



## Annual Report 2011



Organisation  
development  
through  
*self development*



 Atlas Engineering



## **Vision**

A leading customer oriented manufacturer and supplier of auto parts and components meeting world class standards.

## **Mission**

To realize vision by:

Dynamic manufacturing and marketing of good quality auto parts at competitive prices to the satisfaction of customers.

Continuously improve performance through advances in technology and innovation, aim to generate earnings sufficient to ensure attractive return to the stakeholders.

Create ideal working environment leading to enhanced productivity, job satisfaction and provide employees opportunity for personal development.

Contribute to the national economy with a strong sense of responsibility to society and the environment.

## OUR VALUED OEM CUSTOMERS



Atlas Honda Limited



Pak Suzuki Motor Company Ltd.



Indus Motor Company Ltd.



Al-Ghazi Tractors Ltd.



Millat Tractors Ltd.



DYL Motorcycles Ltd.

**ALLWIN** ہے تو اچھا ہے **آلن**

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## Company Information



### Board of Directors

Yusuf H. Shirazi  
Chairman

Ali H. Shirazi  
Director

Bashir Makki  
Director

H. Masood Sohail  
Director

Javaid Anwar  
Director

Suhail Ahmed  
Director

Sadaqat Ali  
Chief Executive Officer

Fida Hussain Zahid  
Company Secretary

### Audit Committee

H. Masood Sohail  
Chairman

Ali H. Shirazi  
Member

Suhail Ahmed  
Member

Faiz Ullah Ghazi  
Chief Internal Auditor

Fida Hussain Zahid  
Secretary

## Management Committee

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Sadaqat Ali  
Chief Executive Officer

Muhammad Qadeer Khan  
General Manager Plant

Shakil Ahmed  
Chief Financial Officer

Muhammad Saqlain Mirza  
General Manager Marketing

Munzim Ahmed Vahidy  
General Manager Quality Assurance

Jawaid Iraqi  
General Manager Support Services

Syed Naushad Ali  
Financial Controller

Abdul Sattar  
Manager HR & Admin

## Auditors

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Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Legal Advisors

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Mohsin Tayabali & Co.  
Advocate Incorporation  
Agha Faisal Barrister at Law

## Tax Advisor

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Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## Bankers

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Bank Alfalah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited

## Registered Office and Factory

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15th Mile, National Highway, Landhi, Karachi-75120  
PABX: 111-111-AEL (235), Fax: 021-35011709  
Email: aelkhi@atlasengineering.com.pk  
Website: www.atlasengineering.com.pk

## Share Registrar

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M/S Hameed Majeed Associates (Pvt.) Limited,  
Karachi Chambers, Hasrat Mohani Road, Karachi  
Phones: 021-32424826 & 32412754  
Fax: 021-32424835  
E-mail: majeed@hmaconsultants.com

## Sales Offices

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### Lahore Office:

Salam Chambers, 1st Floor, 2-Kothalia Building,  
McLeod Road, Lahore  
Phones: 042-37354245, 37227075,  
Fax: 042-37352724  
Mobile: 0333-4642589, 0307-4606099

### Multan Office:

Near Capri Cinema, Azmat Wasti Road, Multan  
Phone: 061-4512181,  
Fax: 061-4541690 & 4586280  
Mobile: 0300-6302201

### Faisalabad Office:

No. 54, Chenab Market, Madina Town, Faisalabad  
Phone: 041-8549376  
Mobile: 0300-7982516

### Rawalpindi Office:

312, R-A-Bazar, Kashmir Road, Rawalpindi  
Phone: 051-5516806  
Mobile: 0333-5129411

## Notice of Annual General Meeting

Notice is hereby given that the 49th Annual General Meeting of Atlas Engineering Limited will be held at 2nd Floor Federation House, Shahrah-e-Firdousi, Clifton, Karachi on October 26, 2011 at 10:00 a.m. to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on May 10, 2011.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2011.
3. To appoint Auditors for the year 2011-2012 and to fix their remuneration.

By order of the Board



Fida Hussain Zahid  
Company Secretary

Karachi: September 23, 2011

### NOTES:

- i) The Share Transfer Books of the company will remain closed from October 20, 2011 to October 26, 2011 (both days inclusive).
- ii) A member entitled to attend and vote at the meeting shall be entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a proxy must be received at the company's Registered Office not less than 48 hours before the time of holding of the meeting.
- iii) No person shall act as proxy unless he is member of the Company. Signature of shareholder on Proxy Application must agree with the specimen signature registered with the Company. Appropriate revenue stamp should be affixed on the Proxy Application.
- iv) For the convenience of the shareholder a Proxy Application Form is attached with this report.
- v) Shareholders are requested to immediately notify the Registrar of any change in their addresses.
- vi) Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity and in case of proxy, must enclose an attested copy of his/her Computerized National Identity Card. Representative of corporate members should bring their usual documents required for such purpose.



## Board of Directors



**Mr. Yusuf H. Shirazi**

**Chairman**

Mr. Shirazi is a Law graduate (L.L.B) 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' adjudged by the Writers Guild as the best book of the year NBP Award and continues to be a columnist, particularly on economy. Mr. Shirazi is the Chairman of the 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, National School of Public Policy and Naval War College. He has been on the Board of Governors 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. Ali H. Shirazi**

**Director**

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 CEO of Atlas Battery Ltd and on the Board of Atlas Insurance Ltd, Atlas Asset Management Ltd and Techlogix.



**Mr. Bashir Makki**

**Director**

Mr. Bashir Makki is an MBA from IBA, Karachi University and has over 28 years of corporate management experience. He formerly worked with ICI Pakistan Limited for 21 years, which also included 2 years of secondment with ICI Malaysia Holdings, where besides his other responsibilities he was also conducting HR audits of various ICI companies in the Asia Pacific region.

Prior to joining Atlas Group, he managed his own HR consultancy business, where he effectively utilized his "hands on" expertise at middle and senior management levels in the diverse fields of marketing, sales and human resources.

In Atlas Group, in addition to being the Human Resources Director, he is also the Group Executive Committee Member and oversees the operations of its two companies operating in the automotive sector.

Mr. Makki is a certified trainer and has over the years conducted several organizational development programs and is regarded as an innovative & effective trainer with a strong commitment to the facilitation of best practices in corporate education & learning. He is also on the Board of Governors of Pakistan Society for Training & Development.

He has a vast experience in recruiting professionals from varying disciplines and in managing various performance management systems incorporating tested techniques, primarily relating to Performance Appraisal, Succession Planning and Job Evaluation (Hay methodology).



### **Mr. Javaid Anwar**

**Director**

Mr. Javaid Anwar has a Masters degree in Chemical Tech. from University of Punjab and has extensive management experience in senior capacity with multinational companies in Oil & Gas Sector. He has served as MD and CEO of BOC Pakistan Limited for 15 years. During his tenure BOC won top 25 companies award of Karachi Stock Exchange for 13 years. He was associated with Brushane Pakistan Limited and played pioneer role in LPG industry in Pakistan. He is also the director of Cherat Ltd and International Industries Limited.

### **Mr. H. Masood Sohail**

**Director**

Mr. H. Masood Sohail has a Masters degree in Mechanical Engineering from the University of Michigan, USA. He has extensive management experience in senior capacity in Oil & Gas Sector. He worked two years in a consulting engineers firm in U.S.A and joined Pakistan Petroleum Limited in 1958, held various positions and was Managing Director / Chief Executive from 1990 to 1997. He became Chairman of the Board of Directors from 1997 to 2003. He has also served in the past as Director on the Boards of Oil and Gas Development Company Limited, Sui Southern Gas Company Limited, Burshane Limited and Karwan-e-Hayat (a social welfare organization). He remained Member of the Advisory Committee of the Ministry of Petroleum and Natural, Government of Pakistan from 1999 to 2002. He has also served as Member, Board of Governors, Indus Valley School of Art & Architecture, Karachi. He is also the director and Chairman Audit Committee of Saif Energy Ltd., and Berger Paints Pakistan Ltd. He is also Chairman, Advisory Board of the Department of Petroleum Engineering, NED University of Engineering & Technology, Karachi.



### **Mr. Suhail Ahmed**

**Director**

Mr. Suhail Ahmed has been associated with Atlas Group since 1978 and has 32 years of experience in General Management, Financial Management, Banking and Taxation. He is also the Director of Atlas Auto Parts (Private) Limited. He has attended Management and Development courses from various local and foreign institutions.

### **Mr. Sadaqat Ali**

**Chief Executive Officer**

Mr. Sadaqat Ali has been associated with the Company since 2005. Prior to elevation as Chief Executive Officer he was associated as Chief Financial Officer of the Company. He is fellow member of Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan. He also holds Bachelor degree in Law and legislation. He has 17 years vast post qualification experience in multifarious disciplined organizations of Pakistan. He remained member of Income Tax Bar Association since 1991. He remained on Board of Directors of ABE Pak (Private) limited from March 2004 to February 2007.



## Shareholders' Information

### Registered Office and Factory

15th mile, National Highway, Landhi, Karachi-75120  
Tel: +92-21-111-111-235  
Fax: +92-21-35011709

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### Listing on Stock Exchanges

Atlas Engineering Limited is listed on Karachi and Lahore Stock Exchanges.

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### Listing Fees

The annual listing fees for the financial year 2010-11 have been paid to the Karachi and Lahore Stock Exchanges and Central Depository Company within the prescribed time limit.

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### Stock Code

The stock code for dealing in equity shares of Atlas Engineering at KSE and LSE is ATEL.

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### Share Registrar

M/s Hameed Majeed Associates (Pvt.) Limited,  
Karachi Chambers, Hasrat Mohani Road, Karachi  
Phones: +92-21-32424826 & 32412754 Fax: +92-21-32424835  
E-mail: [majeed@hmaconsultants.com](mailto:majeed@hmaconsultants.com)

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### Statutory Compliance

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

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### Annual General Meeting

Date: October 26, 2011  
Time: 10:00 a.m.  
Venue: Federation House, 2nd Floor, Shahrah-e-Firdousi, Clifton, Karachi.

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### Financial Calendar

Audited annual results for the year ended June 30, 2011:

Third week of September 2011

Mailing of annual reports:

First week of October 2011

Annual General Meeting:

Fourth week of October 2011

Un-audited first quarter financial results:

Fourth week of October 2011

Un-audited second quarter financial results:

Fourth week of February 2012

Un-audited third quarter financial results:

Fourth week of April, 2012

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### Share Transfer System

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

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### General Meeting

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 shareholders at least 21 days before the meeting and also advertised in at least one English and Urdu newspaper having circulation in the province in which the Karachi and Lahore Stock Exchanges are situated.

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### 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 instead of him/her. The instrument appointing proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the company not less than forty eight hours before the meeting.

### Market price Data

The following table shows the month-wise share price of the company in the Karachi Stock Exchange:

Months	Karachi Stock Exchange	
	High	Low
July 2010	17.01	16.00
August 2010	17.25	15.90
September 2010	19.80	16.70
October 2010	19.88	17.00
November 2010	19.74	16.00
December 2010	19.00	15.00
January 2011	39.86	16.00
February 2011	42.45	34.44
March 2011	38.35	35.00
April 2011	38.40	33.75
May 2011	39.91	36.20
June 2011	39.50	35.00

### Website of the Company

Your company is operating website [www.atlasengineering.com.pk](http://www.atlasengineering.com.pk) containing updated information regarding the company. The website contains the financial results of the company together with company's profile, the Atlas group philosophy and products of the company.

### Change of Address

All registered shareholders should send information on changes of addresses at the Registrar Office of the company mentioned above.

## Chairman's Review

It is my pleasure to present to you the 49th annual performance report of the Company for the period ended June 30, 2011.

### The Economy

During the year 2010-11, the economy witnessed improvement in selected macroeconomic indicators, such as declining trend in inflation, substantial growth of 29.4 percent in exports and higher overseas remittances.

The post flood recovery in wheat and sugarcane crops augmented agriculture growth. In the manufacturing sector, demand for products remained strong. The shortfall in gas and electricity created production disruptions, which resulted in underutilization of capacities. The strong performance of services sector that grew at the rate 4.1 percent has kept the overall economic growth in a reasonable range.

A continuous upward adjustment in power and fuel tariff further aggravated the inflationary pressure & cost of doing business. The Inflationary trend persisted and rose to 15.5 percent, which resulted in an increase in the discount rate by Central bank by 150 basis points (bps).

### Market Review

In the year, 2010-11, there was a reasonable growth in automobile sector, especially motorcycles segment. The two wheelers industry showed a consistent growth over last year by 16%. The growth in the automobiles sector provided a breathing space for vendor industry and also mitigated the negative aftermaths in business because of heavy floods. In Automobile sector, four wheelers industry showed a growth of around 10% over 2009-10, despite the after effects of Tsunami in Japan. However, the tractor industry, bore the brunt of the adverse impact of floods in first quarter, which was further affected by the General Sales Tax (GST) that was levied with effect from 15 March 2011. This resulted in an overall negative growth of 2 to 3 percent over last year for the tractor manufacturing industry.

### The Company

Your Company's business during the year 2010-11 remained exceptionally well because of continuous growth trend from OEM sector, especially, motorcycle segment where the sale showed significant increase. The same trend was observed in radiator segment in replacement market. As a result, the sale for the year 2010-11 was Rs. 2,117.00 million against Rs. 1,529.33 million compared to last corresponding period.

During the period under review, Pak rupee devalued significantly against the Japanese Yen. Prices of basic materials registered substantial increase throughout the year. The increase in materials cost was partially accommodated in shape of price increase of supplies to OEM's and that of products supplied in the replacement market. Government imposed fuel surcharge on KSEC bills and further increased utility prices by 30% during the year. Cost of other overheads also increased due to high inflation. These cost pressures were offset by increasing productivity and improving sales. Moreover, continued focus on cost reduction during the year had a direct positive impact on our efforts to control costs.

Your company is continuously focusing on enhancing its technological base & capacities to ensure smooth supply and synchronization with growing demands from customers. The Company invested Rs. 65.71 million in addition to lease financing during the year because of BMR, leading to increasing future revenues and profitability. Your Company also did well in replacement market, although there was severe competition with extremely large number of suppliers of auto parts, especially, diesel pistons and C. I. Parts with manufacturers who offer comparatively lower quality and cheaper products with extended credit terms.

### Financial Highlights

During the year 2010-11, your company achieved the highest turnover of Rs. 2.117 billion against Rs. 1.529 billion in the corresponding period of last year, an increase of 38.45 percent.

Despite rupee devaluation against yen and increase in material cost and utility charges, gross profit was recorded at Rs. 232.09 million against Rs. 187.78 million in the last corresponding period, an increase of 23.60 percent. The higher gross profit was mainly because of higher sales, reduction in costs through process improvement, better material management and improved productivity.

The operating expenses increased to Rs. 85.61 million against Rs. 77.12 million of corresponding period, which are 4.04 percent and 5.04 percent of the sales respectively. The financial charges increased from Rs. 52.72 million to Rs 65.80 million as compared to last year due to increase in business volume and increase in SBP discount rate by 150 basis points. In this perspective, your Company registered profit before tax of Rs. 82.72 million, against Rs. 58.06 million of the corresponding period last year, an improvement of 42.47 percent. The net profit after tax for the year-end increased to Rs. 71.55 million from Rs. 36.14 million of last year with improvement in net profit that is 97.96 percent against last corresponding year leading to earnings per share after tax for the year to Rs. 2.90 against Rs. 1.46 in the corresponding period last year.

### Cash Flow

Net cash used during the year ended June 30, 2011 was Rs. 16.39 million compared to generation of Rs. 92.43 million vis a vis for corresponding year. The cash outflow from investing activities remained Rs. 76.85 million because of additions in property, plant and equipment. Investments last year involved a cash outflow of Rs. 69.86 million. The cash inflow from financing activities was Rs. 128.53 million against outflow of Rs. 11.63 million last year. Net increase in cash and cash equivalent is Rs 35.289 million as against Rs 10.945 million in the corresponding period of last year

### Contribution To Exchequer

During the year under review, the company contributed an amount of Rs. 477.54 million in respect of sales tax, income tax, custom duty and various government levies which is 47 percent higher than last corresponding period. Moreover, the Atlas Group, of which the company is a constituent member, contributed in all Rs.20 billion during the year 2010-11 - making it a major contributor to the exchequer.

### Human Resources

The selection of the employees is based on their values, integrity and merit. In pursuance of Atlas Group's Motto of Organizational Development through Self Development, Company maintained its emphasis on grooming the associates to meet the changing business requirements.

The company encourages continuous development to the best of their abilities for keeping the organization competitive and provides them opportunities to advance their careers. The efforts remained focused towards development of team building, commitment, value system and superior performance to consolidate Atlas Group philosophy, culture and management system.

During the year, an Atlas-IBA management diploma program in cooperation with IBA was organized to meet the career development requirement of potential candidates. Three executives successfully completed Atlas-IBA diploma program and further two executives are in process of completion. Exclusive customized training programs were developed and conducted by External trainers using In-house facilities on "Business Communication Skills", "Excellence in Selling" and "ISO 9001-2001 Internal Auditor".

For strengthening the management team and catering to the future organizational need of quality HR, eight management trainees were inducted in the identified areas of marketing, quality assurance, support service, human resource and production.

Major focus of the HR department was directed towards improving systems and procedures. HSE policy implementation and work on 5S started at the grass root level with the help of HSE circles. The Industrial peace was maintained through out the year.

## Outlook & Challenges

Pakistan's economy has displayed significant resilience over the years. The Company foresees difficult time ahead because of increases in cost due to currency devaluation, rising inflation, fiscal slippages, drying up of financial inflows and rise in prices of raw materials. Going forward, achieving macroeconomic stability remains a key challenge, for which, revenue generation is the answer through improvement in tax to GDP ratio. Overall, the agriculture sector will hold the key to revival. The expected improved performance for agriculture sector and better global commodity price outlook are expected to bring favorable results for the economy. This would also strengthen automobile demand due to increase in rural income.

The Company will remain focused on its core business and profitable areas of Casting & Machining of parts in which your Company has expertise and technological edge over its competitors.

In order to cater to the growing demand of parts, the Company has embarked upon a plan of sizeable capital investment for balancing, modernization and expansion of manufacturing capabilities. This investment will increase capacity, improve overall internal efficiencies and quality of work, leading to tangible savings and customer satisfaction.

نہیاں نبیاں ارم دیکھتے ہیں

(We look forward to a great future)

## Acknowledgement

I would like to thank the customers, dealers, financial institutions and shareholders for their continued support and cooperation in maintaining high standards of excellence. I also thank our members of the board of Directors, and Chief Executive Officer and his team for their countless hours of work to make Atlas Engineering a great company in order to excel in our service to our valued customers.



Yusuf H. Shirazi

Karachi: September 23, 2011

## Key Performance and Financial Data

(Rupees in 000's)

PARTICULARS	2011	2010	2009	2008	2007	2006
Sales	2,117,003	1,529,328	1,135,161	1,228,450	925,015	947,484
Gross profit	232,088	187,779	64,184	141,764	77,675	138,200
Profit / (Loss) Before Taxation	82,722	58,062	(59,274)	29,654	(15,574)	57,181
Profit / (Loss) After Taxation	71,549	36,144	(47,467)	19,377	574	29,080
Share Capital	246,734	246,734	246,734	123,367	123,367	123,367
Reserves	86,817	15,268	(20,876)	35,844	16,467	28,230
Shareholders' Equity						
- Including Surplus on Revaluation	689,911	677,782	641,638	574,991	555,614	270,277
- Excluding Surplus on Revaluation	333,551	262,002	225,858	159,211	139,834	151,597
Fixed Assets Net	807,340	844,060	810,161	876,807	889,787	592,672
Total Assets	1,342,618	1,237,256	1,150,688	1,209,008	1,137,337	903,729
Current Assets	512,661	382,404	330,215	325,178	242,002	308,847
Current Liabilities	455,207	395,227	364,390	416,424	355,303	340,258
Net Working Capital	57,454	(12,823)	(34,175)	(91,246)	(113,301)	(31,411)
<b>Ratios:</b>						
Profitability ( % )						
Gross Profit	10.96	12.28	5.65	11.54	8.40	14.59
Profit / (Loss) Before Tax	3.91	3.80	(5.22)	2.41	(1.68)	6.04
Profit / (Loss) After Tax	3.38	2.36	(4.18)	1.58	0.06	3.07
<b>Return to Shareholders</b>						
Dividend %	-	-	-	7.50	-	10.00
Cash Dividend Per Share	-	-	-	0.75	-	1.00
Dividend Yield Ratio	-	-	-	0.02	-	0.02
Dividend Pay Out Ratio	-	-	-	0.47	-	0.42
ROE - After Tax %	21.45	13.80	(21.02)	12.17	0.41	19.18
Earnings/(loss) per share - basic & diluted - Rs.	2.90	1.46	(3.33)	1.61	0.05	2.36
Market Price ( June 30 )	39.50	16.00	9.66	31.60	25.70	39.70
<b>Activity (Times)</b>						
Sales to Total Assets	1.58	1.24	0.99	1.02	0.81	1.05
Sales to Fixed Assets	2.62	1.81	1.40	1.40	1.04	1.60
Inventory Turnover (Days)	54	61	59	82	82	112
Debtor Turnover (Days)	27	25	40	13	13	12
<b>Liquidity / Leverage</b>						
Current Ratio (Times)	1.13	0.97	0.91	0.78	0.68	0.91
Quick Ratio (Times)	0.51	0.40	0.43	0.20	0.14	0.18
Break up Value per Share (Rs.)						
- Excluding Surplus on Revaluation	13.52	10.62	9.15	12.91	11.33	12.29
Long Term debts to Equity (Incl. Surplus on Revaluation) (Times)	0.22	0.16	0.17	0.28	0.32	0.52
Total Liabilities to Equity (Incl. Surplus on Revaluation) (Times)	0.49	0.45	0.44	0.52	0.51	0.70



## Analysis of Financial Statements

### Balance Sheet - As at June 30,

(Rupees in '000's)

PARTICULARS	2011	2010	2009	2008	2007	2006
<b>NON CURRENT ASSETS</b>						
Fixed assets						
Property , plant and equipment	807,254	844,060	809,651	876,110	889,331	591,980
Intangible assets	86	-	510	697	456	692
	807,340	844,060	810,161	876,807	889,787	592,672
Long-term loans and advances	1,614	948	1,009	777	355	725
Long-term deposits and prepayments	21,003	9,844	9,303	6,246	5,193	1,485
	829,957	854,852	820,473	883,830	895,335	594,882
<b>CURRENT ASSETS</b>						
Stores , spare parts and loose tools	56,838	46,643	51,317	46,418	36,687	39,846
Stock-in-trade	223,259	176,340	120,626	197,464	154,634	207,582
Trade debts	156,839	105,520	125,307	44,042	32,916	30,387
Loans and advances	12,073	9,451	4,796	14,625	5,314	4,031
Trade deposits and short-term prepayments	12,095	1,574	7,960	13,782	1,263	12,348
Taxation-net	36,578	40,109	15,158	2,069	1,056	1,032
Cash and bank balances	14,979	2,767	5,051	6,778	10,132	13,621
	512,661	382,404	330,215	325,178	242,002	308,847
<b>TOTAL ASSETS</b>	1,342,618	1,237,256	1,150,688	1,209,008	1,137,337	903,729
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL AND RESERVES</b>						
Share capital	246,734	246,734	246,734	123,367	123,367	123,367
Accumulated profit / (loss)	86,817	15,268	(20,876)	35,844	16,467	28,230
	333,551	262,002	225,858	159,211	139,834	151,597
<b>SURPLUS ON REVALUATION OF FIXED ASSET</b>	356,360	415,780	415,780	415,780	415,780	118,680
<b>NON-CURRENT LIABILITIES</b>						
Long-term financing	117,691	70,268	65,070	123,142	136,427	200,127
Liabilities against assets subject to finance lease	11,093	16,173	17,654	22,220	24,394	8,935
Retirement and other service benefits	26,060	24,213	22,615	20,183	17,686	15,442
Deferred taxation	42,656	53,593	39,321	52,048	47,913	68,690
	197,500	164,247	144,660	217,593	226,420	293,194
<b>CURRENT LIABILITIES</b>						
Trade and other payables	134,755	147,739	118,220	80,135	58,874	85,520
Accrued mark-up	16,305	13,315	13,241	12,725	10,008	9,815
Short-term borrowings	214,364	161,894	175,123	223,767	182,194	144,935
Current maturity of long-term financing	52,572	38,850	43,572	70,283	88,700	86,881
Current maturity of liabilities against assets subject to finance lease	9,287	7,766	8,571	12,828	8,951	-
Provisions and other liabilities	27,924	25,663	5,663	16,686	6,576	13,107
	455,207	395,227	364,390	416,424	355,303	340,258
<b>TOTAL EQUITY AND LIABILITIES</b>	1,342,618	1,237,256	1,150,688	1,209,008	1,137,337	903,729



## Analysis of Financial Statements

### Profit and Loss Account - For the Year Ended June 30,

(Rupees in '000)

PARTICULARS	2011	2010	2009	2008	2007	2006
Sales	2,117,003	1,529,328	1,135,161	1,228,450	925,015	947,484
Material Cost	(1,421,437)	(950,283)	(715,336)	(735,092)	(548,747)	(503,357)
Factory Overheads	(463,478)	(391,266)	(355,641)	(351,594)	(298,593)	(305,927)
Cost of goods sold	(1,884,915)	(1,341,549)	(1,070,977)	(1,086,686)	(847,340)	(809,284)
Gross profit	232,088	187,779	64,184	141,764	77,675	138,200
Selling and distribution costs	(23,299)	(20,690)	(18,470)	(15,722)	(13,452)	(12,975)
Administrative expenses	(53,605)	(49,629)	(42,489)	(39,720)	(33,768)	(27,312)
Other operating expenses	(8,707)	(6,800)	(2,589)	(3,177)	(1,821)	(5,591)
Finance costs	(65,800)	(52,721)	(66,355)	(53,861)	(53,042)	(35,653)
	(151,411)	(129,840)	(129,903)	(112,480)	(102,083)	(81,531)
Operating profit / (loss)	80,677	57,939	(65,719)	29,284	(24,408)	56,669
Other operating income	2,045	123	6,445	370	8,834	512
Profit / (loss) before taxation	82,722	58,062	(59,274)	29,654	(15,574)	57,181
Taxation	(11,173)	(21,918)	11,807	(10,277)	16,148	(28,101)
Profit / (loss) after taxation	71,549	36,144	(47,467)	19,377	574	29,080

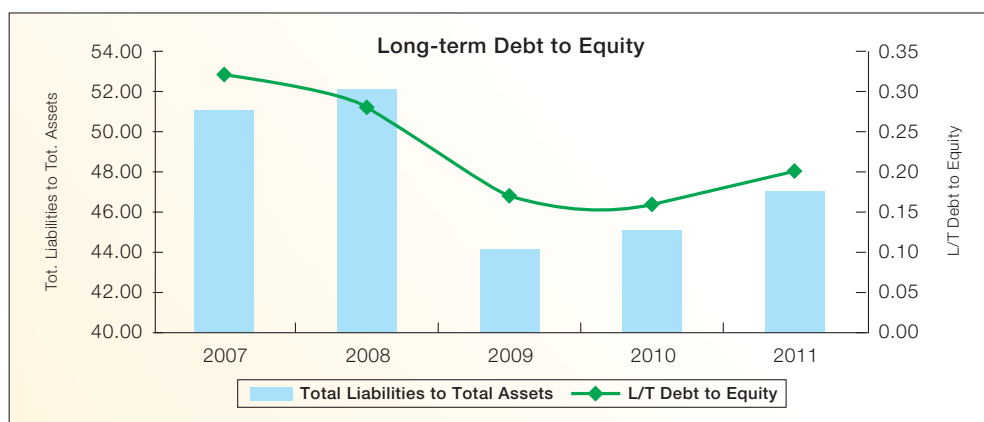
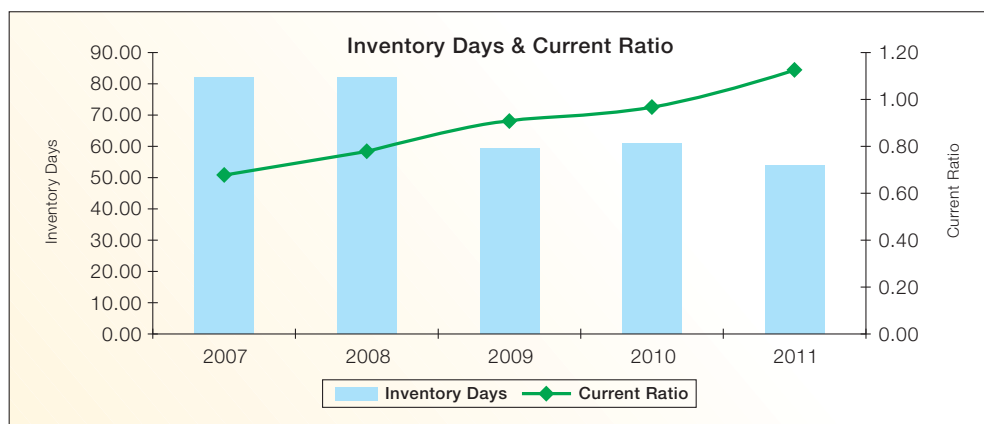
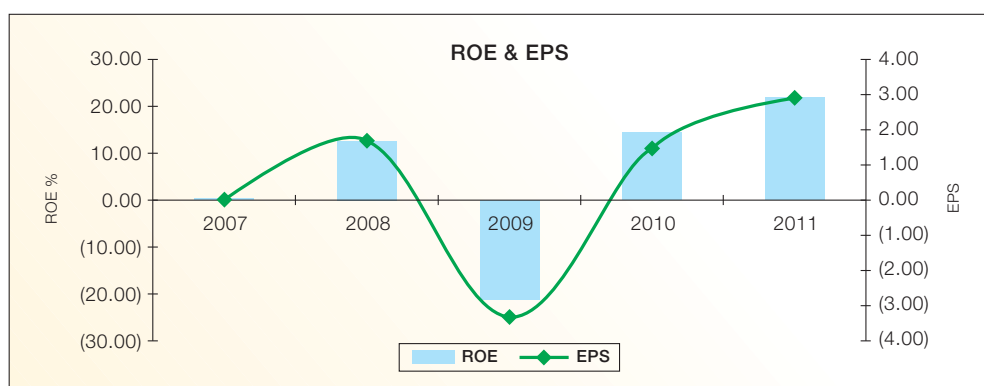
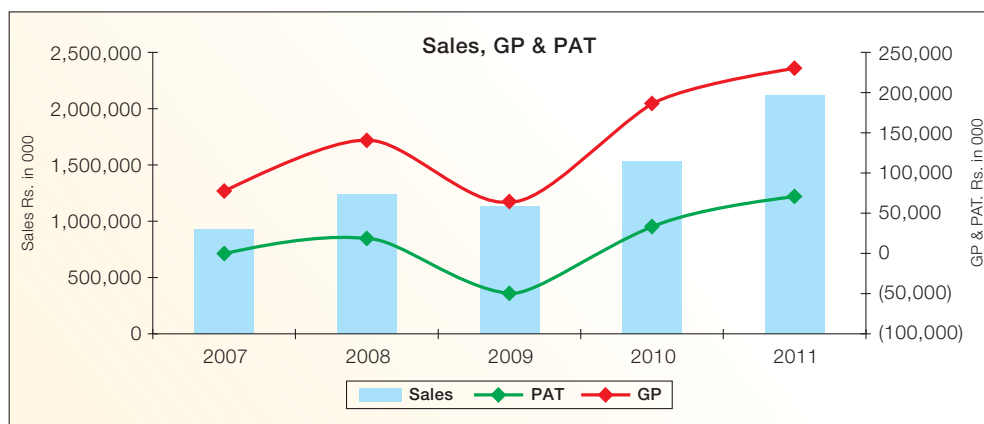
## Analysis of Financial Statements

### Profit and Loss Account - For the Year Ended June 30,

## Vertical Analysis

PARTICULARS	2011	2010	2009	2008	2007	2006
	----- Percentage -----					
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Material Cost	(67.14)	(62.14)	(63.02)	(59.84)	(59.32)	(53.13)
Factory Overheads	(21.89)	(25.58)	(31.33)	(28.62)	(32.28)	(32.29)
Cost of goods sold	(89.04)	(87.72)	(94.35)	(88.46)	(91.60)	(85.41)
Gross profit	10.96	12.28	5.65	11.54	8.40	14.59
Selling and distribution costs	(1.10)	(1.35)	(1.63)	(1.28)	(1.45)	(1.37)
Administrative expenses	(2.53)	(3.25)	(3.74)	(3.23)	(3.65)	(2.88)
Other operating expenses	(0.41)	(0.44)	(0.23)	(0.26)	(0.20)	(0.59)
Finance costs	(3.11)	(3.45)	(5.85)	(4.38)	(5.73)	(3.76)
	(7.15)	(8.49)	(11.44)	(9.16)	(11.04)	(8.61)
Operating profit / (loss)	3.81	3.79	(5.79)	2.38	(2.64)	5.98
Other operating income	0.10	0.01	0.57	0.03	0.96	0.05
Profit / (loss) before taxation	3.91	3.80	(5.22)	2.41	(1.68)	6.04
Taxation	(0.53)	(1.43)	1.04	(0.84)	1.75	(2.97)
Profit / (loss) after taxation	3.38	2.36	(4.18)	1.58	0.06	3.07

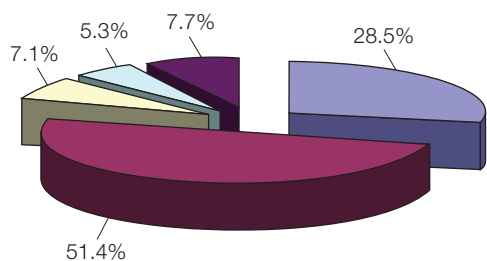
## Key Performance Ratios - Graphical Presentation



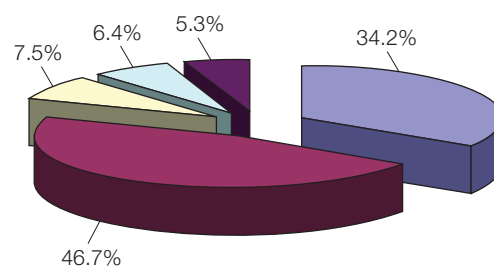
## Statement of Value Addition Year Ended June 30,

	----- (Rupees in '000) -----			
	2011		2010	
	Amount	% age	Amount	% age
<b>Wealth Generated:</b>				
Total Revenue	2,529,818		1,789,314	
Material & Services (excluding duties)	(1,601,127)		(1,090,814)	
	<u>928,691</u>	<u>100%</u>	<u>698,500</u>	<u>100%</u>
<b>Wealth distributed:</b>				
<b>To Employees</b>				
Salaries & other related costs	264,942	28.5%	238,888	34.2%
<b>To Government</b>				
Sales tax, income tax, import duty & other levies	477,548	51.4%	325,917	46.7%
<b>To Providers of Capital</b>				
Markup/Interest	65,800	7.1%	52,721	7.5%
<b>Retained in the Business</b>				
Depreciation	48,852	5.3%	44,830	6.4%
Retained Profit	71,549	7.7%	36,144	5.3%
	<u>120,401</u>	<u>13.0%</u>	<u>80,974</u>	<u>11.7%</u>
	<u>928,691</u>	<u>100%</u>	<u>698,500</u>	<u>100%</u>

**Wealth Distribution 2011**



**Wealth Distribution 2010**



■ Employees ■ Markup/Interest ■ Retained in Business ■ Government ■ Depreciation

## Director's Report

The Directors of your company take pleasure in presenting their report together with the Audited Accounts and Auditor's Report thereon for the year ended June 30, 2011.

### Financial Results

The financial results of your company for the year ended June 30, 2011 under review are summarized as follows:

	----- (Rupees in '000) -----	
	2011	2010
Profit before taxation	82,722	58,062
Taxation		
Current	(22,110)	(7,646)
Deferred	10,937	(14,272)
	(11,173)	(21,918)
Profit after taxation	71,549	36,144

### Earnings per Share

Basic earnings per share after tax is Rs. 2.90 per share (2010: Rs. 1.46).

### Dividend

The Company is making investments for enhancing and modernizing manufacturing facilities. In order to invest in machines and equipment for future expansion of business, the Board of Directors has not recommended any dividend for the year 2011 (2010: Rs. Nil).

### 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 one Executive and six Non-Executive directors. All the non-executive directors are independent from management. During the year, election of Directors in accordance with Companies Ordinance, 1984 was held, Messer Yusuf H. Shirazi (Chairman), Sadaqat Ali (CEO), Ali H. Shirazi, Bashir Makki, H. Masood Sohail, Javaid Anwar, Suhail Ahmed were unanimously elected Directors of the company.

The Board approved the remuneration of the CEO Rs. 6.78 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2011-2012.

During the year five Board meetings were held. The attendance of the directors is as follows:

S. No.	Name of Directors	Meetings Attended
1.	Mr. Yusuf H. Shirazi	5
2.	Mr. Ali H. Shirazi	5
3.	Mr. Bashir Makki	4
4.	Mr. H. Masood Sohail	5
5.	Mr. Jawaid Iqbal Ahmed - (resigned on January 4, 2011)	2
6.	Mr. Mohammad Atta Karim - (resigned on April 12, 2011)	3
7.	Mr. Sohail Wajahat H. Siddiqui	1
8.	Mr. Javaid Anwar (appointed in place of Mr. Jawaid Iqbal Ahmed on January 4, 2011)	1
9.	Mr. Suhail Ahmed (appointed in place of Mr. Mohammad Atta Karim on April 12, 2011)	2
10.	Mr. Sadaqat Ali	1

## Auditors

The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2011-2012.

## Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing Rules, relevant for the year ended June 30, 2011 have been complied with. The directors confirm the compliance of Code of Corporate Governance and a statement to this effect is annexed.

## Audit Committee

The Audit Committee is a committee of the Board that reviews the financial and internal reporting process, the system of internal controls, management of risks and internal and external audit processes. It also proposes the appointment of external auditors to the shareholders and is directly responsible for their remuneration and oversight of their work. An independent Internal Audit function reports to the committee regarding risks and internal control across the organization. The audit committee receives reports from external auditors on any accounting matters that might be regarded as critical. The detailed Charter of Audit Committee developed in accordance with the Code of Corporate Governance contained in the listing regulations of stock exchanges.

The committee consists of three members. Including the Chairman of Committee who are non-executive directors.

The Audit Committee met four times during the year ended June 30, 2011. The Audit Committee 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 attended as follows:

S. No.	Name of Directors	Meetings Attended
1.	Mr. H. Masood Sohail (Chairman)	4
2.	Mr. Ali H. Shirazi	4
3.	Mr. Mohammad Atta Karim	3
4.	Mr. Suhail Ahmed (appointed in place of Mr. Mohammad Atta Karim on April 12, 2011)	1

## Management Committee

The Management Committee acts at the operating level in an advisory capacity to the CEO, providing recommendations relating to the business and other corporate affairs. The Committee has responsibility for reviewing and forwarding long-term plans, capital and expense budget development and stewardship of business plans. The committee is also responsible for maintaining healthy environment within and outside the Company. The committee is organized on a functional basis and meets monthly to review the performance of each function of the company against its targets set at the beginning of the year.

## Communication

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

## Donation

The Company has a policy to donate 1% of its profit before tax of preceding year to a charitable institution. During the year, Company has donated Rs. 0.58 million.

## Health, Safety and Environment

Health, Safety and Environment policy is annexed.

### Statement of Ethics and Business Principles

The Statement of Ethics and Business Principles is annexed.

### Further the Directors also confirm the following statements:

- a). The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- b). The company has maintained proper books of account.
- c). Appropriate accounting policies have been consistently applied, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d). International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e). The system of internal control is sound in design and has been effectively implemented and monitored.
- f). There is no doubt about the company's ability to continue as a going concern.
- g). There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

### Key Operating and Financial Data

A summary of key operating and financial data of the company is annexed.

### Government Levies

Information about taxes and levies is given in notes to the financial statements.

### Employees' Provident Fund & Gratuity Fund

The Company operating a contributory provident fund scheme for all employees and non-contributory gratuity fund scheme for its management employees. The value of investment, base on their respective audited accounts are as follows:

- Provident Fund Rs. 173.12 million (June 30, 2010)
- Gratuity Fund Rs. 7.07 million (June 30, 2010)

### Pattern of Shareholding

The pattern of shareholding of the company is annexed.

For and on behalf of the  
Board of Directors



Sadaqat Ali  
Chief Executive Officer

Karachi: September 23, 2011.



## Statement of Compliance with the Code of Corporate Governance For the Year Ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the 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 Company encourages representation of independent non-executive directors on its Board. At present the Board consists of one executive and six non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as defaulter by that stock exchange.
4. Two casual vacancies had occurred in the Board during the period under review which had been duly filled up.
5. The Company has adopted and circulated a 'Statement of Ethics and Business Practices', which has been signed by the directors and employees of the Company.
6. The Board has developed a vision/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 members to apprise them of their duties and responsibilities.
10. No new appointment of Chief Executive Officer, Chief Financial Officer, Company Secretary and Head of Internal Audit of the Company were carried out during the year. However, the Board has re-appointed the Chief Executive Officer for the next three years and approved the remuneration and terms and conditions of employment of CFO, Company Secretary and Head of Internal Audit as recommended by the CEO.
11. The directors' report for the year has been prepared in compliance with 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 transactions with related parties are placed before the Board Audit Committee and Board of Directors for review and approval. A complete party-wise record of related party transactions has been maintained by the Company.
14. The directors, CEO and executives do not hold an interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed an audit committee. It comprises three Members, of whom all are non-executive directors including the chairman of the committee.
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 and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function.
19. 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 the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations, the auditors have also confirmed that they have observed IFAC guidelines in this respect.
21. We confirm that all other material principles contained in the Code have been complied.



Sadaqat Ali  
Chief Executive Officer

Karachi: September 23, 2011

## Statement of Ethics and Business Principles

### Standard of Conduct

Atlas Engineering Limited conducts its operations with honesty, integrity and openness, and with respect for human rights and interests of the employees. It respects the legitimate interests of all those with whom it has relationships.

### Obeying the Law

Atlas Engineering Limited is committed to comply with the laws and regulations of Pakistan.

### Employees

Atlas Engineering Limited is committed to create the working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of the company.

It recruits, employs and promotes employees on the sole basis of the qualifications and abilities needed for the work to be performed.

It is committed to safe and healthy working conditions for all employees and not use any form of forced, compulsory or child labour.

It is committed to working with employees to develop and enhance each individuals skills and capabilities.

It respects the dignity of the individual and the right of employees to freedom of association.

It maintains good communication with employees through company based information and consultation procedures.

### Consumers

Atlas Engineering Limited is committed for providing branded products and services, which consistently offer value in terms of price and quality. Products and services will be accurately and properly labelled, advertised and communicated.

### Shareholders

Atlas Engineering Limited conducts its operations in accordance with principles of good corporate governance. It provides timely, regular and reliable information on its activities, structure, financial situation and performance to all the shareholders.

### Business Partners

Atlas Engineering Limited is committed for establishing mutually beneficial relations with its suppliers, customers and business partners.

In its business dealings it expects its partners to adhere to business principles consistent with its own.

### Community Involvement

Atlas Engineering Limited strives to be a trusted corporate citizen and, as an integral part of society, to fulfill its responsibilities to the societies and communities in which it operates.

### Public Activities

Atlas Engineering Limited is encouraged to promote and defend its legitimate business interests.

It will co-operate with government and other organizations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations, which may affect legitimate business interests.

It neither supports political parties nor contributes to the funds of groups whose activities are to promote party interests.

## **The Environment**

Atlas Engineering Limited is committed for making continuous improvements in the management of environmental impact and to the longer-term goal for developing a sustainable business. It works in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

## **Innovation**

Atlas Engineering Limited makes innovations to meet consumer needs. It respects the concerns of consumers and of society. It works on the basis of sound research, applying high quality standards.

## **Competition**

Atlas Engineering Limited believes in fair competition and supports development of appropriate competition laws. Atlas Engineering Limited and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

## **Business Integrity**

Atlas Engineering Limited does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment, which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management. Its accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

## **Conflicts of Interests**

All Atlas Engineering Limited employees are expected to avoid personal activities and financial interests, which could conflict with their responsibilities to the company. They must not seek gain for themselves or others through misuse of their positions.

## **Compliance Monitoring Reporting**

Compliance with business principles is an essential element in Atlas business success. The Board of Directors of Atlas Engineering Limited is responsible for ensuring that 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 local needs.

Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by Audit Committee of the Board. Any breach of the Code must be reported in accordance with the procedures specified by the management. The Board of Atlas Engineering Limited expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

## Audit Committee Charter

The Board of Directors of the Company determined the terms of reference of the Audit Committee. The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee shall also include the following:

- (a) determination of appropriate measures to safeguard the Company's assets;
- (b) review of preliminary announcements of results prior to publication;
- (c) review of quarterly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going-concern assumption;
  - any changes in accounting policies and practices;
  - compliance with applicable accounting standards; and
  - compliance with listing regulations and other statutory and regulatory requirements.
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- (e) review of management letter issued by external auditors and management's response thereto; ensuring coordination between the internal and external auditors of the Company;
- (f) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- (g) consideration of major findings of internal investigations and management's response thereto;
- (h) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- (i) review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;
- (j) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- (k) determination of compliance with relevant statutory requirements;
- (l) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- (m) consideration of any other issue or matter as may be assigned by the Board of Directors.

# Internal Audit Department

## Mission Statement

The purpose of the internal audit department is

- to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations.
- to help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## Scope Of Work

The scope of work of the internal audit department is

- to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by the management, is adequate and functioning in a manner to ensure:
  - Risks are appropriately identified and managed.
  - Significant financial, managerial, and operating information is accurate, reliable, and timely.
  - Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
  - Resources are acquired economically, used efficiently, and adequately protected.
  - Programs, plans, and objectives are achieved.
  - Quality and continuous improvement are fostered in the organization's control process.
  - Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- to identify during audits, the opportunities for improving management control, profitability, and the organization's image.
- to communicate observations to the appropriate level of management and audit committee.

# Health, Safety and Environment

## Objective

Atlas Engineering Limited is committed to create safe working and healthy environment by establishing and maintaining procedures and high standards of Occupational Health, Safety & Environment through promotion of safe work practices and prevention of all injuries and loss producing incidents. Our objective is embracing the safety of all employees, contractors, visitors, and related people / entities in the course of our day to day operations.

## Policy

We believe Occupational Health, Safety & Environment takes its roots through individual commitments and behaviors. HSE is an integral part of all our activities at Atlas Engineering, a common goal which is achieved through individual efforts of all employees who are required to actively participate in making the operations safe, healthy and environment friendly.

## We are committed to

- Compliance to all applicable national legislation on occupational health, safety and environment issues.
- Work in close liaison with industry members and legislative bodies to promote highest standards of Occupational Health, Safety & Environment.
- Establish and maintain a HSE management system in our company to identify all health risks including those involved in innovation or process change.
- Investigation of all potential incidents that have or could have resulted in a work injury or property loss. For this we will adopt the methodology that best support the nature of risks associated with our operations.
- Acknowledge the role of human behavior in effective HSE management and we aim to develop resource specific programs focusing on behavioral elements.
- Ensure that all our employees at each level and functions are well aware of this policy and its importance and are motivated to apply it in their areas of responsibilities. Necessary support and training will be given in this respect to achieve HSE objectives
- Guide our contractor and suppliers to develop awareness to improve overall work environmental and HSE performance.
- Ensure that all efforts are directed to achieve HSE excellence through continuous improvement.

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

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

The responsibility for compliance with the Code 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 reflects the status of the Company's compliance with the provisions of the Code 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 financial 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 systems 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 Regulation No. 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures 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 us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 30 June 2011.

Ernst & Young Ford Rhodes Sidat Hyder



Karachi: September 23, 2011.

Chartered Accountants.



## Auditors' Report to the Members

We have audited the annexed balance sheet of Atlas Engineering Limited (the Company) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, 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 except for change as stated in note 2.3 to the accompanying financial statements with which we concur;
  - 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, statement of comprehensive income, 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 30 June 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ernst & Young Ford Rhodes Sidat Hyder



Chartered Accountants

Audit Engagement Partner: Riaz A. Rehman Chamdia

Karachi: September 23, 2011.

## BALANCE SHEET AS AT JUNE 30, 2011

	Note	2011 ----- (Rupees in '000) -----	2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	4	807,254	844,060
Intangible assets	5	86	-
		807,340	844,060
Long-term loans and advances	6	1,614	948
Long-term deposits and prepayments	7	21,003	9,844
		829,957	854,852
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	8	56,838	46,643
Stock-in-trade	9	223,259	176,340
Trade debts	10	156,839	105,520
Loans and advances	11	12,073	9,451
Trade deposits and short-term prepayments	12	12,095	1,574
Taxation - net	13	36,578	40,109
Cash and bank balances	14	14,979	2,767
		512,661	382,404
<b>TOTAL ASSETS</b>		<b>1,342,618</b>	<b>1,237,256</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	246,734	246,734
Accumulated profit		86,817	15,268
		333,551	262,002
<b>SURPLUS ON REVALUATION OF FIXED ASSET</b>	16	356,360	415,780
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	17	117,691	70,268
Liabilities against assets subject to finance lease	18	11,093	16,173
Retirement and other service benefits	19	26,060	24,213
Deferred taxation	20	42,656	53,593
		197,500	164,247
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	134,755	147,739
Accrued mark-up	22	16,305	13,315
Short-term borrowings	23	214,364	161,894
Current maturity of long-term financing	17	52,572	38,850
Current maturity of liabilities against assets subject to finance lease	18	9,287	7,766
Provisions and other liabilities	24	27,924	25,663
		455,207	395,227
<b>CONTINGENCIES AND COMMITMENTS</b>	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,342,618</b>	<b>1,237,256</b>

The annexed notes from 1 to 42 form an integral part of these financial statements.



Sadaqat Ali  
Chief Executive Officer



Yusuf H. Shirazi  
Chairman



H. Masood Sohail  
Director

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

	Note	2011 ----- (Rupees in '000) -----	2010
Sales	26	2,117,003	1,529,328
Cost of goods sold	27	(1,884,915)	(1,341,549)
<b>Gross profit</b>		232,088	187,779
Selling and distribution costs	28	(23,299)	(20,690)
Administrative expenses	29	(53,605)	(49,629)
Other operating expenses	30	(8,707)	(6,800)
Finance costs	31	(65,800)	(52,721)
		(151,411)	(129,840)
<b>Operating profit</b>		80,677	57,939
Other operating income	32	2,045	123
<b>Profit before taxation</b>		82,722	58,062
Taxation	33	(11,173)	(21,918)
<b>Profit after taxation</b>		71,549	36,144
		(Rupees)	(Rupees)
<b>Earnings per share - Basic and diluted</b>	34	2.90	1.46

The annexed notes from 1 to 42 form an integral part of these financial statements.



Sadaqat Ali  
Chief Executive Officer



Yusuf H. Shirazi  
Chairman



H. Masood Sohail  
Director

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	----- (Rupees in '000) -----	
Profit for the year after tax	71,549	36,144
Other comprehensive income - net of tax	-	-
Total comprehensive income for the year - net of tax	<u>71,549</u>	<u>36,144</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.



Sadaqat Ali  
Chief Executive Officer



Yusuf H. Shirazi  
Chairman



H. Masood Sohail  
Director

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

	Note	2011 ----- (Rupees in '000) -----	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	36	66,223	180,054
Financial costs paid		(62,810)	(52,647)
Gratuity paid		(1,230)	(2,381)
Tax paid		(18,579)	(32,597)
Net cash (used in) / generated from operating activities		(16,396)	92,429
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(69,605)	(72,354)
Long-term loans and advances		(666)	61
Long-term deposits and prepayments		(11,159)	(541)
Proceeds from sale of fixed assets		4,580	2,975
Net cash used in investing activities		(76,850)	(69,859)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term loans		64,715	29,048
Long-term murabaha finance		(3,570)	(28,571)
Lease rentals paid		(8,157)	(12,102)
Murabaha finance utilised		52,548	-
Trust receipts utilised		22,999	-
Net cash generated from / (used in) financing activities		128,535	(11,625)
<b>Net increase in cash and cash equivalents</b>		<b>35,289</b>	<b>10,945</b>
Cash and cash equivalents at the beginning of the year		(159,127)	(170,072)
Cash and cash equivalents at the end of the year		(123,838)	(159,127)
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	14	14,979	2,767
Short-term running finance	23	(138,817)	(161,894)
		(123,838)	(159,127)

The annexed notes from 1 to 42 form an integral part of these financial statements.

  
Sadaqat Ali  
Chief Executive Officer

  
Yusuf H. Shirazi  
Chairman

  
H. Masood Sohail  
Director

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

	Issued, subscribed & paid up capital	Accumulated profit / (loss)	Total
(Rupees in thousands)			
<b>Balance as at June 30, 2009</b>	246,734	(20,876)	225,858
Profit after taxation	-	36,144	36,144
Other comprehensive income	-	-	-
Total comprehensive income	-	36,144	36,144
<b>Balance as at June 30, 2010</b>	246,734	15,268	262,002
Profit after taxation	-	71,549	71,549
Other comprehensive income	-	-	-
Total comprehensive income	-	71,549	71,549
<b>Balance as at June 30, 2011</b>	246,734	86,817	333,551

The annexed notes from 1 to 42 form an integral part of these financial statements.



Sadaqat Ali  
Chief Executive Officer



Yusuf H. Shirazi  
Chairman



H. Masood Sohail  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 1. THE COMPANY AND ITS OPERATIONS

Atlas Engineering Limited (the Company) was incorporated in Pakistan as a private limited company in 1963 and was converted into a public limited company on July 15, 1966. Its shares are listed on the Karachi and Lahore stock exchanges. The Company is engaged in manufacturing of components and parts for automotive vehicles and tractors. The registered office of the Company is situated at 15th Mile, National Highway, Landhi, Karachi, Pakistan. Shirazi Investment (Private) Limited (holding company) held 76.32 percent ordinary shares of the Company (note 15.1).

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan 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 Accounting convention

These financial statements have been prepared under the historical cost convention, except for leasehold land which has been stated at revalued amount.

#### 2.3 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

- IFRS 2 - Group Cash-settled Share Based Payment Arrangements
- IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amended)
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

##### Issued in 2009

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 - Operating Segments
- IAS 1 - Presentation of Financial Statements
- IAS 17 - Leases
- IAS 36 - Impairment of Assets
- IAS 39 - Financial Instruments: Recognition and Measurement

##### Issued in May 2010

- IFRS 3 - Business Combinations
- IAS 27 - Consolidated and Separate Financial Statements

The adoption of above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

#### 2.4 Standards and interpretations issued but not yet effective for the current financial year

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standard or interpretation:

Standards or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of financial statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 - Financial instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 - Income tax (Amendment) - Deferred taxes, Recovery of underlying assets	January 01, 2012
IAS 19 - Employee benefits - Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement - (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application except certain additional disclosures.

In addition to above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements of the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standards or interpretation	IASB Effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosures of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Property, plant and equipment and depreciation**

##### **3.1.1 Owned**

These are stated at cost less accumulated depreciation and any impairment in value except leasehold land which is stated at revalued amount.

Depreciation is charged to profit and loss applying the written down value method at the rates specified in Note 4.1. Depreciation on additions is charged from the month in which the asset is available to use and on disposals up to the month the respective asset was in use. Assets residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are taken to the profit and loss account.



### 3.1.2 Assets subject to finance lease

Leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the inception of the lease, at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under finance lease are depreciated using the same basis as for owned assets.

### 3.1.3 Capital work-in-progress

These are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

### 3.1.4 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over their estimated useful lives.

## 3.2 Impairment

The carrying values of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated and impairment losses are recognised in the profit and loss account.

## 3.3 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of cost and net realisable value. Cost is determined on an average basis except for goods in transit which are valued at invoice price plus other related charges paid thereon upto the balance sheet date. Provision is made for slow moving and obsolete items, if any, to write them down to their estimated net realizable value.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

## 3.4 Stock-in-trade

All stocks, except in transit, are valued at the lower of cost and net realisable value. Cost is determined on an average basis and includes costs incurred in bringing raw material to its present location and condition.

Stock in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Work-in-process and finished goods consist of direct materials and labour and a proportion of manufacturing overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

## 3.5 Trade debts

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

## 3.6 Taxation

### 3.6.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits and tax rebates available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance 2001, and whichever is higher is provided in the financial statements.

### 3.6.2 Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part for the deferred tax asset to be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

### 3.7 Staff retirement benefits

#### 3.7.1 Defined benefit plan

The Company operates an unfunded gratuity scheme for workers and funded gratuity scheme for management staff as described in note 19 to the financial statements. Annual charge is based on actuarial recommendations. Actuarial valuation of the scheme is carried out annually, using Projected Unit Credit Method. Actuarial gains or losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for the plan exceed 10% of the defined benefit obligation or 10% of the fair value of plan assets which ever is higher. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

#### 3.7.2 Defined contribution plan

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund at the rate of 9% for workers and 11% for management staff by the employees and the Company in accordance with the rules of the scheme.

The Provident Fund Rules were amended through Supplementary Trust Deed dated August 30, 2008 which was approved by the Commissioner (Legal Division) Large Taxpayer Unit, Karachi vide letter no.CIT/Legal Div/LTU/2008 dated October 08, 2008.

As per amended Rule, the employees were given option to transfer the complete amount or any portion thereof standing to credit of his accumulated balance in the Fund, to any of the Voluntary Pension Schemes managed by the Atlas Asset Management Company Limited, an associated company under the Voluntary Pension System Rules, 2005, viz, Atlas Pension Fund and Atlas Pension Islamic Fund by a request to the Trustees of fund, in writing. Equal monthly contributions at the rate of 11% of basic salary are made to the Funds under Voluntary Pension Scheme both by the Company and employees. If the member voluntarily opts to become a participant of Atlas Pension Fund or Atlas Islamic Fund managed by the Atlas Asset Management Company Limited, an associated company, the Company shall not be required to make an equal monthly contribution to the Fund. In such case the Company's equal contribution shall be made to the Atlas Pension Fund or Atlas Pension Islamic Fund, as applicable, with effect from the month in which he exercises such option, in full and final discharge of Company's liability towards members retirement benefits.

### 3.8 Compensated absences

The Company accounts for compensated absences on the basis of unavailed earned leave balance of each employee at the end of the year using current salary levels.

### 3.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 3.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event if 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 obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.11 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees (presentation currency) at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated in to Pak Rupees at the rates ruling at the balance sheet date. Exchange differences on foreign currency translations are included in profit and loss account.

### 3.12 Revenue recognition

- Sales are recorded when the significant risk and rewards of ownership of the goods have passed to the customers which generally coincide with the dispatch of goods to customers.
- Return on bank deposits is accrued on a time proportion basis by reference to the principal outstanding on the applicable rate of return.
- Other income is recognized on accrual basis.

### 3.13 Borrowing costs

Borrowings costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account.

### 3.14 Ijarah rentals

Ijarah payments under an Ijarah arrangement are recognized as an expense in the profit and loss account on a straight line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit.

### 3.15 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques / payorders in hand and bank balances net of short term running finance.

### 3.16 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 3.17 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

### 3.18 Related party transactions

The company enters into transactions with related parties on an arm's length basis and the transfer price is determined as per the method prescribed under the Companies Ordinance, 1984.

### 3.19 Accounting estimates, judgments and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Company's accounting policies, management has made the following estimates, judgements and assumptions which are significant to the financial statements:

Determining the residual values and useful lives of property, plant and equipment	<b>Note</b> 3.1
Revaluation of leasehold land	3.1 & 16
Impairment / adjustment of inventories to their net realizable value	3.2, 3.3 & 3.4
Recognition of taxation and deferred tax	3.6
Accounting for post employment benefits	3.7

### 3.20 Dividend and other appropriations of reserves

These are recognised in the period in which such dividend and appropriation are approved by the Board of Directors.

	<b>Note</b>	<b>2011</b>	<b>2010</b>
		----- (Rupees in '000) -----	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	4.1	753,948	799,131
Capital work-in-progress	4.6	53,306	44,929
		<u>807,254</u>	<u>844,060</u>

### 4.1 OPERATING ASSETS

Description	Note	COST / REVALUATION			ACCUMULATED DEPRECIATION				NET BOOK VALUE		Depriciation rate %
		As at July 01, 2010	Additions/*transfer/revaluation (Note 4.4 & 16)	(Disposals)	As at June 30, 2011	As at July 01, 2010	Charge for the year	(Disposals)/transfer	As at June 30, 2011	As at June 30, 2011	
----- (Rupees in thousands) -----											
<b>Owned assets</b>											
Leasehold land	4.2	415,940	** (59,420)	-	356,520	-	-	-	-	356,520	-
Buildings on leasehold land											
Factory		67,290	*1,089	-	68,379	42,792	2,532	-	45,324	23,055	10
Generator premises		4,924	-	-	4,924	3,430	149	-	3,579	1,345	10
Residential		365	-	-	365	317	2	-	319	46	5
Office		4,091	-	-	4,091	1,743	117	-	1,860	2,231	5
Plant and machinery		539,986	*33,607	(715)	572,878	283,223	27,147	(609)	309,761	263,117	10
Power generators		108,977	*18,596	-	127,573	69,837	8,111	-	77,948	49,625	10&35
Electrical fittings		14,931	*609	-	15,540	7,904	750	-	8,654	6,886	10
Office equipment		2,527	*132	-	2,659	2,256	49	-	2,305	354	15
Computers and other IT related equipment		13,528	*2,732	-	16,260	10,212	1,384	-	11,596	4,664	30
Furniture and fittings		4,215	-	-	4,215	3,453	76	-	3,529	686	10
Vehicles		12,582	*1,988	(4,612)	9,958	7,885	1,217	(2,779)	6,323	3,635	20
Sui gas, water and drainage lines		2,281	-	-	2,281	1,525	76	-	1,601	680	10
Measuring instruments, dies, jigs, patterns and other equipments		49,107	*2,365	-	51,472	40,852	1,927	-	42,779	8,693	20
		1,240,744	*61,118 **(59,420)	(5,327)	1,237,115	475,429	43,537	(3,388)	515,578	721,537	
<b>Leased assets</b>											
Plant and machinery		24,626	-	-	24,626	4,804	1,982	-	6,786	17,840	10
Vehicles		18,954	4,598	(1,953)	21,599	4,960	3,333	(1,265)	7,028	14,571	20
		43,580	4,598	(1,953)	46,225	9,764	5,315	(1,265)	13,814	32,411	
<b>2011</b>		1,284,324	4,598 *61,118 **(59,420)	(7,280)	1,283,340	485,193	48,852	(4,653)	529,392	753,948	

\* Represents transferred to owned assets from capital work-in-progress.

\*\* Represents revaluation deficit.

Description	Note	COST / REVALUATION			ACCUMULATED DEPRECIATION			NET BOOK VALUE		Depreciation rate %	
		As at July 01, 2009	Additions/*transfer (Note 4.4)	(Disposals)	As at June 30, 2010	As at July 01, 2009	Charge for the year	(Disposals)/transfer	As at June 30, 2010		As at June 30, 2010
(Rupees in thousands)											
<b>Owned assets</b>											
Leasehold land	4.2	415,940	-	-	415,940	-	-	-	-	415,940	-
Buildings on leasehold land											
Factory		66,418	872	-	67,290	40,148	2,644	-	42,792	24,498	10
Generator premises		4,924	-	-	4,924	3,264	166	-	3,430	1,494	10
Residential		365	-	-	365	313	4	-	317	48	5
Office		4,091	-	-	4,091	1,619	124	-	1,743	2,348	5
Plant and machinery		493,661	*22,991								
			**23,334	-	539,986	251,081	27,053	**5,089	283,223	256,763	10
Power generators		108,977	-	-	108,977	64,617	5,220	-	69,837	39,140	10&35
Electrical fittings		13,958	*973	-	14,931	7,207	697	-	7,904	7,027	10
Office equipment		2,527	-	-	2,527	2,208	48	-	2,256	271	15
Computers and other IT related equipment											
		12,406	*1,122	-	13,528	9,141	1,071	-	10,212	3,316	30
Furniture and fittings											
		4,168	*47	-	4,215	3,370	83	-	3,453	762	10
Vehicles											
		13,736	*2,537	(3,691)	12,582	8,274	1,379	(1,768)	7,885	4,697	20
Sui gas, water and drainage lines											
		2,281	-	-	2,281	1,441	84	-	1,525	756	10
Measuring instruments, dies, jigs, patterns and other equipments											
		48,022	*1,085	-	49,107	39,012	1,840	-	40,852	8,255	20
		1,191,474	872	(3,691)	1,240,744	431,695	40,413	(1,768)	475,429	765,315	
			*28,755					**5,089			
			**23,334								
<b>Leased assets</b>											
Plant and machinery		47,960	-	(23,334)	24,626	7,691	2,202	(5,089)	4,804	19,822	10
Vehicles		10,681	9,818	(1,545)	18,954	3,279	2,215	(534)	4,960	13,994	20
		58,641	9,818	(24,879)	43,580	10,970	4,417	(5,623)	9,764	33,816	
<b>2010</b>		1,250,115	10,690	(28,570)	1,284,324	442,665	44,830	(7,391)	485,193	799,131	
			*28,755					**5,089			
			**23,334								

\* Represents transferred to owned assets from capital work-in-progress.

\*\* Represents transferred to owned assets from leased assets.

**4.2** Leasehold land is carried at revalued amount. Had the land been carried at cost, it would have been carried at Rs.0.16 million (refer note 16 to the financial statements).

	Note	2011 ----- (Rupees in '000) -----	2010
<b>4.3</b> Allocation of depreciation charge:			
Cost of goods sold	27	45,764	42,736
Selling and distribution costs	28	926	629
Administrative expenses	29	2,162	1,465
		<u>48,852</u>	<u>44,830</u>

	Note	2011	2010
----- (Rupees in '000) -----			
<b>4.4</b>	Included in operating assets following transfers from capital work-in-progress:		
Factory building		1,089	-
Plant and machinery	4.4.1	33,607	22,991
Electrical fittings		609	973
Measuring Instrument		2,365	1,085
Furniture & Fittings		-	47
Vehicle - leased		18,596	-
Vehicle - owned		1,988	2,537
Office equipment		132	-
Computers and IT related equipments		2,732	1,122
		<u>61,118</u>	<u>28,755</u>

**4.4.1** Includes finance costs of Rs.0.253 million (2010: Rs. 0.172 million) capitalized as a part of cost of such assets. Markup rate is mentioned in note 17 to the financial statements.

**4.5** Details of property, plant and equipment disposed-off are given in note 40 to the financial statements.

	Note	2011	2010
----- (Rupees in '000) -----			
<b>4.6</b>	Capital work-in-progress		
Factory building		3,103	1,132
Plant and machinery		45,959	33,442
Vehicle - Own		310	79
Computers and IT related equipments		965	69
Advances to suppliers / contractors	4.6.1	2,969	10,207
		<u>53,306</u>	<u>44,929</u>

**4.6.1** The above balance includes amount paid to Shirazi Trading Company (Private) Limited - a related party amounting to Rs. Nil (2010: Rs. 7.5 million) for purchase of generator spare parts.

## 5. INTANGIBLE ASSETS

	COST		ACCUMULATED AMORTIZATION			NET BOOK VALUE		Amortisation rate %
	As at July 01, 2010	(Additions)	As at June 30, 2011	As at July 01, 2010	Charge for the year	As at June 30, 2011	As at June 30, 2011	
----- (Rupees in thousands) -----								
Computer software I	1,875	-	1,875	1875	-	1,875	-	33
Computer software II	-	110	110	-	24	24	86	33
<b>2011</b>	<u>1,875</u>	<u>110</u>	<u>1,985</u>	<u>1875</u>	<u>24</u>	<u>1,899</u>	<u>86</u>	
2010	<u>1,875</u>	<u>-</u>	<u>1,875</u>	<u>1,365</u>	<u>510</u>	<u>1875</u>	<u>-</u>	

**5.1** The amortization charge for the year has been charged to administrative expenses (note 29).

	Note	2011	2010
----- (Rupees in '000) -----			
<b>6. LONG-TERM LOANS AND ADVANCES</b>			

### Secured, considered good

Loans to employees - interest bearing	6.1	1,100	1,043
Less: current maturity shown under current assets	11	915	885
		<u>185</u>	<u>158</u>
Long-term advances to employees - non-interest bearing	6.2	2,291	1378
Less: current maturity shown under current assets	11	862	588
		<u>1,429</u>	<u>790</u>
		<u>1,614</u>	<u>948</u>

**6.1** These loans carry mark-up at the rate of 1% (2010: 1%) per month and are secured against employee's retirement benefits. The loans are recoverable in monthly installments over a period of maximum 24 months.

**6.2** These represent non-interest bearing advances to employees for purchase of motorcycles and are payable by way of a 15% amount upfront and the balance in maximum 42 equal monthly installments. These are secured against employee's retirement benefits.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>7. LONG-TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits			
Leasing		4,548	4,094
Ijarah		14,645	3,583
Utilities		751	751
Suppliers		300	246
Others		77	65
		20,321	8,739
Prepayments		1,083	1,456
Less: current maturity shown under current assets	12	401	351
		682	1,105
		21,003	9,844

#### **8. STORES, SPARE PARTS AND LOOSE TOOLS**

Stores and spare parts - In hand		25,483	20,458
- In transit		944	-
Loose tools		29,810	26,445
Electrical goods		4,376	2,765
		60,613	49,668
Less: Provision for obsolescence	8.1	3,775	3,025
		56,838	46,643

**8.1** Comprises provision in respect of stores and spare parts - in hand amounting to Rs. 3.081 million (2010: Rs. 2.331 million) and in respect of loose tools amounting to Rs. 0.694 million (2010: Rs. 0.694 million).

	Note	2011 ----- (Rupees in '000) -----	2010
<b>9. STOCK-IN-TRADE</b>			
Raw and ancillary materials			
In hand		105,982	90,892
In transit		42,993	22,321
		148,975	113,213
Packing materials		1,460	1,348
Work-in-process	9.1 & 9.2	39,025	29,297
Finished goods	9.3	34,462	33,145
		223,922	177,003
Less: Provision for obsolescence	9.4	663	663
		223,259	176,340

**9.1** Includes stock valued at net realizable value amounting to Rs. 2.353 million (2010: Rs. 3.133 million).

**9.2** Included herein are stocks held by third parties amounting to Rs. 2.407 million (2010: Rs. 2.508 million).

**9.3** Includes stock valued at net realizable value amounting to Rs. 5.572 million (2010: Rs. 5.308 million).

- 9.4** Comprises provision in respect of raw and ancillary materials - in hand amounting to Rs.0.260 million (2010: Rs. 0.260 million) and in respect of work-in-process amounting Rs. 0.403 million (2010: Rs. 0.403 million).

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>10. TRADE DEBTS - considered good</b>	10.1 & 10.2	156,839	105,520
<b>10.1</b> Included herein trade debts receivable from the following related party: Atlas Honda Limited		37,931	44,542
<b>10.2</b> The ageing analysis of unimpaired trade debts at June 30 is as follows:			
Neither past due nor impaired		119,594	91,029
Past due but not impaired			
- within 30 days		8,637	4,958
- 31 to 60 days		20,212	5,166
- 61 to 90 days		7,939	3,007
- over 90 days		457	1,360
		156,839	105,520
<b>11. LOANS AND ADVANCES - Unsecured, considered good</b>			
Loans to employees - non-interest bearing		238	249
Current maturity of:			
Long-term loans to the employees - interest bearing	6	915	885
advance to employees	6	862	588
		1,777	1,473
Advances:			
against salary		60	83
against expenses		902	3,141
to suppliers		9,096	4,505
		10,058	7,729
		12,073	9,451
<b>12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Security and trade deposits		1,072	638
Letter of Credit and guarantee margin		8,994	-
Prepayments		1,628	585
Current maturity of long-term prepayments	7	401	351
		12,095	1,574
<b>13. TAXATION - Net</b>			

The income tax assessments of the Company have been completed upto tax year 2010 (accounting year ended June 30, 2010).

	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>14. CASH AND BANK BALANCES</b>		
In hand:		
- Cash	311	182
- Cheques / Payorders	6	-
	317	182
Cash at bank in current accounts	14,662	2,585
	14,979	2,767



**15. SHARE CAPITAL**

2011 ----- (Number of Shares) -----		2010		2011 ----- (Rupees in '000) -----		2010	
40,000,000	40,000,000	<b>Authorized Share Capital</b>		400,000	400,000	Ordinary shares of Rs.10/- each	
		<b>Issued, subscribed and paid-up capital</b>				Ordinary shares of Rs.10/- each	
21,610,283	21,610,283	- fully paid in cash		216,103	216,103	- issued for consideration other than cash	
49,800	49,800	- issued as fully paid bonus shares		498	498		
3,013,307	3,013,307			30,133	30,133		
24,673,390	24,673,390			246,734	246,734		

- 15.1 As at the balance sheet date, the shares in the Company held by related parties were 23,631,103 shares (2010: 21,416,107 shares) which included 18,832,213 (2010: 15,208,372) ordinary shares of Rs.10/- each which is 76.32% (2010: 61.64%) of the total equity of the Company held by Shirazi Investment (Private) Limited, the holding company.

**16. SURPLUS ON REVALUATION OF FIXED ASSET**

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

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

- 16.1 Leasehold land costing Rs. 0.160 million was revalued by Razzaque Umrani & Co., Engineers and Surveyors on June 20, 1998 resulting in surplus amounting to Rs.118.680 million which has been credited to surplus on revaluation of fixed asset account. The basis of revaluation was market value.
- 16.2 In the year 2007, another revaluation of the above land was carried out by M/s Surval - Engineers, Surveyors and Technical Consultants on June 22, 2007 resulting in a present market value of Rs. 415.940 million. Accordingly Rs. 297.10 million has been credited to surplus on revaluation of fixed asset account.
- 16.3 In the year 2010, another revaluation of the above land was carried out by M/s Surval - Engineers, Surveyors and Technical Consultants on August 18, 2009. The result of the said valuation was not materially different from the valuation carried out on June 22, 2007.
- 16.4 During the year ended June 30, 2011, another revaluation of the above land was carried out by M/s. Surval - Engineers, Surveyor and Technical Consultant on June 30, 2011 resulting in a present market value of Rs. 356.520 million. Accordingly Rs. 59.420 million has been debited to surplus on revaluation of fixed asset account.

**17. LONG-TERM FINANCING - Secured**

	Note	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
Loan - I	17.1	27,001	42,000
Loan - II	17.2	13,500	19,500
Loan - III	17.3	29,762	44,048
Loan - IV	17.4	100,000	-
Murabaha Finance		-	3,570
		170,263	109,118
Less: Current maturity - long-term financing		52,572	38,850
		117,691	70,268

- 17.1 This represents a utilised portion of loan facility of Rs. 60 million obtained from a commercial bank. The loan is repayable in 10 semi annual installments commencing January 20, 2008 and carries mark-up at the last 6 months KIBOR (ask side) plus 2.25% per annum with no floor and cap. The loan is secured by first registered charge over fixed assets for Rs. 167 million.
- 17.2 This represents a utilised portion of a loan facility of Rs. 30 million obtained from a commercial bank. The loan is repayable in 20 equal quarterly installments commencing December 26, 2008 and carries mark-up at 3 months KIBOR (ask side) plus 1.50% per annum. The loan is secured by first pari passu charge over fixed assets for Rs. 40 million.
- 17.3 This represents a utilised portion of a loan facility of Rs. 50.00 million obtained from a commercial bank. The loan is repayable in 42 monthly installments commencing February 01, 2010 and carries mark-up at 3 months KIBOR plus 2.50% per annum. The loan is secured by first pari passu charge over fixed asset of the Company for Rs. 62.5 million.

- 17.4 This represents a utilised portion of loan facility of Rs. 100 million obtained from a commercial bank. The loan is repayable in 7 semi annual installments commencing December 15, 2011 and carries mark-up at 6 months KIBOR plus 1.75% per annum. The loan is secured by first pari passu charge over fixed assets of the Company for Rs. 134 million.

#### 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represent finance leases entered into with commercial banks in respect of machinery and vehicles. Total lease rentals due under various lease agreements aggregating Rs. 24.818 million (2010: Rs. 29.419 million) and are payable in monthly installments latest by June 2015. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreement, the lessee has to pay the entire rent for unexpired period. Financing rates of approximately 13.80 percent to 16.25 percent (2010: approximately 13.80 percent to 16.25 percent) per annum have been used as discounting factor. These liabilities are secured by on demand promissory notes of Rs.62.64 million (2010: Rs. 62.246 million).

	2011		2010	
	Minimum lease payments	Present value	Minimum lease payments	Present value
----- (Rupees in thousands) -----				
Within one year	11,373	9,287	10,360	7,766
After one year but not more than five years	13,445	11,093	19,059	16,173
Total minimum lease payments	24,818	20,380	29,419	23,939
Less: Amount representing finance charges	4,438	-	5,480	-
Present value of minimum lease payments	20,380	20,380	23,939	23,939
Less: Current portion	9,287	9,287	7,766	7,766
	<u>11,093</u>	<u>11,093</u>	<u>16,173</u>	<u>16,173</u>

#### 19. RETIREMENT AND OTHER SERVICE BENEFITS

	Note	2011	2010
----- (Rupees in '000) -----			
Non-management staff gratuity	19.1	13,451	13,273
Accrual for compensated absences	19.2	12,609	10,940
		<u>26,060</u>	<u>24,213</u>

Defined benefit plan

##### 19.1 General Description

The Company operates an unfunded gratuity scheme for non-management staff. On introduction of the provident fund in 1974 the employees were given the option to either continue with the gratuity scheme or join the provident fund. Those employees who opted to join the provident fund were entitled to gratuity upto the period of joining the provident fund and provision in this respect was duly made at that time. The Company entered into an agreement with the Collective Bargaining Agent (CBA), whereby the non-management staff who opted for the provident fund scheme are also entitled to gratuity for four days for each completed year of service.

The Company also established funded gratuity scheme for its management staff with effect from July 01, 2003 which was approved by the Commissioner of Income Tax in October 2002. The actuarial valuation of the gratuity schemes was carried out as of June 30, 2011.

	Management		Non - management		Total	
	2011	2010	2011	2010	2011	2010
----- (Rupees in thousands) -----						
Present value of defined benefit obligation	23,796	20,077	10,235	10,078	34,031	30,155
Fair value of plan assets	(14,443)	(6,700)	-	-	(14,443)	(6,700)
	<u>9,353</u>	<u>13,377</u>	<u>10,235</u>	<u>10,078</u>	<u>19,588</u>	<u>23,455</u>
Unrecognised actuarial gain/(loss)	(6,413)	(5,899)	3,216	3,195	(3,197)	(2,704)
Unrecognised non-vested liability	-	(625)	-	-	-	(625)
Net liability at end of the year	<u>2,940</u>	<u>6,853</u>	<u>13,451</u>	<u>13,273</u>	<u>16,391</u>	<u>20,126</u>

##### 19.1.1 Reconciliation of obligations as at year end

	Management		Non - management		Total	
	2011	2010	2011	2010	2011	2010
----- (Rupees in thousands) -----						
<b>19.1.2 Movement in liability</b>						
Net liability at beginning of the year	6,853	6,383	13,273	13,664	20,126	20,047
Charge for the year	2,940	2,586	1,075	1,411	4,015	3,997
Contributions	(6,853)	(2,137)	-	-	(6,853)	(2,137)
Benefits paid during the period	-	-	(897)	(1,781)	(897)	(1,781)
Prior services cost - Promotions	-	21	-	(21)	-	-
Net liability at end of the year	<u>2,940</u>	<u>6,853</u>	<u>13,451</u>	<u>13,273</u>	<u>16,391</u>	<u>20,126</u>
<b>19.1.3 Charge for the year</b>						
Current service cost	1,035	867	270	335	1,305	1,202
Interest cost	2,529	2,110	1,170	1,260	3,699	3,370
Expected return on assets	(1,013)	(729)	-	-	(1,013)	(729)
Amortization of non-vested liability	-	-	(365)	(184)	(365)	(184)
Amortization of actuarial loss	389	338	-	-	389	338
Charge for the year	<u>2,940</u>	<u>2,586</u>	<u>1,075</u>	<u>1,411</u>	<u>4,015</u>	<u>3,997</u>
<b>19.1.4 Movement in defined benefit obligation</b>						
Present value of defined benefit obligation at beginning of the year	20,077	18,053	10,078	11,252	30,155	29,305
Current Service cost	1,035	867	270	335	1,305	1,202
Interest cost	2,529	2,110	1,170	1,260	3,699	3,370
Benefits paid during the year	(1,203)	(2,034)	(897)	(1,781)	(2,100)	(3,815)
Actuarial loss/(gain)	1,358	435	(386)	(967)	972	(532)
Liability recognized - transferees	-	625	-	-	-	625
Liability recognized - promotees	-	21	-	(21)	-	-
Present value of defined benefit obligation at end of the year	<u>23,796</u>	<u>20,077</u>	<u>10,235</u>	<u>10,078</u>	<u>34,031</u>	<u>30,155</u>
<b>19.1.5 Movement in fair value of plan assets</b>						
Present value of plan assets at beginning of the year	6,700	5,809	-	-	6,700	5,809
Expected return on plan assets	1,013	729	-	-	1,013	729
Contributions made by the Company	6,853	2,137	-	-	6,853	2,137
Benefits paid during the year	(1,203)	(2,034)	-	-	(1,203)	(2,034)
Actuarial gain	454	59	-	-	454	59
Transfer of funds - transferees	626	-	-	-	626	-
Present value of plan assets at end of the year	<u>14,443</u>	<u>6,700</u>	<u>-</u>	<u>-</u>	<u>14,443</u>	<u>6,700</u>
<b>19.1.6 Principal actuarial assumptions</b>						
Discount rate			<u>14.50%</u>	<u>12.75%</u>	<u>14.50%</u>	<u>12.75%</u>
Expected per annum rate of return on plan assets			<u>14.50%</u>	<u>12.75%</u>	<u>-</u>	<u>-</u>
Expected per annum rate of increase in future salaries			<u>13.50%</u>	<u>11.75%</u>	<u>13.50%</u>	<u>11.75%</u>

	Management		Non - management		Total	
	2011	2010	2011	2010	2011	2010
----- (Rupees in thousands) -----						
<b>19.1.7 Actual return on plan assets</b>	<u>1,098</u>	<u>839</u>	<u>-</u>	<u>-</u>	<u>1,098</u>	<u>839</u>

	2011		2010	
	Amount in '000	%age	Amount in '000	%age
<b>19.1.8 Plan assets comprise the following:</b>				
Equity	-	-	3,610	53.88
Debt	7,754	53.69	3,088	46.09
Mutual funds	6,673	46.20	-	-
Cash	16	0.11	2	0.03
	<u>14,443</u>		<u>6,700</u>	

**19.1.9** The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

**19.1.10** Expected contribution to Management Staff Gratuity Fund for the year ending June 30, 2012 is Rs. 2.886 million (2011: Rs. 2.940 million).

	2011	2010	2009	2008
	----- (Rupees in thousands) -----			
<b>19.1.11 Management Staff Gratuity Fund - Comparison for past years:</b>				
Present value of defined benefit obligation	23,796	20,077	18,053	15,517
Fair value of plan assets	14,443	6,700	5,809	6,131
Deficit	<u>(9,353)</u>	<u>(13,377)</u>	<u>(12,244)</u>	<u>(9,386)</u>
Experience adjustments				
Loss on plan liabilities	<u>1,358</u>	<u>435</u>	<u>1,898</u>	<u>1,241</u>
Gain/(loss) on plan assets	<u>84</u>	<u>110</u>	<u>(551)</u>	<u>(33)</u>

**19.1.12 Non-Management Staff Gratuity Fund - Comparison for past years:**

Present value of defined benefit obligation	10,235	10,078	11,252	10,255
Fair value of plan assets	-	-	-	-
Deficit	<u>10,235</u>	<u>10,078</u>	<u>11,252</u>	<u>10,255</u>
Experience adjustments				
Gain / (loss) on plan liabilities	<u>386</u>	<u>967</u>	<u>(290)</u>	<u>(54)</u>

	Opening Balance	Charge for the year	Payments	Closing Balance
	----- (Rupees in thousands) -----			
<b>19.2 The movements in liability during the year were as follows:</b>				

Accrual for compensated absences	<u>10,940</u>	<u>2,002</u>	<u>333</u>	<u>12,609</u>
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**20. DEFERRED TAXATION**

This comprises the following:

Deferred tax liabilities				
Difference in accounting and tax base of fixed assets			77,734	73,383
Deferred tax assets				
Provision for gratuity			(4,708)	(4,646)
Provisions			(1,553)	(1,291)
Difference in accounting and tax base of intangible assets			-	(65)
Carry over of minimum tax			(28,817)	(13,788)
			<u>42,656</u>	<u>53,593</u>

	Note	2011 ----- (Rupees in '000) -----	2010
<b>21. TRADE AND OTHER PAYABLES</b>			
Trade creditors	21.1	75,850	109,530
Sales tax payable - net		7,667	2,680
Special excise duty payable		2,526	1,285
Royalty payable		10,068	5,833
Gratuity fund - management staff	19.1.1	2,940	6,853
Accrued liabilities		34,054	16,677
Advances from customers		1,650	4,881
		<u>134,755</u>	<u>147,739</u>

**21.1** Included herein trade credits amounting to Rs.5.762 million (2010:Rs. 17.460 million) payable to Atlas Insurance Company Limited and Shirazi Trading Company (Private) Limited Rs. Nil (2010: Rs. 0.0175 million) - related parties.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>22. ACCRUED MARK-UP</b>			
Term loans		3,529	5,235
Short-term running finances		12,776	8,080
		<u>16,305</u>	<u>13,315</u>

**23. SHORT-TERM BORROWINGS - Secured**

Running finances under mark-up arrangements	23.1	138,817	161,894
Murabaha finance	23.2	52,548	-
Trust receipts	23.3	22,999	-
		<u>214,364</u>	<u>161,894</u>

**23.1** The aggregate facilities for short term running finance available from various banks as of June 30, 2011 amount to Rs.387 million (2010: Rs. 387 million) of which Rs. 248.183 million (2010: Rs. 225.106 million) remained unutilised at year end. These are under mark-up arrangements and are secured by first pari passu joint hypothecation of stocks and book debts of the Company. The rate of mark-up on these finances ranges from three months KIBOR plus 1.25% to one month KIBOR plus 1.75% per annum (2010: three months KIBOR plus 1.25% to one month KIBOR plus 1.75% per annum). These are repayable latest by December 31, 2011.

**23.2** The aggregate facility for short term murabaha finance from a bank as of June 30, 2011 amount to Rs. 100 million (2010: Rs. Nil) of which Rs. 47.452 million remained unutilised at the year end. This carries profit at 3 months KIBOR plus 1% per annum (2010: Nil). This is secured by first pari passu joint hypothecation of stocks and book debts of the Company. This is repayable by December 31, 2011.

**23.3** The aggregate facilities of trust receipts available from various banks as of June 30, 2011 amount to Rs. 100 million (2010: Rs. Nil) of which Rs.77.001 million remained unutilised at the year end. These are under mark-up arrangements and are secured by first pari passu joint hypothecation of stocks and book debts of the Company. The rate of mark-up on these finances ranges from three months KIBOR plus 1.50% to one month KIBOR plus 1.75% per annum (2010: Nil).

	Note	2011 ----- (Rupees in '000) -----	2010
<b>24. PROVISIONS AND OTHER LIABILITIES</b>			
Provision for bonus - management staff	24.1	16,686	15,724
Provision for bonus - non-management staff	24.1	1,341	1,289
Deposits from employees	24.2	1,640	2,876
Workers' Profit Participation Fund	24.3	4,443	3,122
Workers' Welfare Fund		1,688	1,249
Unclaimed dividends		463	463
Others		1,663	940
		<u>27,924</u>	<u>25,663</u>

24.1 The movements in provisions during the year were as follows:

	Opening Balance	Charge for the year	Payments	Closing Balance
	----- (Rupees in thousands) -----			
Provision for bonus - management staff	15,724	16,686	15,724	16,686
Provision for bonus - non-management staff	1,289	5,161	5,109	1,341
2011	<u>17,013</u>	<u>21,847</u>	<u>20,833</u>	<u>18,027</u>
2010	<u>420</u>	<u>21,534</u>	<u>4,941</u>	<u>17,013</u>

24.2 These represent deposit from employees under the Company's vehicle scheme.

	2011	2010
	----- (Rupees in '000) -----	
<b>24.3 Workers' Profits Participation Fund</b>		
Balance at the beginning of the year	3,122	-
Interest on fund utilised in Company's business	326	-
	<u>3,448</u>	<u>-</u>
Allocation for the year	4,443	3,122
	<u>7,891</u>	<u>3,122</u>
Less: Amount paid during the year	3,448	-
Balance at the end of the year	<u>4,443</u>	<u>3,122</u>

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Contingency

#### Electricity charges

Karachi Electric Supply Company Limited (KESC) raised a demand of Rs. 12.285 million on the plea that they erred in billing, against which the Company had filed an appeal before the Honourable High Court of Sindh. The Honourable Court issued a stay order on May 26, 1989 for making payments against the remaining disputed demand. The Company till the date of stay order had paid under protest Rs. 7.850 million which had been expensed out in prior years.

In the year 2006, the Honourable High Court of Sindh decided the appeal in favour of KESC. The Company has filed a second appeal against the judgment of the Court before the expanded bench of the High Court of Sindh. The Company is confident that the appeal will be decided in its favour, hence, no provision has been made in respect of the unpaid balance of Rs. 4.435 million.

### 25.2 Commitments

#### 25.2.1 Bank guarantees

	2011	2010
	----- (Rupees in '000) -----	
In favour of Sui Southern Gas Company Limited	<u>18,328</u>	<u>15,997</u>

#### 25.2.2 Insurance company guarantee

In favour of Karachi Electric Supply Company Limited	<u>4,000</u>	<u>4,000</u>
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25.2.3 Commitments under letters of credit for other than capital expenditure, contracts and guarantees at the end of the year amounted to Rs. 267.877 million (2010: Rs. 172.506 million).

25.2.4 Commitments under letter of credit in respect of capital expenditure as at June 30, 2011 amounted to Rs.29.149 million (2010: Rs. 14.279 million).

25.2.5 Commitments in respect of capital expenditure as at June 30, 2011 amounted to Rs. Nil (2010: Rs. 0.477 million).

	2011 ----- (Rupees in '000) -----	2010
<b>25.2.6</b> Commitments for rentals under Ijarah finance agreement:		
Within one year	26,469	13,078
After one year but not more than five years	97,007	34,853
	<u>123,476</u>	<u>47,931</u>

Represent Ijarah Finance Facility entered into with Meezan Bank Limited in respect of machineries. Total Ijarah payments due under the agreement is Rs. 123.476 million (2010: Rs. 47.931) and are payable in semi-annual instalments latest by June 2016. Taxes, repairs, replacement and insurance costs are to be borne by the muj'ir (lessor). These liabilities are secured by on demand promissory notes of Rs. 153.122 million (2010: Rs. 59.122).

	Note	2011 ----- (Rupees in '000) -----	2010
<b>26. SALES</b>			
Gross sales		2,529,818	1,789,314
Less: Sales tax		412,815	259,986
		<u>2,117,003</u>	<u>1,529,328</u>
<b>27. COST OF GOODS SOLD</b>			
Raw and ancillary materials consumed		1,418,595	960,716
Salaries, wages and benefits	27.1	153,117	144,036
Contract labour		59,539	50,034
Spare parts and other maintenance		43,936	32,161
Packing materials consumed		13,887	10,069
Fuel, water and power		112,835	81,424
Rent, rates and taxes		570	504
Insurance		7,555	8,205
Training expenses		756	810
Repairs and maintenance:			
Factory building and electrical fittings		6,145	3,454
Furniture, fittings and office equipments		133	197
Depreciation	4.3	45,764	42,736
Ijarah rentals		14,079	10,885
Royalties and technical fee		15,099	12,021
Printing and stationery		474	2,048
Postage, telephone and telegrams		866	767
Subscriptions		388	332
Provision for obsolescence - stores, spare parts and loose tools		750	630
General expenses		1,472	1,022
		<u>1,895,960</u>	<u>1,362,051</u>
Opening work-in-process		29,297	16,945
Closing work-in-process		(39,025)	(29,297)
		<u>(9,728)</u>	<u>(12,352)</u>
Cost of goods manufactured		1,886,232	1,349,699
Opening stock of finished goods		33,145	24,995
Closing stock of finished goods		(34,462)	(33,145)
		<u>(1,317)</u>	<u>(8,150)</u>
		<u>1,884,915</u>	<u>1,341,549</u>
<b>27.1</b> Included herein are the following retirement benefits:			
Gratuity		2,556	3,221
Employees Old Age Benefits		1,227	1,206
Provident Fund		2,742	2,608
		<u>6,525</u>	<u>7,035</u>

	Note	2011 ----- (Rupees in '000) -----	2010
<b>28. SELLING AND DISTRIBUTION COSTS</b>			
Salaries and allowances	28.1	9,932	10,073
Advertisement and publicity		3,933	2,444
Cartage		3,694	2,592
Traveling and conveyance		832	1,416
Executive training		252	-
Depreciation	4.3	926	629
Insurance		1,259	1,671
Printing and stationery		142	615
Postage, telephone and telegrams		260	230
Medical expenses		185	170
Rent, rates and taxes		259	234
Business promotion expenses		1,438	413
Subscriptions		117	99
Repairs and maintenance		16	60
General expenses		54	44
		<u>23,299</u>	<u>20,690</u>
<b>28.1</b> Included herein are the following retirement benefits:			
Gratuity		140	155
Employees Old Age Benefits		58	49
Provident Fund		364	390
		<u>562</u>	<u>594</u>
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries and allowances	29.1 & 29.2	42,354	37,567
Medical expenses		476	398
Traveling and conveyance		1,941	1,191
Insurance		3,778	5,318
Depreciation	4.3	2,162	1,465
Amortisation of intangible assets	5.1	24	510
Printing and stationery		332	1,433
Postage, telephone and telegrams		606	537
Business promotion expenses		274	94
Subscriptions		316	242
Advertisement and publicity		191	110
Training expenses		254	220
Repairs and maintenance		890	539
General expenses		7	5
		<u>53,605</u>	<u>49,629</u>
<b>29.1</b> Included herein are the following retirement benefits:			
Gratuity		1,319	621
Employees Old Age Benefits		190	142
Provident Fund		647	1,301
		<u>2,156</u>	<u>2,064</u>
<b>29.2</b> Salaries and allowances include directors' fee for attending meetings aggregating to Rs. 0.112 million (2010: Rs. 0.110 million), as disclosed in note 35 to the financial statements.			
<b>30. OTHER OPERATING EXPENSES</b>			
Legal and professional charges		989	1,436
Workers' Profit Participation Fund	24.3	4,443	3,122
Workers' Welfare Fund		1,688	1,249
Auditors' remuneration	30.1	1,006	993
Donation	30.2	581	-
		<u>8,707</u>	<u>6,800</u>



	2011	2010
	----- (Rupees in '000) -----	
<b>30.1 Auditors' remuneration</b>		
Audit fee - statutory	500	500
Fee for half-yearly review	109	109
Certification, tax and other services	315	311
Out-of-pocket expenses	82	73
	<u>1,006</u>	<u>993</u>

**30.2** Represents donation given to Atlas Foundation. Mr. Yusuf H. Shirazi, Director of the Company is also the director of the Foundation.

	Note	2011	2010
		----- (Rupees in '000) -----	
<b>31. FINANCE COSTS</b>			
Mark-up on:			
- long-term financing - secured		14,103	16,627
- short-term finances - secured		47,571	31,928
- finance lease obligation		2,741	2,985
Bank and other allied charges		1,059	1,181
Interest on Workers' Profit Participation Fund		326	-
		<u>65,800</u>	<u>52,721</u>

**32. OTHER OPERATING INCOME**

Gain on sale of fixed assets	40	1,953	41
Mark-up on loans to employees		92	82
		<u>2,045</u>	<u>123</u>

**33. TAXATION**

For the year :			
- current	33.1	(22,110)	(7,646)
- deferred		10,937	(14,272)
		<u>(11,173)</u>	<u>(21,918)</u>

**33.1** This includes minimum turnover tax under section 113 of the Income Tax Ordinance, 2001, amounting to Rs. 21.170 million (2010: Rs. 7.646 million) and flood surcharge of Rs. 0.940 million (2010: Rs. Nil). As the Company is subject to minimum tax, no numerical reconciliation is prepared in the financial statements.

	2011	2010
<b>34. BASIC AND DILUTED EARNINGS PER SHARE</b>		
Profit after taxation (Rupees in '000')	71,549	36,144
Weighted average number of ordinary shares in issue (in '000')	24,673	24,673
Basic earnings per share (Rupees)	<u>2.90</u>	<u>1.46</u>

There is no dilution effect on earnings per share of the Company.

**35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executive	
	2011	2010	2011	2010	2011	2010
	----- (Rupees in thousands) -----					
Managerial remuneration	4,059	2,559	-	-	15,817	11,372
Bonus	1,500	1,275	-	-	5,480	5,378
Rent	1,588	1,151	-	-	6,162	5,117
Utility	353	256	-	-	1,370	1,137
Retirement benefits	388	291	-	-	1,468	1,215
Reimbursable expenses	295	278	-	-	2,961	2,398
Directors' fee	-	-	112	110	-	-
	<u>8,183</u>	<u>5,810</u>	<u>112</u>	<u>110</u>	<u>33,258</u>	<u>26,617</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>16</u>	<u>15</u>

35.1 The Chief Executive is provided with free use of Company maintained car.

	Note	2011 ----- (Rupees in '000) -----	2010
<b>36. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		82,722	58,062
Adjustments for:			
Depreciation / amortization	4.3 & 5	48,876	45,340
Profit on sale of fixed assets		(1,953)	(41)
Provision for gratuity		3,077	3,979
Provision for stores, spare parts and loose tools		750	630
Finance costs		65,800	52,721
		116,550	102,629
Operating profit before working capital changes		199,272	160,691
Working capital changes	36.1	(133,049)	19,363
Cash generated from operations		66,223	180,054
<b>36.1 Working capital changes</b>			
(Increase) / decrease in current assets			
Stock-in-trade		(57,864)	(51,670)
Trade debts		(51,319)	19,787
Loans and advances		(2,622)	(4,655)
Trade deposits and short-term prepayments		(10,521)	6,383
		(122,326)	(30,155)
Increase / (decrease) in current liabilities			
Trade and other payables		(10,723)	49,518
		(133,049)	19,363

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

#### 37.1 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continuously assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	2011 ----- (Rupees in '000) -----	2010
Long-term loans and advances	1,614	948
Long-term deposits	20,321	8,739
Trade debts	156,839	105,520
Loans and advances	12,073	9,451
Trade deposits	1,072	638
Bank balances	14,662	2,585
	206,581	127,881

### Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

The maximum exposure to credit risk for trade receivables at reporting date was:

	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
Original Equipment Manufacturers (OEMs)	50,880	67,794
Replacement market	105,959	37,726
	<u>156,839</u>	<u>105,520</u>

Based on past experience the Company believes that no impairment allowance is necessary against amounts past due by 30 days and above as 32.42% (2010: 64.25%) of the amount is due from renowned Motorcycle and Car Assemblers (OEMs) and institutions and remaining amount is due from customers having good track record with the Company.

	2011 ----- (Rupees in '000) -----	2010 ----- (Rupees in '000) -----
<b>Cash at bank</b>		
A1+	5,585	802
A-1	-	210
A2	-	1,314
A-2	7	-
A-1+	9,070	259
	<u>14,662</u>	<u>2,585</u>

### 37.2 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 applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

	2011					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	
	----- (Rupees in thousands) -----					
Long-term financing - secured	-	11,380	41,192	117,691	-	170,263
Liability under finance lease	-	1,446	7,841	11,093	-	20,380
Short-term borrowings	214,364	-	-	-	-	214,364
Trade & other payables	122,912	-	-	-	-	122,912
Provision and other liabilities	27,924	-	-	-	-	27,924
Accrued mark-up / interest	16,305	-	-	-	-	16,305
	<u>381,505</u>	<u>12,826</u>	<u>49,033</u>	<u>128,784</u>	<u>-</u>	<u>572,148</u>
	2010					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	
	----- (Rupees in thousands) -----					
Long-term financing - secured	-	11,070	24,210	70,268	-	105,548
Long-term Murabaha	-	3,570	-	-	-	3,570
Liability under finance lease	-	1,941	5,825	16,173	-	23,939
Short-term running finances	161,894	-	-	-	-	161,894
Trade & other payables	138,893	-	-	-	-	138,893
Provision and other liabilities	25,663	-	-	-	-	25,663
Accrued mark-up / interest	13,315	-	-	-	-	13,315
	<u>339,765</u>	<u>16,581</u>	<u>30,035</u>	<u>86,441</u>	<u>-</u>	<u>472,822</u>

### 37.3 Interest rate risk profile

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

#### Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit/(loss) before tax (Rs. In thousands)
<b>2011</b>		
KIBOR	+100	(644)
KIBOR	-100	644
<b>2010</b>		
KIBOR	+100	(515)
KIBOR	-100	515

### 37.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Accordingly, the Company issued right shares of Rs.123.367 million during the year ended June 30, 2009.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at June 30, 2011 and 2010 were as follows:

	2011 ----- (Rupees in '000) -----	2010
Long term Murabaha finance	-	3,570
Long term financing	170,263	105,548
Short term borrowings	214,364	161,894
Liabilities against asset subject to finance lease	20,380	23,939
Trade and other payables	134,755	147,739
Accrued interest / mark-up on borrowings	16,305	13,315
<b>Total debt</b>	<b>556,067</b>	<b>456,005</b>
Less: Cash and bank balances	14,979	2,767
<b>Net debt</b>	<b>541,088</b>	<b>453,238</b>
Share capital	246,734	246,734
Reserves	86,817	15,268
<b>Equity</b>	<b>333,551</b>	<b>262,002</b>
<b>Capital</b>	<b>874,639</b>	<b>715,240</b>
<b>Gearing ratio</b>	<b>61.86%</b>	<b>63.36%</b>

### 37.5 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statements approximates their fair value.

**38. RELATED PARTY TRANSACTIONS**

The related parties include entities with common directors, major shareholders, directors, key management personnel and staff retirement benefit plans. The Company has a policy whereby transactions with related parties are entered into at arm's length prices other than certain benefits to employees under the terms of the employment. The transactions with related parties, other than remuneration and benefits to key management personnel disclosed in note 35 and 40 are as follows:

Relationship with the Company	Nature of transactions	2011 ----- (Rupees in '000) -----	2010
<b>Entities having directors in common with the Company</b>			
Atlas Honda Limited	Sale of goods	1,749,380	1,167,753
	Purchase of materials	2,710	-
	Purchase of scrap	14,296	7,657
	Purchase of motorcycles	2,073	2,835
	Purchase of machinery	896	-
	Expenses paid on Company's behalf	-	9,959
			<u>                    </u>
Honda Atlas Cars (Pakistan) Limited	Sale of auto parts	-	18
Summit Bank Limited (formerly Atlas Bank Limited, converted to Summit Bank Limited on January 01, 2011)	Interest expenses	761	2,371
	Installment on finance lease	3,009	11,709
	Mark-up on running finance	496	2,825
	Mark-up on long-term loan	1,407	2,528
	Long-term loan repaid	3,000	6,000
		<u>                    </u>	<u>                    </u>
Atlas Insurance Limited	Insurance premium	30,290	26,756
Shirazi Trading Company (Private) Limited	Photocopier spares and services	634	631
	Purchase of generator parts	8,673	7,484
		<u>                    </u>	<u>                    </u>
Atlas Foundation	Donations paid	581	-
	Office rent	168	153
		<u>                    </u>	<u>                    </u>
Employees' retirement benefit plans	Contribution paid during the year	6,853	2,137
		<u>                    </u>	<u>                    </u>

The related party status of outstanding receivables and payables as at June 30, 2011 are included in respective notes to the financial statements.

**39. PRODUCTION**

The production capacity of the plant cannot be determined as this depends on the relative proportions of various types of components and parts of vehicles and tractors produced.

**40. DETAILS OF PROPERTY, PLANT AND EQUIPMENTS DISPOSED-OFF**

The following assets were disposed-of during the year:

	Cost	Accumulated depreciation	Net book value	Sale proceed	Gain / (loss)	Mode of disposal	Particular of buyers
	----- (Rupees in '000) -----						
GHonda City Car	824	567	257	257	-	Company's Policy	Mr. Syed Shujaat Ali (Employee) (Karachi)
Honda City Car	885	587	298	298	-	Company' s Policy	Mr. Jawaid Iraqi (Employee) (Karachi)
Honda Civic Car	1,022	696	326	338	12	Company' s Policy	Mr. Syed Naushad Ali (Employee) (Karachi)
Suzuki Cultus Car	459	331	128	128	-	Company' s Policy	Mr. S.A. Bari (Employee) (Karachi)
Suzuki Cultus Car	595	408	187	187	-	Company's Policy	Mr. Amanullah Abid (Employee) (Karachi)
Suzuki Mehran Car	395	257	138	138	-	Company' Policy	Mr. Junaid Ahmed (Employee) (Karachi)
Suzuki Cultus Car	700	267	433	808	375	By negotiation	Mr. Moinuddin (Karachi)
Suzuki Alto Car	504	269	235	544	309	By negotiation	Mr. Moinuddin (Karachi)
Machinery	715	609	106	862	756	By negotiation	Mr. Akram (Scrap dealer) (Karachi)
Motor vehicles (Note 40.1)	1,181	662	519	1,020	501	Company's Policy / By negotiation	Various Employees (Karachi)
<b>2011</b>	<u>7,280</u>	<u>4,653</u>	<u>2,627</u>	<u>4,580</u>	<u>1,953</u>		
2010	<u>5,236</u>	<u>2,302</u>	<u>2,934</u>	<u>2,975</u>	<u>41</u>		

**40.1** This represents aggregate of assets disposed-off having book value below Rs. 50,000/- each under Company's policy / by negotiation.

**41. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on September 23, 2011 by the Board of Directors of the Company.

**42. GENERAL**

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.



Sadaqat Ali  
Chief Executive Officer



Yusuf H. Shirazi  
Chairman



H. Masood Sohail  
Director

## Pattern of Shareholding

### As at June 30, 2011

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD
	FROM	TO	
	SHARES		
352	1	100	10,515
271	101	500	70,946
126	501	1000	98,010
145	1,001	5,000	306,921
15	5,001	10,000	104,632
4	10,001	15,000	49,637
1	120,001	125,000	121,415
1	280,001	285,000	280,211
1	4,795,001	4,800,000	4,798,890
1	18,830,000	18,835,000	18,832,213
917			24,673,390

## Pattern of Shareholding As at June 30, 2011

	Number	Shares Held	Percentage
<b>Associated Companies, Undertakings And Related Parties</b>			
Shirazi Capital (Pvt) Limited	1	4,798,890	19.45
Shirazi Investments (Pvt) Limited	1	18,832,213	76.33
	2	23,631,103	95.78
<b>NIT and ICP</b>			
Investment Corporation of Pakistan	1	319	0.00
National Bank of Pakistan-trustee Department	1	2,395	0.00
National Investment Trust Limited	1	648	0.00
	3	3,362	0.00
<b>Directors / Spouse</b>			
Mr. Yusuf Hussain Shirazi & Mrs Khawar Shireen Shirazi	1	1	0.00
Mr. Ali H. Shirazi	1	1	0.00
Mr. H. Masood Sohail	1	1,000	0.00
	3	1,002	0.00
<b>Executives</b>			
	-	-	-
<b>Public sector companies and corporations</b>			
	-	-	-
<b>Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Mudarba and Mutual Funds</b>			
	6	10,919	0.04
<b>Others</b>			
Securities & Exchange Comm. of Pakistan	1	1	0.00
Deputy Administrator Abandoned Properties Organization	1	908	0.00
The Nazir, High Court of Sind.	1	206	0.00
Trustee of Iftikhar Shirazi Family Trust	1	1	0.00
Limited Companies	11	298,264	1.20
	15	299,380	1.21
<b>Individuals</b>			
	888	727,624	2.95
	<b>917</b>	<b>24,673,390</b>	<b>100.00</b>
<b>Shareholders Holding 10% or More</b>			
Shirazi Capital (Pvt) Limited	1	4,798,890	19.45
Shirazi Investments (Pvt) Limited	1	18,832,213	76.33
	2	23,631,103	95.78



## 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 Car	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
 Atlas Auto Parts	2011

The Secretary,  
Atlas Engineering Limited,  
15th Mile, National Highway,  
Landhi, Karachi-75120

<b>Registered Folio/ Participant's ID No. &amp; A/c. No.</b>
<b>No. of Shares held</b>

### FORM OF PROXY

I/We \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

being member(s) of Atlas Engineering Limited, and a holder of \_\_\_\_\_

\_\_\_\_\_

Shares Nos. \_\_\_\_\_ hereby appoint

Mr./Mrs./Miss \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

who is also a member of the Company, as proxy in my absence to attend and to vote for me, and on my behalf at the Annual General Meeting of the Company to be held on Wednesday the October 26, 2011 at 10:00 a.m. at Corporate Office, Federation House, 2nd Floor, Shahrah-e-Firdousi, main Clifton, Karachi and at any adjournment thereof.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Signed by the said in the presence of

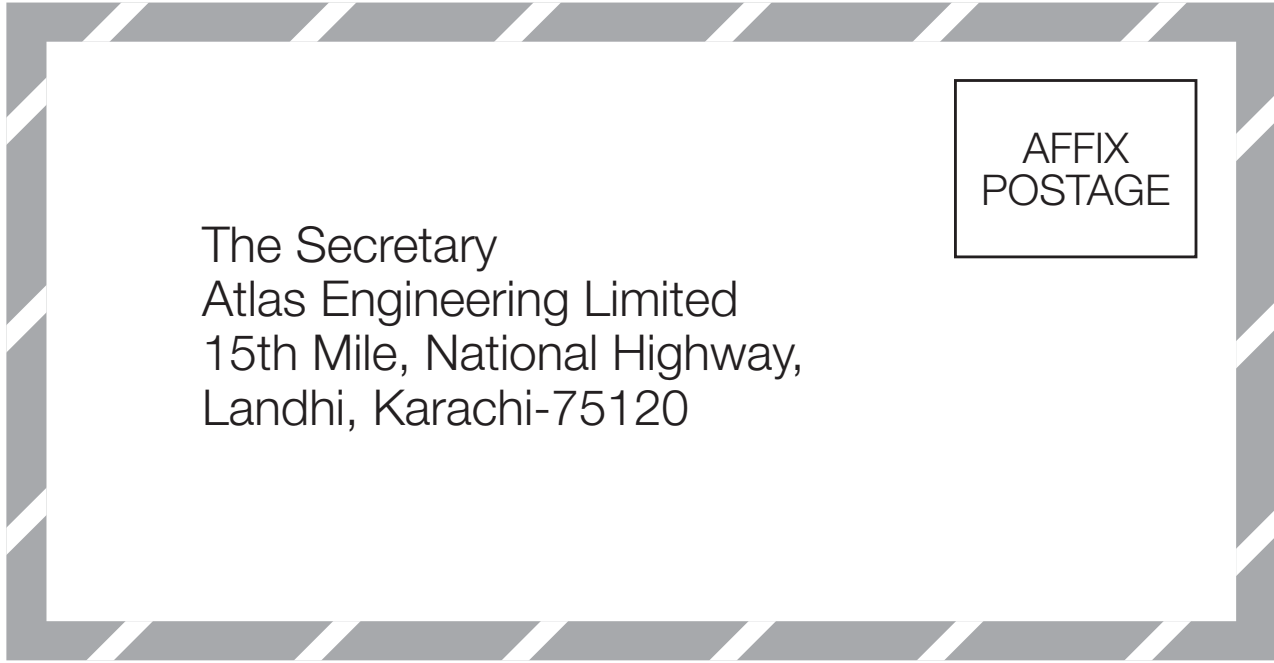
Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please affix  
Rupees Five  
Revenue  
Stamp

(Signature should agree with the  
specimen signature registered  
with the Company)

Notes:

1. The Proxy Form should be deposited in the Registered Office of the Company as soon as possible but not less than 48 hours before the time of holding the meeting, and in default Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he/she is a member of the Company.
3. CDC shareholders and their proxies are each requested to attach an attested photocopy of their Computerised National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.



The Secretary  
Atlas Engineering Limited  
15th Mile, National Highway,  
Landhi, Karachi-75120

AFFIX  
POSTAGE

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**Atlas Engineering Limited**

National Highway, Landhi, Karachi-75120, Pakistan

PABX: 111-111-AEL (235) Fax: 021-35011709

Email: [aeilkhi@atlasengineering.com.pk](mailto:aeilkhi@atlasengineering.com.pk)

Website: [www.atlasengineering.com.pk](http://www.atlasengineering.com.pk)