

Directors' Report

The directors have pleasure in presenting the Report of the company for the period ended March 31, 2003 together with the Audited Accounts and the Auditors' Report thereon.

Financial results are as follows:

	Nine months ended March 31, 2003	Year ended June 30, 2002
	(Rupees in thousand)	
Profit before tax	475,832	656,154
Taxation	129,697	224,512
Profit after tax	346,135	431,642
Un-appropriated profit brought forward	917	275
Profit available for appropriation	347,052	431,917
Appropriations:		
Transfer to general reserve	200,000	242,000
Proposed cash dividend 35% (2002: 45% cash)	147,000	189,000
	347,000	431,000
Un-appropriated profit carried forward	52	917
Earnings per share	8.24	10.28

Code of Corporate Governance

The Code of Corporate Governance which was published in March last year and implemented through insertion in the listing regulations of the Stock Exchanges of Pakistan, sets out the main statutory regulations for the listed companies and contains internationally and nationally recognized standards for good and responsible governance. The purpose of the code is to promote the trust of investors in the corporate structure of Pakistan.

In compliance with the provisions of the Code, the Board members are pleased to place the following statement on record:

- The financial statements for the period ended March 31, 2003 present fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the period ended March 31, 2003 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;

- There are no significant doubts about the company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations;
- The book value of the Employees Provident Fund and Employees Gratuity Fund as on March 31, 2003 was Rs. 34.9 million and Rs. 15.1 million respectively.

Board Meetings

The Board of Directors, which consist of seven members, have responsibility to independently and transparently monitor the performance of the company and take strategic decisions to achieve sustainable growth in the company value. All members of the Board are elected in the general meeting after every three years. The term of the existing members of the Board expired on May 01, 2003 and were re-elected in the Extra Ordinary General Meeting of the shareholders held on April 29, 2003. All directors, along with their consent to act so, filed a declaration on the prescribed form as requirements of the Code of Corporate Governance.

A written notice of the Board meeting alongwith working papers were sent to the members seven days before meetings. A total of three meetings of the Board of Directors were held during the period of nine months, from July 01, 2002 to March 31, 2003. The attendance of the Board members was as follows:

Sr. No.	Name of Director	Meetings attended
1.	Mr. Yusuf H. Shirazi	3
2.	Mr. Mamoru Suwama	2
3.	Mr. Akira Yoshizawa	2
4.	Mr. Aamir H. Shirazi	3
5.	Mr. Jawaid Iqbal Ahmed	3
6.	Mr. Takashi Otsuki	3
7.	Mr. Motohide Sudo	-

The leave of absence was granted to Mr. Motohide Sudo and other members of the Board not present in the meetings, being out of country. Mr. Motohide Sudo was replaced by Mr. Yukihiro Aoshima on the Board of Directors on April 2, 2003. The qualification shares (525) were transferred in his name from Mr. Motohide Sudo. There was no other trading in the shares of the company reported to have carried out by Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and their spouses and minor children.

Audit Committee

The Audit Committee (AC) which was approved by the Board of Directors in June last year, comprises of five members from the Board, including three non-executive directors and two executive directors. The AC reviews the annual and quarterly financial statements, internal audit reports, information before dissemination to stock exchanges and proposes appointment of the external auditors for approval of the shareholders, apart from other matters of significant nature. The AC holds its meeting prior to the Board meeting. A total of five meetings of Audit Committee were held during the period under review. It includes statutory meeting with external auditors before start of annual audit and meeting with external auditors without CFO and head of internal audit being present. These both meetings were held in February this year.

Executive Committee

The Executive Committee, which acts according to the provisions of Joint Venture Agreement, comprises of three members, President/CEO and two Vice Presidents. The Committee deals with critical day to day business policy matters and monetary issues. The decisions taken by Executive Committee are put up to the Board members for ratification.

Chairman's Review

The accompanied Chairman's review deals with the performance of the company during the period and future outlook. The directors of the company endorse the contents of the review.

Holding Company

Honda Motor Company Limited is the holding company and is incorporated in Japan.

Pattern of Shareholding

The pattern of shareholding as on March 31, 2003 and its disclosure, as required by the Code of Corporate Governance is annexed with this report.

Financial Highlights

The key financial highlights for last nine years performance of the company are available in this report.

Auditors

As recommended by the Audit Committee, the present auditors M/s A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

For and on behalf of
The Board of Directors



Mamoru Suwama
President/Chief Executive

May 14, 2003
Lahore.