

## Directors' Report

The directors have privilege in presenting the Annual Audited Accounts of the company together with the Auditors' Report thereon for the year ended March 31, 2007.

Financial results for the year are as follows:

	Year ended March 31, 2007	Year ended March 31, 2006
	(Rupees in thousand)	
(Loss)/Profit before tax for the year	(481,649)	1,133,704
Taxation	(217,109)	428,410
(Loss)/Profit after tax	(264,540)	705,294
Un-appropriated profit brought forward	208	414
(Loss)/Profit available for appropriation	(264,332)	705,708
<b>Appropriations*:</b>		
Transfer (from)/to general reserves	(264,000)	411,500
Proposed dividend (2006: 70% bonus)	-	294,000
	(332)	705,500
Un-appropriated (loss)/profit carried forward	(332)	208
(Loss)/Earnings per share - basic & diluted	(3.71)	9.88
	(Rupees)	

\* The Board of Directors have proposed these appropriations, which are not reflected in the financial statements 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 members are pleased to place the following statements on record:

- The financial statements for the year ended March 31, 2007 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, 2007 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 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, 2007 was Rs. 100.2 million and Rs. 39.0 million respectively.
- The key operating and financial data for last ten years is given in this report.

### Board Meetings

During the year, no casual vacancy occurred on the Board of Directors. However, Mr. Mamoru Suwama, President/CEO of the company returned back to Japan after serving the company for almost 6 years. Mr. Atsushi Yamazaki has joined as his successor on April 01, 2007.

During the year under review, five meetings of the Board of Directors were held from April 01, 2006 to March 31, 2007. 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	4
4.	Mr. Jawaid Iqbal Ahmed	4
5.	Mr. Kenichi Ozeki	5
6.	Mr. Masaaki Suzuki	3
7.	Mr. Tatsuhiko Oyama	-
	Mr. Sardar Abid Ali Khan (Company Secretary)	5
	Mr. Asad Murad (CFO)	5

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

During the year, there was no reported transaction by directors, CEO, Company Secretary, CFO and their spouses or minor children. However, qualification shares were transferred in the name of Mr. Atsushi Yamazaki.

The Board approved remuneration of Chairman and Company Secretary at Rs. 8.029 million and Rs. 5.779 million respectively, which includes bonuses, allowances and other benefits as per terms of their employment, for the year ending March 31, 2008.

President/CEO will be paid an amount of Rs. 5.541 million and two full-time directors will be paid an aggregate amount of Rs. 9.947 million, which includes allowances and other benefits as per terms of their employment, for the year ending March 31, 2008.

The Board also approved the remuneration of Chairman at Rs. 8.029 million and of Company Secretary at Rs. 5.779 million which includes bonus, allowances and other benefits as per terms of their employment during the year ended March 31, 2007.

The President/CEO was also paid an amount of Rs. 5.541 million and two full-time directors were paid an aggregate amount of Rs. 8.650 million, which includes allowances and other benefits as per terms of their employment, during the year ended March 31, 2007. All these expenses have been approved by the Board of Directors.

### **Changes in the Audit Committee**

Following the changes in the Board of Directors, Mr. Mamoru Suwama was replaced by Mr. Atsushi Yamazaki in the Audit Committee. The Committee welcomes Mr. Atsushi Yamazaki and appreciates for the contributions made by Mr. Mamoru Suwama as member of the Committee. The statutory composition of the Committee remained intact with this change.

The Audit Committee held seven meetings during the year under review, 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 and other statutory meeting as required by the code of corporate governance.

### **Honda Code of Corporate Governance**

The company continued to comply with the requirements of the Code of Honda Corporate Governance, based on the fundamental corporate philosophy of Honda. The quarterly self audits were done by each division followed by verification audit by the Internal Auditor. The reports were prepared and presented in the Audit Committee meetings for its review and approval.

### **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.

### **Market Share Price**

During the year, the maximum and minimum market price of our share was Rs 179.50 & Rs 52.15 respectively.

### **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, 2007 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



**Atsushi Yamazaki**  
President/Chief Executive Officer

April 30, 2007  
Lahore.