

Selected Notes to and Forming Part of the Condensed Interim Financial Information

for the quarter and nine months ended December 31, 2012 (Un-audited)

1. Legal status and nature of business

Honda Atlas Cars (Pakistan) Limited (the Company) is a public limited company incorporated in Pakistan on November 4, 1992. The Company is a subsidiary of Honda Motor Co., Ltd., Japan. The Company's ordinary shares are listed on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the Company is situated at 1-Mcleod Road, Lahore. Its principal activities are assembling and progressive manufacturing and sale of Honda vehicles and spare parts. The company commenced commercial production from July 1994.

2. Basis of preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended March 31, 2012.

3. Significant accounting policies

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended March 31, 2012.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.2.1 Amendments to published standards effective in current year

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on April 01, 2012 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in this condensed interim financial information.

3.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after April 01, 2013 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in this condensed interim financial information except for IAS 19 (Amendment), 'Employee Benefits' which is applicable on accounting periods beginning on or after January 01, 2013. The amendment shall eliminate the corridor approach and calculate finance costs on a net funding basis. The Company shall apply this amendment from April 01, 2013 and its impact will be an increase in accumulated loss by Rs 26.39 million due to recognition of current unrealised actuarial losses on its defined benefit plans.

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4. The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended March 31, 2012.

	Unaudited December 31, 2012 (Rupees in thousand)	Audited March 31, 2012
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5. Long term finances - secured		
Opening balance	166,667	833,334
Repayments during the period / year	(83,334)	(666,667)
Closing balance	83,333	166,667
Current portion shown under current liabilities	(83,333)	(83,334)
	-	83,333

6. Contingencies and commitments

Contingencies

There is no significant change in contingencies from the preceding annual published financial statements of the Company for the year ended March 31, 2012, except for letters of guarantees issued to various parties aggregating to Rs 28.87 million (March 31, 2012: 12.29 million).

	Unaudited December 31, 2012 (Rupees in thousand)	Audited March 31, 2012
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Commitments in respect of		
Letters of credit and purchases, other than capital expenditure	606,888	407,630
Letters of credit and purchases for capital expenditure	1,010	-
	607,898	407,630

	Note	Unaudited December 31, 2012 (Rupees in thousand)	Audited March 31, 2012
7. Property, plant and equipment			
Opening book value		3,255,755	3,847,016
Additions during the period / year	7.1	661,222	51,304
		3,916,977	3,898,320
Disposal during the period / year (at book value)		(24,816)	(4,220)
Assets written off during the period / year (at book value)		(1,326)	-
Depreciation charged during the period / year		(400,852)	(638,345)
		(426,994)	(642,565)
		3,489,983	3,255,755

7.1 Following is the detail of additions during the period / year:

- Building on freehold land		1,562	-
- Plant and machinery		525,348	14,016
- Furniture and office equipment		11,999	5,727
- Vehicles		106,289	22,825
- Tools and equipments		5,891	5,020
- Computers		10,133	3,716
		661,222	51,304
	October - December 2012	2011	April - December 2012
	(Rupees in thousand)	(Rupees in thousand)	2011

8. Sales

Sales - Own manufactured goods	7,640,252	4,153,608	21,960,460	16,304,888
Sales tax	(1,052,854)	(572,795)	(3,027,154)	(2,270,678)
Excise duty	-	-	-	(111,480)
Commission to dealers	(113,116)	(65,787)	(323,349)	(262,746)
Discounts to customers	-	-	(29,030)	-
	6,474,282	3,515,026	18,580,927	13,659,984
Sales - Trading goods	287,000	304,355	1,086,446	911,117
Sales tax	(39,586)	(41,978)	(149,528)	(127,858)
Commission to dealers	-	(550)	(3,130)	(1,300)
	247,414	261,827	933,788	781,959
	6,721,696	3,776,853	19,514,715	14,441,943

Selected Notes to and Forming Part of the Condensed Interim Financial Information

for the quarter and nine months ended December 31, 2012 (Un-audited)

	October - December 2012 2011 (Rupees in thousand)		April - December 2012 2011 (Rupees in thousand)	
9. Cost of sales				
Raw material consumed	5,624,967	2,797,335	18,167,397	11,715,220
Stores and spares consumed	21,239	10,407	60,916	40,246
Salaries, wages and benefits	71,021	58,063	235,981	194,156
Fuel and power	20,033	14,356	79,500	52,777
Insurance	12,562	8,454	30,066	24,847
Travelling and vehicle running	14,573	8,668	45,688	35,992
Freight and handling	19,142	4,762	32,583	12,911
Repairs and maintenance	2,811	3,529	14,159	9,326
Technical assistance	8,896	4,932	18,289	17,720
Depreciation on property, plant and equipment	142,326	152,266	381,062	455,163
Amortization on intangible assets	14,210	7,879	31,978	23,753
Royalty	164,835	77,689	435,248	302,380
Canteen Subsidy	3,896	2,158	12,999	8,356
Other expenses	339	283	857	773
	6,120,850	3,150,781	19,546,723	12,893,620
Opening stock of work-in-process	278,647	237,368	323,572	308,017
Closing stock of work-in-process	(241,273)	(44,690)	(241,273)	(44,690)
	37,374	192,678	82,299	263,327
Cost of goods manufactured	6,158,224	3,343,459	19,629,022	13,156,947
Own work capitalized	-	-	(71,912)	(12,943)
Cost of damaged cars	(1,184)	-	(2,834)	(1,130)
	6,157,040	3,343,459	19,554,276	13,142,874
Opening stock of finished goods	2,044,381	506,289	334,006	674,739
Closing stock of finished goods	(1,984,551)	(304,906)	(1,984,551)	(304,906)
	59,830	201,383	(1,650,545)	369,833
	6,216,870	3,544,842	17,903,731	13,512,707
Cost of sales - Trading goods	187,826	216,114	744,699	642,136
	6,404,696	3,760,956	18,648,430	14,154,843

April - December
2012 2011
(Rupees in thousand)

10. Transactions and balances with related parties

Relationship with the company	Nature of transaction		
i. Associated companies	Sale of goods	92,324	55,713
	Purchase of goods	12,745,645	6,615,430
	Purchase of property, plant and equipment	172,663	230,124
	Insurance premium	182,650	126,473
	License and technical assistance fee	107,035	15,069
	Royalty	376,460	274,118
	Insurance claims	5,633	4,350
ii. Key management personnel	Salaries and other employee benefits	48,801	54,027
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	26,716	23,137

All transactions with related parties have been carried out on commercial terms and conditions.

Unaudited Audited
December 31, March 31,
2012 2012
(Rupees in thousand)

Period end balances are as follows:			
Receivable from related parties		25,798	31,440
Payable to related parties		7,500,048	2,864,182

These are in the normal course of business and are interest free.

Selected Notes to and Forming Part of the Condensed Interim Financial Information

for the quarter and nine months ended December 31, 2012 (Un-audited)

Note	April - December 2012	2011 (Rupees in thousand)
11. Cash generated from operations		
Profit / (loss) before taxation	128,337	(42,329)
Adjustment for:		
-Depreciation on property, plant and equipment	400,852	477,832
-Provision against Warranty obligations	1,601	-
-Profit on disposal of property, plant and equipment	(19,992)	(4,911)
-Assets written off	1,326	-
- Profit on bank deposits, loans to employees and advances to suppliers	(62,997)	(115,465)
-Finance cost	145,456	94,380
-Provision for employees retirement benefits and other obligations	30,093	18,030
-Amortization on intangible assets	32,275	23,880
-Royalty	377,843	274,891
-Working capital changes	11.1 2,661,955	(59,555)
	3,696,749	666,753

11.1 Working capital changes

(Increase)/decrease in current assets		
-Stores and spares	(7,782)	(849)
-Stock-in-trade	(3,100,549)	1,165,938
-Advances, prepayments and other receivables	(368,017)	11,252
Increase/(decrease) in current liabilities		
-Trade and other payables	6,138,303	(1,235,896)
	2,661,955	(59,555)

12. Cash and cash equivalents

Cash and cash equivalents included in the condensed interim cash flow statement comprise of the following:

	December 31, 2012	December 31, 2011 (Rupees in thousand)
Cash and bank balances	2,498,879	27,274

13. Segment Information

	Manufacturing			Trading			Total			
	October - December 2012	April - December 2012	October - December 2011	October - December 2012	April - December 2012	October - December 2011	April - December 2012	October - December 2011		
	(Rupees in thousand)									
Segment revenue	6,474,282	18,580,927	13,659,984	247,414	933,788	781,959	6,721,696	3,776,853	19,514,715	14,441,943
Segment expenses										
- Cost of sales	(6,216,870)	(17,903,731)	(13,512,707)	(187,826)	(744,699)	(642,136)	(6,404,696)	(3,760,956)	(18,646,430)	(14,154,843)
Gross profit / (loss)	257,412	677,196	14,277	59,588	45,713	139,823	317,000	15,897	865,285	287,100
Distribution and marketing cost							(49,824)	(34,279)	(145,360)	(95,206)
Administrative expenses							(47,653)	(35,039)	(143,921)	(116,955)
Other operating income							74,569	30,497	103,097	172,736
Other operating expenses							(154,542)	(75,682)	(403,928)	(194,750)
Profit / (loss) from operations							139,550	(98,606)	276,173	52,925
Finance cost							(16,300)	(41,039)	(147,836)	(95,254)
Profit / (loss) before taxation							123,250	(139,645)	128,337	(42,329)
Taxation							(41,901)	24,006	(117,890)	(100,445)
Profit / (loss) after taxation							81,349	(115,639)	10,447	(142,774)

13.1 Segment wise assets and liabilities are not being reviewed by the CODM.

14. **Date of authorization for issue**

This condensed interim financial information was authorized for issue on January 29, 2013 by the Board of Directors of the Company.

15. **Corresponding figures**

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

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no such significant re-arrangements have been made during the period.



Yusuf H. Shirazi
Chairman



Takeharu Aoki
Chief Executive

Authorized "3S" Dealers

KARACHI

[Honda Shahrah-e-Faisal](#)

13-Banglore Town,
Main Shahrah-e-Faisal
Tel: (021) 34527070, 34527373, 34547113-6
Fax: (021) 34526758

[Honda S.I.T.E](#)

C-I, S.I.T.E, Main Manghopir Road
Tel: (021) 32577411-2, 32569381, 32570301
Fax : (021) 32577412

[Honda South](#)

I-B/I, Sector-23, Korangi Industrial Area
Tel: (021) 35050251-4 Fax: (021) 35064599

[Honda Drive-In](#)

118-C Main Rashid Minhas Road
Tel: (021) 34992832-36
Fax: (021) 34992825

[Honda Defence](#)

67/1, Korangi Road, Near HINO Circle
Tel: (021) 35805291 - 94
Fax: (021) 35805294

[Honda Quaideen](#)

233-A-2, PECHS
Tel: (021) 34556071-73
Fax: (021) 34554644

ISLAMABAD

[Honda Classic](#)

179-I-10/3 Industrial Area
Tel: (051) 4438801-04, Fax: (051) 4436446

RAWALPINDI

[Honda Centre](#)

300, Peshawar Road
Tel: (051) 5564525-28
Fax: (051) 5564524

MIRPUR A.K.

[Honda Empire](#)

Mian Muhammad Road,
Quaid-e-Azam Chowk
Tel: (058274) 51501-3
Fax: (058274) 51500

HYDERABAD

[Honda Palace](#)

Shahbaz Town, Jamshoro Road
Tel: (0223) 642032
Fax: (0223) 641519

LAHORE

[Honda City Sales](#)

75-B, L-Block Gulberg III
Main Ferozepur Road
Tel: (042) 35841100-04
Fax: (042) 35841107

[Honda Fort](#)

32-Queens Road
Tel: (042) 36314162- 3, 36309062-3
Fax: (042) 36361076

[Honda Point](#)

Main Defence Road, Lahore Cantt.
Tel: (042) 35700994-5 Fax: (042) 35700993

[Honda Gateway](#)

15-Km, Multan Road,
Tel: (042) 111 333 789
Fax: (042) 37511075

MULTAN

[Honda Breeze](#)

63-Abdali Road
Tel: (061) 4588871-3 4548881 Fax (061) 4588874

SIALKOT

[Honda Falcon](#)

Pakki Kotli, Daska Road
Tel: (052) 3252000 Fax: (052) 3563203

FAISALABAD

[Honda Faisalabad](#)

East Canal Road
Tel: (041) 8731741-4 Fax: (041) 8524029

[Honda Chenab](#)

123-J-B Rajawala, Green View Colony
Tel: (041) 2603349 Fax: (041) 2603349

PESHAWAR

[Honda North](#)

Main University Road
Tel: (091) 5700807-8 Fax: (091) 5854753

GUJRANWALA

[Honda Gujranwala](#)

G.T. Road
Tel: (055) 3893481-3 Fax: (055) 3893484

SARGODHA

[Honda Citrus Field](#)

7-Km, Lahore Road
Tel: (048) 3225186-87
Fax: (048) 3226589

