employees

Further, every year an "Employee Vitality Level Survey" is conducted wherein the management and middle management associates participate to rate the Company on 5 Engagement

Factors. The mean score of the survey conducted this year was 4.9 out of 6. Area of focus identified through the survey was performance management. Accordingly, our human resource department is working to improve the policies so as to meet employee expectations in a timely manner.

Human Rights and Relations with CBA

The Company is responsible for creation of an environment free of discrimination and harassment, in which all individuals are treated with respect, equality and dignity and have equal opportunities. Human rights violations of any sort is not tolerated. Key management practices including: a guarantee of voluntary labor, observance of working hours, respect for diversity and workplace health and safety are continuously reinforced at the Company. The Company makes every effort to engage in sincere discussions with its employees about any issues that exist or might arise. This helps in maintaining a relationship of mutual trust. Moreover, an appropriate notification period is allowed before implementation of any change that can have an impact on employees. The Company recognizes the rights of employees to set up their representation and carry out collective bargaining to regulate working conditions. Constructive dialogue, negotiations and consultations are carried out with labor unions, when needed, at both our plants. All non-management employees are covered under CBA, which cover more than 11% of total permanent employees.

The Company strongly discourages any form of child labor and firmly complies with local regulations concerning legal minimum age requirement for work permits. The Company has a mechanism of periodical evaluation of its vendors for any possible violation of human rights. The Company does not have any child labor within its operations nor is it aware of any such cases at its suppliers. There were no complaints reported during the year related to violation of human rights.

Health and Safety

The Company is committed to ensure the health and safety of its employees, contractors and visitors. Aspects related to this area are documented in contracts and agreements with the trade union. The risks of injury, death or ill-health of our employees and those who work with the Company is a fundamental concern and have a significant impact on our operations. The Company is striving to create a dynamic working environment that is conducive to the mental and physical well-being of its employees. Issues relating to employee safety and health are managed in accordance with the Health, Safety & Environment policy of the Company at all its sites.

The responsibility for health and safety impacts rests with the General Manager Human Resource. The management approach comprises of health and safety policy, procedures and guidance documents. Health and safety committees are operational at each plant as per applicable laws and best available practices. The meetings of these committees are held on a regular basis to monitor health and safety issues and recommend improvements.

During the year 2018-19, no major fatalities and injuries were reported. Important guidelines derived from the HSE policy have been displayed at prominent places within the Company

premises to manage safe working environment. Further, the Company undertook following steps to promote healthy mindset and safety amongst employees:

- To address various health, safety and environment related issues regular, HSE flyers are disseminated. To date, topics covered include updates on rain emergency, earthquake and road safety.
- During the year, 41 training sessions on basic first aid and steps in case of emergency due to fire have been conducted. 1,415 associates from various departments actively participated and were imparted with knowledge of an emergency action plan. Hands on training on handling fire extinguishers, fire blankets and fire hydrants was part of the training sessions.
- A safety program was initiated by HSE department under which shop in-charges were trained on various HSE related matters and were made responsible to train their

subordinates. During the year, 242 trainings sessions were conducted creating awareness about general electric safety, fire prevention & emergency response planning, use of personal protective equipment, chemical safety, first aid, slip, trip & fall prevention and forklift safety.



A glimpse of safety awareness sessions

Definition, methodology and scope

The Sustainability Report is issued by us to disseminate information about our economic, environmental and social impacts to our stakeholders, enabling them to make informed decisions.

This section provides definitions, methodology guide and information on scope of the report. Unless otherwise specified or required by the context in which they are used, the terms "Atlas Honda" or "the company" or "we" refer to the Atlas Honda Limited and do not include its associated companies.

The information and data contained in this report relates to financial year 2019 (April 1, 2018 to March 31, 2019). The data presented in the report includes all plants and offices of Atlas Honda and does not include data on its associated companies.

The quality of the information contained in the report is in compliance with principles for defining report content and quality of the report as per GRI Standards.

The compilation of data has been done on the basic scientific measurement and mathematical calculus methods on actual basis, but in some cases where actual data is unavailable due to some reasons; different logical methodologies are used for calculations. The usage of any such method is mentioned at respective places in the report, where applicable. The data measurement techniques are same as used for previous year.

There has been no change in the reporting period, scope, boundary or measurement methods applied in the report. There are no changes that can significantly affect the comparability of data from period to period. Previous years' figures have been regrouped/ rearranged wherever found necessary to conform to this year's classification. Preparation of the sustainability report is part of annual reporting process subject to independent review, analysis and approval of relevant authorities. We make every effort to ensure the accuracy of the sustainability information contained in this report. From time to time, however, figures may be updated. The online pdf version of the sustainability report will be considered the most current version and takes precedence over any previously printed version.

The Sustainability Report is:

- prepared by the sustainability reporting team that coordinates and engages relevant functions;
- approved by the Board of Directors;
- subject to an independent review by Corporate Social Responsibility Centre Pakistan, an independent reviewer, in compliance with GRI Sustainability Reporting Standards and ISAE 3000 (2003);
- published and freely available for download from the publication section of the company website (www.atlashonda.com.pk).



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Independent Assurance Statement for the Atlas Honda Limited Sustainability Report 2019

Corporate Social Responsibility Centre Pakistan (CSRCP) performed an independent review of the Atlas Honda Limited (AHL) Sustainability Report 2019, which was prepared 'in accordance' with Global Reporting Initiative's (GRI) Standards' Core option. The objective of the critical independent review is to provide AHL's Management with an independent opinion about the quality of the report and adherence to the principles of Inclusivity, Materiality, and Responsiveness.

Responsibility of AHL and of CSRCP

The Management of AHL is responsible for the preparation of the Sustainability Report and for the information and statements contained within it. The Management is responsible for determining the sustainability goals, performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Our responsibility is to express independently a conclusion on the Sustainability Report as defined within the scope of work to The Management of AHL only in accordance with the terms of reference agreed with them. We do not accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the report is entirely at its own risk.

Scope of Assurance

CSRCP was asked to express an opinion in relation to the review scope which includes the following aspects:

- Review of the policies, initiatives, practices and performance described in the non-financial - qualitative and quantitative information (sustainability performance) reported and referenced in the report.
- Evaluation of the disclosed information in the report to check adherence to the GRI's Universal and Topic Specific Standards.
- Adherence to ISAE 3000 (Revised) to provide limited assurance on performance data within the Sustainability Report.
- Adherence to the principles of Inclusivity, Materiality and Responsiveness.

Assurance methodology

Our activities included a desk review of the final draft report. We communicated with AHL to determine the accuracy and authenticity of the report content, data points, methodologies and policies around the organization's social, environmental and economic data and activities.

Our procedures on this engagement included:

- Critical review of the Sustainability Report 2019 and respective Content Index to check consistency and adherence to GRI's Universal and Topic-Specific Standards
- Evaluation of the report adherence to the in accordance: Core option
- Analysis of the report content against principles of Inclusivity, Materiality and Responsiveness
- Elaboration of an adjustment report
- Final review of the report content

The work was planned and carried out to provide limited, rather than absolute assurance and we believe that the desk review of the AHL Sustainability Report completed by CSRCP provides an appropriate basis for our conclusions.

Opinion

GRI Standards in accordance option

AHL declares the report to be in accordance with GRI Standards: Core option. CSRCP evaluated the quality of the application of GRI Universal and Topic Specific Standards. Based on the evaluation, CSRCP made a series of recommendations to compete the content or adjust the disclosure level in the Content Index, which have been accepted by the company. Based on the rectifications, we can confirm that the report is attending the above mentioned 'in accordance' option, giving a complete overview of AHL's sustainability governance and management systems in place to report on a relevant set of disclosures related to the identified material topics.

Main Conclusions on Adherence to Principles of Inclusivity, Materiality and Responsiveness

Inclusivity – addresses the stakeholders' participation in the process of developing and implementing a transparent and strategic sustainability management process.

- AHL report addresses how company identifies and engages with different stakeholders, including AHL focus for engagement and AHL response. The material issues emerging from the stakeholder engagement were collected, prioritized and the results are fairly reflected in the report.
- It is important that AHL carries out a sustainability specific engagement and demonstrate a deeper perspective on stakeholders' concerns discussed in these sessions and how AHL utilizes stakeholders' input in strategic decision making.

Materiality – issues required by stakeholders to make decisions on the organization's economic, environmental and social performance.

- Material issues have been identified by AHL in a Materiality Matrix which considers the influence on stakeholder assessment and decisions and the significance of environmental, social and economic impacts, using a commonly accepted approach. The parameters of risks and opportunities were considered in the materiality determination process, which makes the process more focused on prioritizing issues relevant to AHL.
- AHL material topics of human rights, health and safety, employment and labor practices and supply chain impacts having outreach in the supply chain are monitored by AHL. However it is necessary that company discloses more details about current status of suppliers towards these material topics, AHL approach to managing the associated impacts and methodology towards assessing its supply chain impacts on these material topics.

Responsiveness – addresses the action taken by the organization as a result of specific stakeholders' demands.

- AHL has appropriate policies and externally certified quality, environmental and health & safety management systems, which involve a high level of analysis of risks, non-compliance and corrective actions.
- Sustainability management at AHL maintains high level support, conforming AHL's commitment to address sustainability challenges, stakeholder concerns, and promoting sustainable practices in its supply chain. It would be recommendable to define adequate sustainability targets for material topics to demonstrate AHL commitment towards better management of the impacts.

Statement of conclusion

Based on the scope of our work and the assurance procedures we performed using the ISAE 3000 (Revised)



Muhammad Arfan Nazir,
Director,
Corporate Social Responsibility Centre Pakistan.

assurance standard, we conclude that nothing has come to our attention that causes us to believe that the information in AHL's Sustainability Report 2019 is in all material aspects not fairly stated.

We confirm that the report is aligned with the requirements of the GRI Standards and reports its material topics in an adequate manner. The compliance with GRI Standards has been disclosed in more detail in the Content Index which provides overview of which standards have been fully complied and which have been partially complied in the report. In our opinion AHL has appropriate systems for collection, aggregation and analysis of the data presented in the report.

Limitations and exclusions

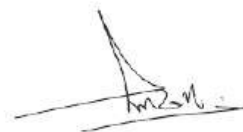
Excluded from the scope of our work is any verification of information relating to:

- Physical verification of data, content of AHL's Sustainability Report;
- Positional statements (expression of opinion, belief, aim or future intention of AHL) and statements of future commitment.

Statement of independence, impartiality and competence

CSRCP operates strict conflict of interest checks and has confirmed our independence to work on this engagement with AHL. The members of the review team have not provided consulting services and were not involved in the preparation of any part of the report. CSRCP is a consulting firm specialized in sustainability. The review team has the required combination of education, experience, training and skills for this engagement.

Islamabad, May 24, 2019



Muhammad Imran,
Muhammad Imran & Co.,
Cost & Management Accountants Pakistan.
ICMAP Membership # 1382


































GRI Content Index











































The following table lists all disclosures in accordance with the GRI Standards included in the report and helps the reader in locating content within the document. Each disclosure is followed by reference to the appropriate pages in this report or other publicly available sources.










































Key

 Fully disclosed

 Partially disclosed

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	OMISSION & REASON
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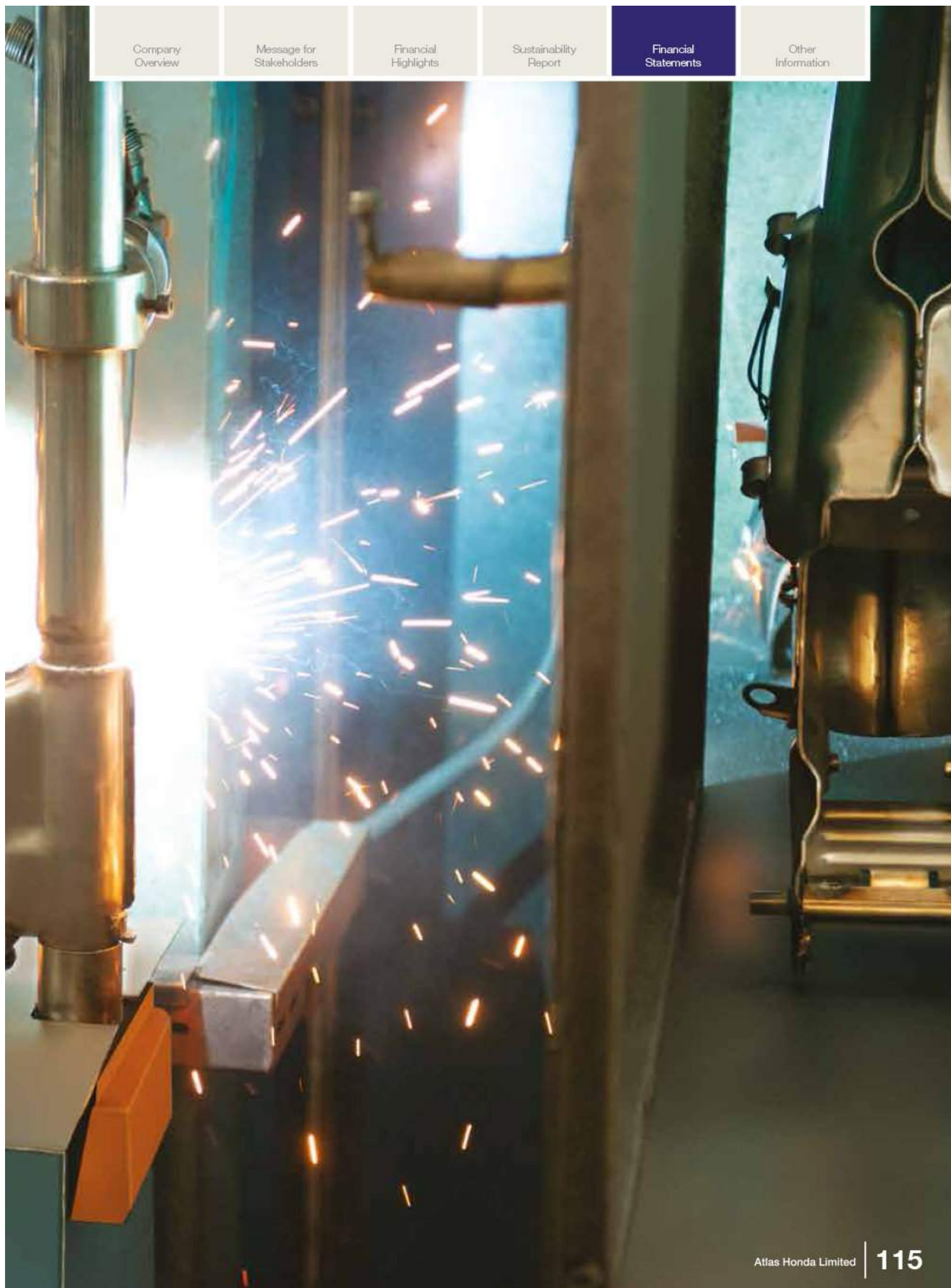
GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	OMISSION & REASON
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- Statement of Compliance with Code of Corporate Governance
- Review Report to the Members on Code of Corporate Governance
- Auditors' Report to the Members
- Statement of Financial Position
- Statement of Profit or Loss & Other Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Equity
- Notes to the Financial Statements



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017. The Company has applied the principles contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017 in the following manner:

1. Total Number of directors are eight as per following:

a.	Male	Eight
b.	Female	None

2. The composition of Board of Directors is as follows:

Category	Names
Independent Director	Mr. Abid Naqvi
Executive Directors	Mr. Saquib H. Shirazi Mr. Yukitoshi Fujisaka Mr. Hirofumi Yada
Non-Executive Directors	Mr. Yusuf H. Shirazi Mr. Hironobu Yoshimura Mr. Sanaullah Qureshi Mr. Jawaid Iqbal Ahmed

The independent director meets the criteria of independence under clause 1(b) of the CCG.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including Atlas Honda Limited (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of Board.
8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
9. The Board has arranged Directors' Training program for the following directors during the year:
 - Mr Yukitoshi Fujisaka
 - Mr. Hirofumi Yada
 - Mr. Hironobu Yoshimura

After the above training, as of March 31, 2019 all Directors have either obtained certification under the Directors' Training Program or have obtained exemption from the Directors' Training Program.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

a) **Audit Committee**

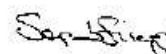
Mr. Sanaullah Qureshi	Chairman
Mr. Abid Naqvi	Member
Mr. Jawaid Iqbal Ahmed	Member

b) **HR and Remuneration Committee**

Mr. Sanaullah Qureshi	Chairman
Mr. Jawaid Iqbal Ahmed	Member
Mr. Saquib H. Shirazi	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
 14. The frequency of meetings of the committee were as per following:
- | | |
|-------------------------------|-------------------|
| Audit Committee | Quarterly |
| HR and Remuneration Committee | On required basis |
15. The Board has set up an effective internal audit function.
 16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
 17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board of Directors



Saquib H. Shirazi
Chief Executive Officer

Karachi: April 24, 2019



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Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Atlas Honda Limited (the Company) for the year ended March 31, 2019, in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended March 31, 2019.

ShineWing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI

DATED: 24 APRIL, 2019

a member firm of *ShineWing International*





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Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Atlas Honda Limited (the Company), which comprise the statement of financial position as at March 31, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at March 31, 2019 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S.No. Key Audit Matter

How the matter was addressed in our audit

1. Capitalization of property, plant and equipment

As disclosed in notes 3 and 6 to the financial statements, the Company, during the year, incurred significant capital expenditure with additions of Rs.2,189,349 thousand made to its operating fixed asset on account of balancing, modernization & replacement, capacity expansion projects and introduction of new model.

We identified capital expenditure incurred during the year as a key audit matter as this represents significant transactions and involves certain judgemental area such as capitalization of eligible cost as per accounting and reporting standards.

Our audit procedures in respect of this area included:

Obtained an understanding of the management controls over capitalization and on a sample basis, tested relevant controls over authorization and recording in the system.

On a sample basis, tested the costs incurred with underlying supporting documentations i.e. purchase orders, delivery challans, supplier invoices, payment and other relevant documents.

Evaluate the nature of costs on a sample basis to ensure capitalization criteria of relevant accounting and reporting standards.

Ensured the adequacy of the related disclosures and assessed these are in accordance with the applicable financial reporting standards and the Companies Act, 2017.

2. Revenue recognition

Refer notes 5.23, 25 and 38 to the financial statements. The Company has generated revenue from sales of motorcycle and spare parts. The revenue recognition is identified as a key audit matter due to its significance as key indicator for performance of management and creates an inherent risk that revenue could be misstated to meet targets.

Our audit procedures in respect of this area included:

Obtained an understanding of the Company's processes and related internal controls for revenue recognition and on a sample basis, tested the effectiveness of those controls.

On a sample basis compared sales transactions near the statement of financial position date to assess whether transactions are recorded in relevant accounting period.

Performed test of details on a sample basis with underlying documentations by inspecting and comparing customer orders, delivery challans, invoices and other related documents.

Ensured the adequacy of the related disclosures in accordance with the applicable financial reporting standards and the Companies Act, 2017.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for 2019, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Raheel Ahmed.

Shinewing Hameed Chaudhri

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
KARACHI


DATED: 24 APRIL, 2019

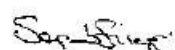
Statement of Financial Position

As at March 31, 2019

		2019	2018
	Note	--- Rupees in '000 ---	
ASSETS			
Non current assets			
Property, plant and equipment	6	8,950,633	7,976,101
Intangible assets	7	168,924	44,905
Long term investments	8	323,497	324,899
Long term loans and advances	9	33,467	31,481
Long term deposits		13,882	22,573
		<u>9,490,403</u>	<u>8,399,959</u>
Current assets			
Stores, spares and loose tools	10	725,754	650,160
Stock-in-trade	11	5,069,836	2,599,530
Trade debts	12	1,116,000	861,224
Loans and advances	13	43,794	40,107
Trade deposits and prepayments	14	1,007,128	137,663
Accrued mark-up / interest		37,614	15,557
Other receivables	15	573,080	15,528
Taxation - net		1,149,424	725,750
Short term investments	16	5,261,724	8,400,246
Bank balances	17	7,480,159	9,981,615
		<u>22,464,513</u>	<u>23,427,380</u>
		<u>31,954,916</u>	<u>31,827,339</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,034,066	1,034,066
Reserves	19	14,331,698	14,966,655
		<u>15,365,764</u>	<u>16,000,721</u>
Non current liabilities			
Staff retirement benefits	20	296,409	262,882
Deferred taxation	21	700,024	698,042
		<u>996,433</u>	<u>960,924</u>
Current liabilities			
Trade and other payables	22	15,500,137	14,802,091
Unclaimed dividend		92,582	63,603
		<u>15,592,719</u>	<u>14,865,694</u>
		<u>16,589,152</u>	<u>15,826,618</u>
Contingencies and commitments	24	<u>31,954,916</u>	<u>31,827,339</u>

The annexed notes 1 to 45 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

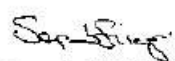

Kashif Yasin
Chief Financial Officer

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended March 31, 2019

	Note	2019 -- Rupees in '000 --	2018
Sales	25	82,412,548	77,478,845
Cost of sales	26	(75,856,677)	(69,188,101)
Gross profit		6,555,871	8,290,744
Sales and marketing expenses	27	(1,924,062)	(1,852,057)
Administrative expenses	28	(640,209)	(634,594)
Other income	29	1,097,636	877,908
Other operating expenses	30	(463,793)	(445,037)
Share of net profit of an Associate		15,698	50,607
Operating profit		4,641,141	6,287,571
Finance costs	31	(25,818)	(22,725)
Profit before taxation		4,615,323	6,264,846
Income tax expense	32	(1,406,664)	(1,601,211)
Profit for the year		3,208,659	4,663,635
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of staff retirement benefit obligation		(24,070)	(10,607)
Income tax relating to this remeasurement		6,499	3,182
Other comprehensive loss for the year - net of tax		(17,571)	(7,425)
Total comprehensive income for the year		3,191,088	4,656,210
		----- Rupees -----	
Earnings per share - basic and diluted	33	31.03	45.10

The annexed notes 1 to 45 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

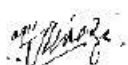

Kashif Yasin
Chief Financial Officer

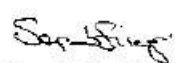
Statement of Cash Flows

For the Year Ended March 31, 2019

	Note	2019 --- Rupees in '000 ---	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	1,705,238	9,245,031
Income taxes paid		(1,821,857)	(1,563,999)
Contribution made to gratuity funds		(24,443)	(25,492)
Compensated absences paid		(19,012)	(24,181)
Mark-up / interest received		590,502	533,117
Workers' profit participation fund paid		(333,728)	(270,713)
Workers' welfare fund paid		(116,209)	(84,154)
Long term loans and advances - net		(1,986)	(1,373)
Long term deposits - net		8,691	(5,234)
Net cash (used in) / generated from operating activities		(12,804)	7,803,002
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,106,954)	(2,368,886)
Proceeds from sale of property, plant and equipment		65,467	444,748
Payments for intangible assets		(142,840)	(54,866)
Payments for investments		(1,289,232)	(15,781,555)
Proceeds from sale of investments		4,304,034	14,739,346
Dividend received		477,939	50,465
Net cash generated from / (used in) investing activities		1,308,414	(2,970,748)
CASH USED IN FINANCING ACTIVITIES			
Dividend paid		(3,797,066)	(1,904,423)
Net (decrease) / increase in cash and cash equivalents		(2,501,456)	2,927,831
Cash and cash equivalents at beginning of the year		9,981,615	7,053,784
Cash and cash equivalents at end of the year	17	7,480,159	9,981,615

The annexed notes 1 to 45 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer

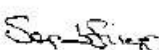

Kashif Yasin
Chief Financial Officer

Statement of Changes in Equity For the Year Ended March 31, 2019

	Share Capital	Capital reserves		Revenue reserves		Total
		Share Premium	Gain on Sale of Land	General Reserve	Unappro- priated Profit	
	----- Rupees in '000 -----					
Balance as at April 1, 2017	1,034,066	39,953	165	6,992,000	5,191,349	13,257,533
Transfer to general reserve	-	-	-	1,000,000	(1,000,000)	-
Transaction with owners in their capacity as owners						
Final dividend for the year ended March 31, 2017 at the rate of Rs.18.50 per share	-	-	-	-	(1,913,022)	(1,913,022)
Total comprehensive income for the year ended March 31, 2018						
Profit for the year	-	-	-	-	4,663,635	4,663,635
Other comprehensive loss	-	-	-	-	(7,425)	(7,425)
	-	-	-	-	4,656,210	4,656,210
Balance as at March 31, 2018	1,034,066	39,953	165	7,992,000	6,934,537	16,000,721
Transfer to general reserve	-	-	-	1,500,000	(1,500,000)	-
Transaction with owners in their capacity as owners						
Final dividend for the year ended March 31, 2018 at the rate of Rs.27.0 per share	-	-	-	-	(2,791,979)	(2,791,979)
Interim dividend for the half year ended September 30, 2018 at the rate of Rs.10.0 per share	-	-	-	-	(1,034,066)	(1,034,066)
Total comprehensive income for the year ended March 31, 2019						
Profit for the year	-	-	-	-	3,208,659	3,208,659
Other comprehensive loss	-	-	-	-	(17,571)	(17,571)
	-	-	-	-	3,191,088	3,191,088
Balance as at March 31, 2019	1,034,066	39,953	165	9,492,000	4,799,580	15,365,764

The annexed notes 1 to 45 form an integral part of these financial statements.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer


Kashif Yasin
Chief Financial Officer

Notes to the Financial Statements For the Year Ended March 31, 2019

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 the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. 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 Company is a subsidiary of Shirazi Investments (Private) Limited, which holds 52.43% of issued, subscribed and paid-up capital of the Company as at March 31, 2019.

The geographical location and addresses of the Company's business units including plants are as follows:

Business unit	Geographical location and address
Registered office	1 - McLeod Road, Lahore
Manufacturing plant	
Karachi	F-36, Estate Avenue, S.I.T.E., Karachi
Sheikhupura	26-27 Km, Lahore-Sheikhupura Road, Sheikhupura
Branch offices	
Lahore	1st Floor, 28-Mozang Road, Lahore
Islamabad	Plot No. 784/785, Golra Road, Islamabad
Faisalabad	1st Floor, Meezan Executive Tower, Liaquat Road, Faisalabad
Multan	Azmat Wasti Road, Multan
Hyderabad	2nd Floor, Dawood Centre, Autobhan Road, Hyderabad
Rahim Yar Khan	Makhdoom Altaf Road, West Sadiq Canal Bank, Near City School, Rahim Yar Khan

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at fair values and staff retirement benefit - gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the functional currency of the Company and figures are rounded off to the nearest thousand of Rupees.

2.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are continually evaluated. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas involving significant estimates or judgements are:

- (i) Estimated useful life of property, plant and equipment and intangible assets [notes 5.1 and 5.2];
- (ii) Provision for slow moving inventories [notes 5.9 and 5.10];
- (iii) Estimate of payables and receivables in respect of staff retirement benefit schemes [notes 5.15 and 22.7];
- (iv) Estimate of provision for warranty [note 5.20]; and
- (v) Estimation of current and deferred tax [note 5.21].

3. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

Capital expenditure

During the year, the Company incurred major capital expenditure as part of its plan for capacity expansion, balancing, modernization & replacement (BMR) and introduction of new products. This is reflected in operating fixed assets note 6.

New model

The Company launched its new models in the 125cc category named as CB 125F and CG 125S (self) in January 2019 and February 2019 respectively.

Interim dividend

The Company declared interim dividend in October 2018 at the rate of Rs.10 per share aggregating to Rs.1,034,066 thousand.

For detailed performance review of the Company, refer Directors' Report.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

4.1 Standards, amendments to approved accounting standards effective in current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning April 1, 2018:

(a) IFRIC 22 Foreign currency transactions

The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The related item is translated using the exchange rate on the date that the advance foreign currency was paid or received and the prepayment or deferred income was recognised. The Company's accounting treatment is already in line with this interpretation.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on April 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

4.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on April 1, 2018 and have not been early adopted by the Company:

- | | | | |
|-----|-----------------|--|--|
| (a) | IFRS 9 | Financial instruments | Effective date: June 30, 2019 |
| | | IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the incurred loss impairment model currently being used. The standard is not likely to have material impact on the Company's financial statements. | |
| (b) | IFRS 15 | Revenue from contracts with customers | Effective date: July 1, 2018 |
| | | IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is yet to assess the full impact of this standard. | |
| (c) | IFRS 16 | Leases | Effective date: January 1, 2019 |
| | | IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the full impact of this standard on its financial statements. | |
| (d) | IAS 12 | Income taxes | Effective date: January 1, 2019 |
| | | This amendment as part of the annual improvement 2015-2017 cycle, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity. The amendments are not likely to have material impact on the Company's financial statements. | |
| (e) | IAS 23 | Borrowing costs | Effective date: January 1, 2019 |
| | | The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. This amendment will be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments. The amendments are not likely to have material impact on the Company's financial statements. | |
| (f) | IFRIC 23 | Uncertainty over income tax treatment | Effective date: January 1, 2019 |
| | | The interpretation clarifies the accounting for income tax when there is uncertainty over income tax treatment under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The amendments are not expected to have a material impact on the Company's financial statements. | |

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property, plant and equipment

Owned assets

The Company has adopted cost model for its property, plant and equipment. Property, plant and equipment except for freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost less impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset, including any borrowing cost (note 5.24). The cost of a self constructed asset includes cost of materials, labour and other overheads that are directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling / removing the asset and restoring the site on which it is located. Items of property, plant and equipment individually costing Rs. 25,000 or less are charged to the statement of profit or loss as and when purchased.

Capital work-in-progress is stated at cost accumulated up to the reporting date less accumulated impairment loss, if any. Capital work-in-progress is recognised as an operating fixed asset when it is made available for its intended use.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for in the books of account as separate items of property, plant and equipment.

Subsequent costs including major renewals and improvements are included in the carrying amount of the asset or are recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised at the time of replacement. Normal repair and maintenance and day-to-day servicing are charged to the statement of profit or loss as and when incurred.

Depreciation is charged to the statement of profit or loss using reducing balance method except for dies and jigs, office equipment, computers and accessories and furniture & fixtures, without considering extra shifts. Depreciation on dies and jigs, office equipment, computers and accessories and furniture & fixtures is charged to the statement of profit or loss using straight line method. Depreciation on additions is charged from the month in which the asset is available for use while no depreciation is charged for the month in which the asset is disposed-off.

The depreciation methods, useful lives and residual values of items of property, plant and equipment are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change or adjustment in depreciation method, useful lives and residual values is accounted for as a change in accounting estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors' and is applied prospectively in the financial statements by adjusting the depreciation charge for the period in which the amendment or change has been made and for future periods.

Disposal of an item of property, plant and equipment is recognised when significant risk and rewards, incidental to the ownership of that asset, have been transferred to the buyer. Gains and losses on disposals are determined by comparing the carrying amount of that asset with the sales proceeds and are recognised within 'other income / other operating expenses' in the statement of profit or loss.

Leased assets

Lease that substantially transfers all the risks and rewards incidental to the ownership of an asset to the Company is classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable for owned assets.

5.2 Intangible assets

These are stated at cost less accumulated amortisation and impairment losses, if any and represent cost of software licenses, SAP implementation & support cost and license fee of certain products / components that are being manufactured by the Company under technology transfer arrangements.

Costs associated with maintaining these assets are charged to the statement of profit or loss as and when incurred. However, costs that are directly attributable to the identifiable asset and have probable economic benefits exceeding one year, are recognised as intangible asset. Direct costs include purchase cost of the asset, salaries and other service benefits of staff deployed towards development of the asset and other related overheads. Expenditure incurred in respect of design, construction and testing of an intangible asset are also added to the carrying amount of that asset.

Expenditure which enhances or extends the performance of the asset beyond its original specifications is recognised as a capital improvement and added to the original cost of the asset.

All intangible assets are estimated to have definite useful lives and are amortised from the month the software / license is acquired, made available for use or extended support cost is incurred, using the straight line method over a period of 2 to 5 years.

5.3 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

5.4 Investments in equity instruments of an Associate

Investment in an Associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Company's share of profit or loss of the investee after the date of acquisition.

The Company's share of post acquisition profit or loss is recognised in the statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an Associate equals or exceeds its interest in the Associate, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount adjacent to share of profit / loss of an Associate in the statement of profit or loss.

5.5 Financial assets

5.5.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, in which case, these are classified as non-current assets.

(c) Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold till maturity.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date.

5.5.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'other income / other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of 'other income' when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in 'Other comprehensive income'.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as 'gains / losses from investment securities'.

Interest on available-for-sale securities and held to maturity investments is calculated using the effective interest method and is recognised in the statement of profit or loss as part of 'other income'. Dividend income from available-for-sale equity instruments is recognised in the statement of profit or loss as part of 'other income' when the Company's right to receive payments is established.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss. Impairment testing of other receivables is described in note 5.11.

5.6 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognised initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortised cost using effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and recognition of a new liability and the difference in respective carrying amounts is recognised in the statement of profit or loss.

5.7 Off-setting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

5.8 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. If so, the nature of the item being hedged. The Company designates certain derivatives as either fair value hedge or cash flow hedge.

(a) Fair value hedge

Fair value hedge represents a hedge of the fair value of a recognised asset or liability or a firm commitment. Changes in the fair value of a derivative that is designated and qualify as fair value hedge is recorded in the statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

(b) Cash flow hedge

Cash flow hedge represents a hedge of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss. Amounts accumulated in equity are reclassified to the statement of profit or loss in the periods when the hedged item affects the statement of profit or loss.

5.9 Stores, spares and loose tools

Stores, spares and loose tools are stated at lower of cost and net realisable value. The cost of inventory is based on weighted average cost. Items-in-transit are stated at cost accumulated up to the reporting date. The Company reviews the carrying amounts of stores, spares and loose tools on an on-going basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment is also made for slow moving items.

5.10 Stock-in-trade

Stock-in-trade are stated at the lower of cost and net realisable value. Cost of raw materials and components represent invoice values plus other charges incurred thereon. Cost of inventory is based on weighted average cost. Cost in relation to work-in-process and finished goods represent direct cost of raw materials, wages and appropriate manufacturing overheads. Goods in transit are valued at cost accumulated up to the reporting date.

The Company reviews the carrying amount of stock-in-trade on an on-going basis and as appropriate, inventory is written down to its net realisable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

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

5.11 Trade debts and other receivables

Trade and other receivables are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost as reduced by appropriate provision for receivables considered to be doubtful. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to the statement of profit or loss. Trade and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising in respect of trade and other receivables in foreign currency are added to the carrying amount of the receivables.

5.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents represent balances with banks.

5.13 Non current assets held for sale

Non current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

5.14 Share capital

Ordinary shares are classified as equity and recognised at their face value.

5.15 Retirement and other service benefit obligations

5.15.1 Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contribution to a defined contribution plan is recognised as an employee service benefit expense in the statement of profit or loss when it is due.

The Company operates defined contribution plans for its permanent employees excluding expatriates, through either one of the following ways:

- a recognised provident fund; or
- voluntary pension schemes managed by Atlas Asset Management Limited, a related party, under the Voluntary Pension System Rules, 2005, viz., Atlas Pension Fund and Atlas Pension Islamic Fund.

All the newly appointed employees are offered voluntary pension scheme only. However, those employees who are provident fund trust members, have the option to opt for either of two above-mentioned defined contribution plans.

Equal monthly contributions at the rate of 11% of the basic salary are made to the fund / scheme both by the Company and the employees. The fund is a separate legal entity and its assets are being held separately under the control of its Trustees.

5.15.2 Defined benefit plans

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. Defined benefit plans define an amount of gratuity that an employee will receive on retirement, usually dependent on one or more factors such as age and years of service. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets.

The Company has established separate funded gratuity schemes for its management and non-management staff who completes qualifying period of service. Contributions under the schemes are made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 22.7 to the financial statements.

The amount arising as a result of re-measurements are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past service cost are recognised immediately in the statement of profit or loss.

5.15.3 Compensated absences

Employees' entitlement to annual leaves is recognised when they accrue to the employees. A provision, based on actuarial valuations, is made for the estimated liability for annual leaves as a result of services rendered by employees up to the reporting date. Current service cost, actuarial gains or losses and past service cost are recognised immediately in the statement of profit or loss.

5.16 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximate fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

5.17 Obligation under finance lease

Total outstanding obligation under the lease arrangements less finance cost attributable to future periods is presented as liability. Finance cost under the lease arrangements is distributed over the lease term so as to produce a constant periodic rate of finance cost on the balance of principal liability outstanding at the end of each period.

5.18 Operating leases / ijarah

Operating leases / ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases / ijarah. Payments made during the year are charged to the statement of profit or loss on a straight-line basis over the period of the lease / ijarah.

5.19 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

5.20 Warranty

The Company recognises the estimated liability to repair or replace damaged parts of products still under warranty at the reporting date on the basis of historical claim information. The Company offers 3 years' warranty on all engine spare parts and six months warranty on all other spare parts of its motorcycles. The ratio of warranty claims filed during the year to previous year's sales is taken into account for determining the estimated liability.

5.21 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in the previous years arising from assessments framed during the year for such years.

Deferred tax

Deferred tax is recognised using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

5.22 Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. The closing balance of non-monetary items is included at the exchange rate prevailing on the date of transaction and monetary items are translated using the exchange rate prevailing on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

5.23 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, commission, sales returns and discounts. Revenue from different sources is recognised on the following basis:

- Revenue from sales of motorcycles and spare parts is recognised when goods are dispatched and invoiced to customers.
- Interest income on deposits with banks and other financial assets is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.

5.24 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

5.25 Research and development costs

Research and development costs are recognised in the statement of profit or loss as and when incurred.

5.26 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

5.27 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment.

5.28 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2019 ----- Rupees in '000 -----	2018
Operating fixed assets	6.1	8,915,228	7,858,301
Capital work-in-progress	6.5	35,405	117,800
		<u>8,950,633</u>	<u>7,976,101</u>

6.1 Operating fixed assets

	Freehold lands	Leasehold lands	Buildings on freehold land	Buildings on leasehold land	Plant and machinery	Dies and jigs	Factory equipment	Office equipment	Computers and accessories	Furniture and fixtures	Electric and gas fittings	Vehicles	Total
Rupees in '000													
As at April 1, 2017													
Cost	225,082	34,132	1,323,309	255,533	7,996,922	1,214,698	395,022	40,702	188,850	98,833	454,662	344,359	12,572,104
Accumulated depreciation	-	(11,553)	(362,688)	(119,453)	(3,577,254)	(839,648)	(161,344)	(27,679)	(154,289)	(54,798)	(224,372)	(140,440)	(5,673,518)
Net book amount	225,082	22,579	960,621	136,080	4,419,668	375,050	233,678	13,023	34,561	44,035	230,290	203,919	6,898,586
Year ended March 31, 2018													
Opening net book amount	225,082	22,579	960,621	136,080	4,419,668	375,050	233,678	13,023	34,561	44,035	230,290	203,919	6,898,586
Additions	-	-	227,265	52,211	1,482,901	219,576	104,881	20,891	26,338	12,650	33,790	133,916	2,314,419
Disposals													
Cost	-	-	(7,583)	-	(912,757)	(40,891)	(1,208)	(2,323)	(5,568)	(1,716)	(2,321)	(82,701)	(1,056,868)
Accumulated depreciation	-	-	4,015	-	521,057	32,249	913	2,323	5,407	1,716	1,839	31,702	601,221
	-	-	(3,568)	-	(391,700)	(8,442)	(295)	-	(161)	-	(482)	(50,999)	(455,647)
Depreciation charge	-	(513)	(98,546)	(16,102)	(463,706)	(182,689)	(26,381)	(6,078)	(18,090)	(14,540)	(24,242)	(48,170)	(899,057)
Closing net book amount	225,082	22,066	1,085,772	172,189	5,047,163	403,495	311,883	27,836	42,648	42,145	239,356	238,666	7,858,301
As at March 31, 2018													
Cost	225,082	34,132	1,542,991	307,744	8,567,066	1,393,583	498,695	59,270	209,620	109,767	486,131	395,574	13,829,655
Accumulated depreciation	-	(12,066)	(457,219)	(135,555)	(3,519,903)	(990,088)	(196,812)	(31,434)	(166,972)	(67,622)	(246,775)	(156,908)	(5,971,354)
Net book amount	225,082	22,066	1,085,772	172,189	5,047,163	403,495	311,883	27,836	42,648	42,145	239,356	238,666	7,858,301
Year ended March 31, 2019													
Opening net book amount	225,082	22,066	1,085,772	172,189	5,047,163	403,495	311,883	27,836	42,648	42,145	239,356	238,666	7,858,301
Additions	109,201	-	226,155	34,362	1,022,275	431,238	74,630	12,612	20,502	14,375	105,818	138,181	2,189,349
Disposals (note 6.4)													
Cost	-	-	(7,812)	-	(11,139)	-	(2,259)	(61)	(465)	(1,139)	(9,537)	(103,902)	(136,314)
Accumulated depreciation	-	-	6,207	-	8,374	-	1,408	61	435	1,139	6,615	43,243	67,482
	-	-	(1,605)	-	(2,765)	-	(851)	-	(30)	-	(2,922)	(60,659)	(68,832)
Depreciation charge (note 6.3)	-	(513)	(112,214)	(18,718)	(543,980)	(221,862)	(35,730)	(9,173)	(20,202)	(16,037)	(27,217)	(57,944)	(1,063,590)
Closing net book amount	334,283	21,553	1,198,108	187,833	5,522,693	612,871	349,932	31,275	42,918	40,483	315,035	258,244	8,915,228
As at March 31, 2019													
Cost	334,283	34,132	1,761,334	342,106	9,578,202	1,824,821	571,066	71,821	229,657	123,003	582,412	429,853	15,882,690
Accumulated depreciation	-	(12,579)	(563,226)	(154,273)	(4,055,509)	(1,211,950)	(221,134)	(40,546)	(186,739)	(82,520)	(267,377)	(171,609)	(6,967,462)
Net book amount	334,283	21,553	1,198,108	187,833	5,522,693	612,871	349,932	31,275	42,918	40,483	315,035	258,244	8,915,228
Annual rate of depreciation (%)		1.79	10	10	10	25	10	20	25	20	10	20	

- 6.2 Freehold lands of the Company are located at Sheikhpura with an area of 247,799 square yards and leasehold lands of the Company are located at Karachi with an area of 27,543 square yards.
- 6.3 Depreciation expense of Rs.978,326 thousand (2018: Rs.829,370 thousand) has been charged in 'Cost of sales' and Rs.85,264 thousand (2018: Rs.69,687 thousand) in 'Administrative expenses'.
- 6.4 Details of operating fixed assets disposed-off during the year:

Description	Cost	Accumulated depreciation	Net book amount	Sale proceeds	Gain / (loss)	Method of disposal	Sold to:
----- Rupees in '000 -----							
Items with individual net book amount exceeding Rs.500,000 each							
Buildings on freehold land	3,250	(2,602)	648	674	26	Negotiation	Industrial Engineering, Plot # 31 C, Mominpura, Lahore.
Plant and machinery	4,160	(3,032)	1,128	320	(808)	Scrap	Dawood Hussain Contractor, A7/53, Street No.74, G-104, Aagrah Taj, Karachi.
	2,362	(1,733)	629	6	(623)	Scrap	ST Traders, 1-I, New Malik park, Baghatpura, Lahore.
	6,522	(4,765)	1,757	326	(1,431)		
Electric and gas fittings	1,030	(420)	610	80	(530)	Scrap	ST Traders, 1-I, New Malik park, Baghatpura, Lahore.
	1,771	(176)	1,595	48	(1,547)	Scrap	Roshan Traders, Baway Di Kuttia, Lahore Road, Sheikhpura.
	2,801	(596)	2,205	128	(2,077)		
Vehicles	2,243	(224)	2,019	2,019	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	1,250	(181)	1,069	1,069	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	1,220	(20)	1,200	1,200	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	1,199	(336)	863	863	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	742	(12)	730	730	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	732	(73)	659	659	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	657	(140)	517	517	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	1,270	(42)	1,228	1,228	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	1,124	(328)	796	796	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	1,250	(42)	1,208	1,208	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	2,205	(368)	1,837	1,837	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	1,991	(865)	1,126	1,126	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	758	(222)	536	536	-	Company policy	Atlas Autos (Pvt.) Ltd., a related party, Federation House, Clifton, Karachi.
	2,315	(790)	1,525	1,525	-	Company policy	Honda Altas Cars (Pakistan) Ltd., a related party, 43 Multan Road, Lahore.
	1,991	(865)	1,126	1,126	-	Company policy	Atlas Foundation, a related party, 2nd floor, Federation house, Karachi.
							Employees of the Company
	2,158	(1,286)	872	872	-	Company policy	Mr. Noman Khan (Key management personnel)
	2,156	(954)	1,202	1,202	-	Company policy	Mr. Khawaja Shujaiddin (Key management personnel)
Balance carried forward	25,261	(6,748)	18,513	18,513	-		

Description	Cost	Accumulated depreciation	Net book amount	Sale proceeds	Gain / (loss)	Method of disposal	Sold to:
----- Rupees in '000 -----							
Vehicles							Employees of the Company
Balance brought forward	25,261	(6,748)	18,513	18,513	-		
	2,007	(1,191)	816	816	-	Company policy	Mr. Manzoor Qadir
	1,985	(99)	1,886	1,886	-	Company policy	Mr. Zahid Saleem
	1,663	(720)	943	943	-	Company policy	Mr. Ehsan ul Haq
	1,637	(950)	687	687	-	Company policy	Mr. Muhammad Qamer Bashir
	1,637	(950)	687	687	-	Company policy	Mr. Raja Mohsin Ghafoor
	1,637	(1,008)	629	629	-	Company policy	Mr. Kalb Hassan Rizvi
	1,637	(1,008)	629	629	-	Company policy	Mr. Afrasiab Khan
	1,348	(341)	1,007	1,007	-	Company policy	Mr. Tanvir Hyder (Key management personnel)
	1,204	(409)	795	795	-	Company policy	Mr. Furqan Ashraf
	1,174	(407)	767	767	-	Company policy	Mr. Aman Manzar
	1,109	(502)	607	607	-	Company policy	Mr. Kamran Sami
	1,109	(458)	651	651	-	Company policy	Mr. Waleem Abbas
	1,083	(54)	1,029	1,029	-	Company policy	Mr. Sohail Khan
	861	(184)	677	677	-	Company policy	Mr. Abdul Wahid
	778	(246)	532	532	-	Company policy	Mr. Jamil Ahmad
	778	(265)	513	513	-	Company policy	Mr. Usman Ali Qureshi
	732	(106)	626	626	-	Company policy	Mr. Zia ul Qadir
	527	(26)	501	501	-	Company policy	Mr. Muhammad Yasir Riaz
							Ex-Employees of the Company
	1,646	(580)	1,066	1,066	-	Company policy	Mr. M Tayyab Hassan
	1,204	(482)	722	722	-	Company policy	Mr. Hasan Matloob
	1,812	-	1,812	1,812	-	Company policy	Mr. Amjad Ali
	1,174	(360)	814	814	-	Company policy	Mr. Mohammad Ilyas Gujjar
	802	(164)	638	638	-	Company policy	Mr. Khalil Rehman
	732	(72)	660	660	-	Company policy	Mr. Noman Yousuf
	55,537	(17,330)	38,207	38,207	-		
	68,110	(25,293)	42,817	39,335	(3,482)		
Various assets having net book amount up to Rs. 500,000 each	68,204	(42,189)	26,015	26,132	117		
Year Ended: March 31, 2019	136,314	(67,482)	68,832	65,467	(3,365)		
Year Ended: March 31, 2018	1,056,868	(601,221)	455,647	444,748	(10,899)		

6.5 Capital work-in-progress

	Note	2019 ----- Rupees in '000 -----	2018
Civil works		3,519	2,604
Plant and machinery		22,727	1,764
Dies and jigs		-	18,708
Factory equipment		7,863	58,099
Office equipment		-	998
Computers and accessories		-	96
Furniture and fixtures		81	6,976
Electric and gas fittings		1,215	10,067
Vehicles	6.5.1	-	18,488
		<u>35,405</u>	<u>117,800</u>

6.5.1 Includes advance of Nil (2018: Rs.4,380 thousand) made to Honda Atlas Cars (Pakistan) Limited - a related party.

7. INTANGIBLE ASSETS

	Software licenses	SAP implemen- tation and support cost	License fee	Total
	----- Rupees in '000 -----			
As at April 1, 2017				
Cost	57,981	38,041	5,216	101,238
Accumulated amortisation	(57,944)	(38,041)	(5,216)	(101,201)
Net book amount	37	-	-	37
Year ended March 31, 2018				
Opening net book amount	37	-	-	37
Additions (note 7.1)	2,466	-	52,400	54,866
Amortisation charge	(391)	-	(9,607)	(9,998)
Closing net book amount	2,112	-	42,793	44,905
As at March 31, 2018				
Cost	60,447	38,041	57,616	156,104
Accumulated amortisation	(58,335)	(38,041)	(14,823)	(111,199)
Net book amount	2,112	-	42,793	44,905
Year ended March 31, 2019				
Opening net book amount	2,112	-	42,793	44,905
Additions (note 7.1)	4,070	-	138,770	142,840
Amortisation charge (note 26.1)	(1,402)	-	(17,419)	(18,821)
Closing net book amount	4,780	-	164,144	168,924
As at March 31, 2019				
Cost	64,517	38,041	196,386	298,944
Accumulated amortisation	(59,737)	(38,041)	(32,242)	(130,020)
Net book amount	4,780	-	164,144	168,924
Annual rate of amortisation (%)	50	20	20	

7.1 During the year, the Company paid Rs.138,770 thousand (2018: Rs.52,400 thousand) to Honda Motor Company Limited, Japan - a related party, for licence fee and drawings of new product.

8. LONG TERM INVESTMENTS

	Note	2019 ----- Rupees in '000 -----	2018
Unquoted			
Associate - equity accounted investment	8.1	323,497	324,899
Others - available for sale	8.2	-	-
		323,497	324,899
8.1 Equity accounted investment - Atlas Hitec (Private) Limited			
Balance at beginning of the year		324,899	292,342
Share of profit for the year - net of tax		15,698	50,607
Dividend received during the year		(17,100)	(18,050)
Balance at end of the year		323,497	324,899

8.1.1 Investment in Atlas Hitec (Private) Limited (AHPL) represents 19,000,000 fully paid ordinary shares of Rs.10 each representing 29.23% (2018: 29.23%) of its issued, subscribed and paid-up capital as at March 31, 2019. AHPL was incorporated in Pakistan as a private limited company on September 13, 2012 and its principal activity is to manufacture and sale any kind of automobile parts and allied products.

8.1.2 The summary of financial information / reconciliation of AHPL as of March 31, 2019 is as follows:

	2019	2018
	----- Rupees in '000 -----	
Summarised Statement of Financial Position		
Non current assets	467,300	524,600
Current assets	789,600	750,700
	1,256,900	1,275,300
Non - current liabilities	38,200	50,200
Current liabilities	127,297	128,900
	166,140	179,100
Net assets	1,091,403	1,096,200
Reconciliation to carrying amount		
Opening net assets	1,096,200	984,822
Profit for the year	51,900	173,174
Other adjustments	1,803	(46)
Dividend paid during the year	(58,500)	(61,750)
Closing net assets	1,091,403	1,096,200
Company's share %	29.23%	29.23%
Company's share	319,026	320,428
Goodwill	4,471	4,471
Carrying amount of investment	323,497	324,899
Summarised Statement of profit or loss		
Revenue	2,348,700	2,272,000
Profit before tax	65,300	224,100
Profit after tax	51,900	173,174

8.1.3 The financial information of AHPL is based on unaudited financial statements for the year ended March 31, 2019.

8.2 Others - available for sale

Note	2019	2018
	----- Rupees in '000 -----	
Arabian Sea Country Club Limited		
200,000 ordinary shares of Rs.10 each - cost	2,000	2,000
Less: Impairment in the value of investment	2,000	2,000
	-	-
Automotive Testing & Training Centre (Private) Limited		
50,000 ordinary shares of Rs.10 each - cost	500	500
Less: Impairment in the value of investment	500	500
	-	-
	-	-

9. LONG TERM LOANS AND ADVANCES

Considered good

Loans and advances to:

Related parties - Key Management Personnel

Other employees

	1,292	2,544
	65,958	64,153
9.1	67,250	66,697

Less: amounts due within twelve months and

Shown under current assets:

Related parties - Key Management Personnel

Other employees

	1,292	2,057
	32,491	33,159
	33,783	35,216
13	33,467	31,481

- 9.1 These represent interest free loans and advances provided to employees as per the terms of employment. Loans aggregating Rs.48,436 thousand (2018: Rs.46,931 thousand) are provided for purchase of motorcycles and are repayable in forty eight equal monthly instalments for management staff and forty equal monthly instalments for non-management staff. These loans are secured against respective motorcycles and employees' vested retirement benefits. Advances are unsecured and are repayable in eighteen equal monthly instalments.
- 9.2 The maximum amount of loans and advances to the key management personnel outstanding at the end of any month during the year ended March 31, 2019 was Rs.3,387 thousand (2018: Rs.3,040 thousand).
- 9.3 The carrying values of these loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to negligible defaults in recent history.

10. STORES, SPARES AND LOOSE TOOLS

	Note	2019 ----- Rupees in '000 -----	2018
Consumable stores		142,383	109,332
Maintenance spares		398,523	398,731
Loose tools		274,975	234,614
		<u>815,881</u>	<u>742,677</u>
Provision for slow moving items	11.2	(90,127)	(92,517)
		<u>725,754</u>	<u>650,160</u>

11. STOCK-IN-TRADE

Raw materials and components			
- in hand		3,957,414	1,623,976
- held with vendors	11.1	224,344	106,259
		<u>4,181,758</u>	<u>1,730,235</u>
Work-in-process		582	5,980
Finished goods			
- motorcycles		293,882	25,284
- spare parts		571,546	449,584
		<u>865,428</u>	<u>474,868</u>
Items in transit		109,070	466,145
		<u>5,156,838</u>	<u>2,677,228</u>
Provision for slow moving items	11.2	(87,002)	(77,698)
		<u>5,069,836</u>	<u>2,599,530</u>

- 11.1 Includes raw materials amounting Rs.8,759 thousand (2018: Rs.7,370 thousand) held with Atlas Autos (Private) Limited (a related party) for further processing into parts to be supplied to the Company.

11.2 Movement of provision for slow moving inventories

	Stores, spares & loose tools		Stock-in-trade	
	2019	2018	2019	2018
	----- Rupees in '000 -----			
Balance at beginning of the year	92,517	91,290	77,698	58,112
Provision made during the year	-	1,227	9,304	19,586
Provision reversed during the year	(2,390)	-	-	-
Balance at end of the year	<u>90,127</u>	<u>92,517</u>	<u>87,002</u>	<u>77,698</u>

- 11.3 Stock-in-trade and trade debts up to a maximum amount of Rs.4,058,000 thousand (2018: Rs.4,058,000 thousand) are under hypothecation of commercial banks as security for short term finance facilities (note 23).

12. TRADE DEBTS

Considered good

Export - secured
Local - unsecured

		2019	2018
	Note	----- Rupees in '000 -----	
	12.1	-	16,811
		1,116,000	844,413
		<u>1,116,000</u>	<u>861,224</u>

12.1 These trade debts are secured against letters of credit issued by customers in favour of the Company.

12.2 The maximum aggregate amount of trade receivable from related parties at the end of any month during the year was Rs.195,487 thousand (2018: Rs.15,943 thousand).

12.3 At March 31, 2019, trade debts aggregating to Rs.46,755 thousand (2018: Rs.72,042 thousand) were past due but not impaired. These relate to various customers for which there is no recent history of default. The ageing analysis of these trade debts is as follows:

		2019	2018
	Note	----- Rupees in '000 -----	
Past due within 30 days		45,320	69,434
Past due beyond 30 days		1,435	2,608
		<u>46,755</u>	<u>72,042</u>

13. LOANS AND ADVANCES

Considered good

Current portion of long term loans and advances
to key management personnel and other employees
Loans to employees
Advances to suppliers, contractors and others

		2019	2018
	Note	----- Rupees in '000 -----	
	9	33,783	35,216
	13.1	342	523
		9,669	4,368
		<u>43,794</u>	<u>40,107</u>

13.1 These represent interest free welfare and festival loans provided to employees in accordance with Company's policy and have maturities up to ten months.

13.2 The carrying values of loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to negligible defaults in recent history.

14. TRADE DEPOSITS AND PREPAYMENTSTrade deposits - unsecured and considered good
Prepayments
Margin against letters of credit

		2019	2018
	Note	----- Rupees in '000 -----	
		6,203	34,550
	14.1	113,451	103,113
		887,474	-
		<u>1,007,128</u>	<u>137,663</u>

14.1 Includes prepayments of Rs.47,698 thousand (2018: Rs.38,919 thousand), Rs.35,583 thousand (2018: Rs.28,963 thousand) and Rs.4,838 thousand (2018: Rs.4,400 thousand) to Atlas Insurance Limited, Shirazi Investments (Private) Limited and Atlas Foundation, related parties respectively.

15. OTHER RECEIVABLESUnsecured and considered good
Sales tax receivable - net
Duty drawback receivable
Others

2019
----- Rupees in '000 -----

	2018
	----- Rupees in '000 -----
	565,692
	5,672
	1,716
	<u>573,080</u>
	<u>15,528</u>

16. SHORT TERM INVESTMENTS - At fair value through profit or loss

	2019	2018
Note	----- Rupees in '000 -----	
	4,162,477	5,006,166
	199,279	-
	88,105	427,228
	76,307	2,051,330
	15,291	224,839
	12	11
	17	16
	4,541,488	7,709,590
	271,214	254,255
	398,699	375,595
	50,320	60,803
	1	1
	2	2
	720,236	690,656
	5,261,724	8,400,246

17. BANK BALANCES

		2019	2018
		----- Rupees in '000 -----	
Note			
	Cash at banks in:		
	- current accounts (including US\$ 11 thousand)	148,504	87,629
	- savings deposit accounts	17.1 831,655	1,393,990
	- term deposit receipts / treasury bills	17.2 6,500,000	8,499,996
		7,480,159	9,981,615

17.1 Savings deposit accounts carry mark-up up to 9.39% (2018: 5.70%) per annum.

17.2 Term deposit receipts (TDR) have maturity of 30 days (2018: 30 days) from respective date of acquisition. TDRs carry mark-up at the rates ranging from 11.10% to 11.20% (2018: 6.15% to 6.50%) per annum. Treasury bill had maturity (2018: 29 days) from date of acquisition and carried mark-up at the rate of (2018: 6.10%) per annum.

18. SHARE CAPITAL

18.1 Authorised capital

2019	2018		2019	2018
--- Number of shares ---			----- Rupees in '000 -----	
150,000,000	150,000,000	Ordinary shares of Rs.10 each	1,500,000	1,500,000

18.2 Issued, subscribed and paid-up capital

2019	2018			
--- Number of shares ---				
6,352,748	6,352,748	Ordinary shares of Rs.10 each fully paid in cash	63,528	63,528
96,794,565	96,794,565	Ordinary shares of Rs.10 each issued as fully paid bonus shares	967,945	967,945
259,300	259,300	Ordinary shares of Rs.10 each issued as fully paid for consideration other than cash	2,593	2,593
103,406,613	103,406,613		1,034,066	1,034,066

18.3 Ordinary shares of the Company held by the related parties as at March 31

2019 2018
-- Number of shares --

Shirazi Investments (Private) Limited	54,220,693	54,220,693
Honda Motor Company Limited, Japan	36,192,315	36,192,315
Atlas Insurance Limited	2,931,728	2,931,728
	<u>93,344,736</u>	<u>93,344,736</u>

- 18.4 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to Company's residual assets.

19. RESERVES

2019 2018
----- Rupees in '000 -----

Capital reserves		
Share premium	39,953	39,953
Gain on sale of land	165	165
	<u>40,118</u>	<u>40,118</u>
Revenue reserves		
General reserve:		
- at beginning of the year	7,992,000	6,992,000
- transferred from unappropriated profit	1,500,000	1,000,000
- at end of the year	9,492,000	7,992,000
Unappropriated profit	4,799,580	6,934,537
	<u>14,291,580</u>	<u>14,926,537</u>
	<u>14,331,698</u>	<u>14,966,655</u>

20. STAFF RETIREMENT BENEFITS

Note 2019 2018
----- Rupees in '000 -----

Compensated absences	20.1	254,120	241,681
Provision for gratuity	22.7	42,289	21,201
		<u>296,409</u>	<u>262,882</u>

20.1 Compensated absences

Balance at beginning of the year	241,681	228,443
Provision for the year	31,451	37,419
	<u>273,132</u>	<u>265,862</u>
Encashed during the year	(19,012)	(24,181)
Balance at end of the year	<u>254,120</u>	<u>241,681</u>

- 20.1.1 Includes liability in respect of key management personnel aggregating to Rs.40,573 thousand (2018: Rs.31,261 thousand).

21. DEFERRED TAXATION - Net

2019 2018
----- Rupees in '000 -----

The liability for deferred taxation comprises temporary differences relating to:

Accelerated tax depreciation	847,307	852,111
Provision for slow moving inventories	(47,246)	(50,476)
Compensated absences	(67,781)	(71,668)
Warranty obligations	(12,933)	(18,390)
Staff retirement benefit - gratuity	(19,323)	(13,535)
	<u>700,024</u>	<u>698,042</u>

21.1 Movement in deferred taxation

	Accelerated tax depreciation	Unrealized gain on investments	Provision for slow moving inventories	Compens- ated absences	Warranty obligations	Staff retirement benefit - gratuity	Total
----- Rupees in '000 -----							
At April 1, 2017	792,679	18,924	(44,279)	(67,705)	(17,256)	(11,395)	670,968
Charge / (credited) to:							
Profit and loss account	59,432	(18,924)	(6,197)	(3,963)	(1,134)	1,042	30,256
Other comprehensive income	-	-	-	-	-	(3,182)	(3,182)
	59,432	(18,924)	(6,197)	(3,963)	(1,134)	(2,140)	27,074
At March 31, 2018	852,111	-	(50,476)	(71,668)	(18,390)	(13,535)	698,042
Charge / (credited) to:							
Profit and loss account	(4,804)	-	3,230	3,887	5,457	711	8,481
Other comprehensive income	-	-	-	-	-	(6,499)	(6,499)
	(4,804)	-	3,230	3,887	5,457	(5,788)	1,982
At March 31, 2019	847,307	-	(47,246)	(67,781)	(12,933)	(19,323)	700,024

22. TRADE AND OTHER PAYABLES

	Note	2019 ----- Rupees in '000 -----	2018
Creditors	22.1	5,060,110	3,005,807
Accrued liabilities	22.2	1,727,824	2,451,241
Royalty payable	22.3	990,607	958,635
Warranty obligations		45,629	62,014
Advances from customers	22.4	6,993,562	7,021,657
Retention money		12,746	31,569
Sales tax payable - net		-	477,701
Workers' profit participation fund	22.5	249,161	333,728
Workers' welfare fund	22.6	81,216	116,373
Payable to staff retirement benefit funds - gratuity	22.7	30,153	24,444
Provision for Sindh government infrastructure fee		277,991	207,949
Others	22.9	31,138	110,973
		15,500,137	14,802,091

22.1 Includes Rs.25,637 thousand (2018: Rs.35,842 thousand) and Nil (2018: Rs.289 thousand) due to Atlas Hitec (Private) Limited and Pakistan Cables Limited (related parties) respectively.

22.2 Includes Rs.747 thousand (2018: Rs.2,635 thousand) due to Honda Motor Company Limited, Japan - a related party.

22.3 Includes Rs.985,521 thousand (2018: Rs.952,385 thousand) due to Honda Motor Company Limited, Japan - a related party.

22.4 These represent advances from customers against sale of motorcycles & parts and carry no mark-up.

	Note	2019 ----- Rupees in '000 -----	2018
22.5 Workers' profit participation fund (the Fund)			
Balance at beginning of the year		333,728	270,713
Allocation for the year	30	246,352	333,190
Interest on funds utilised in the Company's business	31	2,809	538
		582,889	604,441
Paid to trustees of the Fund		(333,728)	(270,713)
Balance at end of the year		249,161	333,728
22.6 Workers' welfare fund			
Balance at beginning of the year		116,373	102,687
Charge for the year		81,216	116,373
Adjustment for prior year		(164)	(18,533)
	30	81,052	97,840
		197,425	200,527
Payment made during the year		(116,209)	(84,154)
Balance at end of the year		81,216	116,373

22.7 Staff retirement benefit - gratuity

22.7.1 The Company has established two separate funded gratuity schemes for its management and non-management staff, who completes qualifying period of service.

22.7.2 These benefit plans are trustee-administered funds and are governed by local regulations which mainly includes Trust Act, 1882, the Companies Act, 2017, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contributions schedules lies with the board of trustees. The Company appoints the trustees and all trustees are employees of the Company.

22.7.3 The latest actuarial valuations of the Funds as at March 31, 2019 were carried out using the 'Projected Unit Credit Method'. Details of the Funds as per the actuarial valuations are as follows:

	Management		Non-management		Total	
	2019	2018	2019	2018	2019	2018
22.7.4 Reconciliation	----- Rupees in '000 -----					
Present value of defined benefit obligation at March 31 - note 22.7.5	350,107	321,813	38,449	36,621	388,556	358,434
Fair value of plan assets at March 31 - note 22.7.6	(218,525)	(260,280)	(85,671)	(86,119)	(304,196)	(346,399)
(Receivable from) / payable to related parties in respect of transferees	(11,918)	33,610	-	-	(11,918)	33,610
	119,664	95,143	(47,222)	(49,498)	72,442	45,645
Less: payable within next twelve months	30,153	24,444	-	-	30,153	24,444
	89,511	70,699	(47,222)	(49,498)	42,289	21,201
22.7.5 Movement in the present value of defined benefit obligation						
Balance at beginning of the year	321,813	328,371	36,621	38,370	358,434	366,741
Benefits paid	(21,110)	(19,829)	(2,752)	(4,054)	(23,862)	(23,883)
Current service cost	23,609	18,767	1,170	1,205	24,779	19,972
Interest expense	27,803	24,660	3,179	2,867	30,982	27,527
Remeasurement on obligation	(1,631)	4,774	231	(1,767)	(1,400)	3,007
Payable to related parties in respect of transferees	(377)	(34,930)	-	-	(377)	(34,930)
Balance at end of the year	350,107	321,813	38,449	36,621	388,556	358,434
22.7.6 Movement in the fair value of plan assets						
Balance at beginning of the year	260,280	262,154	86,119	86,134	346,399	348,288
Contributions	24,443	25,492	-	-	24,443	25,492
Benefits paid	(21,110)	(19,829)	(2,752)	(4,054)	(23,862)	(23,883)
Interest income	21,259	18,983	7,332	6,433	28,591	25,416
Remeasurement	(20,443)	(5,206)	(5,028)	(2,394)	(25,471)	(7,600)
Payable to related parties in respect of transferees	(45,904)	(21,314)	-	-	(45,904)	(21,314)
Balance at end of the year	218,525	260,280	85,671	86,119	304,196	346,399
22.7.7 Expense / (income) recognised in the statement of profit or loss						
Current service costs	23,609	18,767	1,170	1,205	24,779	19,972
Net interest expense / (income)	6,544	5,677	(4,153)	(3,566)	2,391	2,111
	30,153	24,444	(2,983)	(2,361)	27,170	22,083

	Management		Non-management		Total	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
22.78 Remeasurement recognised in other comprehensive income						
(Loss) / gain from change in financial assumptions	(2,070)	5,392	(720)	607	(2,790)	5,999
Experience loss / (gain)	438	(618)	951	(2,374)	1,389	(2,992)
Loss on remeasurement of plan assets	20,443	5,206	5,028	2,394	25,471	7,600
Net remeasurements	18,811	9,980	5,259	627	24,070	10,607
22.79 Net recognised liability						
Net liability / (asset) at beginning of the year	95,143	86,211	(49,498)	(47,764)	45,645	38,447
Charge / (income) for the year	30,153	24,444	(2,983)	(2,361)	27,170	22,083
Contributions made during the year	(24,443)	(25,492)	-	-	(24,443)	(25,492)
Remeasurement recognised in other comprehensive income	18,811	9,980	5,259	627	24,070	10,607
Recognised liability / (asset) as at March 31	119,664	95,143	(47,222)	(49,498)	72,442	45,645
Less: payable within next twelve months	30,153	24,444	-	-	30,153	24,444
	89,511	70,699	(47,222)	(49,498)	42,289	21,201
22.7.10 Actual return on plan assets	817	13,777	2,348	2,285	3,165	16,062
22.7.11 Plan assets comprise of:						
Fixed income instruments	117,116	133,165	46,620	45,747	163,736	178,912
Mutual fund securities	100,728	125,342	37,471	39,676	138,199	165,018
Others	681	1,773	1,580	696	2,261	2,469
	218,525	260,280	85,671	86,119	304,196	346,399

22.7.12 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date.

22.7.13 Significant actuarial assumptions and sensitivity:

	Management		Non-management	
	2019	2018	2019	2018
	----- % per annum -----			
Discount rate at March 31	13.25	8.75	13.25	8.75
Expected rate of increase in future salaries				
- first year	9.00	9.00	9.00	9.00
- long term	12.25	7.75	12.25	7.75
Demographic assumptions				
- Mortality rates (for death in service)	SLIC	SLIC	SLIC	SLIC
	(2001-05)	(2001-05)	(2001-05)	(2001-05)
- Rates of employee turnover	Moderate	Moderate	Moderate	Moderate

The sensitivity of the defined benefit obligation to changes in principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
	----- Rupees in '000 -----		
Discount rate	1.00%	363,112	417,563
Future salary increase	1.00%	415,723	364,304
Withdrawal rates : light		384,501	
Withdrawal rates : heavy		390,118	

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the defined benefit liability recognised within the statement of financial position.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

22.7.14 Expected charge and income to management and non-management gratuity plans for the year ending March 31, 2020 are Rs.38,505 thousand and Rs.4,705 thousand respectively.

22.7.15 The weighted average duration of defined benefit obligation for management and non-management plans is 6.80 years and 4.26 years respectively. The expected maturity analysis of undiscounted retirement benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
March 31, 2019	----- Rupees in '000 -----				
Management staff	21,088	69,797	127,348	325,677	543,910
Non-management staff	4,268	4,562	19,864	47,734	76,428
Total	25,356	74,359	147,212	373,411	620,338

22.7.16 Historical information

	2019	2018	2017	2016	2015
	----- Rupees in '000 -----				
Present value of defined benefit obligation	388,556	358,434	366,741	345,259	324,883
Fair value of plan assets	304,196	346,399	348,288	316,879	284,007
Deficit provided in financial statements	84,360	12,035	18,453	28,380	40,876

22.8 Payable to staff retirement benefit funds - gratuity includes liability in respect of key management personnel aggregating to Rs.65,941 thousand (2018: Rs.53,313 thousand).

22.9 Other liabilities include vehicle deposits under Company's vehicle policy aggregating Rs.15,584 thousand (2018: Rs.14,279 thousand) and Rs. Nil (2018: Rs.85,026 thousand) payable against provincial levies.

23. SHORT TERM BORROWINGS - Secured

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs.2,540,000 thousand (2018: Rs.2,740,000 thousand) and are secured against pari passu hypothecation charge over the Company's stock-in-trade and trade debts to extent of Rs.4,058,000 thousand (2018: Rs.4,058,000 thousand). The rates of mark-up of these facilities during the year ranged from 7.02% to 11.99% (2018: 6.24% to 7.50%) per annum. These facilities are expiring on various dates by March 31, 2020.

The facilities for opening letters of credit as at March 31, 2019 aggregated to Rs.4,036,000 thousand (2018: Rs.3,640,000 thousand) of which the amount remained unutilised at year end was Rs.2,509,052 thousand (2018: Rs.1,356,257 thousand). These finance facilities are also secured against pari passu joint hypothecation charge on stocks-in-trade and trade debts of the Company.

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 Various cases have been filed against the Company by some former employees for reinstatement of service and are pending in different courts of Pakistan. The management is confident that outcome of these cases will be in favour of the Company and hence no provision is made in these financial statements.

24.1.2 Guarantees aggregating to Rs.782,422 thousand (2018: Rs.901,410 thousand) have been issued by commercial banks to government and semi government institutions for import of raw materials and supply of goods.

24.2 Commitments

24.2.1 Commitments outstanding for letters of credit relating to capital expenditure, raw materials and components as at March 31, 2019 aggregated to Rs.1,526,948 thousand (2018: Rs.2,283,743 thousand).

24.2.2 Commitments outstanding for capital expenditure other than through letters of credit as at March 31, 2019 aggregated to Rs.6,789 thousand (2018: Rs.59,122 thousand).

24.2.3 The Company has entered into ijarah arrangements for vehicles with various banks. Aggregate commitments for these ijarah arrangements as at March 31, are as follows:

	Note	2019 ----- Rupees in '000 -----	2018
Not later than one year		60,749	36,406
Later than one year and not later than five years		70,387	63,739
		<u>131,136</u>	<u>100,145</u>
25. SALES - Net			
Gross sales			
- local		95,522,477	89,677,263
- export		250,380	458,891
		<u>95,772,857</u>	<u>90,136,154</u>
Less:			
- trade discount and commission		521,737	531,226
- sales tax		12,838,572	12,126,083
		<u>13,360,309</u>	<u>12,657,309</u>
		<u>82,412,548</u>	<u>77,478,845</u>
26. COST OF SALES			
Opening stock of finished goods		474,868	537,753
Cost of goods manufactured	26.1	70,366,787	63,550,978
Purchases during the year		5,880,450	5,574,238
		<u>76,247,237</u>	<u>69,125,216</u>
Closing stock of finished goods		(865,428)	(474,868)
		<u>75,856,677</u>	<u>69,188,101</u>
26.1 Cost of goods manufactured			
Opening stock of work-in-process		5,980	4,636
Raw materials and components consumed	26.2	60,629,205	53,758,498
Direct labour	26.3	1,254,458	1,386,114
Technical directors' remuneration		2,675	2,048
Staff salaries, wages and other benefits	26.3	1,095,551	1,214,000
Stores consumed		702,184	757,903
Fuel and power		742,885	688,411
Insurance		135,752	112,546
Rent, rates and taxes		171,464	134,902
Ijarah rentals		40,517	31,551
Repair and maintenance		444,788	553,997
Royalty including provincial taxes	26.4	3,700,264	3,648,492
Technical assistance fee		52,757	51,639
Travelling, conveyance and entertainment		103,284	84,112
Postage and telephone		9,293	7,708
Printing and stationery		26,635	27,613
Vehicle running expenses		34,830	28,765
Depreciation	6.3	978,326	829,370
Canteen		134,176	130,986
Newspapers, magazines and subscriptions		1,950	2,919
Amortisation	7	18,821	9,998
Provision for slow moving inventories - net	11.2	6,914	20,813
Marking fee		74,590	69,765
Other manufacturing expenses		70	172
		<u>70,367,369</u>	<u>63,556,958</u>
Closing stock of work-in-process		(582)	(5,980)
		<u>70,366,787</u>	<u>63,550,978</u>
26.2 Raw materials and components consumed			
Opening stock		1,730,235	1,279,491
Purchases during the year		63,080,728	54,209,242
		<u>64,810,963</u>	<u>55,488,733</u>
Closing stock		(4,181,758)	(1,730,235)
		<u>60,629,205</u>	<u>53,758,498</u>

26.3 Direct labour and staff salaries, wages & other benefits include Rs.74,954 thousand (2018: Rs.69,440 thousand) in respect of staff retirement benefits.

26.4 Royalty charged in these financial statements pertains to Honda Motor Company Limited having registered office at 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan, Toyo Denso Company Limited having registered office at 10-4, 2-Chome, Shinbashi Minato-ku, Tokyo, Japan and Yamada Manufacturing Company Limited having registered office at 1296-2, Koubayashi, Isesaki, Gunama, Japan.

27. SALES AND MARKETING EXPENSES

Note	2019 ----- Rupees in '000 -----	2018
	36,564	40,717
27.1	347,833	355,403
	111,958	89,622
	19,692	15,490
	61,171	60,982
	560,587	546,898
	6,117	16,861
	14,355	12,601
	518,896	500,043
	4,200	4,318
	20,930	19,267
	203,764	174,180
	15,018	13,245
	2,273	1,804
	704	626
	<u>1,924,062</u>	<u>1,852,057</u>

27.1 Staff salaries and other benefits include Rs.25,096 thousand (2018: Rs.29,589 thousand) in respect of staff retirement benefits.

28. ADMINISTRATIVE EXPENSES

Note	2019 ----- Rupees in '000 -----	2018
	20,695	20,685
28.1	312,304	341,514
	17,837	22,358
	8,946	8,123
	5,534	4,416
	13,176	24,252
	35,860	27,752
	1,388	1,559
	4,903	3,699
	2,769	3,446
	16,340	20,307
	13,766	10,209
	38,657	24,905
6.3	85,264	69,687
28.2	62,648	51,649
	122	33
	<u>640,209</u>	<u>634,594</u>

28.1 Staff salaries and other benefits include Rs.22,590 thousand (2018: Rs.20,996 thousand) in respect of staff retirement benefits.

28.2 Donation of Rs.62,648 thousand (2018: Rs.50,927 thousand) charged in these financial statements is paid to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi (the Foundation). Mr. Yusuf H. Shirazi, Chairman and Mr. Jawaid Iqbal Ahmed, the Director of the Company are also the Directors of the Foundation.

29. OTHER INCOME

		2019	2018
	Note	----- Rupees in '000 -----	
Income from financial assets			
Mark-up / interest on savings deposit accounts, term deposit receipts and treasury bills	29.1	612,559	527,204
Gain on sale of investments at fair value through profit or loss		4,034	12,864
Fair value gain on investments at fair value through profit or loss		1,973	16,183
Dividend income		32,427	3,321
Net foreign exchange gains		1,749	-
Income from investments in related parties			
Gain on sale of investments at fair value through profit or loss		-	104,299
Fair value gain on investments at fair value through profit or loss		-	144,022
Dividend income		428,412	29,094
Income from assets other than financial assets			
Commission income		1,110	1,726
Scrap sales		14,094	37,854
Others		1,278	1,341
		<u>1,097,636</u>	<u>877,908</u>

29.1 Mark-up / interest at the rates ranging from 5.48% to 11.25% (2018: 5.8% to 6.70%) per annum has been earned during the year on savings deposit accounts, term deposit receipts, treasury bills and Pakistan investment bonds.

30. OTHER OPERATING EXPENSES

		2019	2018
	Note	----- Rupees in '000 -----	
Workers' profit participation fund	22.5	246,352	333,190
Workers' welfare fund	22.6	81,052	97,840
Auditors' remuneration	30.1	3,297	2,919
Net foreign exchange loss		-	189
Fair value loss on investments at fair value through profit or loss from related parties		75,571	-
Loss on sale of investments at fair value through profit or loss from related parties		54,156	-
Loss on disposal of operating fixed assets		3,365	10,899
		<u>463,793</u>	<u>445,037</u>

30.1 Auditors' remuneration

Fee for:			
- audit of annual financial statements		1,500	1,500
- review of half yearly financial information		212	212
- review of Code of Corporate Governance		91	91
- audits of retirement funds and workers' profit participation fund		250	250
- certifications for payment of royalty, technical fee and dividend		947	569
- out of pocket expenses		297	297
		<u>3,297</u>	<u>2,919</u>

31. FINANCE COSTS

		2019	2018
	Note	----- Rupees in '000 -----	
Interest on workers' profit participation fund	22.5	2,809	538
Bank and other financial charges		23,009	22,187
		<u>25,818</u>	<u>22,725</u>

32. INCOME TAX EXPENSE

2019 2018
----- Rupees in '000 -----

Current tax		
Current tax on profits for the year	1,165,899	1,567,943
Adjustments for current tax of prior years	232,285	3,012
	1,398,184	1,570,955
Deferred tax		
Origination and reversal of temporary differences	78,364	30,256
Impact of change in tax rate	(69,884)	-
	8,480	30,256
	1,406,664	1,601,211

32.1 Numerical reconciliation of income tax expense to prima facie tax

Profit before income tax expense	4,615,323	6,264,846
Tax at the applicable rate of 29% (2018: 30%)	1,338,444	1,879,454
Tax effect of:		
- amounts not deductible for tax purposes	348,079	316,713
- amounts deductible for tax purposes but not taken to the statement of profit or loss	(411,402)	(351,097)
- income not subject to tax / income subject to final tax regime / tax credits	(191,482)	(264,652)
- Associate's result reported net of tax	(1,987)	(12,475)
Adjustments for current tax of prior years and super tax	316,532	3,012
Deferred tax	8,480	30,256
Income tax expense	1,406,664	1,601,211

- 32.2 The provision for current year tax represent tax on taxable income at the rate of 29%. According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2018	2017	2016
Income tax provision for the year - accounts	1,567,943	1,159,131	1,065,822
Income tax as per tax assessment	1,564,837	1,141,516	1,049,136

- 32.3 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of 5% of accounting profit before tax on every public company other than a scheduled bank or modaraba, that derives profits for a tax year but does not distribute at least 20% of accounting profit through cash dividend within six months of the end of said tax year.

The Board of Directors in their meeting held on April 24, 2019 has distributed sufficient cash dividend for the year ended March 31, 2019 (refer note 44) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profits has been recognised in the financial statements for the year ended March 31, 2019.

33. EARNINGS PER SHARE

2019 2018
----- Rupees in '000 -----

33.1 Basic earnings per share

Net profit for the year	3,208,659	4,663,635
	--- Number of shares ---	
Weighted average ordinary shares in issue	103,406,613	103,406,613
	----- Rupees -----	
Earnings per share	31.03	45.10

33.2 Diluted earnings per share

No figures for diluted earnings per share have been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

34. CASH GENERATED FROM OPERATIONS

	2019	2018
Note	----- Rupees in '000 -----	
Profit before taxation	4,615,323	6,264,846
Adjustments for:		
Depreciation	1,063,590	899,057
Amortisation	18,821	9,998
Provision for compensated absences	31,451	37,419
Provision for gratuity	27,170	22,083
Provision for slow moving inventories - net	6,914	20,813
Mark-up / interest on savings deposit accounts and term deposit receipts	(612,559)	(527,204)
Loss / (gain) on sale of investments at fair value through profit or loss	50,122	(117,163)
Fair value loss / (gain) on investments at fair value through profit or loss	73,598	(160,205)
Net foreign exchange (gain) / loss	(1,749)	189
Dividend income	(460,839)	(32,415)
Workers' profit participation fund	249,161	333,728
Workers' welfare fund	81,052	97,840
Loss on disposal of operating fixed assets	3,365	10,899
Share of net profit of an Associate	(15,698)	(50,607)
Changes in working capital	34.1 (3,424,484)	2,435,753
	<u>1,705,238</u>	<u>9,245,031</u>

34.1 Changes in working capital

2019
----- Rupees in '000 -----

Increase in current assets		
- Stores, spares and loose tools	(73,204)	(112,283)
- Stock-in-trade	(2,479,610)	(495,285)
- Trade debts	(254,776)	(237,893)
- Loans and advances	(3,687)	(1,186)
- Trade deposits and prepayments	(869,465)	(17,101)
- Other receivables	(557,552)	(8,901)
	<u>(4,238,294)</u>	<u>(872,649)</u>
Increase in current liabilities:		
- Trade and other payables	813,810	3,308,402
	<u>(3,424,484)</u>	<u>2,435,753</u>

34.2 Cash flows from operating activities
- Direct method

Receipts from customers	82,129,677	79,503,549
Mark-up / interest received	590,502	533,117
Payments to trade suppliers, service providers and employees	(80,417,734)	(70,265,125)
Income taxes paid	(1,821,857)	(1,563,999)
Contributions made to gratuity funds	(24,443)	(25,492)
Compensated absences paid	(19,012)	(24,181)
Workers' profit participation fund paid	(333,728)	(270,713)
Workers' welfare fund paid	(116,209)	(84,154)
	<u>(12,804)</u>	<u>7,803,002</u>

35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged during year in respect of remuneration and fee, including certain benefits, to the Chief Executive Officer, Directors and Executives of the Company are given below:

	----- Directors -----				Executives	
	Chief Executive Officer		Others			
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Managerial remuneration and fee	20,691	19,158	23,370	22,733	182,566	155,332
Rent and utilities	9,896	9,162	-	-	87,314	74,289
Bonus	3,895	10,340	-	-	33,867	83,383
Retirement benefits	1,979	1,832	-	-	17,463	14,164
Medical and other reimbursable expenses	103	225	-	-	5,082	4,185
	36,564	40,717	23,370	22,733	326,292	331,353
Number of persons	1	1	5	5	75	72

- 35.1 The Chief Executive Officer, three Directors and two expatriate executives are provided with free use of Company maintained cars and telephones at residences. Two Directors and two expatriate executives are also provided with furnished accommodation.

36. RELATED PARTIES

Related parties comprise of the Holding Company, 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. Details of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

36.1 Name and nature of relationship

a) The Holding Company

Shirazi Investments (Private) Limited - 52.43% shares held in the Company

b) Associated Companies due to significant influence

Honda Motor Company Limited - 35.00% shares held in the Company (note 36.1.1)

Atlas Hitec (Private) Limited - 29.23% shares held by the Company

c) Associated Companies due to common directorship

Atlas Engineering Limited

Atlas Asset Management Limited

Atlas Autos (Private) Limited

Atlas Power Limited

Atlas Die Casting (Private) Limited

Atlas Foundation

Atlas Battery Limited

Honda Atlas Cars Pakistan Limited

Atlas Insurance Limited

Atlas Metals (Private) Limited

Shirazi Trading Company (Private) Limited

Atlas Global, FZE (note 36.1.2)

Honda Atlas Power Products (Private) Limited

Pakistan Cables Limited

d) Associated companies under common management

Atlas Worldwide General Trading LLC (note 36.1.3)

Atlas Aluminium Limited

- 36.1.1 Honda Motor Company Limited (HMCL) is a company incorporated in Japan, having registered office at 1-1, Minami-Aoyama 2-chome, Minato-ku, Tokyo 107-8556, Japan. HMCL holds 35% shares in the Company. Mr. Takahiro Hachigo is the Chief Executive Officer of HMCL. Major line of business of HMCL are motorcycles, automobiles, power products and financial services. Auditors have expressed unqualified opinion on the financial statements of HMCL for the year ended March 31, 2018.

- 36.1.2 Atlas Global FZE (AG) is a Free Zone establishment with limited liability in the Jebel Ali Free Zone, Dubai, UAE formed under the Law 9 of 1992 and implementing regulations issued there under by Jebel Ali Free Zone. The registered office of AG is P.O. Box 17442, Dubai, UAE. Mr. Iftikhar H. Shirazi is the Chief Executive Officer of AG. Major line of business of AG is general trading activities. Auditors have expressed unqualified opinion on the financial statements of AG for the year ended June 30, 2018.
- 36.1.3 Atlas Worldwide General Trading (L.L.C) (AWWT) established with limited liability in Dubai formed under Federal Law 2 of 2015 by Dubai, UAE. The registered office of AWWT is Office 311, Nasir Ahmed Nasir Lootah Building, Khalid Bin Al Waleed Road, Dubai, UAE. Mr. Iftikhar H. Shirazi is the Chief Executive Officer of AWWT. Major line of business of AWWT is general trading activities. Auditors have expressed unqualified opinion on the financial statements of AWWT for the year ended June 30, 2018.

36.2 Transactions with related parties

2019 **2018**
----- Rupees in '000 -----

The holding company

Sales of:

- goods and services	787	723
- operating fixed assets	-	502

Purchases of operating fixed assets

Rent	152,805	122,681
Dividend paid	2,006,166	1,003,083

Associated companies

Sales of:

- goods and services	1,362,803	1,057,093
- operating fixed assets	22,800	466,170

Purchases of:

- goods and services	21,659,701	20,188,202
- operating fixed assets	149,523	118,215

License and drawings fee paid	138,770	52,400
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Sale of units in mutual funds	3,900,000	11,951,415
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Purchase of units in mutual funds	861,626	13,003,508
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Royalty paid	3,760,462	3,571,617
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Export commission paid	1,507	5,767
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Technical assistance fee	42,485	14,007
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Commission income	1,110	1,726
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Rent	20,017	18,207
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Insurance premium paid	371,441	320,651
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Insurance claims received	21,069	11,499
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Reimbursement of expenses - net	9,939	2,862
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Dividend paid	1,447,590	723,795
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Donation paid	62,648	50,927
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Dividend received	445,512	47,144
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Other related parties

Contributions paid to:

- gratuity funds	24,443	25,492
- provident funds / pension schemes	64,019	60,525

Key Management Personnel

- salaries and other employment benefits	146,947	136,654
- sale of vehicles under company policy	3,081	1,632

The related party status of outstanding balances as at March 31, 2019 is included in 'Long term loans and advances - note 9, 'Trade deposit and prepayments - note 14', 'Staff retirement benefits - note 20' and 'Trade and other payables - note 22' respectively. These are settled in ordinary course of business.

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

The Company has exposure to the following risks from its use of financial instruments:

- market risk (including foreign exchange risk, interest rate risk and price risk);
- credit risk; and
- liquidity risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument shall fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Japanese Yen and the US Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Company's exposure to foreign currency risk at the reporting date is as follows:

	2019		2018	
	Japanese Yen	US Dollars	Japanese Yen	US Dollars
	----- in '000 -----		----- in '000 -----	
Cash at bank / trade debts	-	11	-	204
Trade and other payables	(788,788)	(39)	(888,013)	(238)
Net exposure	(788,788)	(28)	(888,013)	(34)

The following significant exchange rates have been applied:

	2019 Average rate	2018	2019 Reporting date rate	2018
	----- Rupees -----			
Pakistani Rupee to Japanese Yen	1.16	0.98	1.27	1.09
Pakistani Rupee to US Dollar	128.89	106.30	140.70	115.50

At March 31, 2019, if the Pakistani Rupee had strengthened / weakened by 5% against Japanese Yen and US Dollar with all other variables held constant, profit before tax for the year would have been higher / (lower) by the amount shown below mainly as a result of net foreign exchange gains / (losses) on translation of foreign denominated financial assets and liabilities.

	2019 ----- Rupees in '000 -----	2018
Effect on profit for the year:		
Pakistani Rupee to Japanese Yen	50,088	48,343
Pakistani Rupee to US Dollar	197	196
	<u>50,285</u>	<u>48,539</u>

Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

The Company is exposed to interest rate risk on balances with banks in savings deposit accounts and term deposit receipts. Deposits in bank savings accounts held at variable interest rates expose the Company to cash flow interest rate risk and term deposit receipts issued by the banks at fixed interest rates give rise to fair value interest rate risk. Significant interest rate risk exposures are primarily managed by a suitable mix of deposits. At March 31, 2019, the Company's interest bearing financial assets amounted to Rs.7,331,655 thousand (2018: Rs.9,893,986 thousand).

At March 31, 2019, if the interest rate on the Company's deposits had been 1% higher / lower with other variables held constant, profit before tax for the year would have been higher / (lower) by Rs.8,317 thousand (2018: Rs.13,940 thousand) mainly as a result of higher / (lower) interest income.

Price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from foreign exchange risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to price risk because of investments in mutual fund securities aggregating to Rs.5,261,724 thousand (2018: Rs.8,400,246 thousand) as changes in Net Asset Value (NAV) of mutual funds affects the Company. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolios.

At March 31, 2019, if fair value (NAV) had been 5% higher / lower with all other variables held constant profit before tax for the year would have higher / (lower) by Rs.263,086 thousand (2018: Rs.420,012 thousand).

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to perform as contracted or discharge an obligation. The Company's credit risk arises from deposits with banks & financial institutions, loans & advances, deposits, trade debts, investments, accrued mark-up / interest and other receivables.

The carrying amounts of financial assets represent the maximum credit exposure. The financial assets exposed to credit risk amounted to Rs.13,984,890 thousand (2018: Rs.19,387,586 thousand) as at March 31, 2019 and are as follows:

	2019	2018
	----- Rupees in '000 -----	
Long term loans and advances	33,467	31,481
Long term deposits	13,882	22,573
Trade debts	1,116,000	861,224
Loans and advances	34,125	35,739
Trade deposits	6,203	34,550
Accrued mark-up / interest	37,614	15,557
Other receivables	1,716	4,601
Short term investments	5,261,724	8,400,246
Bank balances	7,480,159	9,981,615
	<u>13,984,890</u>	<u>19,387,586</u>

The maximum exposure to credit risk for trade debts at the reporting date by geographic region is as follows:

	2019	2018
	----- Rupees in '000 -----	
Pakistan	1,116,000	844,413
Bangladesh	-	16,811
	<u>1,116,000</u>	<u>861,224</u>

The maximum exposure to credit risk for trade debts by type of counter party as at reporting date is as follows:

	2019	2018
	----- Rupees in '000 -----	
Government Departments	6,050	35,891
Defence Institutions	964,893	698,612
Others (including exports)	145,057	126,721
	<u>1,116,000</u>	<u>861,224</u>

Out of the total financial assets credit risk is concentrated in trade debts, investments in mutual funds securities and deposits with banks as they constitute 99% (2018: 99%) of the total financial assets. Significant part of sales of the Company occurs against advance payments, therefore, trade debts mainly arise from export sales and local sales that were made to Government and Defence Institutions. The Company believes that it is not exposed to any specific credit risk in respect of those trade debts.

The credit quality of loans and receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history and no losses incurred. The credit quality of Company's bank balances and investments in mutual funds securities can be assessed with reference to the external credit ratings as follows:

	Rating		
	Short term	Long term	Agency
Banks			
Conventional			
Allied Bank Limited	A1+	AAA	PACRA
Askari Bank Limited	A1+	AA+	PACRA
Bank Al Habib Limited	A1+	AA+	PACRA
Bank Alfalah Limited	A1+	AA+	PACRA
Deutsche Bank AG	F-1	A-	FITCH
Faysal Bank Limited	A1+	AA	PACRA
Habib Bank Limited	A-1+	AAA	JCR-VIS
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Khushhali Bank Limited	A-1	A+	JCR-VIS
MCB Bank Limited	A1+	AAA	PACRA
National Bank of Pakistan	A1+	AAA	PACRA
Soneri Bank Limited	A1+	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	JCR-VIS
Shariah Compliant			
BankIslami Pakistan Limited	A1	A+	PACRA
Meezan Bank Limited	A1+	AA+	JCR-VIS
Mutual Funds		Rating	Agency
Atlas Income Fund		AA-(f)	PACRA
Atlas Islamic Income Fund		AA-(f)	PACRA
Atlas Money Market Fund		AA(f)	PACRA
Atlas Sovereign Liquid Fund		AA(f)	PACRA
Lakson Money Market Fund		AA(f)	PACRA
Lakson Income Fund		A+(f)	PACRA
National Investment (Unit) Trust		AM2++	PACRA

(c) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient balances with banks. At March 31, 2019 there is no maturity mismatch between financial assets and liabilities that exposes the Company to liquidity risk.

37.2 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Company is equity based with no financing through long term or short term borrowings.

37.3 Financial instruments by category

Financial assets as per statement of financial position	Loans and receivables		At fair value through profit and loss	
	2019 ----- Rupees in '000 -----	2018	2019 ----- Rupees in '000 -----	2018
Long term loans and advances	33,467	31,481	-	-
Long term deposits	13,882	22,573	-	-
Trade debts	1,116,000	861,224	-	-
Loans and advances	34,125	35,739	-	-
Trade deposits	6,203	34,550	-	-
Accrued mark-up / interest	37,614	15,557	-	-
Other receivables	1,716	4,601	-	-
Short term investments	-	-	5,261,724	8,400,246
Bank balances	7,480,159	9,981,615	-	-
	8,723,166	10,987,340	5,261,724	8,400,246

Financial liabilities as per statement of financial position	Financial liabilities measured at amortised cost	
	2019 ----- Rupees in '000 -----	2018
Trade and other payables	7,990,789	6,708,286

37.4 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The carrying values of all financial assets and liabilities reflected in the financial statements are a reasonable approximation of their fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

The following table presents the Company's financial assets that are measured at fair value at March 31, 2019 and March 31, 2018.

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
Assets - Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Short term investments	5,261,724	-	-	5,261,724

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
Assets - Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Short term investments	8,400,246	-	-	8,400,246

There were no transfers amongst the levels during the current and preceding year. The Company's policy is to recognise transfer into and transfers out of fair value hierarchy levels as at the end of the reporting periods

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine fair value of instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There were no other material Level 1, 2 or 3 assets or liabilities during the current and preceding year.

38. ENTITY-WIDE INFORMATION

38.1 The Company markets and sells motorcycles and spare parts. Breakdown of net revenues for both the products of the Company is as follows:

	2019 ----- Rupees in '000 -----	2018
Motorcycles	74,379,378	70,412,715
Spare parts	8,033,170	7,066,130
	<u>82,412,548</u>	<u>77,478,845</u>

38.2 Export sales are made to Afghanistan and Bangladesh. Result of the Company's revenue from external customers in Pakistan is Rs.82,162,939 thousand (2018: Rs.77,025,720 thousand) and total revenue from external customers from other countries is Rs.249,609 thousand (2018: Rs.453,125 thousand).

38.3 All the non-current assets of the Company are located in Pakistan.

38.4 The Company's customer base is diverse with no single customer accounting for more than 10% of net revenue.

39. PLANT CAPACITY AND ACTUAL PRODUCTION

	2019 -- Number of units --	2018
Capacity - Motorcycles	<u>1,350,000</u>	<u>1,250,000</u>
Production	<u>1,140,830</u>	<u>1,086,700</u>

The Company has completed the capacity expansion in March, 2019.

The capacity of the plants are determined based on a certain product mix and number of working days.

40. NUMBER OF EMPLOYEES

	Factory		Others	
	2019	2018	2019	2018
Total number of employees	1,459	1,385	234	226
Average number of employees	1,482	1,507	224	209

41. PROVIDENT FUND RELATED DISCLOSURE

The Company operates defined contribution provident fund (the Fund) maintained for its permanent employees. Equal monthly contributions at the rate of 11% of the basic salary are made to the Fund both by the Company and the employees. The following information is based on un-audited financial statements of the Fund for the year ended March 31, 2019:

	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
Size of the Fund - Total assets	788,024	894,830
Fair value of investments	768,260	875,760
Cost of investments	777,333	863,830
Percentage of investments made	98.64%	96.54%

- 41.1 The investments out of provident fund have been made in accordance with the provisions of section 218 of the Act and conditions specified thereunder.

42. SHAHRIAH SCREENING DISCLOSURE

	----- 2019 -----		----- 2018 -----	
	Conventional	Shahriah Compliant	Conventional	Shahriah Compliant
	----- Rupees in 000 -----			
Short term investments	4,974,321	287,403	7,973,000	427,246
Bank balances	7,414,372	65,787	9,964,738	16,877
Revenue	-	82,412,548	-	77,478,845
Other income				
a) Mark-up / interest on savings deposit accounts and term deposit receipts	612,559	-	527,204	-
b) (Loss) / gain on sale of investments at fair value through profit or loss	(28,667)	(21,455)	109,726	7,437
c) Fair value (loss) / gain on investments at fair value through profit or loss	(62,422)	(11,176)	199,256	(39,051)
d) Dividend income	460,838	1	7,164	25,251
e) Others including exchange gain on actual currency	-	18,231	-	40,921

43. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation; the effect of which is not material.

44. EVENT AFTER REPORTING PERIOD

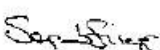
The Board of Directors, in their meeting held on April 24, 2019, (i) approved the transfer of Rs. Nil (2018: Rs. 1,500,000 thousand) from unappropriated profit to general reserve and (ii) proposed a final cash dividend of Rs.10.0 (2018: Rs. 27.0) per share and issue of bonus shares at the rate of 20% (2018: Nil) i.e. 1 bonus share for every 5 shares held (2018: Nil), amounting to Rs.1,034,066 and Rs. 206,813 respectively, for approval of the members at the Annual General Meeting to be held on June 21, 2019.

The financial statements for the year ended March 31, 2019 do not include the effect of the proposed appropriations, which will be accounted for in the financial statements for year ending March 31, 2020.

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on April 24, 2019 by the Board of Directors of the Company.


Yusuf H. Shirazi
Chairman


Saquib H. Shirazi
Chief Executive Officer


Kashif Yasin
Chief Financial Officer

Pattern of Shareholding As at March 31, 2019

Shareholders' Category

Associated Companies, Undertakings and Related Parties:

Atlas Insurance Limited
Honda Motor Company Limited
Shirazi Investments (Pvt) Limited

	Number of shareholders	Number of shares held	Percentage
	1	2,931,728	2.84%
	1	36,192,315	35.00%
	1	54,220,693	52.43%
	3	93,344,736	90.27%

NIT and ICP:

National Bank Of Pakistan Trustee Department
IDBP (ICP Unit)

	1	26,421	0.03%
	1	762	0.00%
	2	27,183	0.03%

Directors, CEO and their Spouse(s) and minor children & Associates:

Mr. Yusuf H. Shirazi & Associates
Mr. Saquib H. Shirazi (CEO)
Mr. Sanaullah Qureshi
Mr. Hirofumi Yada
Mr. Hironobu Yoshimura
Mr. Yukitoshi Fujisaka
Mr. Abid Naqvi
Mr. Jawaid Iqbal Ahmed

	3	3	0.00%
	1	1	0.00%
	1	400	0.00%
	1	1	0.00%
	1	1	0.00%
	1	1	0.00%
	1	501	0.00%
	1	1	0.00%
	10	909	0.00%

Executives

- 0.00%

Public Sector Companies and Corporations

- 0.00%

Banks, Development Finance Institutions,
Non-Banking Finance Institutions, Insurance
Companies, Modaraba and Mutual Funds.

10 553,366 0.54%

Individuals

1,502 9,342,987 9.03%

Others

25 137,432 0.13%

Total

1,552 103,406,613 100.00%

Shareholders holding 10% or more voting interest

Honda Motor Company Limited	36,192,315	35.00%
Shirazi Investments (Pvt) Limited	54,220,693	52.43%

There was no trading in the shares of the Company by Directors, their spouses, and minor children.

Pattern of Shareholding As at March 31, 2019

No. of Shareholders	Shareholdings				Total Shares Held
520	From	1	To	100	12,747
363	From	101	To	500	75,870
170	From	501	To	1,000	112,297
283	From	1,001	To	5,000	639,058
70	From	5,001	To	10,000	504,500
45	From	10,001	To	15,000	534,675
19	From	15,001	To	20,000	342,094
11	From	20,001	To	25,000	236,812
9	From	25,001	To	30,000	323,787
5	From	30,001	To	35,000	159,580
2	From	35,001	To	40,000	76,845
5	From	40,001	To	45,000	214,104
5	From	45,001	To	50,000	232,858
2	From	50,001	To	55,000	102,540
1	From	60,001	To	65,000	63,060
1	From	65,001	To	70,000	66,601
2	From	70,001	To	75,000	146,152
3	From	75,001	To	80,000	228,998
4	From	80,001	To	85,000	328,124
1	From	85,001	To	90,000	85,703
2	From	90,001	To	95,000	183,071
6	From	95,001	To	100,000	595,751
2	From	110,001	To	115,000	227,696
2	From	120,001	To	125,000	244,698
4	From	125,001	To	130,000	505,892
1	From	150,001	To	155,000	151,715
2	From	160,001	To	165,000	325,955
1	From	175,001	To	180,000	176,841
1	From	195,001	To	200,000	199,459
2	From	245,001	To	250,000	490,956
1	From	265,001	To	270,000	267,566
1	From	315,001	To	320,000	318,625
1	From	325,001	To	330,000	327,889
1	From	530,001	To	535,000	531,450
1	From	1,025,001	To	1,030,000	1,027,908
1	From	2,930,001	To	2,935,000	2,931,728
1	From	36,190,001	To	36,195,000	36,192,315
1	From	54,220,001	To	54,225,000	54,220,693
1,552					103,406,613

Pattern of Shareholding As at March 31, 2019

Shareholders' Category	Number of shareholders	Number of shares held	Percentage
Directors, CEO their spouse and minor children and Associates	10	909	0.00
* Associated Companies, undertakings and related parties	3	93,344,736	90.27
NIT and ICP	2	27,183	0.03
Banks, Development Finance Institutions, Non-Banking Finance Institutions Insurance Companies Modarabas and Mutual Funds	10	553,366	0.54
General Public			
Local	1502	9,342,987	9.03
Foreign			
Others			
Joint Stock Companies	23	136,460	0.13
Cooperative Society	1	971	0.00
Trustee of Iftikhar Shirazi Family Trust	1	1	0.00
	1552	103,406,613	100.00

* Note: Included in Associated Companies

Atlas Insurance Ltd. 2,931,728 shares

Honda Motor Company Ltd. 36,192,315 shares,

Shirazi Investments (Pvt) Ltd. 54,220,693 shares,

Product Portfolio

CD70



Pridor



**CD70
Dream**



4E125F



**CG
125**



4E150F



**CG
125
SELF**



4E200F



Genuine Parts





Atlas Group Companies

*Year of Establishment /
Acquisition**



Shirazi Investments

1962



Atlas Honda

1962



Atlas Battery

1966



Shirazi Trading

1975



Atlas Insurance

1980*



Atlas Engineering

1981*

HONDA Honda Atlas Cars

1992

HONDA Honda Atlas Power Product

1997



Atlas Asset Management

2002



Atlas Power

2007



Atlas World Wide

2007



Atlas Venture

2008



Atlas Autos

2011



Atlas Hitec

2012



Atlas Global

2015



Atlas Energy

2016

Glossary of Terms

Acronym	Description
ACCA	Association of Chartered Certified Accountants
AGM	Annual General Meeting
AHL	Atlas Honda Limited
AHPL	Atlas Hitec (Private) Limited
AMP	Advance Management Program
ATL	Active Tax-payers List
AGM	Annual General Meeting
B2B	Business to Business
BCR	Best Corporate Report
BCG	Boston Consulting Group
BSR	Best Sustainability Report
BOD	Board of Director
CAGR	Cumulative Average Growth Rate
CCG	Code of Corporate Governance
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CKD	Completely Knocked Down
CNIC	Computerized National Identity Card
COO	Chief Operating Officer
CPEC	China - Pakistan Economic Corridor
CSR	Corporate Social Responsibility
CO ₂	Carbon di Oxide
CBA	Collective Bargaining Agent
DFI	Development Finance Institutions
EOBI	Employee Old-Age Benefits Institution
EPS	Earnings per Share
ERP	Enterprise Resource Planning - software
EMS	Environment Management System
EPA	Environmental Protection Agency
FBR	Federal Board of Revenue
GAAP	Generally Accepted Accounting Principles
GDC	Gravity Die Casting
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
GHG	Green House Gases
GJ	Gigajoule
GRI	Global Reporting Initiative
HMC	Honda Motor Company
HPDC	High Pressure Die Casting
HSE	Health Safety Environment
HR	Human Resource
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBA	Institute of Business Administration
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFAC	International Federation of Accountants
IFAS	Islamic Financial Accounting Standards

Acronym	Description
IFRS	International Financial Reporting Standards
ISO	International Standardization Organization
ISAE	International Standard on Assurance Engagements
IT	Information Technology
KSE	Karachi Stock Exchange
KJ	Kilojoule
KW	Kilo Watt
LLB	Bachelor of Law
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LTD	Limited
LSM	Large Scale Manufacturing
m ³	Cubic meter
MOU	Memorandum of Understanding
MMC	Minor Model Change
MSCI	Morgan Stanley Capital International
MIS	Management Information System
MTO	Management Trainee Officer
MW	Mega Watt
NAV	Net Asset Value
NBFI	Non-Banking Financial Institutions
NHC	New Honda Circle
NED	NED University of Engineering and Technology
NEQS	National Environmental Quality Standards
NFEH	National Forum for Health & Environment
NGO	Non-Governmental Organization
NUST	National University of Science and Technology
PBT	Profit Before Taxation
PERAC	Public Employee Retirement Administration Commission
PSX	Pakistan Stock Exchange
PAAPAM	Pakistan Association of Automotive Parts & Accessories Manufacturers
QA	Quality Assurance
QC	Quality Control
RCSM	Risk and Counter Strategy Matrix
RMF	Risk Management Function
SAFA	South Asian Federation of Accountants
SAP	Standard Application Protocol - ERP system
SECP	Securities and Exchange Commission of Pakistan
SRO	Statutory Regulatory Order
SWOT	Strength Weaknesses Opportunities Threats
SSGC	Sui Southern Gas Company Limited
SNG	Synthetic Natural Gas
SZABIST	Syed Zulfikar Ali Bhutto Institute of Science & Technology
TDR	Term Deposit Receipt
UET	University of Engineering and Technology
USA	United States Aid
VIP	Vendor Improvement Program
VP	Vice President
WWF	World Wildlife Fund

Feedback Form

Sustainability Report 2019

Details of information provided on issues covered in the report

☐

Comprehensive

☐

Adequate

☐

Not adequate

Clarity of the information provided in the report

☐

High

☐

Medium

☐

Low

The quality of design and layout of the report

☐

Excellent

☐

Good

☐

Average

Your comments for adding value to the report

Name :

Designation :

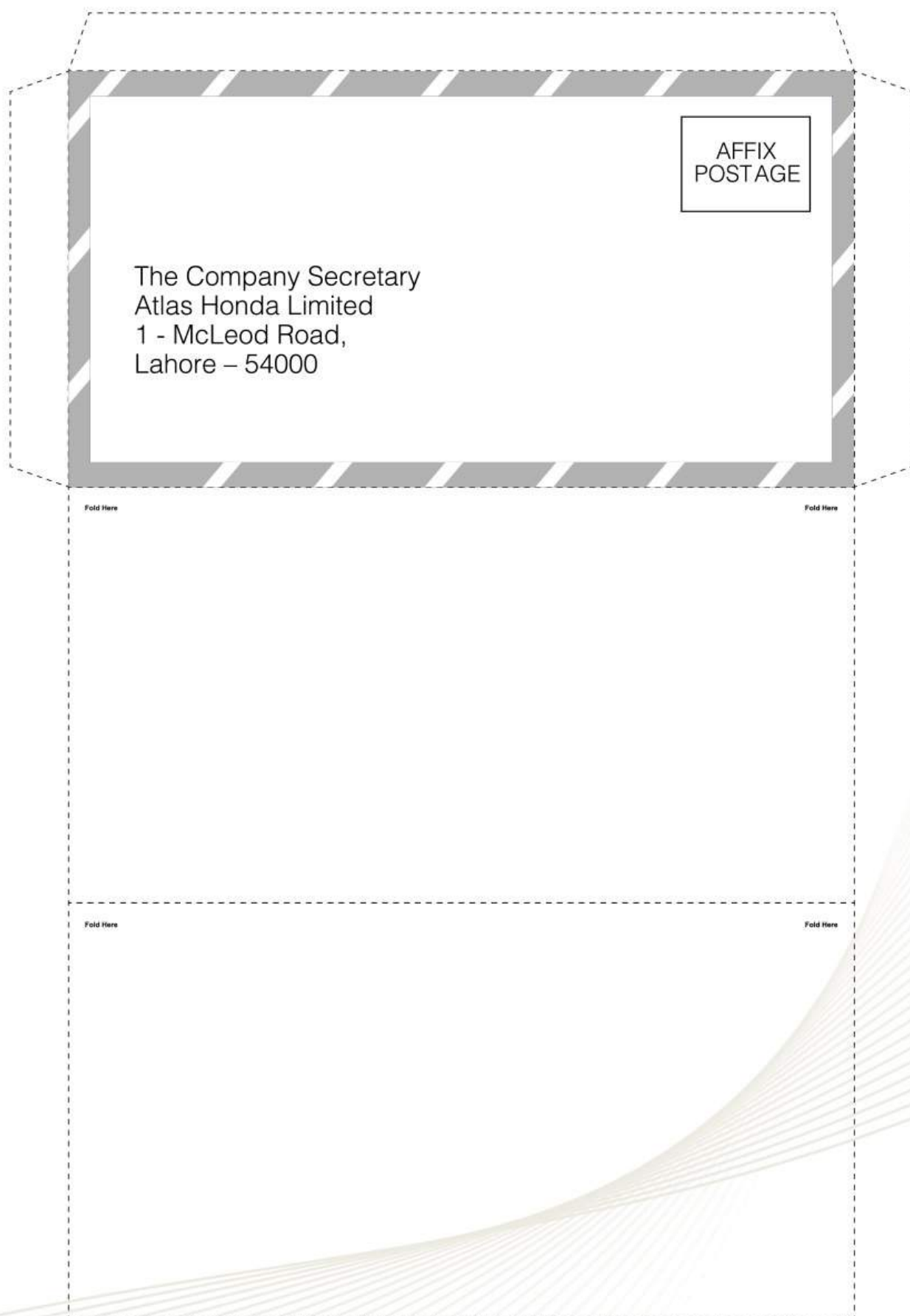
Organization :

Contact Details :

Telephone :

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Email: ahl.suggestions@atlashonda.com.pk



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