



## Annual Report 2011



Organisation  
development  
through  
*self development*





# AGS

بات ہے کوالٹی کی...



Consumer's No. 1 Choice



JOINT VENTURE



**Top Companies Awards**

KSE Top Companies Award  
Presented to  
**ATLAS BATTERY LIMITED**  
for the year 2008 & 2009  
by  
**MR. ASIF ALI ZARDARI**  
Honorable President of Islamic Republic of Pakistan  
at the ceremony held on  
23rd May, 2011, at Aiwan-e-Sadr, Islamabad





## Vision

A manufacturer and supplier of high quality lead acid automotive and motorcycle batteries in domestic and international market.

## Mission

Market leadership through technology - by quality, service and customer satisfaction, ensuring associates welfare, fair return to shareholders and overall a good corporate citizen, contributing to development of society through harmony in all respects.

## Values

Transparency  
Meritocracy  
Integrity  
Quality  
Safety  
Excellence

# Strategic Objectives

<b>Employees</b>	To develop, update and enhance our employees' skills, knowledge and creative potential.
<b>Consumer</b>	Dedicated to provide satisfaction to our consumers and value for their money.
<b>Quality</b>	To maintain edge over competitors in terms of quality of products and services.
<b>Innovation</b>	Driven for innovation and continuous improvement.
<b>Shareholders</b>	To safeguard shareholders' interest through a healthy and viable business which regularly pays satisfactory dividends and adds value to their investment.
<b>Corporate Governance</b>	Committed to the principles of good Corporate Governance by managing and supervising the Company responsibly with proper internal controls, risk management and efficient and effective operations.
<b>Corporate Success</b>	To recognize that Leadership, Empowerment and Accountability are essential for corporate success.

## Quality Policy

To achieve continual improvement for dealers, customers, suppliers, shareholders and employees. We will continue to manufacture AGS batteries by fostering superior technologies and innovations to fulfill our objectives, the needs and expectation of our customers and other requirements of our Quality Management System.



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## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at 10:00 a.m. on Thursday, September 29, 2011 at 2nd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, to transact the following business:

### Ordinary Business:

1. To confirm Minutes of Extra Ordinary General Meeting held on May 20, 2011.
2. To receive, consider and adopt the Audited Annual Financial Statements of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' Report thereon.
3. To consider and approve the Cash dividend at the rate of @ 100% (Rs.10/- per share) for the year ended June 30, 2011 as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year ending June 30, 2012. The present Auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

### Special Business:

5. To consider and approve the bonus shares issue @ 20% (One bonus share for every Five shares held) for the year ended June 30, 2011 as recommended by the Board of Directors.

To consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

- 5.1 RESOLVED "that a sum of Rs.20,138,620/- out of Company's profit be capitalized for issuing 2,013,862 fully paid ordinary shares of Rs.10/- each as bonus shares to be allotted to those shareholders of the Company, whose names shall appear in the register of members at the close of business on September 20, 2011 @ 20% in the proportion of One ordinary share of Rs.10/- each for every Five ordinary shares held by a shareholder. The said shares shall rank pari passu with the existing shares of the Company as regards future dividend and in all other respects."
- 5.2 FURTHER RESOLVED "that all the fractional bonus shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares so combined in the stock market and pay the proceeds of sales thereof, when realized, to a charitable institution approved under the Income Tax Ordinance, 2001."
- 5.3 FURTHER RESOLVED "that the Directors be and are hereby authorized to give effect to the foregoing resolutions and in this regard to do or cause to be done all acts, deeds and things that may be necessary or required."

A statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

### Other Business:

6. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD



Company Secretary

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from September 21, 2011 to September 29, 2011 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Hameed Majeed Associates (Private) Limited, Karachi Chambers, Hasrat Mohani Road, Karachi before the close of business on September 20, 2011 will be in time for the purpose of entitlement for cash dividend and bonus shares.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his / her Computerized National Identity Card (CNIC) or passport along with CDC account number to prove his / her identity and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are requested to immediately inform the Company's Share Registrar of any change in their mailing address.
5. Members are requested to provide by mail or fax, photocopy of their CNIC or passport (in case of foreigner), unless it has been provided earlier, enabling the Company to comply with relevant laws.

**STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984:**

This statement is annexed to the Notice of the Annual General Meeting of Atlas Battery Limited to be held on September 29, 2011 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

**ITEM NO. 5 OF THE AGENDA**

The Board of Directors has recommended to the members of the Company to declare dividend by way of issue of fully paid bonus shares @ 20% for the year ended June 30, 2011 and thereby capitalize a sum of Rs.20,138,620/-. The Directors have also recommended that all the fractional bonus shares shall be combined and the Directors be authorized to combine and sell the fractional shares so combined in the stock market and pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance, 2001.

Directors are interested in the business only to the extent of their entitlement of bonus shares as shareholders.



## Company Information



### Board of Directors

---

Yusuf H. Shirazi  
Chairman

Kamal A. Chinoy  
Director

Khaleeq-ur-Rahman Khan  
Director

Makio Tanaka  
Director

Omar Saeed  
Director

Talha Saad  
Director

Ali H. Shirazi  
President / Chief Executive

Rizwan Ahmed  
Company Secretary

### Audit Committee

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Omar Saeed  
Chairman

Khaleeq-ur-Rahman Khan  
Member

Talha Saad  
Member

M. Rizwan Jamil  
Head of Internal Audit

Muhammad Saleem  
Secretary

## Management Committee

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Ali H. Shirazi  
President / Chief Executive

Talha Saad  
Managing Director

Ahmad Zafaryab Ali  
Chief Financial Officer

Arshad Gulraiz Butt  
General Manager Marketing

Muhammad Iqbal  
General Manager Supply Chain

Muhammad Jamil Awan  
General Manager Quality Assurance

Shahzad Ahmad Khan  
General Manager Plant

Qasim Imran Khan  
Head of Information Technology

Ahmar Waheed  
Manager Human Resources

## Auditors

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Hameed Chaudhri & Co.  
Chartered Accountants

## Legal Advisors

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Agha Faisal Barrister at Law  
Mohsin Tayebaly & Co.

## Tax Advisor

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Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Bankers

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Allied Bank Limited  
Bank Al-falah Limited  
Habib Bank Limited  
HSBC Bank Middle East Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Summit Bank Limited  
The Bank of Tokyo-Mitsubishi UFJ, Limited  
United Bank Limited

## Share Registrar

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M/s. Hameed Majeed Associates (Pvt.) Ltd.,  
Karachi Chambers,  
Hasrat Mohani Road, Karachi.  
Tel: 32424826 & 32412754  
Fax: 32424835  
E-mail: majeed@hmaconsultants.com

## Registered Office & Factory

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D-181, Central Avenue, S.I.T.E., Karachi-75730  
Tel: 32567990-94 Fax: 32564703

## Zonal Office Karachi

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PPI Building, Near Sindh Secretariat Building,  
Shahra-e-Kamal Ataturk, Karachi-74200  
Tel: 32636057 & 32610145 Fax: 32626478

## Sukkur Office

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F-33/4, Barrage Colony, Workshop Road, Sukkur  
Tel: 612532 Fax: 612532

## Zonal Office Lahore

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Salam Chambers, 21 Link Mcleod Road,  
Lahore-54000  
Tel: 37227075 & 37354245 Fax: 37352724

## Faisalabad Office

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54-Chenab Market, Madina Town, Faisalabad  
Tel: 8713127 Fax: 8726628

## Multan Office

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Azmat Wasti Road, Chowk Dera Adda Multan-60000  
Tel: 4548017

## Peshawar Office

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1st Floor, Zeenat Plaza, Near General Bus Stand,  
G.T. Road, Peshawar  
Tel: 2262485

## Rawalpindi Office

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312-A, Kashmir Road, R.A. Bazar,  
Rawalpindi-65847  
Tel: 5567423

## Sahiwal Office

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647-V-7, Al-Hilal Building, Nishtar Road,  
Sahiwal-57000  
Tel: 4461539

## Company Website

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[www.atlasbattery.com.pk](http://www.atlasbattery.com.pk)

## Email Address

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[abl@atlasbattery.com.pk](mailto:abl@atlasbattery.com.pk)

## Information for Shareholders

### Company's Registered Office

D-181, Central Avenue, S.I.T.E., Karachi-75730  
Tel: 32567990-4  
Fax: 32564703

### Share Registrar

M/s. Hameed Majeed Associates (Pvt) Ltd.,  
Karachi Chambers, Hasrat Mohani Road, Karachi.  
Tel: 32424826 & 32412754  
Fax: 32424835

### Listing on Stock Exchanges

Atlas Battery Limited is listed on Karachi Stock Exchange (KSE) and Lahore Stock Exchange (LSE).

### Listing Fees

The annual listing fee for the financial year 2010-11 has been paid to the two stock exchanges within the prescribed time limit.

### Stock Symbol

The stock symbol for dealing in equity shares of Atlas Battery Limited at KSE and LSE is ATBA.

### Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

### Share Transfer System

Share transfers received by the Company's Share Registrar are registered within 30 days from the date of receipt, provided the documents are complete in all respects.

### Dividend Announcement

The Board of Directors of the Company has proposed a Final Cash Dividend of Rs.10/- each (100%) and Bonus Shares @ 20% (One bonus share for every Five

shares held) for the year ended June 30, 2011, subject to the approval by the shareholders of the Company at the Annual General Meeting.

Dividend paid for the previous year ended June 30, 2010 was, Cash Dividend of Rs.10/- per share (100%) and Bonus Shares @ 20% (One bonus share for every Five shares held).

### Book Closure Dates

The Register of Members and Share Transfer Books of the Company will remain closed from September 21, 2011 to September 29, 2011 (both days inclusive).

### Dividend Remittance

Dividend declared and approved at the Annual General Meeting will be paid well before the statutory time limit of 30 days.

#### (i) For shares held in physical form

To shareholders whose names appear in the register of members of the Company after entertaining all requests for transfer of shares lodged with the Company by September 20, 2011.

#### (ii) For shares held in electronic form

To shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on September 20, 2011.

### Withholding of Tax & Zakat on Dividend

As per the provisions of the Income Tax Ordinance, 2001, income tax is deductible at source by the Company at the rate of 10% wherever applicable.

Zakat is also deductible at source from the dividend amount at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

### Dividend Warrants

Cash Dividends are paid through dividend warrants addressed to the ordinary shareholders whose names appear in the register of members at the date of book

closure. Shareholders are requested to deposit those warrants into their bank accounts, at the earliest, thus helping the Company to clear the unclaimed dividend account.

### Annual General Meetings

Pursuant to section 158 of the Companies Ordinance, 1984, Company holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi and Lahore.

### Proxies

Pursuant to section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of

the Company who is entitled to attend and vote at a general meeting of the Company can appoint another person as his / her proxy to attend and vote on his / her behalf. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who ought to be a member of the Company.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the registered office of the Company not less than forty eight hours before the meeting.

### Share Price and Volume

The following table shows the monthly high, low and closing share prices of the Company and the volume of shares traded on the Karachi Stock Exchange during the financial year ended June 30, 2011.

Months	Highest (Rs.)	Lowest (Rs.)	Closing (Rs.)	No. of Shares traded
Jul-10	209.00	180.00	204.13	58,471
Aug-10	206.95	178.00	182.27	213,484
Sep-10	187.90	131.00	137.41	111,616
Oct-10	166.69	136.10	155.91	312,218
Nov-10	163.83	152.70	160.73	140,010
Dec-10	194.75	159.00	190.47	247,137
Jan-11	205.00	185.00	198.13	213,414
Feb-11	202.80	180.00	183.49	101,728
Mar-11	213.89	183.05	209.69	171,469
Apr-11	216.30	203.25	214.11	75,549
May-11	214.50	206.00	212.17	110,922
Jun-11	235.89	212.50	217.02	257,170

### Website

Updated information regarding the Company can be accessed at Atlas Battery's website, [www.atlasbattery.com.pk](http://www.atlasbattery.com.pk). The website contains the latest financial results of the Company together with Company's profile and product range.

## Board of Directors



### Mr. Yusuf H. Shirazi

**Chairman**

Mr. Shirazi is a Law graduate (LLB) with BA (Hons) and JD (Diploma in Journalism) Punjab University and AMP Harvard. He served in the Financial Services of the Central Superior Services of Pakistan for eight years. He is the author of five books including 'Aid or Trade' awarded by NBP (adjudged by the Writers Guild as the best book of the year) and continues to be a columnist, particularly on economy. Mr. Shirazi is the Chairman of Atlas Group, which among others, has joint ventures with GS Yuasa International, Honda and MAN. He has been the President of Karachi Chamber of Commerce and Industries for two terms. He has been on the Board of Harvard Business School Alumni Association and is the Founder President of Harvard Club of Pakistan and Harvard Business School Club of Pakistan. He has been visiting faculty member of National Defence University, Navy War College and National School of Public Policy. He has been on the Board of Governors of LUMS, GIK and FC College. Previously, he also served on the Board of Fauji Foundation Institute of Management and Computer Sciences (FFIMCS) and Institute of Space Technology - Space and Upper Atmosphere Research Commission (SUPARCO).

### Mr. Kamal A. Chinoy

**Director**

Mr. Kamal Amir Chinoy is the Chief Executive of Pakistan Cables Limited. He graduated from the Wharton School, University of Pennsylvania, U.S.A. with a B.Sc. in Economics (with triple major). He serves on the Board of International Industries Limited, International Steels Limited and Pakistan Security Printing Corporation. He is also Honorary Consul General of the Republic of Cyprus. Mr. Kamal is a member of the Executive Committee of International Chamber of Commerce (ICC), Pakistan and President of Management Association of Pakistan. He is also on the Undergraduate Admissions Committee of Aga Khan University. He served as the Chairman of Aga Khan Foundation for 6 years. He is a "Certified Director" having been certified by the Pakistan Institute of Corporate Governance. He is amongst the first 25 directors in Pakistan to be certified.



### Mr. Khaleeq-ur-Rahman Khan

**Director**

Mr. Khaleeq-ur-Rahman Khan is the Chief Executive of Shirazi Trading Company (Pvt) Ltd. and has been associated with Atlas Group since 1970. Prior to serving Shirazi Trading Company, he worked as Chief Executive of Atlas Lease Limited till 2002. He is an MBA from International Management Institute (IMI) Geneva, Switzerland. He has attended various management level training programs from international institutes including AMP from INSEAD France, GMP from Stanford University Singapore and Leasing Competing from Amembal & Halladay, Singapore. He has also completed a number of financial and management courses at domestic level. Mr. Khaleeq has over 40 years of experience including different management positions in manufacturing, trading and financial sector in the Atlas Group.



### **Mr. Makio Tanaka**

**Director**

Mr. Makio Tanaka had been incharge of the Production Engineering Division of GS Yuasa Manufacturing before being appointed to Pakistan as Vice Executive Officer and Technical Advisor in July 2009. He has expertise in developing battery production system, quality improvement of the battery for Automobile, Motorcycle and VRLA (portable and UPS). He has experience of working at other GS Yuasa Group Companies in China, Taiwan and Indonesia.

### **Mr. Omar Saeed**

**Director**

Mr. Omar Saeed is the Chief Executive of Service Industries Limited, a leading manufacturing Company Listed on KSE. He is also the founder and Chairman of Ovex Technologies and sits on the Boards of Premier BPO, Cinepax Limited and Mantaq Systems. He is also a member of the National Policy Platform formed by the Competitiveness Support Fund. He teaches Entrepreneurship at LUMS where he is an adjunct faculty member. Mr. Omar is BA from Brown University and MBA from Harvard Business School, and currently serves as the President of the Harvard Business School Club of Pakistan.



### **Mr. Talha Saad**

**Director**

Mr. Talha Saad has the dual honor of holding a bachelors degree in mechanical engineering from Peshawar University and MBA from IBA, Karachi. He also attended a 'Management and Development' course from Harvard University. He has been with the Atlas Group of Companies for the last 30 years. Prior to Joining Atlas Battery, he was associated with Atlas Honda Limited as General Manager Supply Chain.

### **Mr. Ali H. Shirazi**

**President / Chief Executive**

Mr. Ali H. Shirazi graduated in Political Science from Yale University, U.S.A. in 2000 and thereafter completed his Masters in Law from Bristol University, U.K. in 2005. He has worked with the Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California. He is an Atlas Group Director, and is responsible for Group's financial services. He is on the Board of Atlas Insurance Limited, Atlas Engineering Limited, Atlas Asset Management Limited and Techlogix.

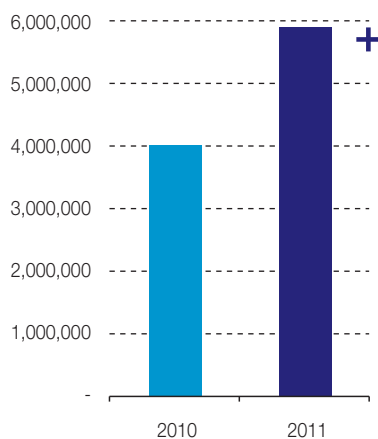


## Financial Highlights

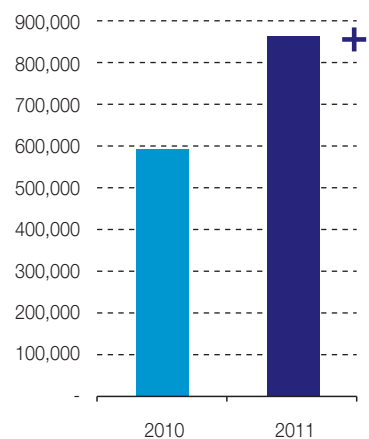
-----Rupees in '000s-----

	2011	2010	%
Sales	5,868,260	4,024,422	45.8% +
Gross Profit	860,839	591,200	45.6% +
Operating Profit	562,616	361,146	55.8% +
Profit before Tax	525,101	341,289	53.9% +
Profit after Tax	354,502	222,534	59.3% +
Earnings Per Share - Basic & Diluted (Rupees)	35.21	22.10	59.3% +
Shareholders' Equity	954,745	684,154	39.6% +
Property, Plant & Equipment - Net of Rev. Reserve	732,846	582,553	25.8% +

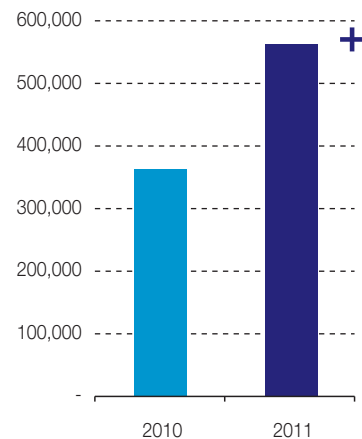
**Sales Revenue** 45.8%



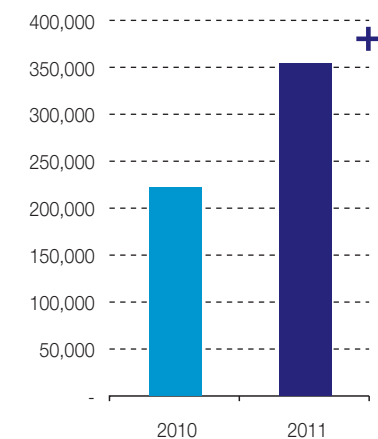
**Gross Profit** 45.6%



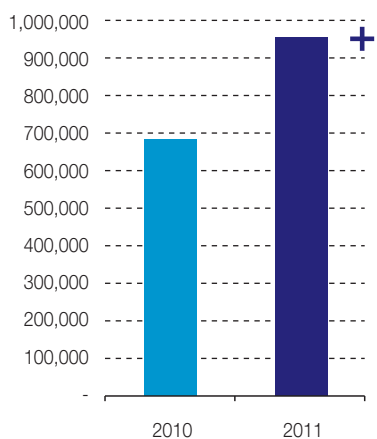
**Operating Profit** 55.8%



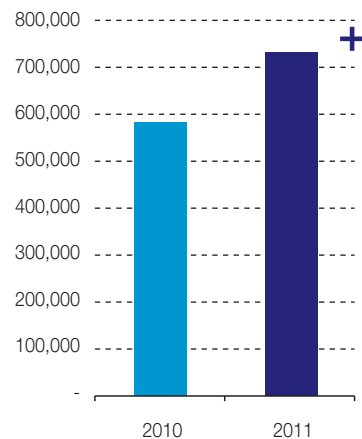
**Profit after Tax** 59.3%



**Shareholders, Equity** 39.6%



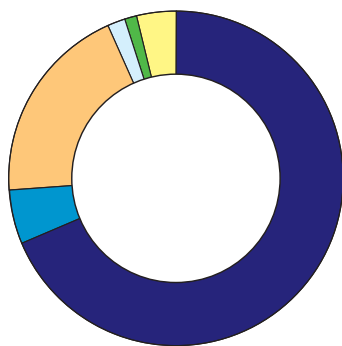
**Property, Plant & Equipment** 25.8%



## Statement of Value Addition Year Ended June 30, 2011

	----- (Rupees in '000) -----			
	2011		2010	
	Amount	% age	Amount	% age
<b>Wealth Generated:</b>				
Sales including Sales Tax & SED	7,000,531	99.8	4,743,398	99.9
Other Operating Income	12,265	0.2	5,258	0.1
	7,012,796	100.0	4,748,656	100.0
<b>Wealth distributed:</b>				
Cost of Material & Services	4,816,585	68.7	3,275,641	69.0
<b>To Employees</b>				
Salaries & other related costs	364,713	5.2	296,182	6.2
<b>To Government</b>				
Taxes	1,323,275	18.9	852,459	18.0
Workers' Profit Participation Fund	28,189	0.4	18,316	0.4
Workers' Welfare Fund	10,502	0.1	6,712	0.1
	1,361,966	19.4	877,487	18.5
<b>To Providers of Capital</b>				
Dividend to Shareholders	83,911	1.2	69,926	1.5
Finance Cost	37,515	0.5	19,857	0.4
	121,426	1.7	89,783	1.9
<b>To Society</b>				
Donation	3,413	0.1	2,729	0.1
<b>Retained in the Business</b>				
For replacement of Fixed Assets:				
Depreciation & Amortization	74,102	1.1	54,226	1.1
To provide for Growth: Retained Profit	270,591	3.8	152,608	3.2
	344,693	4.9	206,834	4.3
	7,012,796	100.0	4,748,656	100.0

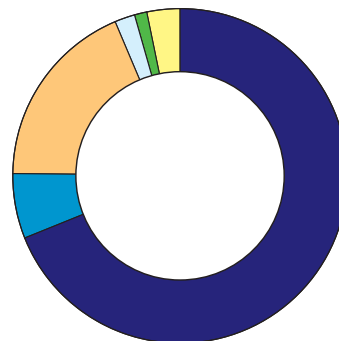
**June 30, 2011**



- Cost of materials & services (68.7%)
- To Employees (5.2%)
- To Government (19.4%)
- To Providers of Capital (1.7%)
- To Society (0.1%)
- Depreciation & Amortization (1.1%)
- Retained Profit (3.8%)

**June 30, 2010**

- Cost of materials & services (69%)
- To Employees (6.2%)
- To Government (18.5%)
- To Providers of Capital (1.9%)
- To Society (0.1%)
- Depreciation & Amortization (1.1%)
- Retained Profit (3.2%)

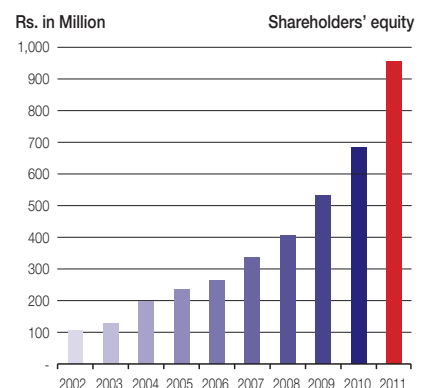
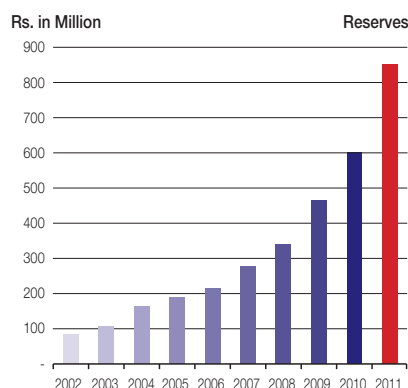
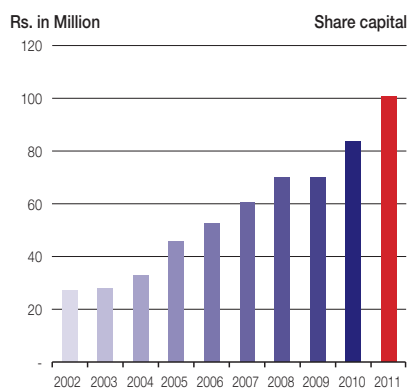
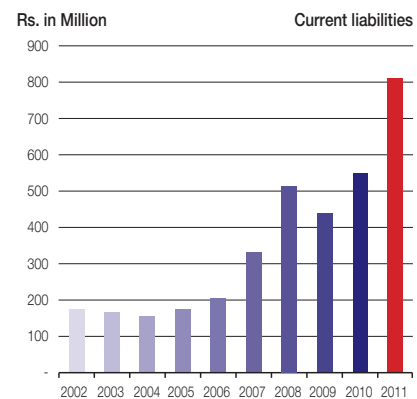
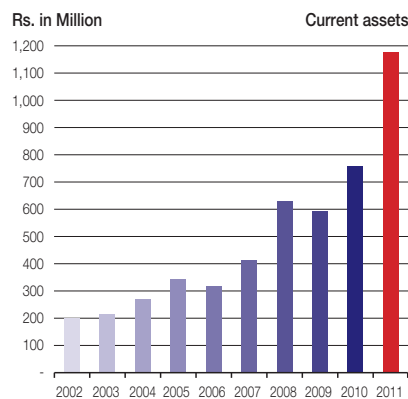
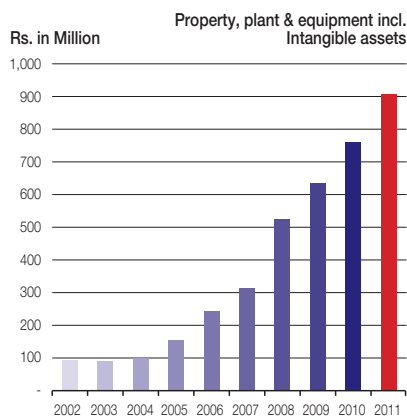




## Ten Years Growth at a Glance

(Rupees in million)

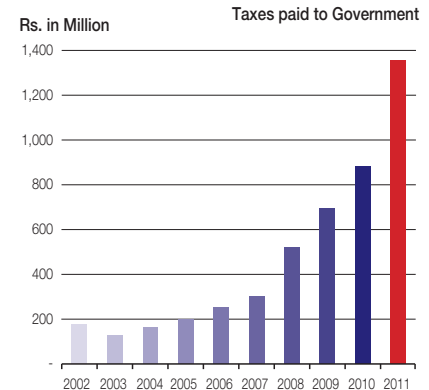
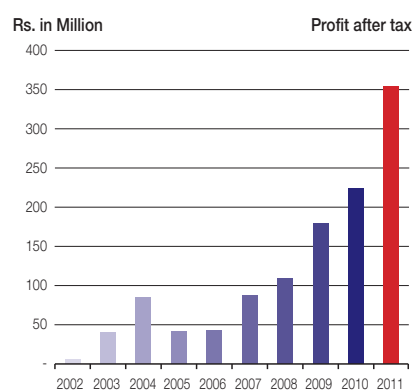
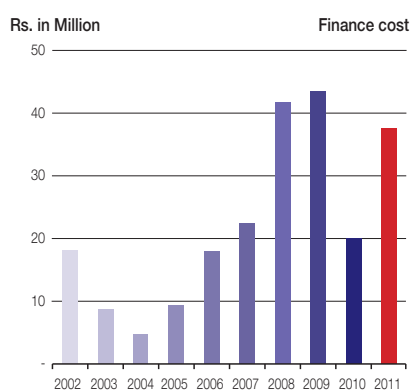
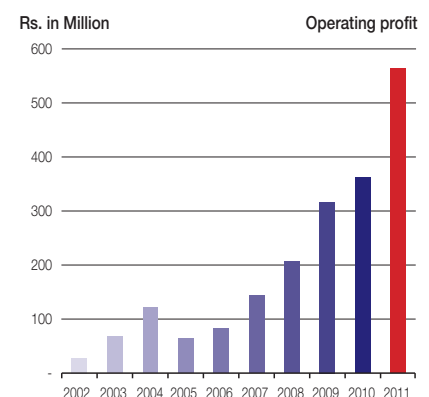
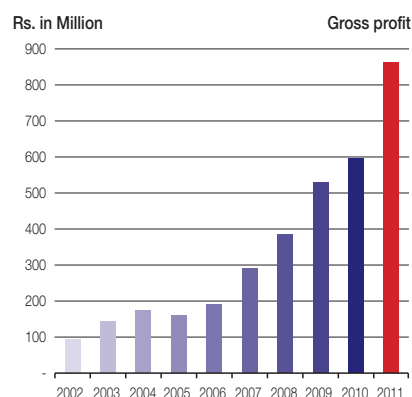
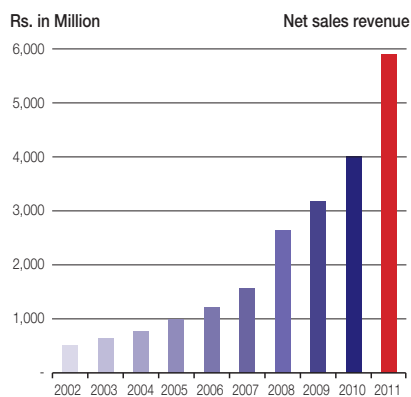
YEARS	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Condensed Balance Sheet</b>										
<b>Assets</b>										
<b>Non Current Assets</b>										
Property, plant & equipment incl. intangible assets	906.6	756.3	635.3	517.9	311.0	239.7	151.5	94.0	84.4	90.2
Other non current assets	0.5	0.5	2.4	4.0	4.0	4.0	2.6	0.5	5.1	6.3
Long term loan	0.6	0.3	-	-	-	-	-	-	-	-
<b>Current Assets</b>										
Inventory	747.9	554.0	448.7	423.6	316.9	226.7	218.2	108.7	134.8	122.2
Investments & bank balances	298.8	56.1	35.0	49.3	37.8	30.6	72.5	98.5	16.6	21.6
Trade debtors	89.6	100.4	88.5	77.4	51.8	45.9	39.5	39.7	40.0	32.9
Other current assets	36.6	46.3	16.4	78.0	7.2	9.9	11.7	17.8	17.9	26.4
	1,172.9	756.8	588.6	628.3	413.7	313.1	341.9	264.7	209.3	203.1
<b>Total Assets</b>	<b>2,080.6</b>	<b>1,513.9</b>	<b>1,226.3</b>	<b>1,150.2</b>	<b>728.7</b>	<b>556.8</b>	<b>496.0</b>	<b>359.2</b>	<b>298.8</b>	<b>299.6</b>
<b>Equity &amp; Liabilities</b>										
Share capital	100.7	83.9	69.9	69.9	60.8	52.9	46.0	32.9	28.6	27.2
Reserves	854.0	600.2	461.6	336.4	275.2	211.5	188.5	160.8	101.3	80.6
Surplus on revaluation of fixed assets	173.8	173.8	173.8	173.8	-	-	-	-	-	-
Deferred liabilities	138.4	111.3	85.6	61.8	62.9	50.5	30.9	15.7	6.9	8.2
Long term loans	-	-	-	-	-	40.0	60.0	-	-	14.7
<b>Current Liabilities</b>										
Creditors & provisions	373.8	368.9	329.3	185.3	156.2	93.3	78.2	82.6	86.6	70.2
Short term borrowings	434.7	174.6	103.6	313.0	171.2	91.0	74.3	34.7	41.0	88.8
Current portion of long term loans	-	-	-	-	-	16.0	16.0	-	-	7.2
Other current liabilities	5.2	1.2	2.5	10.0	2.4	1.6	2.1	32.5	34.4	2.7
	813.7	544.7	435.4	508.3	329.8	201.9	170.6	149.8	162.0	168.9
<b>Total Equity &amp; Liabilities</b>	<b>2,080.6</b>	<b>1,513.9</b>	<b>1,226.3</b>	<b>1,150.2</b>	<b>728.7</b>	<b>556.8</b>	<b>496.0</b>	<b>359.2</b>	<b>298.8</b>	<b>299.6</b>



## Ten Years Growth at a Glance

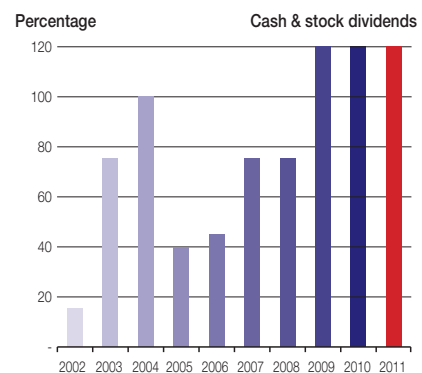
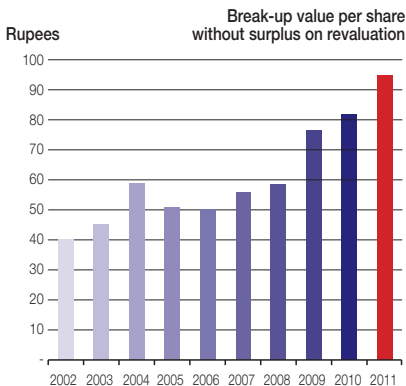
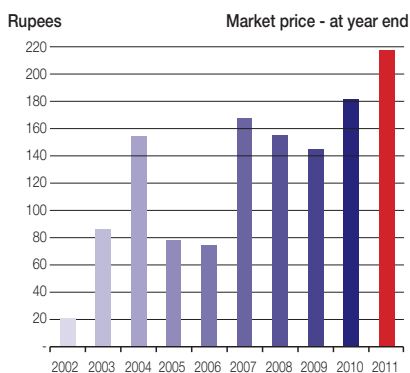
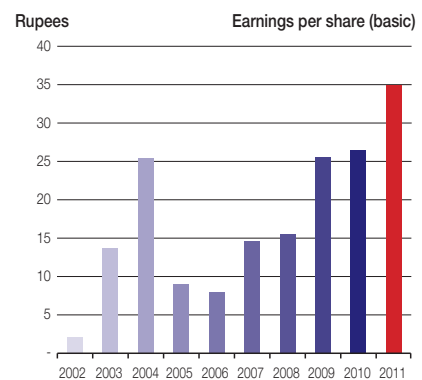
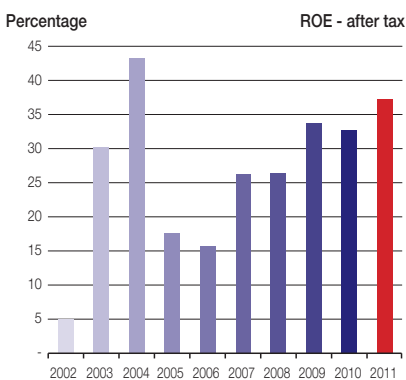
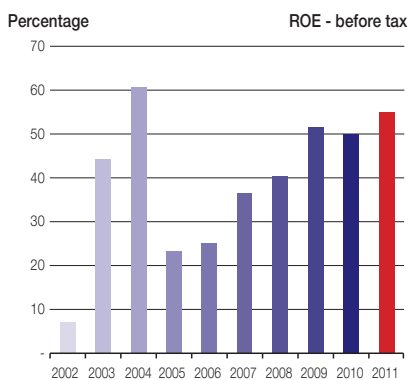
(Rupees in million)

YEARS	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Condensed Profit &amp; Loss Account</b>										
Sales	5,868.3	4,024.4	3,156.8	2,628.8	1,585.6	1,209.0	949.8	770.1	617.1	495.1
Cost of sales	(5,007.5)	(3,433.2)	(2,626.7)	(2,241.9)	(1,294.0)	(1,020.0)	(792.2)	(596.6)	(475.9)	(403.6)
Gross profit	860.8	591.2	530.1	386.9	291.6	189.0	157.6	173.5	141.2	91.5
Operating expenses (net of other income)	(298.2)	(230.1)	(213.7)	(181.2)	(147.3)	(104.9)	(94.4)	(51.7)	(75.6)	(66.4)
Operating profit	562.6	361.1	316.4	205.7	144.3	84.1	63.2	121.8	65.6	25.1
Finance cost	(37.5)	(19.8)	(43.5)	(41.6)	(22.0)	(17.9)	(9.2)	(4.1)	(8.4)	(17.9)
Profit before tax	525.1	341.3	272.9	164.1	122.3	66.2	54.0	117.7	57.2	7.2
Taxation	(170.6)	(118.8)	(95.2)	(57.3)	(34.8)	(24.9)	(13.2)	(34.2)	(18.0)	(1.7)
Profit after tax	354.5	222.5	177.7	106.8	87.5	41.3	40.8	83.5	39.2	5.5
<b>Profitability Ratios</b>										
Gross profit (%)	14.7	14.7	16.8	14.7	18.4	15.6	16.6	22.5	22.9	18.5
Profit before tax (%)	8.9	8.5	8.6	6.2	7.7	5.5	5.7	15.3	9.3	1.5
Profit after tax (%)	6.0	5.5	5.6	4.1	5.5	3.4	4.3	10.8	6.4	1.1
Return on capital employed (%)	44.4	37.3	40.0	32.0	36.2	23.7	19.4	58.2	48.0	19.2
Interest coverage ratio (Times)	15.0	18.2	7.3	4.9	6.6	4.7	6.9	29.7	7.8	1.4
Earnings before interest, tax, depreciation & amortization (EBITDA) (Rs. in million)	636.7	415.3	359.5	241.4	178.2	109.4	81.3	134.6	77.9	37.8
EBITDA Margin (%)	10.8	10.3	11.4	9.2	11.2	9.0	8.6	17.5	12.6	7.6



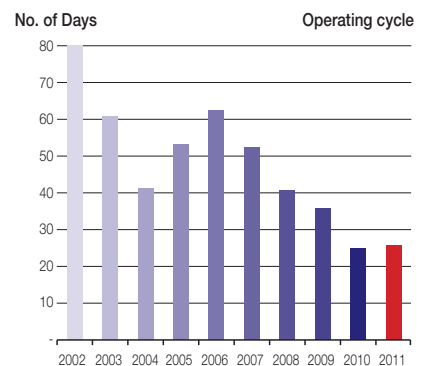
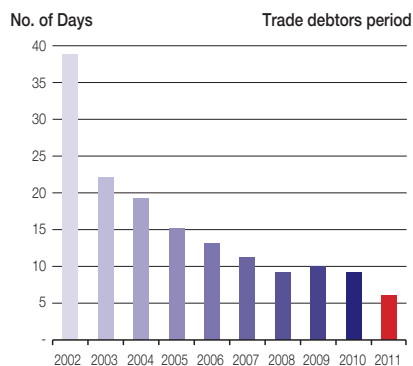
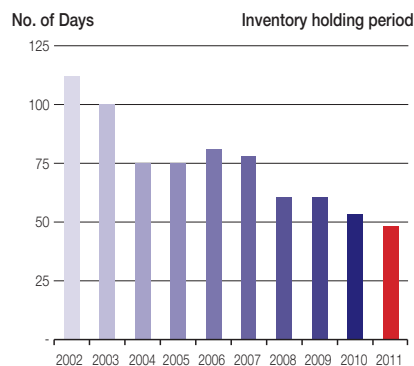
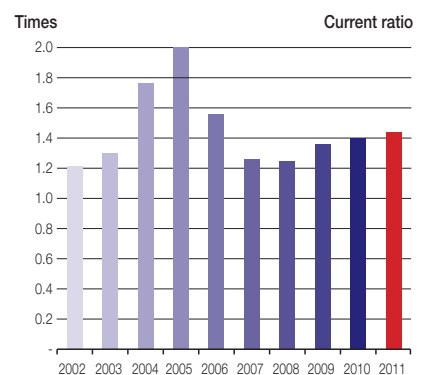
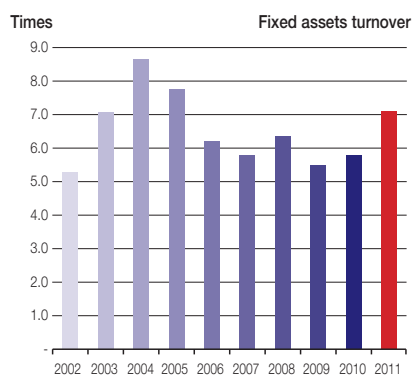
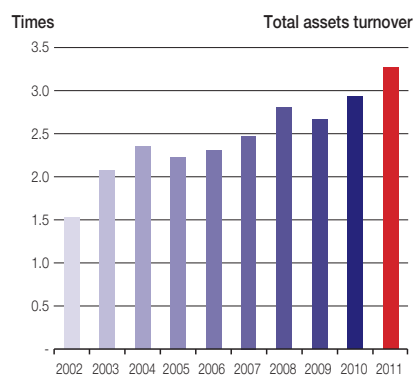
## Ten Years Growth at a Glance

YEARS		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Return to Shareholders</b>											
Return on equity - before tax	(%)	55.0	49.9	51.3	40.4	36.4	25.0	23.0	60.8	44.0	6.7
Return on equity - after tax	(%)	37.1	32.5	33.4	26.3	26.0	15.6	17.4	43.1	30.2	5.1
Earnings per share (basic)	(Rs.)	35.21	26.52	25.42	15.28	14.39	7.81	8.87	25.38	13.71	2.02
Earnings per share (diluted)	(Rs.)	35.21	22.10	21.18	15.28	12.52	6.79	7.71	18.15	11.91	1.92
Price earning ratio	(Times)	6.2	6.8	5.7	10.1	11.7	9.5	8.7	6.1	6.3	10.6
Market price - at year end	(Rs.)	217.0	181.0	144.0	154.9	167.8	73.9	77.0	154.0	86.0	21.5
Market price - during the period	(High-Rs.)	235.9	237.0	150.0	213.0	187.4	90.5	115.0	205.0	140.0	35.3
Market price - during the period	(Low-Rs.)	131.0	138.0	63.6	129.9	68.2	61.7	62.0	96.0	25.3	18.3
Break-up value per share without surplus on revaluation	(Rs.)	94.8	81.5	76.0	58.1	55.3	50.0	51.0	58.9	45.4	39.6
Break-up value per share with surplus on revaluation	(Rs.)	112.1	102.3	100.9	83.0	55.3	50.0	51.0	58.9	45.4	39.6
<b>Dividend</b>											
Cash dividend	(%)	100	100	100	75	60	30	25	60	60	10
Stock dividend	(%)	20	20	20	-	15	15	15	40	15	5
Dividend yield	(%)	5.5	6.6	8.3	4.8	4.5	6.1	5.2	6.5	8.7	7.0
Dividend cover	(Times)	2.9	2.2	2.1	2.0	1.9	1.7	2.2	2.5	1.8	1.3
Dividend pay out	(%)	34.1	45.2	47.2	49.1	52.1	57.6	45.1	39.4	54.7	74.2
Plough back ratio	(%)	65.9	54.8	52.8	50.9	47.9	42.4	54.9	60.6	45.3	25.8
Dividend yield (Cash)	(%)	4.6	5.5	6.9	4.8	3.6	4.1	3.2	3.9	7.0	4.7
Dividend cover (Cash)	(Times)	3.5	2.7	2.5	2.0	2.4	2.6	3.5	4.2	2.3	2.0
Dividend pay out (Cash)	(%)	28.4	37.7	39.3	49.1	41.7	38.4	28.2	23.6	43.8	49.5
Plough back ratio (Cash)	(%)	71.6	62.3	60.7	50.9	58.3	61.6	71.8	76.4	56.2	50.5



## Ten Years Growth at a Glance

YEARS		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Asset Utilization</b>											
Total assets turnover	(Times)	3.3	2.9	2.7	2.8	2.5	2.3	2.2	2.3	2.1	1.5
Fixed assets turnover	(Times)	7.1	5.8	5.5	6.3	5.8	6.2	7.7	8.6	7.1	5.3
Inventory turnover	(Times)	7.7	6.8	6.0	6.1	4.8	4.6	4.8	4.9	3.7	3.3
Trade debts turnover	(Times)	61.8	42.6	38.1	40.7	32.5	28.3	24.0	19.3	16.9	9.4
Trade creditors turnover	(Times)	13.5	9.8	10.2	13.1	10.4	11.9	9.9	7.1	6.1	5.1
Capital employed turnover	(Times)	5.2	4.6	4.4	5.1	4.2	3.6	3.6	4.4	4.6	3.6
<b>Operating Cycle</b>											
Inventory holding period	(No. of Days)	47	53	61	60	77	80	75	74	99	112
Trade debts collection period	(No. of Days)	6	9	10	9	11	13	15	19	22	39
Trade creditors payment period	(No. of Days)	(27)	(37)	(36)	(28)	(35)	(31)	(37)	(52)	(60)	(71)
Operating cycle	(No. of Days)	26	25	35	41	53	62	53	41	61	80
<b>Liquidity / Leverage</b>											
Current ratio	(Times)	1.4	1.4	1.4	1.2	1.3	1.6	2.0	1.8	1.3	1.2
Quick ratio	(Times)	0.5	0.4	0.3	0.4	0.3	0.4	0.7	1.0	0.5	0.5
Cash to current liabilities	(Times)	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.1
Cash flow from operations to sales	(%)	4.8	4.7	12.9	(1.0)	6.5	6.4	5.3	12.1	11.3	8.9
Financial leverage ratio	(Times)	0.5	0.3	0.2	0.8	0.5	0.6	0.6	0.2	0.3	1.0
Long term debts to equity	(Times)	-	-	-	-	-	0.2	0.3	-	-	0.2
Total liabilities to equity	(Times)	1.0	1.0	1.0	1.4	1.2	1.1	1.1	0.9	1.3	1.8



## Analysis of Financial Statements

### Balance Sheet

(Rupees in '000)

PARTICULARS	2011	2010	2009	2008	2007	2006
<b>Non Current Assets</b>						
Property, plant and equipment incl. intangible assets	906,632	756,339	635,294	517,862	310,995	239,712
Long term deposits	517	517	2,439	4,012	4,012	4,012
Long term loans	605	270	-	-	-	-
Total non current assets	907,754	757,126	637,733	521,874	315,007	243,724
<b>Current Assets</b>						
Stores, spares and loose tools	30,933	22,413	14,122	12,968	10,730	8,659
Stock-in-trade	717,004	531,597	434,594	410,672	306,171	218,012
Trade debts	89,625	100,396	88,521	77,387	51,834	45,864
Loans and advances	2,884	2,350	2,381	1,475	2,622	4,081
Deposits and prepayments	4,847	5,928	7,025	74,191	2,826	1,224
Investments	204,863	26,224	6,132	-	278	254
Accrued mark-up / interest	-	195	14	175	175	121
Other receivables	2,317	-	1,952	2,240	26	365
Sales tax - net	-	31,050	5,065	-	-	-
Taxation - net	26,488	6,792	-	-	1,532	4,204
Cash and bank balances	93,952	29,869	28,892	49,274	37,501	30,309
Total current assets	1,172,913	756,814	588,698	628,382	413,695	313,093
<b>Total Assets</b>	2,080,667	1,513,940	1,226,431	1,150,256	728,702	556,817
<b>Equity and Liabilities</b>						
<b>Share Capital and Reserves</b>						
Share capital	100,693	83,911	69,926	69,926	60,805	52,874
Reserves	497,500	375,500	282,500	228,500	186,500	169,500
Unappropriated profit	356,552	224,743	179,120	107,886	88,693	41,976
	954,745	684,154	531,546	406,312	335,998	264,350
Surplus on revaluation of property, plant & equipment	173,786	173,786	173,786	173,786	-	-
<b>Non Current Liabilities</b>						
Long term loans	-	-	-	-	-	40,000
Deferred liabilities	138,411	111,246	85,627	61,823	62,881	50,517
	138,411	111,246	85,627	61,823	62,881	90,517
<b>Current Liabilities</b>						
Trade and other payables	356,874	364,955	326,767	170,551	155,931	88,779
Sales tax payable - net	3,908	-	-	14,716	223	4,471
Special exise duty payable - net	13,023	3,956	2,559	-	-	-
Current maturity of long term loans	-	-	-	-	-	16,000
Accrued mark-up / interest	5,222	1,245	1,603	7,057	2,469	1,726
Short term borrowings - secured	434,698	174,598	103,616	313,002	171,200	90,974
Provision for taxation - net	-	-	927	3,009	-	-
Total current liabilities	813,725	544,754	435,472	508,335	329,823	201,950
<b>Total Equity and Liabilities</b>	2,080,667	1,513,940	1,226,431	1,150,256	728,702	556,817

# Analysis of Financial Statements

## Balance Sheet

PARTICULARS	Vertical Analysis						Horizontal Analysis				
	2011	2010	2009	2008	2007	2006	2011/ 2010	2010/ 2009	2009/ 2008	2008/ 2007	2007/ 2006
	----- Percentage -----						----- Percentage -----				
<b>Non Current Assets</b>											
Property, plant and equipment incl. intangible assets	43.6	50.0	51.8	45.0	42.7	43.1	19.9	19.1	22.7	66.5	29.7
Long term deposits	-	-	0.2	0.3	0.6	0.7	-	(78.8)	(39.2)	-	-
Long term loans	-	-	-	-	-	-	124.1	100.0	-	-	-
<b>Total non current assets</b>	<b>43.6</b>	<b>50.0</b>	<b>52.0</b>	<b>45.3</b>	<b>43.3</b>	<b>43.8</b>	<b>19.9</b>	<b>18.7</b>	<b>22.2</b>	<b>65.7</b>	<b>29.2</b>
<b>Current Assets</b>											
Stores, spares and loose tools	1.5	1.5	1.2	1.1	1.5	1.6	38.0	58.7	8.9	20.9	23.9
Stock-in-trade	34.5	35.1	35.4	35.7	42.0	39.2	34.9	22.3	5.8	34.1	40.4
Trade debts	4.3	6.6	7.2	6.7	7.1	8.2	(10.7)	13.4	14.4	49.3	13.0
Loans and advances	0.1	0.2	0.2	0.1	0.4	0.7	22.7	(1.3)	61.4	(43.7)	(35.8)
Deposits and prepayments	0.2	0.4	0.6	6.4	0.4	0.2	(18.2)	(15.6)	(90.5)	2,525.3	130.9
Investments	9.8	1.7	0.5	-	-	-	681.2	327.7	100.0	(100.0)	9.4
Accrued mark-up / interest	-	-	-	-	-	-	(100.0)	1,292.9	(92.0)	-	44.6
Other receivables	0.1	-	0.2	0.2	-	0.1	100.0	(100.0)	(12.9)	8,515.4	(92.9)
Sales tax - net	-	2.1	0.4	-	-	-	(100.0)	513.0	100.0	-	-
Taxation - net	1.3	0.4	-	-	0.2	0.8	290.0	100.0	-	(100.0)	(63.6)
Cash and bank balances	4.6	2.0	2.3	4.5	5.1	5.4	214.5	3.4	(41.4)	31.4	23.7
<b>Total current assets</b>	<b>56.4</b>	<b>50.0</b>	<b>48.0</b>	<b>54.7</b>	<b>56.7</b>	<b>56.2</b>	<b>55.0</b>	<b>28.6</b>	<b>(6.3)</b>	<b>51.9</b>	<b>32.1</b>
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>37.4</b>	<b>23.4</b>	<b>6.6</b>	<b>57.8</b>	<b>30.9</b>
<b>Equity and Liabilities</b>											
<b>Share Capital and Reserves</b>											
Share capital	4.8	5.5	5.7	6.1	8.3	9.5	20.0	20.0	-	15.0	15.0
Reserves	23.9	24.8	23.0	19.9	25.6	30.4	32.5	32.9	23.6	22.5	10.0
Unappropriated profit	17.1	14.8	14.6	9.4	12.2	7.5	58.6	25.5	66.0	21.6	111.3
	45.8	45.1	43.3	35.4	46.1	47.4	39.6	28.7	30.8	20.9	27.1
Surplus on revaluation of property, plant & equipment	8.4	11.5	14.2	15.1	-	-	-	-	-	100.0	-
<b>Non Current Liabilities</b>											
Long term loans	-	-	-	-	-	7.2	-	-	-	-	(100.0)
Deferred liabilities	6.7	7.3	7.0	5.4	8.6	9.1	24.4	29.9	38.5	(1.7)	24.5
	6.7	7.3	7.0	5.4	8.6	16.3	24.4	29.9	38.5	(1.7)	(30.5)
<b>Current Liabilities</b>											
Trade and other payables	17.1	24.2	26.7	14.7	21.5	16.0	(2.2)	11.7	91.6	9.4	75.6
Sales tax payable - net	0.2	-	-	1.3	-	0.8	100.0	-	(100.0)	6,499.1	(95.0)
Special exise duty payable - net	0.6	0.3	0.2	-	-	-	229.2	54.6	100.0	-	-
Current maturity of long term loans	-	-	-	-	-	2.9	-	-	-	-	(100.0)
Accrued mark-up / interest	0.3	0.1	0.1	0.6	0.3	0.3	319.4	(22.3)	(77.3)	185.8	43.0
Short term borrowings - secured	20.9	11.5	8.4	27.2	23.5	16.3	149.0	68.5	(66.9)	82.8	88.2
Provision for taxation - net	-	-	0.1	0.3	-	-	-	(100.0)	(69.2)	100.0	-
<b>Total current liabilities</b>	<b>39.1</b>	<b>36.1</b>	<b>35.5</b>	<b>44.1</b>	<b>45.3</b>	<b>36.3</b>	<b>49.4</b>	<b>25.1</b>	<b>(14.3)</b>	<b>54.1</b>	<b>63.3</b>
<b>Total Equity and Liabilities</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>37.4</b>	<b>23.4</b>	<b>6.6</b>	<b>57.8</b>	<b>30.9</b>

## Analysis of Financial Statements Profit and Loss Account

(Rupees in '000)

PARTICULARS	2011	2010	2009	2008	2007	2006
Sales	5,868,260	4,024,422	3,156,807	2,628,820	1,585,648	1,209,033
Cost of sales	(5,007,421)	(3,433,222)	(2,626,740)	(2,241,937)	(1,294,026)	(1,019,970)
Gross profit	860,839	591,200	530,067	386,883	291,622	189,063
Distribution cost	(165,053)	(128,861)	(124,359)	(114,957)	(96,481)	(77,515)
Administrative expenses	(99,679)	(80,548)	(70,549)	(55,957)	(42,661)	(33,505)
Other operating income	12,265	5,258	2,149	1,929	1,296	10,135
Other operating expenses	(45,756)	(25,903)	(20,891)	(12,231)	(9,477)	(4,077)
Profit from operations	562,616	361,146	316,417	205,667	144,299	84,101
Finance cost	(37,515)	(19,857)	(43,537)	(41,536)	(22,042)	(17,877)
Profit before tax	525,101	341,289	272,880	164,131	122,257	66,224
Taxation	(170,599)	(118,755)	(95,202)	(57,334)	(34,747)	(24,901)
Profit after tax	354,502	222,534	177,678	106,797	87,510	41,323

## Analysis of Financial Statements Cash Flow Statement

(Rupees in '000)

PARTICULARS	2011	2010	2009	2008	2007	2006
Cash flow from operating activities	280,876	190,487	406,363	(26,597)	103,149	77,070
Cash flow from investing activities	(394,042)	(191,437)	(165,688)	(67,387)	(104,515)	(64,738)
Cash flow from financing activities	177,249	1,927	(261,057)	105,756	8,558	(14,630)
Increase / (decrease) in cash & cash equivalents	64,083	977	(20,382)	11,772	7,192	(2,298)

## Analysis of Financial Statements Profit & Loss Account

PARTICULARS	Vertical Analysis						Horizontal Analysis				
	2011	2010	2009	2008	2007	2006	2011/ 2010	2010/ 2009	2009/ 2008	2008/ 2007	2007/ 2006
	----- Percentage -----						----- Percentage -----				
Sales	100.0	100.0	100.0	100.0	100.0	100.0	45.8	27.5	20.1	65.8	31.2
Cost of sales	(85.3)	(85.3)	(83.2)	(85.3)	(81.6)	(84.4)	45.9	30.7	17.2	73.3	26.9
Gross profit	14.7	14.7	16.8	14.7	18.4	15.6	45.6	11.5	37.0	32.7	54.2
Distribution cost	(2.8)	(3.2)	(3.9)	(4.4)	(6.1)	(6.4)	28.1	3.6	8.2	19.1	24.5
Administrative expenses	(1.7)	(2.0)	(2.2)	(2.1)	(2.7)	(2.8)	23.8	14.2	26.1	31.2	27.3
Other operating income	0.2	0.1	0.1	0.1	0.1	0.8	133.3	144.7	11.4	48.8	(87.2)
Other operating expenses	(0.8)	(0.6)	(0.7)	(0.5)	(0.6)	(0.3)	76.6	24.0	70.8	29.1	132.5
Profit from operations	9.6	9.0	10.1	7.8	9.1	6.9	55.8	14.1	53.8	42.5	71.6
Finance cost	(0.6)	(0.5)	(1.4)	(1.6)	(1.4)	(1.5)	88.9	(54.4)	4.8	88.4	23.3
Profit before tax	9.0	8.5	8.7	6.2	7.7	5.4	53.9	25.1	66.3	34.3	84.6
Taxation	(2.9)	(3.0)	(3.0)	(2.2)	(2.2)	(2.1)	43.7	24.7	66.0	65.0	39.5
Profit after tax	6.1	5.5	5.7	4.0	5.5	3.3	59.3	25.2	66.4	22.0	111.8

## Analysis of Financial Statements Cash Flow Statement

PARTICULARS	Vertical Analysis						Horizontal Analysis				
	2011	2010	2009	2008	2007	2006	2011/ 2010	2010/ 2009	2009/ 2008	2008/ 2007	2007/ 2006
	----- Percentage -----						----- Percentage -----				
Cash flow from operating activities	438.3	19,497.2	(1,993.7)	(226.0)	1,434.2	(3,353.7)	47.5	(53.1)	1,627.9	(125.8)	33.8
Cash flow from investing activities	(614.9)	(19,594.4)	812.9	(572.4)	(1,453.2)	2,817.1	(105.8)	(15.5)	(145.9)	35.5	(61.4)
Cash flow from financing activities	276.6	197.2	1,280.8	898.4	119.0	636.6	9,098.2	100.7	(346.8)	1,135.8	158.5
Increase / (decrease) in cash & cash equivalents	100.0	100.0	100.0	100.0	100.0	100.0	6,459.2	104.8	(273.1)	63.7	413.0



## Chairman's Review

I am pleased to present to you the 45<sup>th</sup> Annual Report of your Company for the year ended June 30, 2011 together with the Auditors' Report.

### The Economy

Pakistan's economy faced considerable challenges during fiscal year 2011. The year started with economic recovery but soon thereafter experienced devastating floods inundating one-fifth of the country and rendering over 20 million people homeless. This severe flood affected FY 2011 economic prospects. Damage was less severe than initially feared, but agriculture and communications were hit hard. Moreover, acute energy shortage coupled with political uncertainty and deteriorating law and order situation also hampered economic activities during FY 2011. As a result GDP scaled down to 2.4% as against pre-flood targets of 4.3%.

The fiscal position during 2010-11 remained fragile as deficit stood at 5.3% of GDP; however it reduced from 6.3% of last year. On the other hand, the country's current account balance has shown a surplus of US\$ 542 million during the current financial year after a very long time, driven primarily by record foreign remittances, strong export performance and flood related relief funds. In the aftermath of the floods, general inflation accelerated above 15% through December 2010 and then gradually fell to 14.5% in June 2011.

Large Scale Manufacturing grew by a mere 1.33% mainly because of persistent energy shortages and security issues which prevailed throughout the year 2010-11. The fertilizer sector has been particularly affected because of inadequate gas supplies. Similarly, some textile units have been forced to suspend operations because of insufficient energy. However, agriculture sector registered sharp recovery after absorbing the effects of floods. This was on the back of a continued surge in domestic and international prices of agricultural products, pushing up farmers' income.

Encouragingly, exports performed quite well and grew by 25% setting a new record of US\$ 25 billion; driven mainly by increase in export of textile and traditional products to non-traditional and regional markets like China, India, Iran and Afghanistan in addition to USA and Europe. Remittances from overseas Pakistanis continued to surge, particularly in the second half, and crossed US\$ 11 billion during FY 2011. This also helped Rupee-Dollar parity to remain relatively stable during the year under review. These positive trends along with proceeds from the coalition support fund have resulted in a current account surplus and highest reserves of over US\$ 18 billion for the first time in history of Pakistan.

### Review of Automobile Industry

Pakistan as an emerging market for automobiles and automotive parts offers immense business and investment opportunities. During 2010-11, automobile industry showed signs of recovery as against 2009-10. The demand for local assembled cars has increased due to three reasons - surging rural buying in the wake of good cash flow; 23.6% rise in home remittance during 2010-11 and improvement in sale of cars through bank leasing. However, the relentless cost increases arising from the higher commodity prices, weaker Rupee against foreign currencies, higher inflationary conditions and frequent interruptions to business caused by power and security concerns, continuously put pressure on the margins and pushed up the manufacturing cost.

During the period July 2010 to June 2011, sale of locally manufactured cars improved by 3.2% to 127,944 units as against 123,957 units sold during the same period, last year. As a matter of fact, from July 2010 to May 2011, growth was 10.8% with sales of 121,455 units as against 109,637 units sold during corresponding period of last year. During June 2011, however, sales of cars suffered negative growth due to reduction in rate of sales tax and elimination of special excise duty, effective from July 1, 2011, as announced in the Federal Budget 2011-12. It is expected that this step will improve the sales of local car manufacturers during 2011-12. Sale of LCV's followed suit and improved by 4.8% to 18,553 units from 17,697 units during the same period of last year. However, the heavy vehicle segment i.e. trucks, buses and farm tractors could not perform well during 2010-11. The sales of truck and bus segment decreased by 21.4%; 3,358 units sold as against 4,277 units during the same period last year. Similarly, sale of farm tractor also declined by 3.2%; with 69,203 units sold as against 71,512 units during July 2010 to June 2011.

The two wheeler industry maintained momentum from last year and registered handsome growth of 17.6%. The growth was somewhat affected by the floods in August last year; however, higher prices of crops more than compensated the effects of floods. This growth can also be attributed to escalating fuel prices, poor transportation system, shortage of natural gas and increase in transport fares coupled with hike in four wheeler prices, which has created demand for motorcycles in urban and semi urban areas. In anticipation of growth prospects and market dynamics, greater competition attracting fresh investments, better products and better network is scheduled for the years ahead. However, the formal sector in the industry is currently facing stiff competition in pricing of products against the malpractices of the informal sector such as evasion of sales tax, under

invoicing and smuggling. At a time, when Government is looking for different sources of revenue generation, this apparent source of collection must be brought into the tax net by checking illegal practices.

Sale of two and three - wheelers (assemblers who are registered with PAMA) during July 2010 to June 2011 period improved by 13.2% with 835,455 units sold as against 737,768 units during same period last year. In addition to the above, it is estimated that around 500,000 motorcycles (includes motorcycles which are used as Rickshaw) have been manufactured by various un-regulated Chinese assemblers who are not registered with PAMA. Despite devastating floods, uncertain economic conditions in the country and high mark up rates, automobile industry performed satisfactorily during the period under review.

## Battery Industry

The fundamentals of battery industry are dynamic. Since last 4 decades, battery industry was heavily dependent on growth of automobiles, which only required light segment batteries. The persistent electricity shortage over the last 4-5 years has changed the demand pattern of batteries in Pakistan. This shortage has ignited the demand of heavy and medium sized batteries across the country as a back-up source for electricity. Battery industry in Pakistan is divided into two major segments; organized and un-organized sectors. There are three major players in the organized sector which market five brands. In addition to these, there are two smaller players who have entered the battery market recently. Major players in the un-organized sector are comprised of re-plators, importers of under invoiced batteries and importers of batteries through Afghan Transit Trade (ATT). The organized sector is meeting about 90% of the market demand; rest is being met by the un-organized sector.

The lead-acid battery is a material intensive product. The two basic raw materials - refined lead and recycled lead - constitute around 80% of the cost of battery out of total raw materials percentage of approximately 90%. Any variation in the cost of above two materials affects the margins significantly. The year 2010-11 witnessed substantial escalation in the cost of both of these raw materials. During the year refined lead cost on LME remained volatile and crossed US\$ 2,900/MT in the month of April 2011 as against US\$ 1,692/MT at the start of the year 2010-11. This price escalation was mainly due to demand in China and more recently due to earthquake and tsunami in north Japan which spurred the demand of batteries as back-up source of energy. Local recycled lead prices, although co-related with refined lead, behaved somewhat differently and kept increasing since the very beginning of the year 2010-11 going up by 38.5% within a short period of six months. The surge in prices was due to the un-availability of bonafide lead supplier in the local market and secondly the unabated export of lead to India through misuse of DTRE scheme. The Government had imposed 25% regulatory duty on export of recycled lead ingots in the year 2007 in order to have smooth supply of raw material to battery industry. But unscrupulous elements are exporting thousands of tons of recycled lead ingots through misuse of DTRE scheme and hence evading revenue. If no concrete steps are taken by the Government to stop the misuse of DTRE scheme, the cost of battery will keep on rising due to unavailability of raw material in addition to loss of revenue to the exchequer which runs into billions of Rupees every year.

## Operating Performance - A Record Year

We continue to maintain our superior quality and emerged as quality leader in both automotive and motorcycle battery segments. 2010-11 was a record year for Atlas Battery and this helped your Company to surpass several previous records, such as:

- Highest net sales value - Rs.5.87 Billion
- Highest PBT - Rs.525.1 Million
- Highest earnings per share - Rs.35.2
- Highest return on equity - 37.1%

These records reflect our swift restructuring efforts which we made during the year including appointment of Mr. Ali H. Shirazi as President / CEO of your Company, which helped significantly in improving Company's productivity and helped transform the Company's footprint in taking advantage of market dynamics. During the year, your Company delivered the best operating performance in its 45 years history, resulting in overall improved operational performance. Your Company achieved impressive growth by generating Rs.5.87 billion net sales revenues; up 45.8% over 2009-10. Increased volumes and controlled sales incentives coupled with better mix and some price adjustment during the year contributed this handsome growth in sales value. Cost of sales also increased proportionately by 45.9% as against same period last year on the back of increase in volumes in addition to increase in cost of all major raw materials and utilities, which are also an integral part of the battery manufacturing process. Gross profit ratio remained at 14.7%, however, in terms of value it improved from Rs.591.2 million to Rs.860.8 million; up 45.6% over 2009-10.

Despite increase in sales revenue by 45.8%, your Company kept reasonable control over distribution and administrative expenses which increased by 26.4% as compared to last year, but as percentage of net sales value, these reduced to 4.5% from 5.2% in 2009-10. Other operating expenses increased by 76.6% due to better profitability during the year as against last year, as this includes WPPF and WWF, which are directly proportionate to the operating profit. Other operating income improved from Rs.5.3 million to Rs.12.3 million mainly because of treasury activities which generated gain of Rs.6.5 million as against gain of Rs.3.6

million in previous year. All of the above operating activities resulted in operating profit of Rs.562.6 million as against Rs.361.1 million; up 55.8% from the last year. Finance cost increased by Rs.17.6 million over the same period. Overall increased working capital requirements together with increased mark-up rates were the main reasons of higher finance cost. Thus the profit before taxation for the year 2010-11 stood at Rs.525.1 million as against Rs.341.3 million; up 53.9%. After providing Rs.170.6 million in respect of current and deferred taxation, your Company's net profit was Rs.354.5 million as against Rs.222.5 million during same period last year; up 59.3%. Earning per share was Rs.35.21 (basic) as against Rs.22.10 (diluted) for the year 2009-10.

### KSE Award

I feel great pleasure in announcing that during the year 2010-11, your Company was awarded the "KSE Top 25 Companies" award for the year 2007-08 and 2008-09 on the basis of outstanding performance and meeting the criteria set by the Karachi Stock Exchange. The award ceremony was held at Aiwan-e- Sadr Islamabad on May 23, 2011 which was graced by the President of Pakistan as chief guest.



### Contribution to National Exchequer

During the year under review, your Company contributed Rs.1,362 million towards the national exchequer on account of various government levies, taxes and import duties; up 55.2% as against last year. Payment of these taxes was almost 3.8 times more than the net profit after tax of the Company which shows your Company's positive attitude towards development of economy and fulfilling its responsibility as a good corporate citizen. Together with the Group Companies, the total contribution to the exchequer is over Rs.15 billion, one of the highest in the country.

### Financial Management

By supplying quality products and maintaining cost control, the operations of your Company generate cash for long-term growth, financial stability and competitive returns to shareholders. Your Company's strong cash flows during the period under review reflect both the Company's earnings performance and improvements in capital efficiency. In fact we managed to reduce the average debtors' collection period to 6 days as against 9 days of last year. This was mainly due to untiring efforts of our sales team who converted 60% of the sales from credit to advance cash. Inventory holding period reduction by 6 days also helped in improving working capital efficiency. During the year under review, the operations generated cash flow of Rs.280.9 million as against Rs.190.5 million last year, an improvement of 47.5%.

The improvements in operating working capital and property, plant and equipment were especially significant during 2010-11 as we stepped up to expand our production capacity which resulted in capital expenditures of Rs.217.9 million as against Rs.177.8 million last year. Despite this heavy additions, fixed assets turnover ratio improved by 22.4% to 7.1 times from 5.8 times during last year due to improved net sales value. Positive cash generation of Rs.280.9 million from operations also allowed us to invest excess funds of Rs.192.5 million in various tax-free mutual funds. This enhanced the earning efficiency which contributed in improving the profitability by Rs.6.5 million. The year-over-year improved financial position of your Company is the true reflection of our sound strategic planning.

### Human Resource Management - *Motivated Employees*

As an associate of the Atlas Group, our Philosophy is that our people are the foundation of our success. To find, develop and retain people with the right skills and talents for the right positions is therefore a top priority. Finding the right people is paramount for a sustainable development of a company and this has been our top priority keeping in line with our 5-years strategic business plan. We always make concerted efforts to recruit well-educated people with desired social values and provide further education and trainings in producing and marketing top of the line quality products. We have put in place well planned on-the-job and skills development trainings, where work safety is also an important element in addition to understanding the manufacturing process and the product technologies.

During the year 2010-11, we provided in-house and external trainings to our associates. External training includes especially designed program of Atlas-IBA diploma on Group basis. Three associates of your Company from different divisions successfully completed this distinguished course during the year 2010-11 in the first batch and three associates are being trained in the second batch of 2011-12. Fundamental to Atlas Culture is 3R's philosophy i.e. Respect, Recognition and Reward, which was well reflected through the usual annual Family Function of your Company held in May 2011 in which long service awards were presented to recognize individuals' effort and long association with the group.



### Information Technology

Information technology is clearly shifting away from the support and administrative function to embracing a full fledged mainstream and strategic function. Information technology has transformed the way of conducting business and can create significant competitive advantages. During the year under review your Company, in line with Atlas Group IT policy, has implemented a state-of-the-art ERP system - Oracle EBS Release 12.0.1. All the regional offices of your Company are now enjoying seamless data integration which is providing a real time exchange of information. This initiative has put your Company at the forefront of IT advancement and will help to increase the effectiveness of business functions.

## Looking Ahead

Going forward, achieving macro-economic stability during FY 2011-12 will remain a key challenge, for which revenue generation is the answer through improvement in tax to GDP ratio. Continued power and gas shortages together with limited credit at high borrowing cost are expected to place further pressure on LSM sector. However, on external account, expected sustained flow of remittances of US\$ 1.0 billion every month and rising exports will soften the effects of escalating commodities prices due to political unrest in Middle East and North Africa. Overall, the agriculture sector will hold the key to revival. The improved performance in the agriculture sector is expected to bring better results for the economy. This would also strengthen auto demand due to increase in rural income and hence the demand of automotive and motorcycle batteries.

In 2011-12, we expect overall sales volumes of battery industry to continue growing. Accordingly we have planned to expand within our means and continue to supply quality products with more flexibility and at a reduced delivery time. Increased sales volume, combined with our ongoing efforts to improve productivity, will enable us to continue to improve upon our year-over-year performance. Looking further ahead, we are confident that the various challenges the nation is behest with provides us an opportunity to improve ourselves and add value for our stakeholders.

نمیاں نمیاں ارم دیکھتے ہیں  
(We look forward to a great future)

## Acknowledgements

I would like to inform you that during the period under review, Mr. Aitzaz Shahbaz, Mr. Javaid Anwar and Mr. Muhammad Atta Karim resigned from the Board of your Company. On behalf of the Board of Directors, I would like to place on record the valuable contributions made by them during their tenure. These three gentlemen have been replaced by Mr. Kamal A. Chinoy, Mr. Omar Saeed and Mr. Khaleeq-ur-Rahman Khan on the Board of your Company.

Mr. Kamal Amir Chinoy is the Chief Executive of Pakistan Cables Limited. He graduated from the Wharton School, University of Pennsylvania, U.S.A. with a B.Sc. in Economics (with triple major). He serves on the Board of International Industries Limited, International Steels Limited and Pakistan Security Printing Corporation. He is also Honorary Consul General of the Republic of Cyprus. Mr. Kamal is a member of the Executive Committee of International Chamber of Commerce (ICC), Pakistan and President of Management Association of Pakistan. He is also on the Undergraduate Admissions Committee of Aga Khan University. He served as the Chairman of Aga Khan Foundation for 6 years. He is a "Certified Director" having been certified by the Pakistan Institute of Corporate Governance. He is amongst the first 25 directors in Pakistan to be certified.

Mr. Omar Saeed is the Chief Executive of Service Industries Limited, a leading manufacturing Company Listed on KSE. He is also the founder and Chairman of Ovex Technologies and sits on the Boards of Premier BPO, Cinepax Limited and Mantaq Systems. He is also a member of the National Policy Platform formed by the Competitiveness Support Fund. He teaches Entrepreneurship at LUMS where he is an adjunct faculty member. Mr. Omar is BA from Brown University and MBA from Harvard Business School, and currently serves as the President of the Harvard Business School Club of Pakistan.

Mr. Khaleeq-ur-Rahman Khan is the Chief Executive of Shirazi Trading Company (Pvt) Ltd. and has been associated with Atlas Group since 1970. Prior to serving Shirazi Trading Company, he worked as Chief Executive of Atlas Lease Limited till 2002. He is an MBA from International Management Institute (IMI) Geneva, Switzerland. He has attended various management level training programs from international institutes including AMP from INSEAD France, GMP from Stanford University Singapore and Leasing Competing from Amembal & Halladay, Singapore. He has also completed a number of financial and management courses at domestic level. Mr. Khaleeq has over 40 years of experience including different management positions in manufacturing, trading and financial sector in the Atlas Group.

May I thank our joint venture partners; GS Yuasa International Limited, Japan for their continuous support in product development and technology transfer. I would like to mention here specifically that Japanese are a great and resilient people; their history shows their ability to overcome calamities. On March 11, 2011, they faced unprecedented earthquake and tsunami. Surely they will once again overcome this natural disaster through sheer will and determination.

I would also like to thank our bankers, shareholders, vendors and customers for their continuous support. I also thank President / Chief Executive of your Company; Mr. Ali H. Shirazi and the management team for their dedication and commitment to achieve sustained growth year after year. I am proud of their achievements and believe that they are on the path of sustainable growth and transforming the Company from good to great.



Yusuf H. Shirazi  
Chairman

## Directors' Report

The Directors of the Company take pleasure in presenting their report together with the Company's audited annual financial statements for the year ended June 30, 2011. The Director's report, prepared under section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance, will be put forward to the members at the Forty Fifth Annual General Meeting of the Company to be held on September 29, 2011.

	2011	2010
	----- (Rupees in '000) -----	
<b>Operating Results</b>		
Profit before tax	525,101	341,289
Provision for taxation:		
Current year	148,357	101,989
Prior year	256	191
Deferred	21,986	16,575
	170,599	118,755
Profit after tax	354,502	222,534

### Subsequent Appropriations

The directors have recommended a cash dividend of Rs.10/- (2010: Rs.10/-) per share along with a 20% (2010: 20%) bonus issue. Accordingly the following appropriations have been made:

Profit available for appropriation	356,552	224,743
Appropriations:		
Transferred to General Reserves	230,000	122,000
Proposed Dividend @ 100% (2010: 100%)	100,693	83,911
Reserve for issue of Bonus Shares @ 20% (2010: 20%)	20,139	16,782
	350,832	222,693
Unappropriated profit carried forward	5,720	2,050

### Earnings Per Share

The Basic and Diluted earnings per share after tax is Rs.35.21 (2010: Rs.22.10).

### Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the performance of the Company for the year ended June 30, 2011 and future prospects. The Directors endorse the contents of the review.

### Board of Directors

The Board comprises of two executive and five non-executive directors. All the Directors keenly take interest in the proper stewardship of the Company's affairs. The non-executive directors are independent of management of the Company.

During the year, five Board meetings were held. The attendance of the Directors and the number of their directorship in listed companies, including Atlas Battery Limited, is as follows:

Sr. No.	Name of Directors	Executive Director	Applicable No. of Meetings	Attendance	Number of Directorship in listed companies	Remarks
1.	Mr. Yusuf H. Shirazi	No	5	5	7	
2.	Mr. Aitzaz Shahbaz	No	2	2	-	Resigned on 28-12-2010
3.	Mr. Ali H. Shirazi	Yes	5	5	4	
4.	Mr. Javaid Anwar	No	2	2	-	Resigned on 28-12-2010
5.	Mr. Kamal A. Chinoy	No	3	3	4	Appointed on 28-12-2010
6.	Mr. Khaleeq-ur-Rahman Khan	No	2	2	1	Appointed on 09-04-2011
7.	Mr. Makio Tanaka	No	5	5	1	
8.	Mr. Muhammad Atta Karim	No	3	3	-	Resigned on 09-04-2011
9.	Mr. Omar Saeed	No	3	1	2	Appointed on 28-12-2010
10.	Mr. Talha Saad	Yes	5	5	1	

Leave of absence was granted to those Directors who could not attend some of the Board Meetings.

On May 20, 2011, the existing Directors stood retired and offered themselves for re-election. The Directors were re-elected in the Extra Ordinary General Meeting held on May 20, 2011 for a period of next three years commencing from May 21, 2011.

#### Statement of Directors' Responsibilities

The Board regularly reviews the Company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the Company's overall objectives. The Board is committed to maintain the high standard of good corporate governance. The Company has been in compliance with the provisions set out by the Securities and Exchange Commission of Pakistan and accordingly amended listing rules of the stock exchanges.

Following are the Statements on Corporate and Financial Reporting Framework:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, 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 doubts upon the Company's ability to continue as going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

#### The Corporate Governance Practices

The Board of Directors of Atlas Battery Limited is committed to the principles of good Corporate Governance. The stakeholders expect that the Company is managed and supervised responsibly and proper internal controls and risk management policy and procedures are in place for efficient and effective operations of the Company, safeguarding of assets, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards.

#### Donation

The Company has a policy to donate 1% of its prior year's profit before tax to a charitable institution. During the year, Company has donated Rs.3.413 million to Atlas Foundation.

### Contribution to National Exchequer

During the year under review, Company contributed Rs.1,362 million towards the National Exchequer on account of various government levies, taxes and import duties. Payment of these taxes is almost 3.8 times more than the net profit after tax of the Company which shows Company's positive attitude towards development of economy and fulfilling its responsibility as a good corporate citizen.

### Safety, Health and Environment

Being a responsible corporate citizen, we are acutely aware of our responsibility to provide a safe and healthy work environment to our associates. We make every effort to eliminate workplace hazards and provide safe, healthy and comfortable working conditions for our employees. Our safety culture is founded on the premise that all injuries are preventable. To this end, we have established "zero incidents and zero injuries" as our goal. We pursue this goal through a culture of continuous improvement in which all incidents are reported and investigated, and the root causes are resolved. We believe that safety and health is a journey of continuous improvement and eternal diligence. We will continue to take steps to improve the safety and health of all of our associates.

### Business Principles

The Company has a 'Statement of Ethics and Business Principles', which has been signed by all the Directors and employees of the Company.

The basic philosophy underlying these principles is to conduct business operations with honesty, integrity and openness, and with respect for human rights and interest of the employees. The Company respects the legitimate interest of all those with whom it has relationships - Government, Employees, Consumers, Shareholders, Business Partners and the Society and Communities in which it operates. These business principles cover the areas like Public Activities, Environment, Innovation, Competition, Business Integrity and Conflicts of Interest.

Compliance with these principles is an essential element in business success. The Board of Directors is responsible for ensuring that these principles are communicated to and understood and observed by all employees. Day-to-day responsibility is delegated to the senior management. They are responsible for implementing these principles, if necessary, through more detailed guidance tailored to business needs.

### Audit Committee

Audit Committee was established by the Board to assist the Directors in discharging their responsibilities for Corporate Governance, Financial Reporting and Corporate Control. The Committee consists of three members. Majority of members including the Chairman of the Committee are non-executive directors.

This Committee reviews the financial and internal reporting process, the system of internal controls, management of risks and the internal and external audit processes. An independent internal audit function reports to the Committee regarding risks and internal controls across the organization. The Audit Committee receives reports from external auditors on any accounting matter that might be regarded as critical. The detailed Charter of the Audit Committee developed in accordance with the Code of Corporate Governance is contained in the listing regulations of the stock exchanges.

The Audit Committee has reviewed the quarterly, half yearly and annual financial statements, besides the internal audit plan, material audit findings and recommendations of the internal auditor.

During the year, four Audit Committee meetings were held and attendance was as follows:

Sr. No.	Name of Directors	Executive Director	Applicable No. of Meetings	Attendance	Remarks
1.	Mr. Aitzaz Shahbaz	No	2	2	Resigned on 28-10-2010
2.	Mr. Khaleeq-ur-Rahman Khan	No	1	1	Appointed on 09-04-2011
3.	Mr. Muhammad Atta Karim	No	3	3	Resigned on 09-04-2011
4.	Mr. Omar Saeed	No	2	1	Appointed on 28-10-2010
5.	Mr. Talha Saad	Yes	4	4	



In addition to above meetings, Audit Committee also met with external auditors without Chief Financial Officer and Head of Internal Audit. By invitation, Chief Executive attended all the four meetings held during the year.

### Management Committee

The Management Committee ensures that a proper system is developed and working that enable swift and appropriate decision making. It acts in an advisory capacity to the Chief Executive at the operating level, providing recommendations relating to business and other corporate affairs. It is responsible for reviewing and forwarding long-term plans, capital and expense budget development and stewardship of business plans. The Committee is organized on a functional basis and meets monthly to review the performance of each function against set targets.

### Employees' Retirement Benefits

The Company operates defined contribution plan for its permanent employees through either one of the following ways:

- a recognized provident fund; or
- voluntary pension schemes managed by Atlas Asset Management Limited, a related party, under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Fund and Atlas Pension Islamic Fund.

All the newly appointed employees are offered voluntary pension scheme only. However, those employees who are provident fund trust members, have the option to opt for either of two above mentioned defined contribution plans.

The Company also operates non-contributory gratuity fund scheme for its management employees.

The value of investment, based on their respective accounts as at June 30, 2011 is as follows:

	Rupees in Million
- Provident Fund	114.9
- Gratuity Fund	26.7

### Operating & Financial Data

Operating and financial data and key ratios of the Company for the last ten years are annexed.

### Pattern of Shareholding

The pattern of shareholding as at June 30, 2011 is annexed.

The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children have made no transactions of the Company's shares during the year, except those reported in pattern of shareholding.

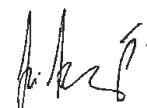
### Statutory Auditor of the Company

The present Auditors, M/s. Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Audit Committee of the Company has recommended their re-appointment as Auditors of the Company for the year ending June 30, 2012.

### Communication

Communication with the shareholders is given a high priority. Annual reports are distributed to them within the time specified in the Companies Ordinance, 1984. The Company also has a web site ([www.atlasbattery.com.pk](http://www.atlasbattery.com.pk)), which contains up to date information on Company's activities and financial reports.

For and on behalf of the  
BOARD OF DIRECTORS



Ali H. Shirazi  
President / Chief Executive

## Statement of Compliance with the Code of Corporate Governance

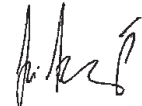
This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
2. The Company encourages representation of non-executive directors on its Board of Directors. At present, the Board includes five non-executive directors and two executive directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Three casual vacancies occurred in the Board during the year which were filled up within stipulated time.
5. The Company has prepared a 'Statement of Ethics and Business Principles', which has been signed by all the directors and employees of the Company.
6. The Board has developed a Vision and Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board had previously arranged an orientation course for its directors to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members; of whom two are non-executive directors including the Chairman of the Committee.
16. The Board has set-up an effective internal audit function.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the  
BOARD OF DIRECTORS



Ali H. Shirazi  
President / Chief Executive

Karachi: August 25, 2011



## HAMEED CHAUDHRI & CO.

### CHARTERED ACCOUNTANTS

## Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 prepared by the Board of Directors of Atlas Battery Limited ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the finance statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii-a) of Listing Regulations No. 35 notified by the Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and those which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are required to be separately placed before the Audit Committee. We are only required and have ensured compliance of subject requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

*Hameed Chaudhri & Co.*

Karachi: August 25, 2011  
Engagement partner: Abdul Majeed Chaudhri

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

#### LAHORE:

HM House, 7-Bank Square.  
Tel : 37235084-87 Fax : 042-37235083  
E-mail : lhr@hccpk.com  
URL : www.hccpk.com

#### KARACHI:

Karachi Chambers, Hasrat Mohani Road.  
Tel : 32411474, 32412754, 32424826  
Fax : 021-32424835 E-mail : khi@hccpk.com  
URL : www.hccpk.com



# **FINANCIAL**

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# **STATEMENTS**



# HAMEED CHAUDHRI & CO.

## CHARTERED ACCOUNTANTS

### Auditors' Report to the Members

We have audited the annexed balance sheet of Atlas Battery Limited ("the Company") as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, its changes in equity and cash flows for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*Hameed Chaudhri & Co.*

Karachi: August 25, 2011  
Engagement partner: Abdul Majeed Chaudhri

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS

#### LAHORE:

HM House, 7-Bank Square.  
Tel : 37235084-87 Fax : 042-37235083  
E-mail : lhr@hccpk.com  
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## BALANCE SHEET

### AS AT JUNE 30, 2011

	Note	2011 ----- (Rupees in '000) -----	2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	900,503	756,339
Intangible assets	6	6,129	-
Investments - Available for sale	7	-	-
Long term deposits	8	517	517
Long term loans	9	605	270
		907,754	757,126
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	10	30,933	22,413
Stock-in-trade	11	717,004	531,597
Trade debts	12	89,625	100,396
Loans and advances	13	2,884	2,350
Deposits and prepayments	14	4,847	5,928
Investments	15	204,863	26,224
Accrued mark-up / interest	16	-	195
Other receivables	23.1	2,317	-
Sales tax - net		-	31,050
Taxation - net		26,488	6,792
Cash and bank balances	17	93,952	29,869
		1,172,913	756,814
		2,080,667	1,513,940

The annexed notes 1 to 39 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Ali H. Shirazi**  
President / Chief Executive



**Kamal A. Chinoy**  
Director

# BALANCE SHEET

## AS AT JUNE 30, 2011

	Note	2011 ----- (Rupees in '000) -----	2010
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 50,000,000 (2010: 10,000,000) ordinary shares of Rs. 10/- each		500,000	100,000
Issued, subscribed and paid up capital	18	100,693	83,911
General reserves		497,500	375,500
Unappropriated profit		356,552	224,743
		954,745	684,154
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
Leasehold land		173,786	173,786
<b>NON CURRENT LIABILITIES</b>			
Deferred liabilities	19	138,411	111,246
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	356,874	364,955
Sales tax payable - net		3,908	-
Special excise duty payable - net		13,023	3,956
Accrued mark-up / interest	21	5,222	1,245
Short term borrowings - secured	22	434,698	174,598
		813,725	544,754
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		
		2,080,667	1,513,940

The annexed notes 1 to 39 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Ali H. Shirazi**  
President / Chief Executive



**Kamal A. Chinoy**  
Director



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 ----- (Rupees in '000) -----	2010
Sales	24	5,868,260	4,024,422
Cost of sales	25	(5,007,421)	(3,433,222)
<b>Gross profit</b>		860,839	591,200
Distribution cost	26	(165,053)	(128,861)
Administrative expenses	27	(99,679)	(80,548)
Other operating income	28	12,265	5,258
Other operating expenses	29	(45,756)	(25,903)
<b>Profit from operations</b>		562,616	361,146
Finance cost	30	(37,515)	(19,857)
<b>Profit before tax</b>		525,101	341,289
Taxation	31	(170,599)	(118,755)
<b>Profit after tax</b>		354,502	222,534
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		354,502	222,534
Earnings per share - basic and diluted	(Rupees) 32	35.21	22.10

The annexed notes 1 to 39 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Ali H. Shirazi**  
President / Chief Executive



**Kamal A. Chinoy**  
Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	525,101	341,289
<b>Adjustments for:</b>		
Depreciation	67,972	54,226
Amortization	6,130	-
Unrealized gain on remeasurement of investments	(6,379)	(548)
Gain on sale of investment	(125)	(3,071)
Finance cost	37,515	19,857
Interest income	-	(276)
Gain on sale of fixed assets	(2,488)	(307)
Provision for gratuity	8,144	6,174
Provision for compensated absences	6,612	10,995
	117,381	87,050
Operating profit before working capital changes	642,482	428,339
<b>Working capital changes:</b>		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(8,520)	(8,291)
Stock-in-trade	(185,407)	(97,003)
Trade debts	10,771	(11,875)
Loans and advances	(534)	31
Deposits and prepayments	1,081	1,097
Other receivables	(2,317)	1,952
Sales tax - net	34,958	(25,985)
	(149,968)	(140,074)
Increase / (decrease) in current liabilities		
Trade and other payables	(11,090)	33,049
Special excise duty payable	9,067	1,397
	(2,023)	34,446
Working capital changes	(151,991)	(105,628)
<b>Cash generated from operations</b>	490,491	322,711
Finance cost paid	(33,538)	(20,215)
Interest received	195	95
Income taxes paid (including tax deducted at source)	(168,309)	(109,899)
Gratuity paid	(6,015)	(1,778)
Compensated absences paid	(1,613)	(2,079)
Long term deposits	-	1,922
Long term loans	(335)	(270)
	(209,615)	(132,224)
<b>Net cash generated from operating activities c/f</b>	280,876	190,487

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----- (Rupees in '000) -----	
Net cash generated from operating activities b/f	280,876	190,487
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(217,946)	(177,831)
Intangible assets	(13,196)	-
Investments acquired	(192,459)	(210,700)
Proceeds from disposal of property, plant and equipment	8,298	2,867
Proceeds from disposal of intangible assets	937	-
Proceeds from disposal of investments	20,324	194,227
<b>Net cash used in investing activities</b>	(394,042)	(191,437)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short term borrowings	260,100	70,982
Dividend paid	(82,851)	(69,055)
<b>Net cash generated from financing activities</b>	177,249	1,927
<b>Increase in cash and cash equivalents</b>	64,083	977
Cash and cash equivalents at the beginning of the year	29,869	28,892
<b>Cash and cash equivalents at the end of the year</b>	93,952	29,869

The annexed notes 1 to 39 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Ali H. Shirazi**  
President / Chief Executive



**Kamal A. Chinoy**  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

	<u>Share Capital</u>	<u>General Reserves</u>	<u>Unappro- priated Profit</u>	<u>Total</u>
	----- (Rupees in '000) -----			
<b>Balance as at July 1, 2009</b>	69,926	282,500	179,120	531,546
Total comprehensive income for the year	-	-	222,534	222,534
Cash dividend paid @ Rs.10 per share	-	-	(69,926)	(69,926)
Transfer to general reserve	-	93,000	(93,000)	-
Bonus shares issued	13,985	-	(13,985)	-
<b>Transaction with owner directly recorded in equity</b>	13,985	93,000	(176,911)	(69,926)
<b>Balance as at June 30, 2010</b>	83,911	375,500	224,743	684,154
Total comprehensive income for the year	-	-	354,502	354,502
Cash dividend paid @ Rs.10 per share	-	-	(83,911)	(83,911)
Transfer to general reserve	-	122,000	(122,000)	-
Bonus shares issued	16,782	-	(16,782)	-
<b>Transaction with owner directly recorded in equity</b>	16,782	122,000	(222,693)	(83,911)
<b>Balance as at June 30, 2011</b>	<u>100,693</u>	<u>497,500</u>	<u>356,552</u>	<u>954,745</u>

The annexed notes 1 to 39 form an integral part of these financial statements.



**Yusuf H. Shirazi**  
Chairman



**Ali H. Shirazi**  
President / Chief Executive



**Kamal A. Chinoy**  
Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Atlas Battery Limited (the Company) was incorporated as a public limited company on October 19, 1966 and its shares are quoted on Karachi and Lahore Stock Exchanges in Pakistan. The Company is engaged in manufacturing and sale of automotive and motorcycle batteries. The registered office and manufacturing facilities are located at Karachi with branches at Karachi, Lahore, Multan, Rawalpindi, Faisalabad, Sahiwal, Peshawar and Sukkur.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirement of Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of leasehold land, certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

### 2.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year;

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

- (i) IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter party to settle in shares at any time. The application of the amendment will not effect the results or net assets of the Company as it only concerned with presentation and disclosure.
- (ii) IAS 7 (Amendment), 'Statement of Cash Flows'. The amendment provides clarification that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognised assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.
- (iii) IAS 17 (Amendment), 'Classification of leases of land and buildings'. The amendment deletes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating, using the general principles of IAS 17. The Company's current accounting policy is in line with the requirements of IAS 17 and the Ordinance, therefore, the amendment will have no affect on the Company's financial statements.
- (iv) IAS 18 (Amendment), 'Revenue'. The amendment provides additional guidance regarding the determination as to whether an entity is acting as a principal or an agent. The amendment does not have any impact on the Company's financial statements.
- (v) IAS 36 (Amendment), 'Impairment of assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph

5 of IFRS 8, 'Operating Segment' (that is, before the aggregation of segments with similar economic characteristics). The amendment does not have any impact on the Company's financial statements.

- (vi) IFRS 8 (Amendment), 'Disclosure of information about segment assets'. This amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Since the operations of the Company are considered as a single reportable segment, therefore the amendment will have no effect on the Company's financial statements.

## 2.5 Standards, interpretations and amendments to published approved accounting standards effective in current year but are not relevant to the Company;

The other new standards, amendments and interpretations are mandatory for the accounting periods beginning on or after July 1, 2010 are considered not to be currently relevant as these do not have any significant effect on the Company's current financial reporting and operations though these may affect the accounting for future transactions and events.

## 2.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant;

The following standards, amendments and interpretations to existing standards by the International Financial Reporting Interpretations Committee (IFRIC) have been published and are mandatory for accounting periods beginning on or after July 1, 2011 or later periods;

- (i) IAS 1 (Amendment) 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after January 1, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. There are no items of other comprehensive income, therefore, no impact is expected on the Company's financial statements.
- (ii) IAS 24 (Revised) 'Related Party Disclosures', is effective for the accounting periods on or after January 1, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have a material impact on the Company's financial statements.
- (iii) IFRS 7 (Amendment) 'Financial Instruments: Disclosures', is effective for the accounting periods beginning on or after January 1, 2011. This amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the financial instruments disclosures in the Company's financial statements.
- (iv) IFRIC 14 (Amendment) 'IAS 19 - The limit on a defined benefit assets, minimum funding requirements and their interaction', is effective for accounting periods beginning on or after January 1, 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### 3.1 Employees' Benefits

#### 3.1.1 Defined Benefit Plan

The Company operates an approved funded gratuity scheme for its management staff and an unfunded gratuity scheme for its non management staff. Contributions under the scheme are made on the basis of actuarial valuation and are charged to profit and loss account. The valuation of both the schemes was carried out as at June 30, 2011 using the "Projected Unit Credit Method".

The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized transitional liability as reduced by fair value of the plan assets, if any. Any asset resulting from this calculation is limited to unrecognized actuarial losses plus the present value of available refunds and reductions in future contributions to the plan.

Cumulative net unrecognized actuarial gain or loss at the end of the prior year which exceeds 10% of the greater of the present value of the Company's obligation and fair value of plan assets, if any, are amortized over the average expected remaining working lives of employees.

### 3.1.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligation for contribution to a defined contribution plan is recognized as an employee service benefit expense in the profit and loss account when it is due.

The Company operates defined contribution plan for its permanent employees through either one of the following ways:

- a recognized provident fund; or
- Voluntary pension schemes managed by Atlas Asset Management Limited, a related party, under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Fund and Atlas Pension Islamic Fund.

All the newly appointed employees are offered voluntary pension scheme only. However, those employees who are provident fund trust members, have the option to opt for either of two above mentioned defined contribution plans.

Equal monthly contributions at the rate of 11% of the basic salary are made to the fund / scheme, both by the Company and the employees. The Fund is a separate legal entity and its assets are being held separately under the control of its trustees.

### 3.1.3 Employee Compensated Absences

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

### 3.2 Trade and Other Payables

Trade and other payables are stated at their cost which is the fair value of the consideration to be paid for goods and services, whether or not billed to the Company.

### 3.3 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

#### 3.3.1 Current

Provision for current year's taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and taxes paid under the presumptive tax regime in respect of imports.

#### 3.3.2 Deferred

Deferred tax is provided using the balance sheet liability method on all temporary differences arising from differences between tax bases of assets and liabilities and their carrying amount for financial statements reporting purpose.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and available tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the related temporary differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

### 3.4 Property, Plant and Equipment

Operating fixed assets other than leasehold land are stated at cost less accumulated depreciation and impairment losses, if any. Leasehold land is stated at revalued amount.

Fixed assets acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Residual values and useful lives are reviewed, at each balance sheet date, and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that operating fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income currently.

Any surplus on revaluation of operating fixed assets is credited to the surplus on revaluation. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

Depreciation is charged to income on the reducing balance basis except computers & accessories. Depreciation on computers & accessories is charged to income on a straight line basis. Depreciation is charged at rates stated in note 5.1.

Depreciation on additions is charged from the month the assets are available for use while in the case of disposals, depreciation is charged one month prior up to the month in which the assets are disposed off.

The depreciation method and useful lives of items of fixed assets are reviewed periodically and altered if circumstances or expectations have changed significantly. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Normal repairs and maintenance are charged to expenses as and when incurred. Major renewals and replacements are capitalised and are depreciated over the remaining useful life of the related assets.

Gains or losses on disposal or retirement of fixed assets are determined as the difference between the sales proceeds and the carrying amount of asset and are included in the profit and loss account.

Capital work in progress is stated at cost. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

### **3.5 Intangible Assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

Cost associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff cost, costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets are amortised using the straight-line method over a period of two years.

### **3.6 Investments**

#### **3.6.1 Investment at fair value through profit or loss**

A non-derivative financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognised in profit and loss account when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss account.

#### **3.6.2 Held to maturity**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.



### 3.6.3 Loans and receivables

Loans and receivables are recognised initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the investments on an effective yield method.

### 3.6.4 Available for sale

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale and are initially recognised at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognised in other comprehensive income. Gains or losses on available-for-sale investments are recognised in other comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in other comprehensive income is included in current year's profit and loss account.

All purchases and sales of investments are recognised on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase include transaction cost.

Investments intended to be held for less than twelve months from the balance sheet date are included in current assets, all other investments are classified as non-current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such classification periodically.

At each reporting date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognised in income.

### 3.7 Stores, Spare Parts and Loose Tools

Stores, spare parts and loose tools are stated at the lower of cost and net realizable value. The cost of inventory is based on weighted average cost less provision for obsolescence, if any. Items in transit are stated at cost comprising invoice value plus other charges thereon accumulated up to the balance sheet date.

### 3.8 Stock-in-trade

These are valued at lower of cost and net realizable value.

Cost in relation to raw materials in hand, packing materials and components has been calculated on a weighted average basis and represents invoice values plus other charges paid thereon.

Cost in relation to work in process and finished goods represents direct cost of materials, wages and appropriate manufacturing overheads.

Raw materials held in custom bonded warehouse and stock-in-transit are valued at cost comprising of invoice value plus other charges accumulated up to the balance sheet date.

Net realizable value represents the estimated selling price in the ordinary course of business less all estimated costs necessary to completion and to be incurred in marketing, selling and distribution.

### 3.9 Trade debts and other receivables

Trade and other receivables are carried at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

### 3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of term deposits, cash and bank balances.

### 3.11 Revenue Recognition

- Revenue from sale is recognised when significant risk and rewards of ownership are transferred to the buyer.
- Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.
- Dividend income from investments is recognized when the Company's rights to receive payment has been established.

### 3.12 Borrowing Cost

Borrowing costs incurred on long term finances directly attributable for the construction/acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

### 3.13 Foreign Currency Translation

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the balance sheet date. All arising exchange gains and losses are recognised in the profit and loss account.

### 3.14 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the prevailing best estimate.

### 3.15 Warranty

The Company recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

### 3.16 Dividend

Dividend is recognised as liability in the period in which it is approved by the shareholders.

### 3.17 Financial assets and liabilities

Consistent with prior years, all financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognised when the rights to the cash flows from the financial assets expire or where the Company transfers the financial assets and the transfer qualifies for derecognition. Financial liabilities are derecognised when the obligation specified in the contract is discharged.

### 3.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is set-off and the net amount is reported in the balance sheet if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.19 Interest / Mark-up bearing loans and borrowings

Interest / mark-up bearing loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on accrual basis.

### 3.20 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

### 3.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### 4.1 Property, Plant and Equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value use in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

### 4.2 Intangible Assets

The Company reviews the rate of amortisation and value of intangible assets for possible impairment on an annual basis. Any change in the estimate in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortisation charge and impairment.

### 4.3 Investment at fair value through profit or loss

Management has determined fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgments.

### 4.4 Income tax

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

### 4.5 Stores, Spare Parts, Loose Tools and Stock in Trade

The Company reviews the net realizable value of stores, spare parts, loose tools and stock in trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to makes the sales.

### 4.6 Employees' Benefits

The present value of these obligations depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of these obligations. The present value of these obligations and the underline assumptions are disclosed in note 19.1.1 & 19.1.7.

Note	2011	2010
	----- (Rupees in '000) -----	

## 5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	5.1	866,223	680,935
Capital work-in-progress	5.6	34,280	75,404
		<u>900,503</u>	<u>756,339</u>

## 5.1 Operating fixed assets

	Leasehold land	Buildings on leasehold land	Plant and machinery	Moulds dies and jigs	Factory equipment	Office equipment	Computers and accessories	Furniture and fixtures	Air conditioners	Gas installation	Electrical installation	Vehicles	Fork Lifter	Laboratory equipment	Total
----- (Rupees in '000) -----															
<b>As at June 30, 2009</b>															
Cost / Valuation	174,200	102,289	393,835	47,888	29,864	1,187	9,316	2,188	4,066	135	20,492	35,383	4,277	4,903	830,023
Accumulated depreciation	-	36,072	137,990	29,310	10,953	877	7,794	1,520	2,195	124	6,155	14,009	2,895	3,304	253,198
Net book value	174,200	66,217	255,845	18,578	18,911	310	1,522	668	1,871	11	14,337	21,374	1,382	1,599	576,825
<b>Year ended June 30, 2010</b>															
Additions	-	7,200	100,804	15,998	15,630	40	4,037	-	425	-	-	12,141	3,618	1,003	160,896
Disposals															
- Cost	-	-	296	-	-	-	41	-	-	-	647	3,765	-	-	4,749
- Depreciation	-	-	(252)	-	-	-	(25)	-	-	-	(214)	(1,698)	-	-	(2,189)
Depreciation charge	-	7,004	31,330	2,193	3,344	32	1,782	67	211	1	1,390	5,778	909	185	54,226
Net book value as at June 30, 2010	174,200	66,413	325,275	32,383	31,197	318	3,761	601	2,085	10	12,514	25,670	4,091	2,417	680,935
<b>Year ended June 30, 2011</b>															
Additions	48,105	1,220	141,822	13,558	18,675	634	748	-	1,726	-	3,022	29,560	-	-	259,070
Disposals															
- Cost	-	-	2,968	312	-	40	78	-	215	-	-	12,330	-	-	15,943
- Depreciation	-	-	(2,683)	(299)	-	(3)	(12)	-	(185)	-	-	(6,951)	-	-	(10,133)
Depreciation charge	-	6,681	40,842	3,740	4,500	37	1,673	60	345	1	1,528	7,505	818	242	67,972
Net book value as at June 30, 2011	222,305	60,952	425,970	42,188	45,372	878	2,770	541	3,436	9	14,008	42,346	3,273	2,175	866,223
<b>As at June 30, 2010</b>															
Cost / Valuation	174,200	109,489	494,343	63,886	45,494	1,227	13,312	2,188	4,491	135	19,845	43,759	7,895	5,906	986,170
Accumulated depreciation	-	43,076	169,068	31,503	14,297	909	9,551	1,587	2,406	125	7,331	18,089	3,804	3,489	305,235
Net book value	174,200	66,413	325,275	32,383	31,197	318	3,761	601	2,085	10	12,514	25,670	4,091	2,417	680,935
<b>As at June 30, 2011</b>															
Cost / Valuation	222,305	110,709	633,197	77,132	64,169	1,821	13,982	2,188	6,002	135	22,867	60,989	7,895	5,906	1,229,297
Accumulated depreciation	-	49,757	207,227	34,944	18,797	943	11,212	1,647	2,566	126	8,859	18,643	4,622	3,731	363,074
Net book value	222,305	60,952	425,970	42,188	45,372	878	2,770	541	3,436	9	14,008	42,346	3,273	2,175	866,223
Depreciation rate (%)	-	10	10	10	10	10	30	10	10	10	10	20	20	10	

5.2 The Company's leasehold land was revalued on June 30, 2008 by Surval, an independent Valuer which produced revaluation surplus of Rs.173,765 thousands over the written down value (WDV) of Rs.435 thousands. The surplus has been added to the value of such assets and corresponding increase has been credited to the surplus on revaluation of fixed asset account. The valuation of land was based on present market value in the similar area.

Had there been no revaluation, the net book value of the leasehold land would amount to Rs.407 thousand (2010: Rs.407 thousand).

5.3 Depreciation charged for the year has been allocated as follow:

	Note	2011 ----- (Rupees in '000) -----	2010
Cost of goods manufactured	25.1	59,877	48,192
Distribution cost	26	3,219	2,303
Administrative expenses	27	4,876	3,731
		<u>67,972</u>	<u>54,226</u>

5.4 Certain dies and moulds having cost of Rs.30,908 thousand (2010: Rs.30,908 thousand) and net book value of Rs.15,371 thousand (2010: Rs.17,079 thousand) are held by Pak Polymer (Private) Limited, Paramount Moulding, Decent Engineering, Precision Polymer (Pvt) Limited, Diwan Plastics, N. H. Enterprises and Al-Huda Plastics for production of components to be supplied to the Company.

### 5.5 Disposal of fixed assets

Particulars of operating fixed assets having written down value (WDV) exceeding Rs.50,000 each disposed off during the year are as follows:

Assets	Cost	Accumulated depreciation	Written down value	Sale proceed	Profit / (loss)	Mode of disposal	Particular of buyers
----- (Rupees in '000) -----							
<b>Plant &amp; machinery</b>							
Generators	1,803	1,621	182	1,000	818	Negotiation	Macca Engineering Work, Street # 13, Shop # 3, Sher Shah, Karachi
	<u>1,803</u>	<u>1,621</u>	<u>182</u>	<u>1,000</u>	<u>818</u>		
<b>Computers</b>							
HP 610n notebook pc	56	1	55	54	(1)	Company Policy	Shirazi Trading Co. (Pvt) Ltd, (Associated Company)
	<u>56</u>	<u>1</u>	<u>55</u>	<u>54</u>	<u>(1)</u>		
<b>Vehicles</b>							
Honda Civic	963	799	164	200	36	Negotiation	Talha Ejaz Chaudri Flat # A-6 Plot 1/7 A, Block 6 PECHS, Karachi
Honda Civic	1,022	708	314	314	-	Company policy	Muhammad Jamil Awan (Employee)
Honda City	872	585	287	287	-	Company policy	Malik Nasir Mohyuddin (Employee)
Daihatsu Coure	459	315	144	144	-	Company policy	Shahid Shakeel (Employee)
Daihatsu Coure	459	318	141	141	-	Company policy	Mazhar Hussain Naqvi (Employee)
Daihatsu Coure	459	310	149	149	-	Company policy	Fareed Rashid (Employee)
Honda City	923	617	306	306	-	Company policy	Ahmer Waheed (Employee)
Honda Civic	1,023	684	339	339	-	Company policy	Shahzad Ahmed Khan (Employee)
Suzuki Alto	504	338	166	166	-	Company policy	Mirza M. Rizwan Jamil (Employee)
Suzuki Mehran	395	231	164	164	-	Company policy	Arshad Khan (Employee)
Suzuki Mehran	408	212	196	196	-	Company policy	Muhammad Ayaz (Employee)
Daihatsu Coure	497	263	234	276	42	Company policy	Laeq Akhter (Ex-Employee)
Honda City	511	149	362	362	-	Company policy	Shirazi Trading Co. (Pvt.) Ltd. (Associated Company)
Honda Civic	206	60	146	146	-	Company policy	Shirazi Trading Co. (Pvt.) Ltd. (Associated Company)
Honda Accord	1,150	399	751	1,980	1,229	Negotiation	Muhammad Mahmood House # B-195, SMCHS, Karachi
Suzuki Alto	259	90	169	169	-	Company policy	Mrs. Zubeda Rais (Employee)
Suzuki Mehran	499	124	375	375	-	Company policy	Fakher Abbas (Employee)
Honda CG 125	79	18	61	79	18	Company policy	Ghulam Murtaza (Employee)
Honda CG 125	79	25	54	54	-	Company policy	Muhammad Iqbal (Ex-Employee)
Honda CG 125	79	10	69	69	-	Company policy	Noman Iqbal (Employee)
Honda CD 70	60	5	55	55	-	Company policy	Shoaib Anis (Employee)
Honda CG 125	83	6	77	77	-	Company policy	Salahuddin (Employee)
	<u>10,989</u>	<u>6,266</u>	<u>4,723</u>	<u>6,048</u>	<u>1,325</u>		

Assets	Cost	Accumulated depreciation	Written down value	Sale proceed	Profit / (loss)	Mode of disposal	Particular of buyers
----- (Rupees in '000) -----							
Aggregate values of items where WDV is less than Rs.50,000.							
	3,095	2,245	850	1,196	346	Traders / Company policy	Various
2011	15,943	10,133	5,810	8,298	2,488		
2010	4,749	2,189	2,560	2,867	307		

	Note	2010	Additions	(Transfers)	2011
----- (Rupees in '000) -----					
<b>5.6 Capital work-in-progress</b>					
Land		48,105	-	(48,105)	-
Plant & machinery		10,922	46,811	(53,143)	4,590
Buildings on leasehold land		-	13,557	-	13,557
Vehicles	5.6.1	-	1,499	-	1,499
Moulds, dies & jigs		7	7,437	(3,249)	4,195
Factory equipment		3,174	25,940	(18,675)	10,439
Intangible asset		13,196	-	(13,196)	-
		75,404	95,244	(136,368)	34,280

5.6.1 This amount represents an advance against vehicle paid to Honda Atlas Cars (Pakistan) Limited (an associated company).

## 6. INTANGIBLE ASSETS

Particulars	Cost as at June 30, 2010	Addition	Disposal	Cost as at June 30, 2011	Accumulated amortization as at June 30, 2010	Amortization charge for the year	Accumulated amortization as at June 30, 2011	Book value as at June 30, 2011	Amortization rate
----- (Rupees in '000) -----									
Software license	-	5,796	937	4,859	-	2,430	2,430	2,429	50%
ERP implementation cost	-	7,400	-	7,400	-	3,700	3,700	3,700	50%
	-	13,196	937	12,259	-	6,130	6,130	6,129	

	Note	2011	2010
----- (Rupees in '000) -----			
<b>7. INVESTMENTS - AVAILABLE FOR SALE</b>			
<b>Unquoted</b>			
Arabian Sea Country Club Limited 100,000 (2010: 100,000) ordinary shares of Rs. 10/- each		1,000	1,000
Less: Impairment in the value of investment		(1,000)	(1,000)
		-	-
<b>8. LONG TERM DEPOSITS</b>			
Utility and other deposits		517	517
<b>9. LONG TERM LOANS</b>			
Considered Good:			
Due from:			
Executives	9.1 & 9.2	167	-
Non-executives	9.3	1,071	345
		1,238	345
Less: Recoverable within one year and shown under current assets	13		
Executives		156	-
Non-executives		477	75
		633	75
		605	270

		2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>9.1</b>	Reconciliation of loans and advances to executives		
	Balance at the beginning of the year	-	-
	Add: Disbursement / addition	245	178
		<hr/> 245	<hr/> 178
	Less: Recovered during the year	78	178
		<hr/> 167	<hr/> -
		<hr/> <hr/>	<hr/> <hr/>
<b>9.2</b>	The maximum amount due from executives at the end of any month was Rs.195 thousand (2010: Rs.50 thousand).		
<b>9.3</b>	This represents interest free loans to employees for purchase of motor cycles and are repayable in monthly instalment over a period of 48 to 54 months. Loans are secured by the registration of motor cycle in the name of the Company.		
	<b>Note</b>	<b>2011</b>	2010
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>10.</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Consumables stores	18,416	9,029
	Maintenance spares	11,013	9,666
	Loose tools	1,476	774
	Goods in transit	28	2,944
	10.1	<hr/> 30,933	<hr/> 22,413
		<hr/> <hr/>	<hr/> <hr/>
<b>10.1</b>	It includes consumables stores amounting Rs.26 thousand (2010: Rs.18 thousand) and maintenance spares Rs.2 thousand (2010: Rs.372 thousand).		
	<b>Note</b>	<b>2011</b>	2010
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>11.</b>	<b>STOCK-IN-TRADE</b>		
	Raw materials & components:		
	In hand	290,108	243,613
	With third parties	53,961	14,693
		<hr/> 344,069	<hr/> 258,306
	25.2	344,069	258,306
	Work in process	233,876	115,589
	25.1	233,876	115,589
	Finished goods	90,701	69,056
	25	90,701	69,056
	Goods in transit	48,358	88,646
		<hr/> 717,004	<hr/> 531,597
		<hr/> <hr/>	<hr/> <hr/>
<b>11.1</b>	Stock in trade and trade debts up to a maximum amount of Rs.1,535.8 million (2010: Rs.1,135.9 million) are under hypothecation as security for the Company's short term borrowings (Note 22).		
	<b>Note</b>	<b>2011</b>	2010
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>12.</b>	<b>TRADE DEBTS</b>		
	Considered good:		
	Local - Unsecured	89,625	100,396
	12.1	<hr/> 89,625	<hr/> 100,396
<b>12.1</b>	Trade debts include the following amounts due from associated companies		
	- Atlas Honda Limited	-	34,807
	- Honda Atlas Cars (Pakistan) Limited	1,514	3,425
		<hr/> 1,514	<hr/> 38,232
		<hr/> <hr/>	<hr/> <hr/>

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>13. LOANS AND ADVANCES</b>			
Considered good - unsecured			
Loan and advances due from:			
Loan to staff		210	422
Advances to suppliers, contractors and others		2,041	1,768
Advances to staff for expenses		-	85
Current portion of long term loans			
Executives		156	-
Non-executives		477	75
	9	633	75
		<u>2,884</u>	<u>2,350</u>
<b>14. DEPOSITS AND PREPAYMENTS</b>			
Deposits	14.1	3,571	4,960
Prepayments		1,276	968
		<u>4,847</u>	<u>5,928</u>

14.1 This includes Rs.Nil (2010: Rs.210 thousand) representing margin maintained with various banks against letters of credit.

## 15. INVESTMENTS

### AT FAIR VALUE THROUGH PROFIT AND LOSS

2011 ----- (Number of Units) -----	2010		Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
693,538	621,348	ABL Income Fund	15.1	6,949	6,224
-	-	Pre IPO subscription in HBL Money Market Fund		-	20,000
24,836	-	UBL Liquidity Plus Fund	15.2	2,489	-
377,999	-	Atlas Money Market Fund (Related Party)		195,425	-
				<u>204,863</u>	<u>26,224</u>

15.1 606,660 units (2010: 606,660 units) amounting to Rs.6,078 thousand (2010: Rs.6,077 thousand) are under lien against bank guarantee amounting to Rs.5,417 thousand (2010: Rs.5,417 thousand) issued in favour of Sui Southern Gas Company, on behalf of the Company.

15.2 22,256 units (2010: Nil) amounting to Rs.2,260 thousand (2010: Nil) are under lien against bank guarantee amounting to Rs.2,260 thousand (2010: Nil) issued in favour of Sui Southern Gas Company, on behalf of the Company.

	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>16. ACCRUED MARK-UP / INTEREST</b>		
Interest accrued on short term deposit	-	195
<b>17. CASH AND BANK BALANCES</b>		
In current account	13,474	898
In imprest account	40	151
Cheques in hand	80,438	28,820
	<u>93,952</u>	<u>29,869</u>



- 17.1 Cash and bank balances includes Rs. Nil (2010: Rs. 7) thousand held with Summit Bank Limited (formally Atlas Bank Limited), an ex - related party.

## 18. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011 ----- (Number of Shares) -----		2010		2011 ----- (Rupees in '000) -----		2010	
1,300,000	1,300,000	Ordinary shares of Rs. 10/- each fully paid in cash		13,000	13,000		
8,769,312	7,091,094	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		87,693	70,911		
<u>10,069,312</u>	<u>8,391,094</u>			<u>100,693</u>	<u>83,911</u>		

- 18.1 Ordinary shares of Rs.10/- each held by associated undertakings as at year end are as follows:

	2011 ----- (Number of Shares) -----		2010	
Atlas Foundation	185,112	154,260		
Atlas Insurance Limited	175,591	146,326		
GS Yuasa International Limited - Japan	1,510,387	1,258,656		
Shirazi Capital (Private) Limited	2,514,584	1,637,487		
Shirazi Investments (Private) Limited	3,009,741	2,508,118		
	<u>7,395,415</u>	<u>5,704,847</u>		

	Note	2011 ----- (Rupees in '000) -----		2010	
19. DEFERRED LIABILITIES					
Provision for gratuity - Non management	19.1	1,633	1,453		
Compensated leave absences	19.2	33,778	28,779		
Deferred taxation	19.3	103,000	81,014		
		<u>138,411</u>	<u>111,246</u>		

- 19.1 The amount recognized in the balance sheet is as follows:

	Management Funded		Non - management Unfunded		Total	
	2011	2010	2011	2010	2011	2010
	----- (Rupees in '000) -----					
<b>19.1.1 Balance sheet reconciliation:</b>						
Present value of defined benefit obligation	52,903	48,703	1,277	1,195	54,180	49,898
Fair value of plan assets	(26,743)	(17,215)	-	-	(26,743)	(17,215)
Payable to associated companies in respect of transferees	4,829	5,850	-	-	4,829	5,850
Unrecognized actuarial gain / (loss)	(23,025)	(31,323)	356	258	(22,669)	(31,065)
Balance at end	<u>7,964</u>	<u>6,015</u>	<u>1,633</u>	<u>1,453</u>	<u>9,597</u>	<u>7,468</u>
<b>19.1.2 Movement in net obligation:</b>						
As at July 01,	6,015	1,747	1,453	1,325	7,468	3,072
Charge for the year	7,964	6,015	180	159	8,144	6,174
Contributions	(6,015)	(1,747)	-	(31)	(6,015)	(1,778)
As at June 30,	<u>7,964</u>	<u>6,015</u>	<u>1,633</u>	<u>1,453</u>	<u>9,597</u>	<u>7,468</u>
Actual return on plan assets	<u>3,397</u>	<u>1,417</u>	<u>-</u>	<u>-</u>	<u>3,397</u>	<u>1,417</u>

	Management Funded		Non - management Unfunded		Total	
	2011	2010	2011	2010	2011	2010
----- (Rupees in '000) -----						
<b>19.1.3 Movement in defined benefit obligation</b>						
As at July 01,	48,703	31,635	1,195	1,088	49,898	32,723
Current service cost	2,157	1,839	43	41	2,200	1,880
Interest cost	6,100	5,086	152	131	6,252	5,217
Benefits paid	(5,388)	(2,852)	-	(31)	(5,388)	(2,883)
Actuarial (gain) / loss	4,909	8,505	(113)	(34)	4,796	8,471
(Payable) to / receivable from related parties in respect of transferees	(3,578)	4,490	-	-	(3,578)	4,490
As at June 30,	<u>52,903</u>	<u>48,703</u>	<u>1,277</u>	<u>1,195</u>	<u>54,180</u>	<u>49,898</u>
<b>19.1.4 Movement in fair value of plan assets</b>						
As at July 01,	17,215	21,893	-	-	17,215	21,893
Expected return on plan assets	2,123	1,800	-	-	2,123	1,800
Contributions	6,015	1,747	-	-	6,015	1,747
Benefits paid	(5,388)	(2,852)	-	-	(5,388)	(2,852)
Liability recognized in respect of transferred in	(108)	-	-	-	(108)	-
Actuarial (gain) / loss	6,886	(5,373)	-	-	6,886	(5,373)
As at June 30,	<u>26,743</u>	<u>17,215</u>	<u>-</u>	<u>-</u>	<u>26,743</u>	<u>17,215</u>
<b>19.1.5 Charge for the year</b>						
Current service cost	2,157	1,839	43	41	2,200	1,880
Interest cost	6,100	5,086	152	131	6,252	5,217
Expected return of plan assets	(2,123)	(1,800)	-	-	(2,123)	(1,800)
Amortisation of loss / (gain)	1,830	890	(15)	(13)	1,815	877
	<u>7,964</u>	<u>6,015</u>	<u>180</u>	<u>159</u>	<u>8,144</u>	<u>6,174</u>

	2011	2010	2009	2008	2007
----- (Rupees in '000) -----					
<b>19.1.6 Historical Information</b>					
<b>Management - Funded:</b>					
Present value of defined benefit obligation	52,903	48,703	26,614	29,173	26,728
Fair value of plan assets	(26,743)	(17,215)	(21,893)	(20,882)	(14,161)
Deficit	<u>26,160</u>	<u>31,488</u>	<u>4,721</u>	<u>8,291</u>	<u>12,567</u>
Experience adjustment on obligation loss	4,909	88	1,737	3,428	3,717
Experience adjustment on plan assets (gain) / loss	1,273	(384)	(2,522)	150	(454)
<b>Non - management - Unfunded:</b>					
Present value of defined benefit obligation	<u>1,277</u>	<u>1,195</u>	<u>1,088</u>	<u>1,114</u>	<u>1,073</u>
Experience adjustment on obligation (gain) / loss	<u>(113)</u>	<u>(34)</u>	<u>(27)</u>	<u>(43)</u>	<u>53</u>

	Management Funded		Non - management Unfunded	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
<b>19.1.7 Principal actuarial assumptions as at June 30, 2011:</b>				
Discount rate	14.50%	12.75%	14.50%	12.75%
Expected long term rate of return on plan assets	14.50%	12.75%	-	-
Expected long term rate of future salary increases per annum	13.50%	11.75%	13.50%	11.75%
Retirement age (years)	60	60	60	60
Return on investment	14.50%	12.75%	-	-
<b>19.1.8</b> Expected expense for gratuity scheme for the year ending June 30, 2012 amount to Rs.8,222 thousand and Rs.198 thousand for management and non-management gratuity plans, respectively.				
	<b>Note</b>	<b>2011</b>	<b>2010</b>	
		----- (Rupees in '000) -----		
<b>19.2 Compensated leave absences</b>				
Balance at beginning		28,779	19,863	
Add: Provision for the year		6,612	10,995	
		35,391	30,858	
Less: Payments during the year		1,613	2,079	
Balance at end		33,778	28,779	
<b>19.3 Deferred taxation</b>				
The deferred tax liability comprises of (deductible) / taxable temporary differences in respect of the following:				
Deferred credit arising in respect of accelerated tax depreciation		120,854	96,107	
Provision for gratuity		(3,359)	(2,614)	
Provision for impairment in available for sale investments		(350)	(350)	
Provision for warranty		(2,323)	(2,056)	
Provision for compensated leave absences		(11,822)	(10,073)	
		103,000	81,014	
<b>20. TRADE AND OTHER PAYABLES</b>				
Trade creditors		40,356	69,800	
Accrued liabilities	20.1	229,105	192,943	
Provision for warranty	20.2	6,636	5,875	
Customers advances & credit balances		26,232	54,487	
Tax deductions		-	3,940	
Workers' Profit Participation Fund	20.3	28,189	18,316	
Provision for gratuity - Management	19.1	7,964	6,015	
Workers' Welfare Fund		10,502	6,822	
Unclaimed dividend		4,658	3,598	
Other liabilities	20.4	3,232	3,159	
		356,874	364,955	
<b>20.1</b> Accrued liabilities include the following amounts due to associated company:				
GS Yuasa International Limited - Japan		58,683	40,244	
<b>20.2 Provision for Warranty</b>				
Balance as at July 01,		5,875	5,923	
Add: Provided during the year	25.1	31,741	26,307	
		37,616	32,230	
Less: Paid during the year		30,980	26,355	
Balance as at June 30,		6,636	5,875	

	Note	2011 ----- (Rupees in '000) -----	2010
<b>20.3 Workers' Profit Participation Fund</b>			
Balance as at July 01,		18,316	132
Interest on funds utilized in the company's business	30	54	19
		18,370	151
Less: Paid during the year		18,370	151
		-	-
Contributions for the year	29	28,189	18,316
Balance as at June 30,		28,189	18,316

**20.4** Other liabilities include vehicle deposits under Company vehicle policy amounting to Rs.2,847 thousands (2010: Rs.2,985 thousands).

	Note	2011 ----- (Rupees in '000) -----	2010
<b>21. ACCRUED MARK-UP / INTEREST</b>			
Short term running finance		4,194	961
Demand finance		-	284
Import finance		1,028	-
		5,222	1,245
<b>22. SHORT TERM BORROWINGS - SECURED</b>			
Short term running finance	22.1	255,294	84,598
Demand finance	22.2	-	90,000
Import finance	22.3	179,404	-
		434,698	174,598

**22.1** The Company has facilities for short-term running finance from various banks under mark-up arrangements amounting to Rs.1,150 million (2010: Rs.850 million). The facilities carries mark-up rate ranging from one month KIBOR + 0.50 % per annum to three months KIBOR + 1.50% (2010: one month KIBOR + 1.00% to three months KIBOR + 1.25%). The mark-up on running finance facilities is payable on quarterly basis.

**22.2** The Company has demand finance facilities from various banks amounting to Rs.550 million (2010: Rs.90 million). The facility carries mark-up at the rate ranging from one month KIBOR + 0.50% to three months KIBOR + 0.60% per annum (2010: three month KIBOR + 0.50% per annum). These limits are available to the Company as a sub-limit of its running finance facilities.

**22.3** The Company has FE-25 facilities from various banks amounting to Rs.640 million (2010: Rs.525 million). The facility carries mark-up rate of one month LIBOR + 1.5% per annum to three month LIBOR + 2% per annum (2010: one month LIBOR + 1.5% per annum to one month LIBOR + 2% per annum). These limits are available to the Company as a sub-limit of its running finance facilities. Outstanding amount represents US\$ 2,085 thousand converted at year end rate.

The above facilities are secured against joint hypothecation / ranking charge on stock in trade and trade debts. These facilities are expiring on various dates by March 31, 2012.

The facility for opening letters of credit as at June 30, 2011 amounted to Rs.1,500 million (2010: Rs.1,100 million) of which the amount remaining unutilized at the year end was Rs.1,375.3 million (2010: Rs.708.608 million). The facility is secured against lien on import documents.

### 23. CONTINGENCIES AND COMMITMENTS

- 23.1** The Company has received two notices under section 37 of the Sales Tax Act, 1990 (Act) from the Directorate General of Intelligence and Investigation - FBR Karachi on March 21, 2011 and June 09, 2011. In the said notices it has been alleged that the Company has purchased goods from certain suppliers who were registered with Regional Tax Offices, but were fake and have issued sales tax invoices to the Company on the basis of which the Company has claimed input tax adjustment amounting to Rs.19.99 million which according to them is illegal / inadmissible. Despite the stand of the company that it had purchased goods from the registered suppliers and was compliant of other regulatory requirements, it has under extreme unauthorized pressure by the Directorate, deposited Rs.2.317 million (disclosed as other receivable) in the Government Treasury without prejudice to its right to contest the case at the legal forums and claim refund of the amount deposited.
- 23.2** The Company has also received another notice from the Directorate of Intelligence and Investigation - FBR Lahore in which it has been alleged that the Company has purchased goods from certain suppliers who were registered with Regional Tax Offices, but were fake and have issued sales tax invoices to the Company on the basis of which the Company has claimed input tax adjustment amounting to Rs.29.066 million which according to them is illegal / inadmissible. The name of the Company along with 135 companies and other individuals have therefore been included as an accused person in the First Information Report (FIR) No. 04/2011 dated March 26, 2011 registered by the Additional Director, Intelligence and Investigation - FBR, Lahore. The Company has, therefore, filed a Constitutional Petition in the Honorable Lahore High Court (the Court) and prayed to quash the FIR against the Company and declare the notice illegal. The Court has granted stay order and advised the concerned authorities to restrain from further proceeding with the matter.

In both the above cases, the management is of the view that the Company has been purchasing taxable goods from active taxpayers and has been compliant of regulatory requirements in order to claim valid input tax under section 7 of the Act. The company has also been filing monthly Sale Tax Returns electronically which were accepted by the web portal of FBR which indicates that tax payers are active. The fake suppliers as alleged in the FIR were Registered and active at the time of purchase of goods and were filing their sales tax returns which were accepted by the web portal of FBR. As such there was no reason to doubt the legitimacy of these suppliers. The management also explained that the goods supplied by the alleged fake suppliers were physically received and payments were made through cross cheques in compliance with the requirements of section 73 of the Act. Based on the above facts, the management is confident that the matter will be decided in favour of the Company and it will not be exposed to any loss on this account. The company has therefore, made no provision in these financial statements in respect of any liability which may arise as a consequence of the said notices.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>23.3 Guarantees</b>			
Issued by bank on behalf of the Company to Sui Southern Gas Company Limited against gas supply deposit.		7,677	5,417
<b>23.4 Commitments</b>			
Confirmed letters of credits / contracts relating to:			
– Raw-materials and stores, spare parts and loose tools		292,547	283,980
– Plant and equipment		3,862	57,414
<b>24. SALES</b>			
Local sales		7,586,450	5,175,517
Less: Sales tax and special excise duty		1,132,271	718,976
Trade discount and incentives		585,919	432,119
		1,718,190	1,151,095
		5,868,260	4,024,422
<b>25. COST OF SALES</b>			
Stock at beginning		69,056	47,612
Cost of goods manufactured	25.1	5,029,066	3,454,666
		5,098,122	3,502,278
Stock at end	11	90,701	69,056
		5,007,421	3,433,222

	Note	2011 ----- (Rupees in '000) -----	2010
<b>25.1 Cost of goods manufactured</b>			
Work-in-process at beginning		115,589	90,802
Raw materials and components consumed	25.2	4,263,603	2,841,250
Salaries, wages and benefits	25.3	249,992	193,264
Stores consumed		178,477	113,807
Light, heat and water		225,949	156,750
Insurance		9,209	8,177
Rent, rates and taxes		20,682	9,907
Repair and maintenance		27,410	20,512
Royalty		58,683	40,244
Federal excise duty		-	2,028
Cartage		4,752	4,572
Travelling, conveyance and entertainment		10,992	9,159
Postage and telephone		816	1,023
Printing and stationery		1,601	1,708
Vehicle running		1,060	902
Depreciation	5.3	59,877	48,192
Free replacement	20.2	31,741	26,307
Other manufacturing expenses		2,509	1,651
		5,262,942	3,570,255
Less: Work-in-process at end	11	233,876	115,589
		5,029,066	3,454,666
<b>25.2 Raw materials and components consumed</b>			
Stock at beginning		258,306	209,354
Purchases		4,349,366	2,890,202
		4,607,672	3,099,556
Stock at end	11	344,069	258,306
		4,263,603	2,841,250
<b>25.3</b>			
Salaries, wages and benefits includes Rs. 3,954 thousand (2010: Rs. 2,931 thousand) and Rs. 3,732 thousand (2010: Rs.3,190 thousand) in respect of staff retirement gratuity and staff provident fund, respectively.			
	Note	2011 ----- (Rupees in '000) -----	2010
<b>26. DISTRIBUTION COST</b>			
Salaries and benefits	26.1	47,795	40,740
Travelling, conveyance and entertainment		10,347	9,432
Vehicle running		266	114
Rent, rates and taxes		3,552	3,129
Advertisement and sales promotion		16,411	12,143
Repairs and maintenance		491	445
Light, heat and water		1,447	1,211
Freight and forwarding		59,067	43,339
Printing and stationery		470	453
Postage and telephone		2,496	2,169
Depreciation	5.3	3,219	2,303
Services charges		616	311
Insurance		18,565	12,841
Newspapers, magazines and subscription others		311	231
		165,053	128,861
<b>26.1</b>			
Salaries and benefits includes Rs. 1,030 thousand (2010: Rs. 1,131 thousand) and Rs. 1,344 thousand (2010: Rs. 1,454 thousand) in respect of staff retirement gratuity and staff provident fund, respectively.			

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>27. ADMINISTRATIVE EXPENSES</b>			
Directors' meeting fee		110	100
Salaries and benefits	27.1	66,926	62,178
Travelling, conveyance and entertainment		6,746	5,786
Insurance		1,496	1,230
Legal and professional charges		2,107	596
Fees and subscription		4,386	1,271
Postage and telephone		808	672
Printing and stationery		837	824
Vehicle running		418	269
Training expense		1,426	1,162
Depreciation	5.3	4,876	3,731
Amortization	6	6,130	-
Donation	27.2	3,413	2,729
		<u>99,679</u>	<u>80,548</u>

**27.1** Salaries and benefits includes Rs. 3,160 thousand (2010: Rs. 2,652 thousand) and Rs. 2,659 thousand (2010: Rs. 2,545 thousand) in respect of staff retirement gratuity and staff provident fund, respectively.

**27.2** Donation include Rs.3,413 thousand (2010: Rs.2,729 thousand) paid to Atlas Foundation, 2nd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi. Mr. Yusuf H. Shirazi, Chairman is on the Board of the Foundation.

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>28. OTHER OPERATING INCOME</b>			
<b>Income from financial assets:</b>			
Interest on Deposits		-	276
Gain on sale of investments		125	3,071
Net change in fair value of investments at fair value through profit or loss		6,379	548
Exchange gain		-	26
		<u>6,504</u>	<u>3,921</u>
<b>Income from non-financial assets:</b>			
Scrap Sales		3,273	1,030
Gain on sale of operating fixed assets	5.5	2,488	307
		<u>5,761</u>	<u>1,337</u>
		<u>12,265</u>	<u>5,258</u>
<b>29. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	29.1	1,309	875
Workers' Profit Participation Fund	20.3	28,189	18,316
Workers' Welfare Fund		10,502	6,712
Exchange loss		5,756	-
		<u>45,756</u>	<u>25,903</u>
<b>29.1 Auditor's remuneration</b>			
Audit fee		1,000	500
Half Yearly review of financial statements		70	70
Review of Code of Corporate Governance		68	68
Audits of gratuity funds, provident funds and WPPF		73	73
Certification of Royalty, technical fee and dividend		83	149
Out of pocket expenses		15	15
		<u>1,309</u>	<u>875</u>

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>30. FINANCE COST</b>			
Interest / mark-up / return on:			
Short term running finance		22,747	13,361
Demand finance		11,361	4,251
Import finance		1,322	-
		<u>35,430</u>	<u>17,612</u>
Workers' Profit Participation Fund	20.3	54	19
Other financial charges		2,031	2,226
		<u>37,515</u>	<u>19,857</u>
<b>31. TAXATION</b>			
Current year		148,357	101,989
Prior year		256	191
Deferred		21,986	16,575
		<u>170,599</u>	<u>118,755</u>
Relation between income tax expense and accounting profit:			
Net profit before tax		<u>525,101</u>	<u>341,289</u>
Tax at the applicable income tax rate - 35% (2010: 35%)		183,785	119,451
Tax effect of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes		(25,797)	(20,778)
Effect of tax credits		(18,902)	(955)
Effect of exemption from tax on certain income		(2,244)	(1,267)
Effect of income assessed under the final tax regime		-	(1,471)
Tax adjustment of prior year		256	191
Others		11,515	7,009
Deferred tax charge		21,986	16,575
		<u>170,599</u>	<u>118,755</u>
<b>32. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Earnings for purposes of basic earnings per share (net profit for the year)	Rupees in thousand	<u>354,502</u>	<u>222,534</u>
Weighted average number of outstanding ordinary shares	Numbers	<u>10,069,312</u>	<u>10,069,312</u>
Basic and diluted earnings per share	Rupees	<u>35.21</u>	<u>22.10</u>
<b>33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES</b>			
<b>33.1 Financial Risk Management</b>			
The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments: a) Credit Risk, b) Liquidity Risk, c) Market Risk.			



**(a) Credit risk****(i) Exposure to credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the trade debts, loans and advances, trade deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2011	2010
	----- (Rupees in '000) -----	
Long term deposits	517	517
Trade debts	89,625	100,396
Loans and advances	2,884	2,350
Deposits and prepayments	4,847	5,928
Investments	204,863	26,224
Accrued mark-up / interest	-	195
Cash and bank balances	93,952	29,869
	<u>396,688</u>	<u>165,479</u>

(ii) The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

Pakistan	<u>89,625</u>	<u>100,396</u>
----------	---------------	----------------

(iii) The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer are as follows:

	2011		2010	
	Rupees in '000'	%	Rupees in '000'	%
Original Equipment & Institutions	59,188	66.0	56,127	55.9
Associated Companies	1,514	1.7	38,232	38.1
Dealers	28,923	32.3	6,037	6.0
	<u>89,625</u>	<u>100.0</u>	<u>100,396</u>	<u>100.0</u>

**(iv) Impairment**

The ageing of trade debts at the reporting date is:

	2011	2010
	----- (Rupees in '000) -----	
Less than 30 days	66,891	92,043
31 - 90 days	20,039	7,407
91 - 150 days	1,156	404
151 days and above	1,539	542
	<u>89,625</u>	<u>100,396</u>

(v) Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors due over one year do not require any impairment and no impairment allowance is necessary in respect of remaining portion of due over one year.

(vi) The credit quality of the Company's bank balances can be assessed with the reference to the external credit ratings as follows:

	Rating Short-term	Rating Long-term	Rating Agency	2011	2010
					---(Rupees in '000)---
MCB Bank Limited	A1+	AA+	PACRA	13,391	1,036
Summit Bank Limited (Formerly Atlas Bank Ltd.)	A-2	A	JCR-VIS	11	7
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5	-
HSBC Bank Middle East Ltd.	F1+	AA-	Fitch	60	-
Meezan Bank Ltd.	A-1	AA-	JCR-VIS	44	-
The Bank of Tokyo Mitsubishi UFJ Limited	A-1	A+	S & P	3	6
				<u>13,514</u>	<u>1,049</u>

The Company's investment in mutual fund can be assessed with reference to the following external credit ratings:

Mutual Fund	Rating	Rating Agency
ABL Income Fund	A+(f)	JCR-VIS
UBL Liquidity Plus Fund	AA+(f)	JCR-VIS
Atlas Money Market Fund	AA+(f)	PACRA

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2011		
	Carrying Amount	Contractual cash flows	Six months or less
	----- (Rupees in '000) -----		
<b>Non Derivative</b>			
<b>Financial liabilities</b>			
Trade & other payable	356,874	356,874	356,874
Sales tax payable - net	3,908	3,908	3,908
Special excise duty payable - net	13,023	13,023	13,023
Accrued mark-up / interest	5,222	5,222	5,222
Short term borrowing-secured	434,698	434,698	434,698
	<u>813,725</u>	<u>813,725</u>	<u>813,725</u>

	2010		
	Carrying Amount	Contractual cash flows	Six months or less
	----- (Rupees in '000) -----		
<b>Non Derivative</b>			
<b>Financial liabilities</b>			
Trade & other payable	364,955	364,955	364,955
Special excise duty payable - net	3,956	3,956	3,956
Accrued mark-up / interest	1,245	1,245	1,245
Short term borrowing-secured	174,598	174,598	174,598
	<u>544,754</u>	<u>544,754</u>	<u>544,754</u>

**(c) Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities, and liquidity in the market. The Company is exposed to currency risk and interest rate risk only.

**(i) Currency risk**

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods that are denominated in a currency other than the respective functional currency of the Company. The Company primarily has foreign currency exposures in US Dollars, Japanese Yen and Euro. The Company's exposure to foreign currency risk as on June 30, 2011 is US \$ 2,085 thousand (June 30, 2010: Nil).

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2011	2010	2011	2010
	----- (Rupees) -----			
US Dollar	85.50	87.34	86.05	85.60
Japanese Yen	1.03	0.94	1.07	0.96
Euro	112.52	131.78	124.89	104.58

**(ii) Sensitivity analysis**

10% strengthening of Pak Rupee against the following currencies at June 30 would have increased / (decreased) equity and profit or loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	2011	2010
	<b>Profit &amp; loss</b>	
	----- (Rupees in '000) -----	
Effect in:		
US Dollar	284,430	140,725
Japanese Yen	19,858	9,833
Euro	436	66

**(iii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings. At the balance sheet date the interest rate profile of the Company's interest financial instruments is:

	2011	2010
	----- (Rupees in '000) -----	
<b>Variable rate instruments</b>		
Financial assets	204,863	26,224
Financial liabilities	434,698	174,598

**Cash Flow Sensitivity Analysis for Variable Rate Instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	<b>Profit &amp; loss</b>	
	<b>100 bps increase</b>	<b>100 bps decrease</b>
	----- (Rupees in '000) -----	
<b>Cash flow sensitivity-Variable rate instruments</b>		
As at June 30, 2011	(1,734)	1,734
As at June 30, 2010	(810)	810

**33.2 Capital Risk Management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by the total shareholder's equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The gearing ratio as at June 30 is as follows:

	2011	2010
	----- (Rupees in '000) -----	
Total borrowings	434,698	174,598
Cash and bank	(93,952)	(29,869)
Net debt	340,746	144,729
Total equity	954,745	684,154
Capital employed	1,295,491	828,883
Gearing ratio	26.3%	17.5%

The capital structure of the Company is equity based with no financing through long term borrowings. Company avails short term borrowings for working capital purposes only.

### 33.3 Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statement approximate their fair value.

#### Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active market for identical assets.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which used input which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
As at June 30, 2011				
Investment at fair value through profit and loss	204,863	-	-	204,863
As at June 30, 2010				
Investment at fair value through profit and loss	26,224	-	-	26,224

### 34. SEGMENT INFORMATION

- These financial statements have been prepared on the basis of a single reportable segment.
- All non-current assets of the Company are located in Pakistan.
- There is no customer of the Company to whom 10% (2010: 10%) or more sale is made during the year.

### 35. RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. All transactions with related parties have been carried out on commercial terms and conditions. Amount due from and to related parties, if any, is shown under receivables and payables. Other significant transactions with related parties are as follows:

	2011	2010
	----- (Rupees in '000) -----	
Sales	319,019	248,069
Sale of fixed assets	612	299
Sale of intangible assets	937	-
Purchase of fixed assets	18,207	6,936
Reimbursement of expenses	1,215	752
Expenses charge to	43	-
Insurance claim	5,015	9,010
Donation paid	3,413	2,729
Sale proceeds of bonus fractions	52	52
Insurance premium	62,493	46,614
Rent / service charges paid	18,152	4,567
Dividend paid	57,048	47,540
Investment in mutual funds	190,000	130,000
Redemption of mutual fund	-	132,421
Purchases of consumables	650	447
Purchases of raw materials	19,415	13,171
Commission paid	42,376	-
Purchases of lubricants	-	31
Royalty	58,683	40,244
Post employment benefit plans	8,144	6,174
Gain on disposal of fixed asset to key management personnel	-	25

Compensation of key management personnel is disclosed in the note 36.

### 36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS' AND EXECUTIVES

36.1 The aggregate amounts charged in the accounts for remuneration including certain benefits to the Chief Executive Officer, Director and Executives of the Company were as follows:

	Chief Executive		Director		Executives	
	2011	2010	2011	2010	2011	2010
	----- (Rupees in '000) -----					
Remuneration	6,022	3,999	4,847	-	51,524	41,670
Rent and Utilities	2,879	2,835	2,319	-	23,879	28,044
Bonus	4,444	1,750	3,583	-	36,801	11,790
Retirement Benefits	576	440	1,227	-	9,046	4,237
Medical and others	229	64	132	-	2,004	1,262
Total	<u>14,150</u>	<u>9,088</u>	<u>12,108</u>	<u>-</u>	<u>123,254</u>	<u>87,003</u>
Number of persons	<u>2</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>34</u>	<u>29</u>

Chief Executive remuneration for year 2011 include remuneration paid to Mr. Ali H. Shirazi from August 2010 to June 2011 and to Mr.Talha Saad for the month of July 2010 only.

The Chief Executive and Director are provided with free use of Company maintained car and telephone at residences. Certain executives are also provided with Company vehicles.

**36.2 Meeting fees others directors**

Aggregate amount charged in the accounts for the year for fees to three (2010: three) directors was Rs.110 thousand (2010: Rs.100 thousand).

**37. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. Significant reclassifications include:

Material reclassifications made to conform to current year presentation are as follows:

Statement	Nature of item	Reclassification from	Reclassification to	Rupees in '000
Balance Sheet	Special excise duty	Trade and other payables	Special excise duty payable - net	3,956

**38. PLANT CAPACITY**

The production capacity of the plant cannot be determined as this depends upon relative proportion of various types of automotive and motorcycle batteries produced.

**39. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors and authorized for issue on August 25, 2011.



**Yusuf H. Shirazi**  
Chairman



**Ali H. Shirazi**  
President / Chief Executive



**Kamal A. Chinoy**  
Director

## Pattern of Shareholding

### As at June 30, 2011

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
579	1	100	14,872	0.14%
367	101	500	97,354	0.97%
157	501	1,000	118,443	1.18%
204	1,001	5,000	472,855	4.70%
30	5,001	10,000	221,163	2.20%
8	10,001	15,000	90,561	0.90%
8	15,001	20,000	143,157	1.42%
3	20,001	25,000	69,999	0.70%
1	25,001	30,000	28,028	0.28%
2	30,001	35,000	66,600	0.66%
2	35,001	40,000	72,930	0.72%
1	45,001	50,000	50,000	0.50%
1	55,001	60,000	56,880	0.56%
1	60,001	65,000	62,640	0.62%
1	75,001	80,000	76,500	0.76%
1	100,001	105,000	100,800	1.00%
1	135,001	140,000	139,217	1.38%
1	175,001	180,000	175,591	1.74%
2	185,001	190,000	373,494	3.71%
1	200,001	205,000	200,916	2.00%
1	400,001	405,000	402,600	4.00%
1	1,510,001	1,515,000	1,510,387	15.00%
1	2,510,001	2,515,000	2,514,584	24.97%
1	3,005,001	3,010,000	3,009,741	29.89%
<u>1,375</u>			<u>10,069,312</u>	<u>100.00%</u>

The slabs representing nil holding have been omitted.

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, Chief Executive and their spouse and minor children	4	4	-
Associated companies, undertakings & related parties (Note 1)	5	7,395,415	73.44%
NIT and ICP	2	3,586	0.04%
Banks, DFIs & NBFCs	3	408,284	4.05%
Insurance Companies	2	19,238	0.19%
Modarabas and Mutual Funds	4	6,675	0.07%
Public Sector Companies & Corporations	1	139,217	1.38%
<b>General Public</b>			
Local	1,322	1,795,782	17.84%
Foreign	-	-	-
<b>Others:</b>			
Corporate Law Authority (Securities and Exchange Commission of Paksitan)	1	1	-
Joint Stock Companies	29	264,179	2.62%
Abandoned Properties Organization	1	36,930	0.37%
Trustee of Iftikhar Shirazi Family Trust	1	1	-
	<u>1,375</u>	<u>10,069,312</u>	<u>100.00%</u>

**Note:**

1. Following shareholders are shown under Associated Companies category:

Atlas Foundation	185,112	1.84%
Atlas Insurance Limited	175,591	1.74%
GS Yuasa International Limited - Japan	1,510,387	15.00%
Shirazi Capital (Private) Limited	2,514,584	24.97%
Shirazi Investments (Private) Limited	3,009,741	29.89%

## Pattern of Shareholding as at June 30, 2011

### Information required under the Code of Corporate Governance

Categories of Shareholders	Number of Shareholder	Number of Shares held	Percentage of Shares held
<b>Associated Companies, Undertakings and Related Parties</b>			
Atlas Foundation	1	185,112	1.84%
Atlas Insurance Limited	1	175,591	1.74%
GS Yuasa International Limited - Japan	1	1,510,387	15.00%
Shirazi Capital (Private) Limited	1	2,514,584	24.97%
Shirazi Investments (Private) Limited	1	3,009,741	29.89%
	5	7,395,415	73.44%
<b>NIT and ICP</b>			
Investment Corporation of Pakistan	1	506	0.01%
IDBP - (ICP Unit)	1	3,080	0.03%
	2	3,586	0.04%
<b>Directors, Chief Executive and their spouse and minor children</b>			
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	1	-
Mr. Ali H. Shirazi	1	1	-
Mr. Kamal A. Chinoy	1	1	-
Mr. Omar Saeed	1	1	-
	4	4	-
<b>Executives</b>			
	-	-	-
<b>Public Sector Companies &amp; Corporation</b>			
State Life Insurance Coporation of Pakistan	1	139,217	1.38%
<b>Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Moradabad and Mutual Funds</b>			
	9	434,197	4.31%
<b>General Public</b>	1,322	1,795,782	17.84%
<b>Others</b>	32	301,111	2.99%
	1,375	10,069,312	100.00%

#### Shareholders holding 10% or more voting interest

GS Yuasa International Limited - Japan	1	1,510,387	15.00%
Shirazi Capital (Private) Limited	1	2,514,584	24.97%
Shirazi Investments (Private) Limited	1	3,009,741	29.89%

#### Details of Trading in the shares by Directors

Name	No. of Shares Traded	Date of Trade	Detail
Mr. Kamal A. Chinoy	1	5-Jan-2011	Purchased from market
Mr. Omar Saeed	1	18-May-2011	Purchased from market



## Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1962
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Atlas Engineering	1981*
<b>HONDA</b> Honda Atlas Cars	1992
<b>HONDA</b> Honda Atlas Power Product	1997
 Atlas Asset Management	2002
 Shirazi Capital	2005
 Atlas Power	2007
 Atlas World Wide	2007
 Atlas Venture	2008

## PRODUCT TYPES AND THEIR APPLICATION

Battery Type		Application	
<b>Light Batteries</b>			
CGR30	7 PL	CGR30	CNG Rickshaw
GX43	9 PL	NS40SR	Suzuki Van / Pick-up, Subaru Van / Pick-up (old models) (600cc to 800cc)
GL43	9 PL	NS40SR	Suzuki Car / Van / Pick-up, Jeep, Subaru Car / Van / Pick-up, Charade Petrol (800cc to 1000cc)
GL48	9 PL	NS40ZL 9PL	Suzuki Mehran, Daihatsu Cuore, Kia Classic, All CNG converted vehicles (800cc to 1000cc)
CNG48	9 PL	NS40ZL 9PL	All types of vehicles (800cc to 1300cc)
GL50	11 PL	NS40ZL 11PL	
CNG60	11 PL	N40	Datsun 120Y, Mazda, Mitsubishi Lancer, Toyota, Honda Civic (1000cc to 1800cc)
GR65	13 PL	NS60	
GL65	13 PL	NS60L	
GR70	9 PL	N50	Toyota Mark II, Toyota Crown, Toyota Cressida, Mercedes Benz, Willys Jeeps, MF375 Tractors, Hyundai, Daewoo (2000cc to 6000cc)
80D26R	11 PL	N50Z	
GR85	13 PL	N70 EXTRA	
GL85	13 PL	N70 EXTRA L	
<b>Medium Batteries</b>			
GR87	11 PL	NS70	Toyota Hi-Ace, Mercedes Benz, Isuzu Bus JCR 520zz, Massey Ferguson Tractors, MF-210 Cruiser, Toyota Hi-Lux, Nissan Diesel Pick-up, Ford 1910 Tractor (2000cc to 6000cc)
GR95	13 PL	N70Z	
GR100	15 PL	N85P	
GL100	15 PL	N85L	
6FT115	15 PL	6FT15	
N120	17 PL	N100S	Fiat Tractors 460 / 480, IMT 540 Tractors, Massey Ferguson Tractors 240 / 265, Ford Wagons, Land Rover, Toyota Land Cruiser (3000cc to 6000cc)
GX132	17 PL		Isuzu Trucks, Mercedes Benz, Hino Truck ZH - 100, Fiat Tractors 640, Isuzu JCR 460R (3000cc to 6000cc)
GX135	19 PL	N100	
<b>Heavy Batteries</b>			
GX155	21 PL	N120S	Fiat Tractors 640, Hino Trucks and Busses, Hino Bowzer, Fiat Trucks, Ford Dumper, Isuzu Diesel Buses, Fiat Buses (3000cc to 12000cc)
GX165	21 PL	N120S	
GX175	23 PL	N140	Ford Tractor 3610 and 46
4DLT145	23 PL	N130S	
4DLT160	27 PL	N150S	
GL190	23 PL		Bedford Truck, Fiat Tractors 640, Mazda Coaster T-3000, Isuzu TD-72, Generator Sets, Road Rollers and Belarus Tractors
195G51F	25 PL	N150	
GX200R	27 PL	N175	
GX200F	27 PL	N190Z	
210H52	31 PL	N200P	
245H52	33 PL	N200	Generator Sets, Road Roller, Bulldozer
<b>Motorcycle Battery</b>			
Classic-4	18 PL		Honda CD70, CG125, all Japanese and Chinese motorcycles

## OUR VALUED OEM CUSTOMERS



Atlas Honda Limited



Honda Atlas Cars (Pakistan) Ltd.



Indus Motor Company Ltd.



Pak Suzuki Motor Company Ltd.



Al-Ghazi Tractors Limited



Sigma Motors (Pvt) Limited



Dewan Farooque Motors Ltd.



DYL Motorcycles Ltd.



Ghandhara Nissan Ltd.



Sazgar Engineering Works Ltd.



N.J. Auto Industries (Pvt.) Ltd.



D.S. Motors



Memon Motors (Pvt) Ltd.



HKF Engineering (Pvt) Ltd.



Super Asia Motors (Pvt) Ltd.



Metro Motorbikes Company



United Auto Industries (Pvt.) Ltd.

The Secretary,  
Atlas Battery Limited,  
D-181, Central Avenue,  
S.I.T.E.,  
Karachi.

Affix  
Revenue Stamp  
  
Signature

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Address  
  
\_\_\_\_\_

Date

Dear Sir,

SUBJECT: PROXY FORM

I / we the undersigned member(s) of Atlas Battery Limited holding \_\_\_\_\_ ordinary shares hereby appoint Mr. / Mrs. / Miss \_\_\_\_\_ of \_\_\_\_\_ or failing him / her Mr. / Mrs. / Miss \_\_\_\_\_ of \_\_\_\_\_ being member of the Company as my / our proxy to attend, act and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at 2nd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi on September 29, 2011 at 10:00 a.m. and at every adjournment thereof.

(1) \_\_\_\_\_ (2) \_\_\_\_\_

(3) \_\_\_\_\_ (4) \_\_\_\_\_

Signature(s)

(1) \_\_\_\_\_

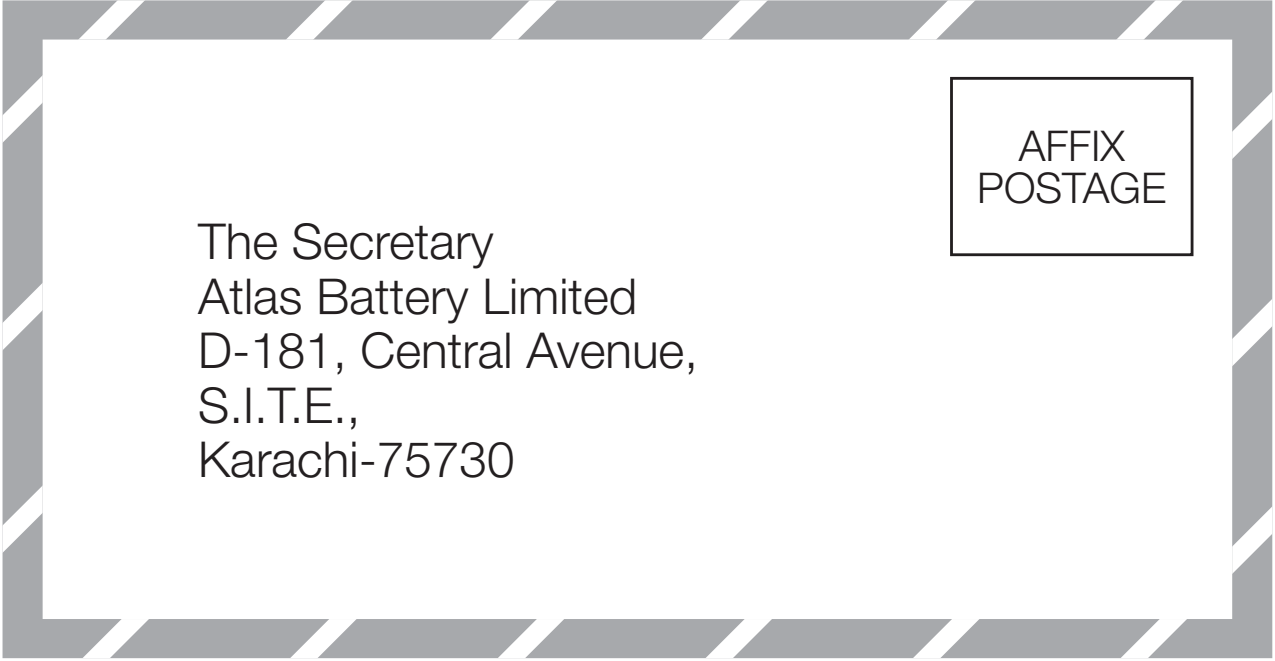
(2) \_\_\_\_\_

(3) \_\_\_\_\_

(4) \_\_\_\_\_

Name(s)

Signed in the presence of  
\_\_\_\_\_  
Name of Witness  
\_\_\_\_\_  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Date



The Secretary  
Atlas Battery Limited  
D-181, Central Avenue,  
S.I.T.E.,  
Karachi-75730

AFFIX  
POSTAGE

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## Atlas Battery Limited

D-181, Central Avenue, S.I.T.E., Karachi-75730

Ph: (92-21) 32567990-4,

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