

Directors' Report

as on March 31, 2012



From Left to Right: **Mr. M. Naeem Khan** (Director), **Mr. Aamir H. Shirazi** (Director), **Mr. Takeharu Aoki** (CEO), **Mr. Yusuf H. Shirazi** (Chairman), **Mr. Akio Takemoto** (Director & Vice President), **Mr. Sardar Abid Ali Khan** (Vice President & Company Secretary), **Mr. Ayaz Mahmood** (CFO)

The directors feel pleasure to present you the Annual Audited Financial Statement for the year ended March 31, 2012, together with the Auditors' Report thereon.

Financial results for the year are as follows:

	2012	2011
	(Rupees in thousand)	
Loss before tax for the year	(498,804)	(244,827)
Taxation	(33,409)	(53,625)
Loss after tax	(532,213)	(298,452)
Accumulated loss brought forward	(307)	(855)
Accumulated loss	(532,520)	(299,307)
Appropriations*:		
Transfer from general reserves	173,500	299,000
Proposed dividend (2011: Nil)	-	-
	173,500	299,000
Accumulated loss carried forward	(359,020)	(307)
Loss per share – basic and diluted (Rupees)	(3.73)	(2.09)

* The Board of Directors has proposed these appropriations, which are not reflected in the financial statements in compliance with the Fourth schedule of the Companies Ordinance 1984.



Despite the supply disruption caused by unprecedented earthquake and tsunami in Japan, the company continued its efforts and posted profit before tax in the first half of the year. However, second half of the year was hit by devastating floods in Thailand, which severely affected company's supply-chain and as a consequence production had to be discontinued for couple of months in third and fourth quarters of the year.

The effect of supply disruption was reflected in overall production and sales which declined by 32.8% and 30.7% respectively and the Company incurred loss after tax of Rs. 532.2 million for the year ended March 31, 2012.

During forced closure, the company focused on customer retention and cost reduction measures, which resulted in increase in customer advances and reduced SGA as compared to last year. The company also paid long term loans of Rs. 667 million thereby reducing the finance cost on long term loans. However, the holding company through its associated company, continued to extend liquidity support in the form of credit payment on some of CKD material supplies.

Corporate and Financial Reporting Framework

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

- The financial statements for the year ended March 31, 2012 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, 2012 and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), 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 as on March 31, 2012;
- The book values of investments held by Employees Provident Fund and Employees Gratuity Fund as on March 31, 2012 were Rs. 161.79 million and Rs. 98.39 million respectively.
- The key operating and financial data for last ten years is given in this report.



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as on March 31, 2012

Board Meetings

During the year under review, four meetings of the Board of Directors were held from April 01, 2011 to March 31, 2012. The attendance of the Board members was as follows:

Sr. No	Name of Director	No of Meetings attended
1.	Mr. Yusuf H. Shirazi	4
2.	Mr. Takeharu Aoki	4
3.	Mr. Aamir H. Shirazi	4
4.	Mr. Muhammad Naeem Khan #	3
5.	Mr. Jawaid Iqbal Ahmed #	-
6.	Mr. Shigeru Yamazaki *	-
7.	Mr. Takashi Nagai *	-
8.	Mr. Yukimitsu Miyagi *	4
	Mr. Sardar Abid Ali Khan (Company Secretary)	4
	Mr. Ayaz Mahmood (CFO)	4

Mr. Jawaid Iqbal Ahmed retired and Mr. M. Naeem Khan joined as his successor on June 14, 2011.

* Mr. Shigeru Yamazaki, Mr. Takashi Nagai and Mr. Yukimitsu Miyagi retired and Mr. Shigeki Takane, Mr. Yuishi Fukuda and Mr. Akio Takemoto joined as their successors respectively from April 01, 2012.

The leave of absence was granted to the members not attending the Board meeting.

Further, following the changes in the Board of Directors, 500 shares were purchased by Mr. M. Naeem Khan and 525 shares each were transferred in the name of Mr. Shigeki Takane, Mr. Yuishi Fukuda and Mr. Akio Takemoto on April 01, 2012. There was no other reported transaction by Directors, Company Secretary, Chief Financial Officer (CFO) and their spouses or minor children except mentioned there above.

The Board approved remuneration of Chairman and Company Secretary at Rs. 16.0 million and Rs. 11.2 million (2012: Rs 13.50 million and Rs 9.45 million) respectively, which includes allowances and other benefits as per terms of their employment, for the year ending March 31, 2013.

President/CEO will be paid an amount of Rs. 10.0 million (2012: Rs 7.5 million) and one full-time director will be paid an amount of Rs. 10.0 million (2012: Rs 16.65 million for one directors), which includes allowances and other benefits as per terms of their employment, for the year ending March 31, 2013.



Audit Committee

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

Honda Code of Corporate Governance

The company continued to comply with the requirements of the Honda Code of Corporate Governance (HCG), based on the fundamental corporate philosophy of Honda.

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 Code of Corporate Governance

The company has fully complied with the requirements of the Code of Corporate Governance as contained in the Listing Regulation of the Stock Exchanges. A statement to this effect is annexed with this report.

Pattern of Shareholding

The pattern of shareholding as on March 31, 2012 and its disclosure, as required by the Code of Corporate Governance is annexed with this report.

Auditors

The present auditors Messer's A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the year ending March 31, 2013.

For and on behalf of
The Board of Directors



Takeharu Aoki
President/Chief Executive Officer

Lahore, May 14, 2012

