

Directors' Report

The directors have pleasure in presenting the Annual Audited Accounts of the company together with the Auditors' Report thereon for the year ended March 31, 2005.

Financial results for the year are as follows:

	Year ended March 31, 2005	Year ended March 31, 2004
	(Rupees in thousand)	
Profit before tax for the year	258,629	620,193
Taxation	96,450	211,510
Profit after tax	162,179	408,683
Un-appropriated profit brought forward	235	52
Profit available for appropriation	162,414	408,735
Appropriations:		
Transfer to general reserves	67,500	230,000
Proposed cash dividend * (2004: Rs 4.25 per share)	-	178,500
	67,500	408,500
Un-appropriated profit carried forward	94,914	235
Earnings per share	3.86	9.73

* The Board of Directors have proposed cash dividend of Rs 2.25 per share for the year ended March 31, 2005. The financial statements do not reflect this dividend payable in compliance with the Fourth Schedule of the Companies Ordinance, 1984.

Code of Corporate Governance

In compliance with the provisions of the listing regulations of Stock Exchanges, the Board of Directors are pleased to place the following statements on record:

- The financial statements for the year ended March 31, 2005 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 year ended March 31, 2005 and accounting estimates are based on reasonable and prudent judgement;
- International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of financial statements;
- The systems 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, 2005 was Rs 65.6 million and Rs 25.3 million respectively.
- The key operating and financial data for last ten years is given on page number 28 & 29.

Board Meetings

There was no change in the structure of the Board of Directors during the year. However, Mr. Arif Hamid Dar, Chief Financial Officer of the company was assigned the new responsibilities as General Manager in After Sales Division on November 25, 2004. Mr. Asad Murad, Sr. Manager Finance was appointed as Chief Financial Officer of the company. Mr. Asad is Associate of Chartered Accountants (ACA) and has been working with company since last seven years.

During the year under review, five meetings of the Board of Directors were held from April 01, 2004 to March 31, 2005. The attendance of the Board members was as follows:

Sr. No.	Name of Director	Meetings attended
1.	Mr. Yusuf H. Shirazi	5
2.	Mr. Mamoru Suwama	5
3.	Mr. Aamir H. Shirazi	5
4.	Mr. Jawaid Iqbal Ahmed	5
5.	Mr. Keizaburo Otaki	5
6.	Mr. Toshitsugu Kaneko	3
7.	Mr. Koji Nakazono	2
	Mr. Raffat Iqbal (Company Secretary)	4
	Mr. Arif Hamid Dar (CFO) *	3
	Mr. Asad Murad (CFO) #	2

* *Resigned during the year*

Appointed during the year

The leave of absence was granted to the members not attending the Board meeting. During the year, there was no trading in the shares of the company reported to have carried out by Directors, CEO, Company Secretary, CFO and their spouses and minor children.

Audit Committee

Mr. Arif Hamid Dar, outgoing CFO, has been appointed as Head of Internal Audit function from November 25, 2004 in place of Mr. Keizaburo Otaki. In the Audit Committee, Mr. Koji Nakazono was replaced by Mr. Keizaburo Otaki as new member. The Committee welcomes the new member of the Committee and appreciates for the contribution of the outgoing member. However, the sanctity of the composition of executive and non executive directors remained intact.

The Audit Committee held eight meetings during the year, each before the Board of Directors meeting to review the financial statements, internal audit reports and compliance of corporate governance requirements. These meetings included meeting with external auditors before and after completion of audit, meeting with

external auditors in absence of CFO & head of internal auditor and meeting with internal auditors without CFO & external auditors being present in the meeting.

Honda Code of Corporate Governance

Last year the company adopted the Honda Code of Corporate Governance practices, based on the fundamental corporate philosophies of Honda. The quarterly self audit was done by each division followed by verification audit by the Internal Auditor. The reports were prepared and presented in each Audit Committee meeting for its review and approval, before forwarding the same to Honda Motor Company Limited, Japan for their review and information.

Chairman's Review

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

Holding Company

M/s Honda Motor Company Limited is the holding company with 51% shares and is incorporated in Japan.

Statement of Compliance with the Best Practices on Transfer Pricing

The company has fully complied with the best practices on transfer pricing as contained in the Listing Regulation of the Stock Exchanges.

Pattern of Shareholding

The pattern of shareholding as on March 31, 2005 and its disclosure, as required by the Code of Corporate Governance is annexed with this report.

Auditors

As recommended by the Audit Committee, the present auditors Messer'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 Officer

May 05, 2005
Lahore.