

## Directors' Report

The directors have pleasure in presenting the Audited Report of the company together with the Audited Accounts and the Auditors' Report thereon for the year ended March 31, 2004.

Financial results are as follows:

	Year to March 31, 2004 (Rupees in thousands)	9 months ended March 31, 2003
Profit before tax for the year	620,193	475,832
Taxation	211,510	129,697
Profit after tax	408,683	346,135
Unappropriated profit brought forward	52	917
Profit available for appropriation	408,735	347,052

### Appropriations:

Transfer to general reserves	230,000	200,000
Proposed cash dividend 42.5% (2003: 35% cash)	178,500	147,000
	408,500	347,000
Unappropriated profit carried forward	235	52
Earning per share (Rupees)	9.73	8.24

### Code of Corporate Governance

In compliance with the provisions of the Listing regulations of Stock Exchanges, the Board members are pleased to place the following statement on record:

- Ⓓ The financial statements for the year ended March 31, 2004 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, 2004 and accounting estimates are



**Mr. Mamoru Suwama**  
President & CEO

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, 2004 was Rs. 49.6 million and Rs. 19.6 million respectively;

The key operating and financial data for last ten years is given on page number 30.

### Board Meetings

During the year, three nominee directors of M/s Honda Motor Company Ltd., Japan on the Board of Directors of the company were replaced. Mr. Akira Yoshizawa, Mr. Takashi Otsuki and Mr. Yukihiro Aoshima were replaced by Mr. Keizaburo Otaki, Mr. Toshitsugu Kaneko and Mr. Koji Nakazono on October 15, 2003, December 15, 2003 and April 09, 2004 respectively. All the directors submitted statutory declaration required to be filed with the Securities and Exchange Commission of Pakistan (SECP) under Code of Corporate Governance.

During the year under review, six meetings of the Board of Directors were held from April 01, 2003 to March 31, 2004. The attendance of the Board members was as follows:

Name of Director	No. of Meetings Attended
1. Mr. Yusuf H. Shirazi	6
2. Mr. Mamoru Suwama	6
3. Mr. Akira Yoshizawa *	2
4. Mr. Aamir H. Shirazi	5
5. Mr. Jawaid Iqbal Ahmed	5
6. Mr. Takashi Otsuki *	4
7. Mr. Yukihiro Aoshima *	2
8. Mr. Keizaburo Otaki #	2
9. Mr. Toshitsugu Kaneko #	2
10. Mr. Koji Nakazono #	-
Mr. Raffat Iqbal (Company Secretary)	6
Mr. Arif Hamid Dar (CFO)	6

\* 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, the qualification shares of 525 each were transferred in the name of Mr. Keizaburo Otaki, Mr. Toshitsugu Kaneko and Mr. Koji Nakazono due to change of directorship. There was no other trading in the shares of the company reported to have carried out by Directors, CEO, CFO and their spouses and minor children, except 500 shares transferred in the name of Mr. Raffat Iqbal, Company Secretary.

### Audit Committee

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

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

### Honda Code of Corporate Governance

Based on the fundamental corporate philosophies, the company is working to improve its Corporate Governance systems as one of the most important management issues. The company, following the guidelines of HMC, has established the Honda Corporate Governance (HCG) systems. The each division of the company carry-out self audit at the end of every quarter followed by verification audit of Internal Auditors. The reports are regularly presented in the Audit Committee meeting for its approval before sending to HMC, Japan.

### 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 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, 2004 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 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 Officer

May 15, 2004  
Lahore,