Atlas Engineering Limited

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

Annual Report 2012

Atlas Engineering

Organisation
development
through
self development

Atlas Engineering

ISO 9002 Certified

UKAS

001

PISTON & RADIATOR
MANUFACTURING FACILITIES

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.

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Management Report

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Company Information

Board of Directors

Yusuf H. Shirazi
Chairman

Ali H. Shirazi
Director

Bashir Makki
Director

Frahim Ali Khan
Director

Khaleeq-ur-Rahman Khan
Director

Suhail Ahmed
Director

Sadaqat Ali
Chief Executive Officer

Fida Hussain Zahid
Company Secretary

Management Committee

Sadaqat Ali
Chief Executive Officer

Muhammad Qadeer Khan
General Manager Plant

Shakil Ahmed
Chief Financial Officer

Munzim Ahmed Vahidy
General Manager Quality Assurance

Jawaid Iraqi
General Manager Support Services

Rashid Ahmed
General Manager Supply Chain

Abdul Sattar
Manager HR & Admin

Faisal Mehmood
Manager Marketing & Sales

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors

Mohsin Tayabali & Co.
Hassan & Humayun Associates
HR Associates Advocate
Agha Faisal Barrister at Law

Tax Advisor

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers

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

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

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

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 50th Annual General Meeting of Atlas Engineering Limited will be held at 2nd Floor Federation House, Shahrah-e-Firdousi, Clifton, Karachi on October 15, 2012 at 10:00 a.m. to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on December 9, 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, 2012.

3. To consider and approve cash dividend Rs. 0.75/- per share, i.e., 7.5% for the year ended June 30, 2012.

4 To appoint Auditors for the year 2012-2013 and to fix their remuneration.

Special Business

5. To consider and if thought fit pass the resolutions attached as Annexure 'A' as special resolutions approving amendments in Articles of Association of the Company to bring them in conformity with Companies Ordinance, 1984 after delisting of the Company from Karachi and Lahore Stock Exchanges.

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

By order of the Board

Fida Hussain Zahid
Company Secretary

Karachi
September 10, 2012

NOTES:

i) The Share Transfer Books of the company will remain closed from October 9, 2012 to October 15, 2012 (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, entitle 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.

Annexure 'A'
Alteration in Articles of Association

RESOLVED “that in Article 13 (Issue of Certificates) word “OR PERSONS AUTHORIZED BY DIRECTORS” be inserted after the words “SIGNATURE OF TWO DIRECTORS”.

FURTHER RESOLVED “that Article 45 (Conditions on which money may be borrowed) be amended to read as follows”

The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects, as they think, fit, and in particular, (i) by the creation of any mortgage or charge on the undertaking or the whole or any part of the property, present or future, (ii) by the issue of bonds, perpetual or redeemable debentures or debenture stock or redeemable capital of the Company charged upon all or any part of the property of the Company both present and future (iii) issue of promissory notes, bills of exchange and usance bills, (iv) furnishing guarantees and undertakings, depositing securities, shares and documents of title and (v) appointing attorneys, giving them powers of executing documents, having them registered and furnishing or creating such other securities as may be considered expedient; and for all or any of the purposes aforesaid or otherwise execute, complete and deliver such agreements and documents as may be required.

FURTHER RESLOVED “that Article 50 (Quorum to be present when business commenced) be amended to read as follows”

The quorum of general meeting shall be not less then two members in accordance with section 160 of the Companies Ordinance, 1984 present personally who represent not less than twenty five percent of the total voting power, either of their own account or as proxies.

FURTHER RESOLVED “that Article 73 (No of Directors) be amended to read as follows”

The minimum number of Directors shall not be less than three in accordance with Section 174 of the Companies Ordinance. The maximum number of Directors shall be seven until otherwise determined by the members in General Meeting.

FURTHER RESOLVED “that Articles 73-A, 73-B and 73-C (No. of Directors) relating to ICP directorship be and are hereby deleted.

FURTHER RESOLVED “that the words OTHER THAN AN ICP DIRECTOR, IF ANY be deleted from Article 86 (Election of Directors in General Meeting).

FURTHER RESOLVED “that the words OTHER THAN AN ICP DIRECTOR, IF ANY be deleted from Article 87 (Term of Office of Director).

FURTHER RESOLVED “that the words OTHER THAN AN ICP DIRECTOR, IF ANY be deleted from Article 88 (Retirement of Director).

FURTHER RESLOVED “that Article 101-A (Secretary) be amended to read as follows”

The Directors shall appoint / remove the Secretary at such remuneration as fixed by them.

FURTHER RESOLVED “that Article 103 (Meeting of Directors and Quorum) be amended to read as follows”

Directors may meet together for conduct of business, adjourn and otherwise regulate their meeting as they think fit. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes the Chairman of the Board shall have a second casting vote. The quorum for a meeting of directors shall not be less than one third of their number or two, whichever is greater.

FURTHER RESLOVED “that Article 114 (Custody of the Seal) be amended by inserting two further sub-articles to read as follows”

The Directors shall provide a common Seal for purposes of the Company and shall have power, from time to time, to destroy the same and substitute a new Seal in lieu thereof and they shall provide for safe custody of the Seal.

114A. Seal of the Company shall not be affixed to any instrument except by authority of a resolution of the Directors, in presence of Chief Executive Officer of the Company or such other person as the Directors may appoint for the purpose who shall sign every instrument to which Seal of the Company is so affixed in their presence.

114B. The Company may exercise the powers conferred by Section 213 of the Ordinance to use the seal abroad and such power shall accordingly be vested in the Directors.

FURTHER RESOLVED "that in accordance with delisting of the Company from Karachi & Lahore Stock Exchanges, section 245 of the Companies Ordinance shall not be applicable. Accordingly Articles 135A be and is hereby deleted.

FURTHER RESOLVED "that Article 136-A (Audit) relating to ICP investment in PTC's be and is hereby deleted.

STATEMENT UNDER SECTION 160 (1) (B)
OF THE COMPANIES ORDINANCE, 1984

The Company has been de-listed from Karachi and Lahore Stock Exchanges with effect from March 21, 2012. The board of Directors has recommended that the Company's Articles of Association be amended/altered in order to bring clauses of Articles of Association in conformity with Companies Ordinance, 1984 specific to non listed companies.

A copy of the altered Articles of Association of the Company as on date and also indicating the proposed amendments is available for inspection at the registered office of the Company from 8:00 a.m. to 5:00 p.m. on all working days except Friday and from 8:00 a.m. to 12:30 p.m. on Friday.

Chairman’s Review

It is my pleasure to present to you the 50th annual performance report of the Company for the period ended June 30, 2012.

The Economy

Pakistan's economy is showing signs of a modest improvement despite ongoing adverse domestic and external factors. The GDP growth was 3.7% in FY12 against the target of 4.2% and last year's actual of 3%. The average CPI inflation for FY12, of 11 percent, was well within the target of 12 percent for the year and on the lower side of SBP's earlier projections. The decline in inflation in July created expectations for a downward revision in SBP's policy rate. Consequently, there has been a further reduction recently of 150 bps in SBP discount rate.

Overall, manufacturing sector recorded a 3.6 percent growth against actual of 3.1 percent last year. The Large-scale manufacturing had to contend with incessant energy outages. The sector expanded by a modest 1.8 percent during 2011-12 against the 1.2 percent growth of last year. Improved performance in sugar, cement, pharmaceutical and leather products along with strong rural demand for fertilisers and small farm implements played a role in positive growth in the LSM. The agriculture sector recorded an improved growth of 3.13 percent against 2.38 percent growth in last year.

However, the recent receipt of USD 1.12 billion on account of Coalition Support Fund and the expected receipt of much delayed auction proceeds of 3G telecommunication licences could reduce the current account deficit to USD 2.5 billion or 1 percent of GDP in FY13.

Market Review

In the year 2011-12, the focus of the management was on two wheeler parts manufacturing. In order to create a more efficient and leaner organization, your Company decided to discontinue production of parts related to the 4 wheeler industry - diesel pistons and cast iron parts. The strategic shift should bode well for the Company. Two wheeler manufacturing industry has recorded an impressive CAGR of 19% for the last four years (based on production & sale figures reported by PAMA). This in turn is leading to improved OEM sales for the Company.

The Company

Your Company grew reasonably well during the year 2011-12 due to increased sales to the motorcycle segment. The same trend was observed in radiator segment in replacement market. As a result, the sales for the year 2011-12 was Rs. 2,235.49 million against Rs. 2,117.00 million for the corresponding period last year despite the discontinuation of diesel piston and cast iron business during the year under review.

During the period under review, Pak rupee devalued significantly against the USD and JPY, i.e. 4.73% and 9.17% respectively over last year. The impact of PKR depreciation was partially offset by declining LME based materials prices and price increase realized from OEM customers and replacement market. Further, unprecedented increase in utilities and fuel cost resulted in depressing the profitability of the Company. 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 keep the company competitive in the market.

In line with Company's business rationalization policy, during the year the Company discontinued those products that were making losses. As a result, Diesel Pistons and Cast Iron parts relating to 4 wheelers were discontinued. Large portion of all related machines and equipment of discontinued operations have been sold accordingly and manpower was right sized. However, the 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. 156.38 million during the year for BMR, leading to increasing future revenues and profitability.

De-listing of the Company

In an extraordinary general meeting of the Company which was held on December 9, 2011, the shareholders accorded their approval for voluntary delisting of the Company from Karachi & Lahore Stock Exchanges. The shareholders also approved the buy-back price of the share at Rs. 58/- per share. The effective date of de-listing from Karachi and Lahore stock exchange was 21st March 2012.

Financial Highlights

During the year 2011-2012, the company achieved the highest turnover of Rs. 2.235 billion against Rs. 2.117 billion in the corresponding period of last year, an increase of 5.57 percent.

Despite rupee devaluation against USD and JPY, increase in utility charges and cost of VSS (voluntary separation scheme), gross profit was recorded at Rs. 219.06 million against Rs. 232.09 million in the last corresponding period.

The operating expenses decreased to Rs. 83.01 million against Rs. 85.61 million of corresponding period, which are 3.71 percent and 4.04 percent of the sales respectively. The financial charges increased from Rs. 65.80 million to Rs 77.62 million as compared to last year due to increase in business volume and rupee devaluation. However, the Company managed to reduce mark-up spread rates and brought the same down to an average of 1.11% from 1.6% (above KIBOR).

In this perspective, the Company registered profit after tax for the year-end Rs. 37.45 million against Rs. 71.55 million in last corresponding period. Earnings per share after tax, for the year was Rs. 1.52 against Rs. 2.90 in the corresponding period last year. Net cash from operating activities during the year ended June 30, 2012 was Rs. 24.95 million compared to cash used in operating activities of Rs. 16.40 million in the corresponding period last year.

Contribution to Exchequer

During the year under review, the company contributed an amount of Rs. 467.05 million in respect of sales tax, income tax, custom duty and various government levies. Moreover, the Atlas Group, of which the company is a constituent member, contributed in all over Rs. 20 billion during the year 2011-2012 - making it a major contributor to the exchequer.

Information Technology

The company realizes the impact of technological development in business vis-à-vis the impact of IT resources on business management. Accordingly, your Company has undertaken to implement an Enterprise Resource Planning (ERP) system and has, in this regard approved in principal to adopt a world renowned system - SAP, for all of its business processes. This will help optimize the entire value chain, including human resource, finance, logistics, sales operations, etc.

The improvement in collecting and presenting the business related information and improving the integrity of the information available to management will give an important advantage to your company to reduce its reaction time to any business situation. As a result your company will be more competitive and more responsive to the needs of the market.

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, the Company maintained its emphasis on grooming the associates to meet the changing business requirements.

During the year, an Atlas-IBA management diploma program in cooperation with IBA was organized to meet the career development requirement of potential candidates. Two executives successfully completed Atlas-IBA diploma program. There were 35 participants in total from different Atlas Group Companies.

For strengthening the management team and catering to the future organizational need of the Company, experienced staff in middle management is being hired. 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. Industrial peace was maintained throughout the year.

Outlook & Challenges

A great challenge is ahead of the Company. The macroeconomic outlook is largely dependent on the Government's ability to control fiscal deficit while addressing energy shortage to revitalize LSM and GDP growth. Agriculture with 21% contribution to GDP, holds the key economic revival. Support price and subsidies to farmers will buck up rural areas and also benefit the auto industry. The Company believes that the economy has the potential for taking strides towards significant growth and a promising future.

The Company's products are highly dependent on the growth of automotive industry. 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.

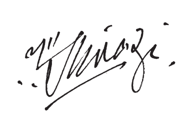
The Company will remain focused on its core business and profitable areas of Casting & Machining of parts in which your Company has expertise and technological edge over its competitors.

ع خدا کرے کہ مری ارضِ پاک پر اُترے
وہ فصلِ گُل جسے اندیشۂ زوال نہ ہو

(Let us go on growing and growing without a default)

Acknowledgement

I would like to place on record the valuable contributions made by Mr. H. Masood Sohail and Mr. Javaid Anwer who resigned from the directorship of the Company. I also welcome Mr. Frahim Ali Khan and Mr. Khaleeq-ur-Rahman Khan on the Board of Directors of the Company. 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 service to our valued customers.



Karachi: September 10, 2012

Yusuf H. Shirazi

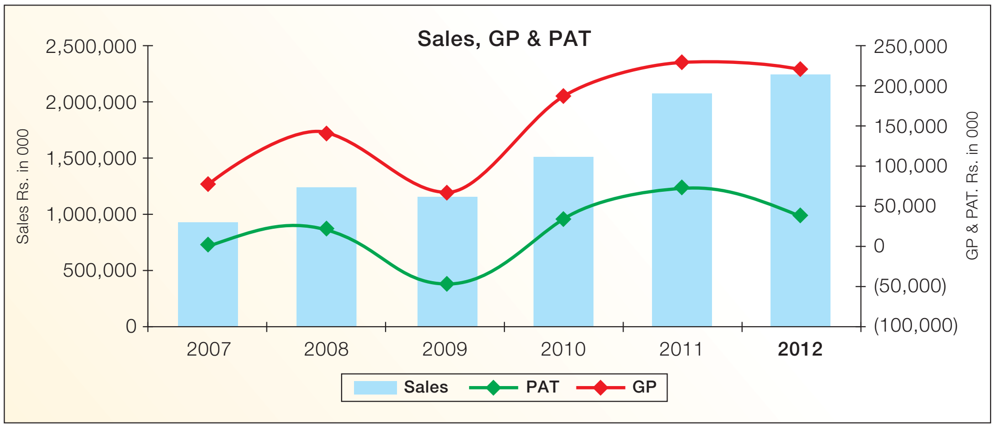
Key Performance and Financial Data

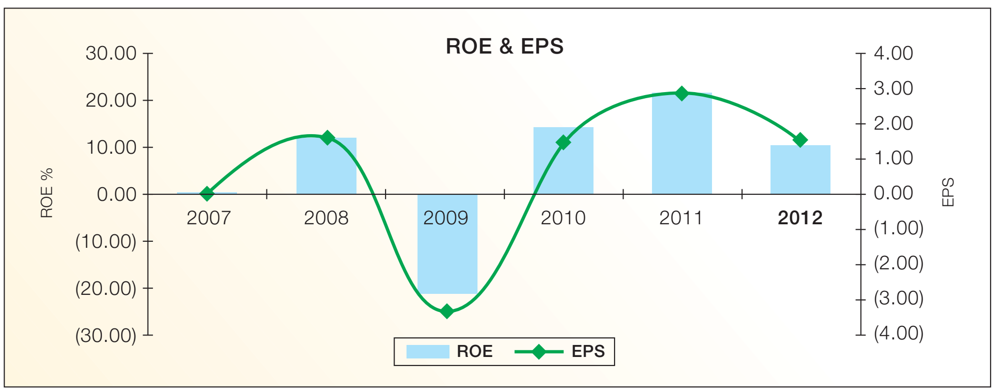
(Rupees in 000's)

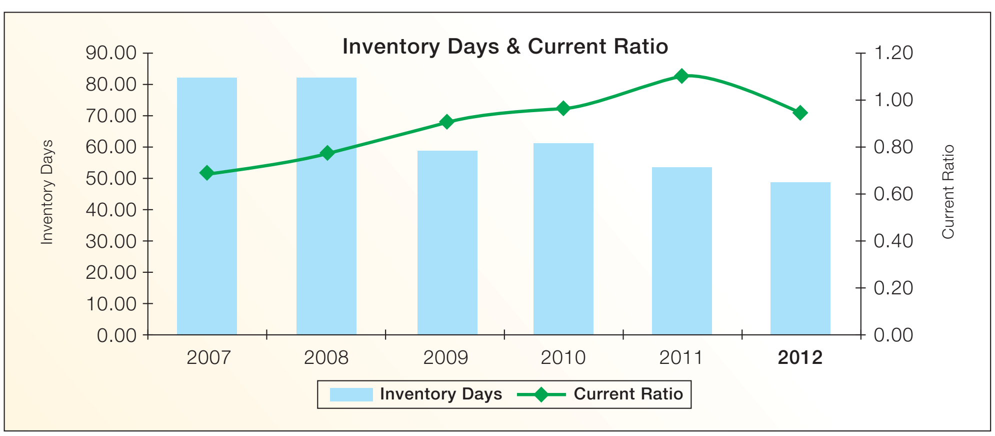
PARTICULARS	2012	2011	2010	2009	2008	2007
Sales	2,235,491	2,117,003	1,529,328	1,135,161	1,228,450	925,015
Gross profit	219,055	232,088	187,779	64,184	141,764	77,675
Profit / (Loss) Before Taxation	46,179	82,722	58,062	(59,274)	29,654	(15,574)
Profit / (Loss) After Taxation	37,450	71,549	36,144	(47,467)	19,377	574
Share Capital	246,734	246,734	246,734	246,734	123,367	123,367
Reserves	124,267	86,817	15,268	(20,876)	35,844	16,467
Shareholders' Equity						
- Including Surplus on Revaluation	727,361	689,911	677,782	641,638	574,991	555,614
- Excluding Surplus on Revaluation	371,001	333,551	262,002	225,858	159,211	139,834
Fixed Assets Net	879,587	807,340	844,060	810,161	876,807	889,787
Total Assets	1,428,592	1,342,618	1,237,256	1,150,688	1,209,008	1,137,337
Current Assets	528,395	512,661	382,404	330,215	325,178	242,002
Current Liabilities	557,800	455,207	395,227	364,390	416,424	355,303
Net Working Capital	(29,405)	57,454	(12,823)	(34,175)	(91,246)	(113,301)
Ratios:						
Profitibility (%)						
Gross Profit	9.80	10.96	12.28	5.65	11.54	8.40
Profit / (loss) Before Tax	2.07	3.91	3.80	(5.22)	2.41	(1.68)
Profit / (loss) After Tax	1.68	3.38	2.36	(4.18)	1.58	0.06
Return to Shareholders						
Dividend %	7.50	-	-	-	7.50	-
Cash Dividend Per Share	0.75	-	-	-	0.75	-
Dividend Yield Ratio	0.01	-	-	-	0.02	-
Dividend Pay Out Ratio	0.49	-	-	-	0.48	-
ROE - After Tax %	10.09	21.45	13.80	(21.02)	12.17	0.41
Earnings/(loss) per share - basic & diluted - Rs.	1.52	2.90	1.46	(3.33)	1.61	0.05
Market Price (June 30) #	58.00	39.50	16.00	9.66	31.60	25.70
Activity (Times)						
Sales to Total Assets	1.56	1.58	1.24	0.99	1.02	0.81
Sales to Fixed Assets	2.54	2.62	1.81	1.40	1.40	1.04
Inventory Turnover (Days)	49	54	61	59	82	82
Debtor Turnover (Days)	30	27	25	40	13	13
Liquidity / Leverage						
Current Ratio (Times)	0.95	1.13	0.97	0.91	0.78	0.68
Quick Ratio (Times)	0.46	0.51	0.40	0.43	0.20	0.14
Break up Value per Share (Rs)						
- Excluding Surplus on Revaluation	15.04	13.52	10.62	9.15	12.91	11.33
Long Term debts to Equity						
- Including Surplus on Revaluation) (Times)	0.17	0.22	0.16	0.17	0.28	0.32
Total Liabilities to Equity						
- Including Surplus on Revaluation) (Times)	0.49	0.49	0.45	0.44	0.52	0.51

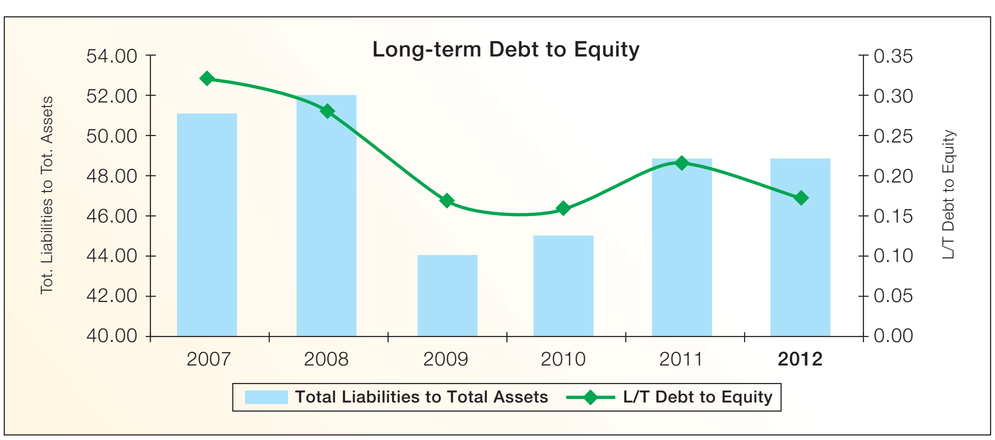
As at June 30, 2012, market price means buy-back price of shares.

Key Performance Ratios - Graphical Presentation





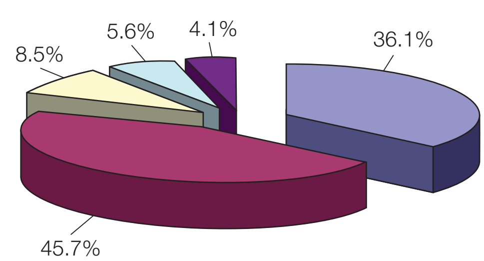




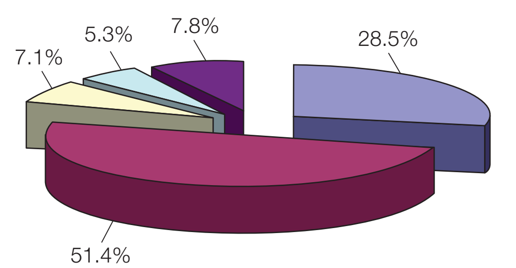
Statement of Value Addition
Year Ended June 30,

	2012 Amount	2012 % age	2011 Amount	2011 % age
	-------------------- (Rupees in '000) --------------------			
Wealth Generated:				
Total Revenue	2,593,170		2,529,818	
Material & Services (excluding duties)	(1,677,993)		(1,601,127)	
	915,177	100%	928,691	100%
Wealth distributed:				
To Employees				
Salaries & other related costs	252,265	27.6%	264,942	28.5%
VSS to employees	78,050	8.5%	-	0.0%
	330,315	36.09%	264,942	28.05%
To Government				
Sales tax, income tax, import duty & other levies	418,602	45.7%	477,548	51.4%
To Providers of Capital				
Markup/Interest	77,624	8.5%	65,800	7.1%
Retained in the Business				
Depreciation	51,186	5.6%	48,852	5.3%
Retained Profit	37,450	4.1%	71,549	7.8%
	88,636	9.7%	120,401	13.1%
	915,177	100%	928,691	100%

Wealth Distribution 2012



Wealth Distribution 2011



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, 2012.

Financial Results

The financial results of your company for the year ended June 30, 2012 under review are summarized as follows:

	------ (Rupees in ’000) -----	
	2012	2011
Profit before taxation	46,179	82,722
Taxation		
Current	(22,355)	(22,110)
Deferred	13,626	10,937
	(8,729)	(11,173)
Profit after taxation	37,450	71,549

Earnings per Share

Basic earnings per share after tax is Rs. 1.52 per share (2011: Rs. 2.90).

Dividend

The Board of Directors has recommended final cash dividend of Rs. 0.75 per share, i.e., 7.5%. (2011: Rs. Nil). Accordingly, following appropriation has been made.

	------ (Rupees in ’000) -----	
	2012	2011
Profit available for appropriation	124,267	86,817
Appropriation		
Proposed Dividend	(18,505)	-
Un-appropriated profit carried forward	105,762	86,817

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, 2012 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.

The Board approved the remuneration of the CEO Rs. 7.66 million, bonus and other benefits like free transportation, telephone facility, medical expenses etc. as per company's policy for the year 2012-2013.

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	5
4.	Mr. H. Masood Sohail (Resigned on March 16, 2012)	3
5.	Mr. Javaid Anwar (Resigned on March 16, 2012)	3
6.	Mr. Suhail Ahmed	4
7.	Mr. Sadaqat Ali	5
8.	Mr. Frahim Ali Khan (appointed in place of Mr. H. Masood Sohail)	2
9.	Mr. Khaleeq-ur-Rahman Khan (appointed in place of Mr. Javaid Anwar)	2

Auditors

The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment for the year 2012-2013.

De-listing of the Company

In an extraordinary general meeting of the Company which was held on December 9, 2011 the shareholders accorded their approval for voluntary delisting of the Company from Karachi & Lahore Stock Exchanges. The shareholders also approved the buy-back price of the share at Rs. 58/- per share. All the formalities relating to delisting have been completed, at last on February 11, 2012 the initial buy back period for purchase of shares has expired; and the stock exchange has given an option till February 11, 2013 for those shareholder who could not avail the opportunity and desire to sell their shares at a price of Rs. 58/- per share as already approved by the Karachi & Lahore Stock Exchanges. The Company has been de-listed from Karachi & Lahore Stock Exchanges on March 21, 2012.

Audit Committee

The Board of Directors of the Company had established an Audit Committee under sub clause xxx of clause 35 of the listing regulations of Karachi & Lahore Stock Exchanges. As the Company is de-listed, the requirement of Audit Committee is not applicable on the Company. The Board of Directors has dissolved the Audit Committee with effect from April 25, 2012.

However, during the year; three Audit Committee meetings were held to review financial and internal reporting process, the system of internal controls, management of risks and internal and external audit processes.

The committee consisted of three members. Including the Chairman of Committee who were non-executive directors.

During the year three Audit Committee meetings were held and attended as follows:

S. No.	Name of Directors	Meetings Attended
1.	Mr. H. Masood Sohail (Chairman)	3
2.	Mr. Ali H. Shirazi	3
3.	Mr. Suhail Ahmed	2

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 is given a high priority. The company has a web site (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.

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.

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. 197.41 million (June 30, 2011)
- Gratuity Fund Rs. 14.44 million (June 30, 2011)

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 10, 2012

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.

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.

Auditors' Report to the Members

We have audited the annexed balance sheet of Atlas Engineering Limited (the Company) as at 30 June 2012 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 2012 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

Karachi: September 10, 2012

Audit Engagement Partner: Riaz A. Rehman Chamdia

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012	2011
		------ (Rupees in '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	876,410	807,254
Intangible assets	5	3,177	86
		879,587	807,340
Long-term loans and advances	6	727	1,614
Long-term deposits and prepayments	7	19,883	21,003
		900,197	829,957
CURRENT ASSETS			
Stores, spare parts and loose tools	8	55,425	56,838
Stock-in-trade	9	216,528	223,259
Trade debts	10	183,046	156,839
Loans and advances	11	11,112	12,073
Trade deposits and short-term prepayments	12	6,416	12,095
Taxation - net	13	40,531	36,578
Cash and bank balances	14	15,337	14,979
		528,395	512,661
TOTAL ASSETS		1,428,592	1,342,618
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	246,734	246,734
Accumulated profit		124,267	86,817
		371,001	333,551
SURPLUS ON REVALUATION OF FIXED ASSET	16	356,360	356,360
NON-CURRENT LIABILITIES			
Long-term financing	17	85,546	117,691
Liabilities against assets subject to finance lease	18	7,923	11,093
Retirement and other service benefits	19	20,932	26,060
Deferred taxation	20	29,030	42,656
		143,431	197,500
CURRENT LIABILITIES			
Trade and other payables	21	102,211	134,755
Accrued mark-up	22	13,874	16,305
Short-term borrowings	23	363,074	214,364
Current maturity of long-term financing	17	54,644	52,572
Current maturity of liabilities against assets subject to finance lease	18	4,174	9,287
Provisions and other liabilities	24	19,823	27,924
		557,800	455,207
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		1,428,592	1,342,618

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

Sadaqat Ali Chief Executive Officer	Yusuf H. Shirazi Chairman	Frahim Ali Khan Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		------ (Rupees in '000) -----	
Sales	26	2,235,491	2,117,003
Cost of goods sold	27	(2,016,436)	(1,884,915)
Gross profit		219,055	232,088
Selling and distribution costs	28	(21,427)	(23,299)
Administrative expenses	29	(54,264)	(53,605)
Other operating expenses	30	(19,720)	(8,707)
Finance costs	31	(77,624)	(65,800)
		(173,035)	(151,411)
Operating profit		46,020	80,677
Other operating income	32	159	2,045
Profit before taxation		46,179	82,722
Taxation	33	(8,729)	(11,173)
Profit after taxation		37,450	71,549
		(Rupees)	**(Rupees)**
Earnings per share - Basic and diluted	34	1.52	2.90

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

Sadaqat Ali Chief Executive Officer	Yusuf H. Shirazi Chairman	Frahim Ali Khan Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	------ (Rupees in '000) -----	
Profit for the year after tax	37,450	71,549
Other comprehensive income - net of tax	-	-
Total comprehensive income for the year - net of tax	37,450	71,549

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

Sadaqat Ali
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Frahim Ali Khan
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		------ (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	139,700	66,223
Financial costs paid		(80,055)	(62,810)
Gratuity paid		(8,387)	(1,230)
Tax paid		(26,308)	(18,579)
Net cash generated from / (used in) operating activities		24,950	(16,396)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(155,310)	(69,495)
Additions to intangible assets		(4,213)	(110)
Long-term loans and advances		887	(666)
Long-term deposits and prepayments		1,120	(11,159)
Proceeds from sale of fixed assets		22,570	4,580
Net cash used in investing activities		(134,946)	(76,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans		(30,073)	64,715
Long-term murabaha finance		-	(3,570)
Lease rentals paid		(8,283)	(8,157)
Short term loan		70,000	-
Short term murabaha finance		(18,234)	52,548
Trust receipts		18,916	22,999
Net cash generated from financing activities		32,326	128,535
Net (decrease) / increase in cash and cash equivalents		(77,670)	35,289
Cash and cash equivalents at the beginning of the year		(123,838)	(159,127)
Cash and cash equivalents at the end of the year		(201,508)	(123,838)
CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	15,337	14,979
Short-term running finance	23	(216,845)	(138,817)
		(201,508)	(123,838)

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

Sadaqat Ali Chief Executive Officer	Yusuf H. Shirazi Chairman	Frahim Ali Khan Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed & paid up capital	Accumulated profit	Total
		(Rupees in thousands)	
Balance as at June 30, 2010	246,734	15,268	262,002
Profit after taxation	-	71,549	71,549
Other comprehensive income	-	-	-
Total comprehensive income	-	71,549	71,549
Balance as at June 30, 2011	246,734	86,817	333,551
Profit after taxation	-	37,450	37,450
Other comprehensive income	-	-	-
Total comprehensive income	-	37,450	37,450
Balance as at June 30, 2012	246,734	124,267	371,001

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

Sadaqat Ali
Chief Executive Officer

Yusuf H. Shirazi
Chairman

Frahim Ali Khan
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 were listed on the Karachi and Lahore stock exchanges.

The Board of Directors of the Company in its meeting held on October 27, 2011 decided to voluntarily delist the Company from the Stock Exchanges as per Listing Regulations of the Karachi Stock Exchange (KSE) and Lahore Stock Exchange (LSE). The purchase price of Rs. 58/- per share was approved by the KSE and LSE, which was also agreed by the shareholders in the Extra-Ordinary General Meeting, held on December 09, 2011. As a result of which the Company was delisted from the stock exchanges with effect from March 21, 2012.

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 78.81 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.

The Company has voluntarily adopted the requirements of 'Economically Significant Entity' as defined in the 5th Schedule to the Companies Ordinance, 1984 for the presentation and preparation of its financial statements, although the Company meets the qualifying criteria of 'Medium Sized Entity' that requires the preparation of financial statements based on Accounting and Financial Reporting Standards for Medium Sized Entity.

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 7	- Financial Instruments: Disclosures (Amendments)
IAS 24	- Related Party Disclosures (Revised)
IFRIC 14	- Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7	- Financial Instruments Disclosures
	- Clarification of Disclosures
IAS 1	- Presentation of Financial Statements
	- Clarification of Statement of Changes in Equity
IAS 34	- Interim Financial Reporting
	- Significant events and transactions
IFRIC 13	- Customer Loyalty Programmes
	- Fair value of award credits

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:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 7	- Financial Instruments: Disclosures (Amendments)	
	- Amendments enhancing disclosures about transfers of financial assets	01 January 2013
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1	- Presentation of Financial Statements - Presentation of items of comprehensive income	01 July 2012
IAS 12	- Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19	- Employee Benefits (Amendment)	01 January 2013
IAS 32	- Offsetting Financial Assets and Financial Liabilities (Amendment)	01 January 2014
IFRIC 20	- Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

IAS 19 - Employee Benefits (Revised) requires actuarial gains and losses to be recognised in other comprehensive income as these occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss account.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 9	- Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10	- Consolidated Financial Statements	01 January 2013
IFRS 11	- Joint Arrangements	01 January 2013
IFRS 12	- Disclosure of Interest in Other Entities	01 January 2013
IFRS 13	- Fair Value Measurement	01 January 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 recognise 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/she exercises such option, in full and final discharge of Company's liability towards members retirement benefits.

3.8 Compensated absences

The Company provides a facility to its non-management employees for accumulating their annual earned leave under an unfunded scheme.

Provisions are made to cover the obligation under the scheme on accrual basis and are charged to profit and loss account. Accrual for compensated absences is calculated on the basis of one month's gross salary. The amount of liability recognized in the balance sheet is calculated by the Company using the above basis as the difference in liability is not expected to be material using the Projected Unit Credit Method.

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. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

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:

	Note
Determining the residual values and useful lives of property, plant and equipment	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
Contingency	25.1

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.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
		----- (Rupees in '000) -----	
Operating assets	4.1	792,269	753,948
Capital work-in-progress	4.6	84,141	53,306
		876,410	807,254

4.1 Operating assets

Description	Note	COST / REVALUATION As at July 01, 2011	Additions/ *transfer/ revaluation (Note 4.4 & 16)	(Disposals)	As at June 30, 2012	ACCUMULATED DEPRECIATION As at July 01, 2011	Charge for the year	(Disposals) /transfer	As at June 30, 2012	NET BOOK VALUE As at June 30, 2012	Depreciation rate %
		----- (Rupees in thousands) -----									
Owned assets											
Leasehold land	4.2	356,520	*2,025	-	358,545	-	-	-	-	358,545	-
Buildings on leasehold land											
Factory		68,379	*4,005	-	72,384	45,324	2,460	-	47,784	24,600	10
Generator premises		4,924	*31	-	4,955	3,579	135	-	3,714	1,241	10
Residential		365	-	-	365	319	2	-	321	44	5
Office		4,091	*124	-	4,215	1,860	112	-	1,972	2,243	5
Plant and machinery		572,878	*82,821	(108,571)	547,128	309,761	28,222	(80,417)	257,566	289,562	10
Power generators		127,573	*10,251	-	137,824	77,948	9,518	-	87,466	50,358	10&35
Electrical fittings		15,540	*3,682	-	19,222	8,654	750	-	9,404	9,818	10
Office equipment		2,659	*29	-	2,688	2,305	57	-	2,362	326	15
Computers and other IT related equipment		16,260	*6,673	(5,018)	17,915	11,596	1,823	(4,843)	8,576	9,339	30
Furniture and fittings		4,215	-	-	4,215	3,529	69	-	3,598	617	10
Vehicles		9,958	*12,058	(3,994)	18,022	6,323	1,712	(1,208)	6,827	11,195	20
Sui gas, water and drainage lines		2,281	-	-	2,281	1,601	68	-	1,669	612	10
Measuring instruments, dies, jigs, patterns and other equipments		51,472	*2,776	(579)	53,669	42,779	2,030	(160)	44,649	9,020	20
		1,237,115	*124,475	(118,162)	1,243,428	515,578	46,958	(86,628)	475,908	767,520	
Leased assets											
Plant and machinery		24,626	-	-	24,626	6,786	1,784	-	8,570	16,056	10
Vehicles		21,599	-	(6,233)	15,366	7,028	2,444	(2,799)	6,673	8,693	20
		46,225	-	(6,233)	39,992	13,814	4,228	(2,799)	15,243	24,749	
2012		1,283,340	*124,475	(124,395)	1,283,420	529,392	51,186	(89,427)	491.151	792,269	

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

Description	Note	COST / REVALUATION As at July 01, 2010	COST / REVALUATION Additions/ *transfer (Note 4.4 & 16)	COST / REVALUATION (Disposals)	COST / REVALUATION As at June 30, 2011	ACCUMULATED DEPRECIATION As at July 01, 2010	ACCUMULATED DEPRECIATION Charge for the year	ACCUMULATED DEPRECIATION (Disposals) /transfer	ACCUMULATED DEPRECIATION As at June 30, 2011	NET BOOK VALUE As at June 30, 2011	Depreciation rate %
		---------- (Rupees in thousands) ----------									
Owned assets											
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	1 0
Vehicles		12,582	*1,988	(4,612)	9,958	7,885	1,217	(2,779)	6,323	3,635	2 0
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	
Leased assets											
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	
2011		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.

	Note	2012	2011
		----- (Rupees in '000) -----	
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).			
4.3 Allocation of depreciation charge:			
Cost of goods sold	27	48,769	45,764
Selling and distribution costs	28	687	926
Administrative expenses	29	1,730	2,162
		51,186	48,852

		Note	2012	2011
			----- (Rupees in '000) -----	
4.4	Included in operating assets following transfers from capital work-in-progress:			
	Leasehold land		2,025	-
	Factory building		4,160	1,089
	Plant and machinery	4.4.1	82,821	33,607
	Electrical fittings		3,682	609
	Measuring Instrument		2,776	2,365
	Power generators		10,251	-
	Vehicle – leased		-	18,596
	Vehicle – owned		12,058	1,988
	Office equipment		29	132
	Computers and IT related equipments		6,673	2,732
			124,475	61,118

4.4.1 Includes finance costs of Rs. 2.477 million (2011: Rs. 0.253 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	2012	2011
			----- (Rupees in '000) -----	
4.6	**Capital work-in-progress**			
	Factory building		572	3,103
	Plant and machinery	4.6.1	81,537	45,959
	Computers and IT related equipments		128	965
	Advances to suppliers / contractors		1,904	3,279
			84,141	53,306

4.6.1 Includes finance costs of Rs. 0.301 million (2011: Rs. Nil) capitalized as a part of cost of such assets. Markup rate is mentioned in note 17 to the financial statements.

5. INTANGIBLE ASSETS

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	As at July 01, 2011	Additions / Transfers	As at June 30, 2012	As at July 01, 2011	Charge for the year	As at June 30, 2012	As at June 30, 2012	Amorti-sation rate %
	---------- (Rupees in thousands) ----------							
Computer software	1,985	*4,213	6,198	1,899	1,122	3,021	3,177	33
2012	1,985	*4,213	6,198	1,899	1,122	3,021	3,177	
2011	1,875	110	1,985	1,875	24	1,899	86	

* Represents transfer from capital work-in-progress.

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

	Note	2012	2011
		----- (Rupees in '000) -----	
6. LONG-TERM LOANS AND ADVANCES			
Secured, considered good			
Loans to employees - interest bearing	6.1	344	1,100
Less: current maturity shown under current assets	11	287	915
		57	185
Long-term advances to employees - non-interest bearing	6.2	1,046	2,291
Less: current maturity shown under current assets	11	376	862
		670	1,429
		727	1,614

6.1 These loans carry mark-up at the rate of 1% (2011: 1%) per month and are secured against employees' 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 employees' retirement benefits.

7. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2012	2011
		----- (Rupees in '000) -----	
Security deposits			
Leasing		1,967	4,548
Ijarah		16,507	14,645
Utilities		751	751
Suppliers		300	300
Others		77	77
		19,602	20,321
Prepayments		682	1,083
Less: current maturity shown under current assets	12	401	401
		281	682
		19,883	21,003

8. STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012	2011
Stores and spare parts - In hand		23,143	25,483
- In transit		-	944
Loose tools		33,884	29,810
Electrical goods		3,140	4,376
		60,167	60,613
Less: Provision for obsolescence	8.1	4,742	3,775
		55,425	56,838

8.1 Comprises provision in respect of stores and spare parts – in hand amounting to Rs. 3.823 million (2011: Rs. 3.081 million) and in respect of loose tools amounting to Rs. 0.919 million (2011: Rs. 0.694 million).

9. STOCK-IN-TRADE

	Note	2012	2011
		----- (Rupees in '000) -----	
Raw and ancillary materials			
In hand		77,578	105,982
In transit		64,483	42,993
		142,061	148,975
Packing materials		1,023	1,460
Work-in-process	9.1 & 9.2	33,561	39,025
Finished goods	9.3	40,546	34,462
		217,191	223,922
Less: Provision for obsolescence	9.4	663	663
		216,528	223,259

9.1 Includes stock valued at net realizable value amounting to Rs. 0.219 million (2011: Rs. 2.353 million).

9.2 Included herein are stocks held by third parties amounting to Rs. 1.185 million (2011: Rs. 2.407 million).

9.3 Includes stock valued at net realizable value amounting to Rs. 2.636 million (2011: Rs. 5.572 million).

9.4 Comprises provision in respect of raw and ancillary materials – in hand amounting to Rs. 0.260 million (2011: Rs. 0.260 million) and in respect of work-in-process amounting Rs. 0.403 million (2011: Rs. 0.403 million).

		Note	2012	2011
			----- (Rupees in '000) -----	
10.	**TRADE DEBTS – unsecured, considered good**	10.1 & 10.2	183,046	156,839
10.1	Included herein trade debts receivable from following related parties:			
	Atlas Honda Limited		60,807	37,931
10.2	The ageing analysis of unimpaired trade debts at June 30 is as follows:			
	Neither past due nor impaired		115,912	119,594
	Past due but not impaired			
	- within 30 days		26,496	8,637
	- 31 to 60 days		22,333	20,212
	- 61 to 90 days		18,023	7,939
	- over 90 days		282	457
			183,046	156,839
11.	**LOANS AND ADVANCES - Unsecured, considered good**			
	Loans To Employees - Non-interest Bearing		5	238
	Current Maturity Of:			
	Long-term Loans To The Employees - Interest Bearing	6	287	915
	Advance To Employees	6	376	862
			663	1,777
	Advances:			
	Against Salary		70	60
	Against Expenses		413	902
	To Suppliers		9,961	9,096
			10,444	10,058
			11,112	12,073
12.	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Security and trade deposits		2,438	1,072
	Letter of Credit and guarantee margin		1,507	8,994
	Prepayments		1,863	1,628
	Current maturity of long-term prepayments	7	401	401
	Receivable from provident fund		207	-
			6,416	12,095

13. TAXATION - Net

The income tax assessments of the Company have been finalized by the Income Tax Department upto tax year 2011 (accounting year ended June 30, 2011).

		2012	2011
		----- (Rupees in '000) -----	
14.	**CASH AND BANK BALANCES**		
	In hand:		
	- Cash	308	311
	- Cheques / Payorders	2,325	6
		2,633	317
	Cash at bank in current accounts	12,704	14,662
		15,337	14,979

	2012	2011
	----- (Rupees in '000) -----	

15. SHARE CAPITAL

2012	2011		2012	2011
----- (Number of Shares) -----				
		Authorized Share Capital		
40,000,000	40,000,000	Ordinary shares of Rs.10/- each	400,000	400,000
		Issued, subscribed and paid-up capital		
		Ordinary shares of Rs.10/- each		
21,610,283	21,610,283	- fully paid in cash	216,103	216,103
49,800	49,800	- issued for consideration other than cash	498	498
3,013,307	3,013,307	- issued as fully paid bonus shares	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 24,245,453 shares (2011: 23,631,103 shares) which included 19,446,563 (2011: 18,832,213) ordinary shares of Rs.10/- each which is 78.81% (2011: 76.32%) of the total equity of the Company held by Shirazi Investment (Private) Limited, the holding company.

	2012	2011
	----- (Rupees in '000) -----	
16. SURPLUS ON REVALUATION OF FIXED ASSET	356,360	356,360

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 surplus amounting to Rs. 297.100 million which has been credited to surplus on revaluation of fixed asset account. The basis of revaluation was market value.

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 In the year 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 deficit of Rs. 59.420 million which was debited to surplus on revaluation account. The basis of revaluation was market value.

17. LONG-TERM FINANCING - Secured

	Note	2012	2011
		----- (Rupees in '000) -----	
Loan – I		-	27,001
Loan – II	17.1	9,000	13,500
Loan – III	17.2	15,476	29,762
Loan – IV	17.3	85,714	100,000
Loan – V	17.4	30,000	-
		140,190	170,263
Less: Current maturity - long-term financing		54,644	52,572
		85,546	117,691

17.1 This represents a utilised portion of a loan facility of Rs. 30.00 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 plus 1.50% per annum. The loan is secured by first parri passu charge over fixed asset of the Company for Rs. 40 million.

17.2 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% per annum. The loan is secured by first parri passu charge over fixed asset of the Company for Rs. 62.5 million.

17.3 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.

17.4 This represents a utilised portion of loan facility of Rs. 30 million obtained during the year from a commercial bank. The loan is repayable in 7 semi annual installments commencing March 7, 2013 and carries mark-up at 3 months KIBOR plus 1.50% per annum. The loan is secured by first pari passu charge over fixed assets of the Company for Rs. 37.5 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. 14.455 million (2011: Rs. 24.818 million) and are payable in monthly installments latest by February 2016. 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 14.33 percent to 16.52 percent (2011: approximately 13.80 percent to 16.25 percent) per annum have been used as discounting factor.

	2012		2011	
	Minimum lease payments	**Present value**	Minimum lease payments	Present value
	(Rupees in thousands)			
Within one year	5,417	4,174	11,373	9,287
After one year but not more than five years	9,038	7,923	13,445	11,093
Total minimum lease payments	14,455	12,097	24,818	20,380
Less: Amount representing finance charges	2,358	-	4,438	-
Present value of minimum lease payments	12,097	12,097	20,380	20,380
Less: Current portion	4,174	4,174	9,287	9,287
	7,923	7,923	11,093	11,093

	Note	**2012**	2011
		(Rupees in '000)	
19. RETIREMENT AND OTHER SERVICE BENEFITS			
Non-management staff gratuity	19.1	9,354	13,451
Accrual for compensated absences	19.2	11,578	12,609
		20,932	26,060

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, 2012.

	Management 2012	Management 2011	Non - management 2012	Non - management 2011	Total 2012	Total 2011
	----------	----------	(Rupees in thousands)	----------	----------	----------
19.1.1 Reconciliation of obligations as at year end						
Present value of defined benefit obligation	21,807	23,796	1,719	10,235	23,526	34,031
Fair value of plan assets	(12,020)	(14,443)	-	-	(12,020)	(14,443)
	9,787	9,353	1,719	10,235	11,506	19,588
Unrecognised actuarial gain/(loss)	(6,949)	(6,413)	7,635	3,216	686	(3,197)
Unrecognised non-vested liability	47	-	-	-	47	-
Net liability at end of the year	2,885	2,940	9,354	13,451	12,239	16,391
19.1.2 Movement in liability						
Net liability at beginning of the year	2,940	6,853	13,451	13,273	16,391	20,126
Charge for the year	2,885	2,940	1,364	1,075	4,249	4,015
Contributions	(2,940)	(6,853)	-	-	(2,940)	(6,853)
Benefits paid during the period	-	-	(5,461)	(897)	(5,461)	(897)
Net liability at end of the year	2,885	2,940	9,354	13,451	12,239	16,391
19.1.3 Charge for the year						
Current service cost	1,245	1,035	300	270	1,545	1,305
Interest cost	3,424	2,529	1,429	1,170	4,853	3,699
Expected return on assets	(2,187)	(1,013)	-	-	(2,187)	(1,013)
Amortization of actuarial loss	403	389	(365)	(365)	38	24
Charge for the year	2,885	2,940	1,364	1,075	4,249	4,015
19.1.4 Movement in defined benefit obligation						
Present value of defined benefit obligation at beginning of the year	23,796	20,077	10,235	10,078	34,031	30,155
Current Service cost	1,245	1,035	300	270	1,545	1,305
Interest cost	3,424	2,529	1,429	1,170	4,853	3,699
Benefits paid during the year	(6,968)	(1,203)	(5,461)	(897)	(12,429)	(2,100)
Actuarial loss/(gain)	357	1,358	(4,784)	(386)	(4,427)	972
Liability recognized - transferees	(47)	-	-	-	(47)	-
Present value of defined benefit obligation at end of the year	21,807	23,796	1,719	10,235	23,526	34,031
19.1.5 Movement in fair value of plan assets						
Present value of plan assets at beginning of the year	14,443	6,700	-	-	14,443	6,700
Expected return on plan assets	2,187	1,013	-	-	2,187	1,013
Contributions made by the Company	2,940	6,853	-	-	2,940	6,853
Benefits paid during the year	(6,968)	(1,203)	-	-	(6,968)	(1,203)
Actuarial (loss) / gain	(582)	454	-	-	(582)	454
Transfer of funds – transferees	-	626	-	-	-	626
Present value of plan assets at end of the year	12,020	14,443	-	-	12,020	14,443

	Management 2012	Management 2011	Non - management 2012	Non - management 2011
	---------- (Rupees in thousands) ----------			
19.1.6 Principal actuarial assumptions				
Discount rate	13.50%	14.50%	13.50%	14.50%
Expected per annum rate of return on plan assets	13.50%	14.50%	-	-
Expected per annum rate of increase in future salaries	13.50%	14.50%	12.50%	13.50%

	Management 2012	Management 2011	Non - management 2012	Non - management 2011	Total 2012	Total 2011
	--------------------------- (Rupees in thousands) ---------------------------					
19.1.7 Actual return on plan assets	1,605	1,098	-	-	1,605	1,098

19.1.8 Plan assets comprise the following:

	2012 Amount in '000	2012 %age	2011 Amount in '000	2011 %age
	------------- (Rupees in thousands) -------------			
Debt	5,247	43.65	7,754	53.69
Mutual funds	6,751	56.16	6,673	46.20
Cash	22	0.19	16	0.11
	12,020		14,443	

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, 2013 is Rs. 2.993 million (2012: Rs. 2.885 million).

	2012	2011	2010	2009
19.1.11 Management Staff Gratuity Fund - Comparison for past years:				
Present value of defined benefit obligation	21,807	23,796	20,077	18,053
Fair value of plan assets	12,020	14,443	6,700	5,809
Deficit	9,787	9,353	13,377	12,244
Experience adjustments				
Loss on plan liabilities	357	1,358	434	1,898
Gain / (loss) on plan assets	(582)	84	110	(501)
19.1.12 Non-Management Staff Gratuity Fund - Comparison for past years:				
Present value of defined benefit obligation	1,719	10,235	10,078	11,252
Fair value of plan assets	-	-	-	-
Deficit	1,719	10,235	10,078	11,252
Experience adjustments				
Gain on plan liabilities	4,784	386	967	290

19.2 The movements in liability during the year were as follows:

	Opening Balance	Charge for the year	Payments	Closing Balance
	------------- (Rupees in thousands) -------------			
Accrual for compensated absences	12,609	1,895	2,926	11,578

	Note	2012	2011
		----- (Rupees in '000) -----	
20. DEFERRED TAXATION			
This comprises the following:			
Deferred tax liabilities			
Difference in accounting and tax base of operating assets, leased assets and intangibles		89,419	77,734
Deferred tax assets			
Provision for gratuity and compensated absences		(7,326)	(4,708)
Provision for obsolete stock		(1,892)	(1,553)
Carry over of minimum tax		(51,171)	(28,817)
		29,030	42,656
21. TRADE AND OTHER PAYABLES			
Trade creditors	21.1	54,140	75,850
Sales tax payable – net		10,153	7,667
Special excise duty payable		-	2,526
Royalty payable		12,833	10,068
Gratuity fund - management staff	19.1.1	2,885	2,940
Accrued liabilities		22,200	34,054
Advances from customers		-	1,650
		102,211	134,755

21.1 Included herein trade credits amounting to Rs.2.317 million (2011: Rs. 5.762 million) payable to Atlas Insurance Company Limited.

	Note	2012	2011
		----- (Rupees in '000) -----	
22. ACCRUED MARK-UP			
Term loans		1,965	3,529
Short-term running finances		11,909	12,776
		13,874	16,305
23. SHORT-TERM BORROWINGS - Secured			
Running finances under mark-up arrangements	23.1	216,845	138,817
Short term loan	23.2	70,000	-
Murabaha finance	23.3	34,314	52,548
Trust receipts	23.4	41,915	22,999
		363,074	214,364

23.1 The aggregate facilities for short term running finance available from various banks as of June 30, 2012 amount to Rs.577 million (2011: Rs. 387 million) of which Rs. 360.155 million (2011: Rs. 248.183 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% to one month KIBOR plus 1.75% per annum (2011: three months KIBOR plus 1.25% to one month KIBOR plus 1.75% per annum). These are repayable latest by December 31, 2012.

23.2 This represents a utilized portion of loan facility of Rs. 70 million obtained during the year from a various banks and carries a mark-up of one months KIBOR plus 1%. This is repayable by July 31, 2012. These are secured by first pari passu joint hypothecation of stocks and book debts of the Company.

23.3 The aggregate facility for short term murabaha finance from a bank as of June 30, 2012 amount to Rs. 100 million (2011: Rs. 100 million) of which Rs. 65.686 million (2011: Rs. 47.452 million) remained unutilised at the year end. This carries profit at 3 months KIBOR plus 1% per annum (2011: 3 months KIBOR plus 1% per annum). This is secured by first pari passu joint hypothecation of stocks and book debts of the Company. This is repayable by December 31, 2012.

23.4 The aggregate facilities of trust receipts available from various banks as of June 30, 2012 amount to Rs. 130 million (2011: Rs. 100 million) of which Rs.88.085 million (2011: Rs. 77.001) 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% to one month KIBOR plus 1.75% per annum (2011: three months KIBOR plus 1.50% to one month KIBOR plus 1.75% per annum).

	Note	2012	2011
		----- (Rupees in '000) -----	

24. PROVISIONS AND OTHER LIABILITIES

	Note	2012	2011
Provision for bonus – management staff	24.1	11,760	16,686
Provision for bonus – non-management staff	24.1	581	1,341
Deposits from employees	24.2	2,718	1,640
Workers' Profit Participation Fund	24.3	2,480	4,443
Workers' Welfare Fund		942	1,688
Unclaimed dividends		463	463
Others		879	1,663
		19,823	27,924

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	16,686	11,760	16,686	11,760
Provision for bonus - non-management staff	1,341	581	1,341	581
2012	18,027	12,341	18,027	12,341
2011	17,013	21,847	20,833	18,027

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

24.3 Workers' Profits Participation Fund

	2012	2011
	----- (Rupees in '000) -----	
Balance at the beginning of the year	4,443	3,122
Interest on fund utilised in Company's business	415	326
	4,858	3,448
Allocation for the year	2,480	4,443
	7,338	7,891
Less: Amount paid during the year	4,858	3,448
Balance at the end of the year	2,480	4,443

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

	2012	2011
	----- (Rupees in '000) -----	
In favour of Sui Southern Gas Company Limited	18,278	18,328

25.2.2 Insurance company guarantee

	2012	2011
In favour of Karachi Electric Supply Company Limited	4,000	4,000

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. 138.156 million (2011: Rs. 267.877 million).

25.2.4 Commitments under letter of credit in respect of capital expenditure as at June 30, 2012 amounted to Rs.3.702 million (2011: Rs. 29.149 million).

	2012	2011
	----- (Rupees in '000) -----	
25.2.5 Commitments for rentals under Ijarah finance agreement:		
Within one year	31,291	26,469
After one year but not more than five years	58,457	97,007
	89,748	123,476

Represent Ijarah Finance Facility entered into with Meezan Bank Limited in respect of machineries. Total Ijarah payments due under the agreement is Rs. 89.748 million (2011: Rs. 123.476) and are payable in semi-annual instalments latest by November 2016. Taxes, repairs, replacement and insurance costs are to be borne by the muj'ir (lessor). These are secured by on demand promissory notes of Rs. 145.980 million (2011: Rs. 153.122).

	Note	**2012**	2011
		----- (Rupees in '000) -----	
26. SALES			
Gross sales		2,593,170	2,529,818
Less: Sales tax		357,679	412,815
		2,235,491	2,117,003
27. COST OF GOODS SOLD			
Raw and ancillary materials consumed		1,453,120	1,418,595
Salaries, wages and benefits	27.1 & 27.2	214,128	153,117
Contract labour		67,200	59,539
Spare parts and other maintenance		54,028	43,936
Packing materials consumed		15,595	13,887
Fuel, water and power		102,312	112,835
Rent, rates and taxes		615	570
Insurance		8,499	7,555
Training expenses		451	756
Repairs and maintenance:			
Factory building and electrical fittings		7,563	6,145
Furniture, fittings and office equipments		150	133
Depreciation	4.3	48,769	45,764
Ijarah rentals		27,964	14,079
Royalties and technical fee		12,633	15,099
Printing and stationery		316	474
Postage, telephone and telegrams		850	866
Subscriptions		441	388
Provision for obsolescence - stores, spare parts and loose tools		967	750
General expenses		1,455	1,472
		2,017,056	1,895,960
Opening work-in-process		39,025	29,297
Closing work-in-process		(33,561)	(39,025)
		5,464	(9,728)
Cost of goods manufactured		2,022,520	1,886,232
Opening stock of finished goods		34,462	33,145
Closing stock of finished goods		(40,546)	(34,462)
		(6,084)	(1,317)
		2,016,436	1,884,915

27.1 Includes Rs. 78.05 million (2011: Rs. Nil) in respect of voluntary separation scheme (VSS).

		Note	2012	2011
			----- (Rupees in '000) -----	
27.2	Included herein are the following retirement benefits:			
	Gratuity		3,384	2,556
	Employees Old Age Benefits		831	1,227
	Provident Fund		2,632	2,742
			6,847	6,525

28. SELLING AND DISTRIBUTION COSTS

	Note	2012	2011
Salaries and allowances	28.1	7,953	9,932
Advertisement and publicity		1,845	3,933
Cartage and octroi		4,353	3,694
Traveling and conveyance		2,421	832
Executive training		150	252
Depreciation	4.3	687	926
Insurance		905	1,259
Printing and stationery		192	142
Postage, telephone and telegrams		285	260
Medical expenses		185	185
Rent, rates and taxes		228	259
Business promotion expenses		1,746	1,438
Subscriptions		141	117
Repairs and maintenance		39	16
General expenses		297	54
		21,427	23,299

28.1 Included herein are the following retirement benefits:

	2012	2011
Gratuity	173	140
Employees Old Age Benefits	56	58
Provident Fund	307	364
	536	562

29. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries and allowances	29.1 & 29.2	41,034	42,354
Medical expenses		455	476
Traveling and conveyance		2,439	1,941
Insurance		3,991	3,778
Depreciation	4.3	1,730	2,162
Amortisation of intangible assets	5.1	1,122	24
Printing and stationery		304	332
Postage, telephone and telegrams		625	606
Business promotion expenses		326	274
Subscriptions		458	316
Advertisement and publicity		364	191
Training expenses		200	254
Repairs and maintenance		973	890
General expenses		243	7
		54,264	53,605

29.1 Included herein are the following retirement benefits:

	2012	2011
Gratuity	693	1,319
Employees Old Age Benefits	176	190
Provident Fund	1,577	647
	2,446	2,156

29.2 Salaries and allowances include directors' fee for attending meetings aggregating to Rs. 0.06 million (2011: Rs. 0.112 million), as disclosed in note 35 to the financial statements.

30. OTHER OPERATING EXPENSES

	Note	2012	2011
		----- (Rupees in '000) -----	
Loss on disposal of fixed assets	40	12,398	-
Legal and professional charges		1,390	989
Workers' Profit Participation Fund	24.3	2,480	4,443
Workers' Welfare Fund		942	1,688
Auditors' remuneration	30.1	960	1,006
Donation	30.2	1,550	581
		19,720	8,707

30.1 Auditors' remuneration

	2012	2011
Audit fee – statutory	550	500
Fee for half-yearly review	120	109
Certification, tax and other services	210	315
Out-of-pocket expenses	80	82
	960	1,006

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

31. FINANCE COSTS

	Note	2012	2011
		----- (Rupees in '000) -----	
Mark-up on:			
- long-term financing – secured		24,112	14,103
- short-term borrowings – secured		48,144	47,571
- finance lease obligation		2,080	2,741
Bank and other allied charges		2,873	1,059
Interest on Workers' Profit Participation Fund		415	326
		77,624	65,800

32. OTHER OPERATING INCOME

	2012	2011
Gain on sale of fixed assets	-	1,953
Mark-up on loans to employees	159	92
	159	2,045

33. TAXATION

	Note	2012	2011
For the year :			
- current	33.1	(22,355)	(22,110)
- deferred		13,626	10,937
		(8,729)	(11,173)

33.1 This includes minimum turnover tax under section 113 of the Income Tax Ordinance, 2001, amounting to Rs. 22.355 million (2011: Rs. 21.170 million) and flood surcharge of Rs. Nil (2011: Rs. 0.940 million). As the Company is subject to minimum tax, no numerical reconciliation is prepared in the financial statements.

34. BASIC AND DILUTED EARNINGS PER SHARE

	2012	2011
	----- (Rupees in '000) -----	
Profit after taxation (Rupees in '000')	37,450	71,549
Weighted average number of ordinary shares in issue (in '000')	24,673	24,673
Basic earnings per share (Rupees)	1.52	2.90

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

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executive	
	2012	2011	**2012**	2011	**2012**	2011
	(Rupees in thousands)					
Managerial remuneration	4,607	4,059	-	-	17,583	15,817
Bonus	1,055	1,500	-	-	4,044	5,480
Rent	1,778	1,588	-	-	6,810	6,162
Utility	395	353	-	-	1,513	1,370
Termination benefits	-	-	-	-	3,709	-
Retirement benefits	439	388	-	-	1,569	1,468
Reimbursable expenses	367	295	-	-	3,395	2,961
Directors' fee	-	-	60	112	-	-
	8,641	8,183	60	112	38,623	33,258
Number of persons	1	1	2	2	19	16

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

	Note	**2012**	2011
		----- (Rupees in '000) -----	
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		46,179	82,722
Adjustments for:			
Depreciation / amortization	4.3 & 5	52,308	48,876
Loss / (Profit) on sale of fixed assets		12,398	(1,953)
Provision for gratuity		3,259	3,077
Provision for stores, spare parts and loose tools		967	750
Finance costs		77,624	65,800
		146,556	116,550
Operating profit before working capital changes		192,735	199,272
Working capital changes	36.1	(53,035)	(133,049)
Cash generated from operations		139,700	66,223
36.1 Working capital changes			
(Increase) / decrease in current assets			
Stock-in-trade		7,177	(57,864)
Trade debts		(26,207)	(51,319)
Loans and advances		961	(2,622)
Trade deposits and short-term prepayments		5,679	(10,521)
		(12,390)	(122,326)
Increase / (decrease) in current liabilities			
Trade and other payables		(40,645)	(10,723)
		(53,035)	(133,049)

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:

	2012	2011
	----- (Rupees in ’000) -----	
Long-term loans and advances	727	1,614
Long-term deposits	19,602	20,321
Trade debts	183,046	156,839
Loans and advances	11,112	12,073
Trade deposits	2,438	1,072
Bank balances	12,704	14,662
	229,629	206,581

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:

	2012	2011
	----- (Rupees in ’000) -----	
Original Equipment Manufacturers (OEMs)	63,847	50,880
Replacement market	119,199	105,959
	183,046	156,839

Based on past experience the Company believes that no impairment allowance is necessary against amounts past due by 30 days and above as 34.88% (2011: 32.44%) 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.

	2012	2011
	----- (Rupees in ’000) -----	
Cash at bank		
A1+	8,779	5,585
A-2	254	7
A-1+	3,671	9,070
	12,704	14,662

4.1 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:

	2012					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	------------------------- (Rupees in thousands) -------------------------					
Long-term financing - secured	-	5,071	49,573	85,546	-	140,190
Liability under finance lease	-	885	3,289	7,923	-	12,097
Short-term borrowings	363,074	-	-	-	-	363,074
Trade & other payables	92,058	-	-	-		92,058
Provision and other liabilities	19,823	-	-	-	-	19,823
Accrued mark-up / interest	13,874	-	-	-	-	13,874
	488,829	5,956	52,862	93,469	-	641,116

	2011					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	------------------------- (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
	381,505	12,826	49,033	128,784	-	572,148

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 and short-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)
2012		
KIBOR	+100	(743)
KIBOR	-100	743
2011		
KIBOR	+100	(644)
KIBOR	-100	644

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.

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, 2012 and 2011 were as follows:

	2012	2011
	----- (Rupees in '000) -----	
Long term financing	140,190	170,263
Short term borrowings	363,074	214,364
Liabilities against asset subject to finance lease	12,097	20,380
Trade and other payables	102,211	134,755
Accrued interest / mark-up on borrowings	13,874	16,305
Total debt	631,446	556,067
Less: Cash and bank balances	15,337	14,979
Net debt	616,109	541,088
Share capital	246,734	246,734
Reserves	124,267	86,817
Equity	371,001	333,551
Capital	987,110	874,639
Gearing ratio	62.42%	61.86%

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	2012	2011
		----- (Rupees in '000) -----	
Entities having directors in common with the Company			
Atlas Honda Limited	Sale of goods	1,674,367	1,749,380
	Purchase of materials	-	2,710
	Purchase of scrap	17,542	14,296
	Purchase of motorcycles	2,832	2,073
	Purchase of machinery	-	896
Atlas Battery Limited	Sale of goods	814	-
	Sale of fixed assets	71	-
Atlas Auto Parts (Private) Limited	Purchase of services	4,945	-
	Sale of goods	5,188	-
	Sale of fixed assets	542	-
Atlas Insurance Limited	Insurance premium	28,150	30,290
Shirazi Trading Company (Private) Limited	Photocopier spares and services	742	634
	Purchase of generator parts	4,943	8,673
Atlas Foundation	Donations paid	827	581
	Office rent	185	168
Employees' retirement benefit plans	Contribution paid during the year	2,940	6,853

The related party status of outstanding receivables and payables as at June 30, 2012 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)						
Honda CD 70	63	6	57	56	(1)	Company Policy	Syed Aqil Abbas Rizvi Ex Employee (Karachi)
Honda CD 70	63	5	58	63	5	Company Policy	Lal Bakhsh Ex Employee (Karachi)
Honda CD 70	63	6	57	63	6	Company Policy	Yar Mohammad Ex Employee (Karachi)
Honda CD 70	63	7	56	55	(1)	Company Policy	Atlas Auto Parts (Private) Limited
Honda CD 70	63	9	54	50	(4)	Company Policy	Hassain ud Din Employee (Karachi)
Honda CD 70	63	8	55	54	(1)	Company Policy	Mohammad Mustafain Employee (Karachi)
Honda CG 125	81	19	62	81	19	Company Policy	Syed Abid Hussain Ex Employee (Karachi)
Honda CG 125	87	7	80	79	(1)	Company Policy	Waqar Aslam Ex Employee (Karachi)
Honda CG 125	87	10	77	77	-	Company Policy	Saad Ahmed Employee (Karachi)
Honda CG 125	83	19	64	63	(1)	Company Policy	Masood Hassan Khan Ex Employee (Karachi)
Honda CG 125	87	12	75	75	-	Company Policy	Junaid Hameed Employee (Karachi)
Honda CG 125	87	10	77	79	2	Company Policy	Mohammad Umair Ex Employee (Karachi)
Honda CG 125 Deluxe	104	21	83	83	-	Company Policy	Syed Adeel Ahmed Bukhari Employee (Karachi)
Honda CG 125 Deluxe	107	11	96	96	-	Company Policy	Saad Ahmed Khan Employee (Karachi)
Honda CG 125 Deluxe	104	29	75	42	(33)	Company Policy	Qismat Ali Employee (Karachi)
Motor Cycles (Note 40.1)	1,694	686	1,008	1,134	126	Company Policy	Various employees
Suzuki Mehran	479	297	182	182	-	Company Policy	Syed Abid Hussain Ex Employee (Karachi)
Suzuki Alto	547	199	348	348	-	Company Policy	Mohammad Saqlain Ex Employee (Karachi)
Suzuki Alto	572	57	515	515	-	Company Policy	Atlas Auto Parts (Private) Limited
Suzuki Mehran	408	269	139	139	-	Company Policy	Syed Anwar Hussain Employee (Karachi)
Suzuki Mehran	509	143	366	366	-	Company Policy	Hyder Abbas Ex Employee (Karachi)
Suzuki Alto	705	123	582	582	-	Company Policy	Amanullah Abid Ex Employee (Karachi)
Honda City	785	506	279	279	-	Company Policy	Maj. Abdul Sattar Employee (Karachi)
Honda City	979	620	359	359	-	Company Policy	Munzim Ahmed Employee (Karachi)
Honda City	1,410	331	1,079	1,079	-	Company Policy	Syed Naushad Ali Ex Employee (Karachi)
Honda City	934	597	337	337	-	Company Policy	Fida Hussain Zahid Employee (Karachi)
Measuring instruments	579	160	419	238	(181)	Negotiation	Fareed Traders (Karachi)
Plant and machinery	108,571	80,417	28,154	15,897	(12,257)	Negotiation	Fareed Traders (Karachi)
Computers	5,018	4,843	175	99	(76)	Negotiation	Fareed Traders (Karachi)
2012	124,395	89,427	34,968	22,570	(12,398)		
2011	7,280	4,653	2,627	4,580	1,953		

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

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 10, 2012 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	Frahim Ali Khan Director

Pattern of Shareholding
As at June 30, 2012

NO. OF SHAREHOLDERS	HAVING SHARES FROM	TO	SHARES HELD
	SHARES		
334	1	100	9,875
234	101	500	58,865
99	501	1,000	74,519
96	1,001	5,000	194,997
9	5,001	10,000	62,631
2	10,001	15,000	27,050
1	4,795,001	4,800,000	4,798,890
1	19,445,001	19,450,000	19,446,563
776			24,673,390

* Note: There is no shareholding in the slab not mentioned.

Pattern of Shareholding
As at June 30, 2012

		Number	Shares Held	Percentage
A)	**Associated Companies, Undertakings and Related Parties**			
	Shirazi Investment (Pvt.) Limited	1	19,446,563	78.82
	Shirazi Capital (Pvt.) Limited	1	4,798,890	19.45
		2	24,245,453	98.27
B)	**NIT & ICP**			
	Investment Corporation of Pakistan	1	319	0.00
	National Investment Trust Limited	1	648	0.00
		2	967	0.00
C)	**Directors, Chief Executive Officer, their spouses and minor children**			
	Directors & their spouses			
	Mr. Ali H. Shirazi	1	1	0.00
	Mr.Yusuf Hussain Shirazi & Khawar Shireen Shirazi	1	1	0.00
	Mr. Frahim Ali Khan	1	1	0.00
		3	3	0.00
	Executive	-	-	-
D)	**Banks, Development Financial Institutions, non Banking Financial Institutions**			
	Banks	6	9,717	0.04
	Financial Institutions	1	3,597	0.01
		7	13,314	0.05
E)	**General Public (Local)**	749	394,270	1.60
F)	**Others Companies**	13	19,383	0.08
		776	24,673,390	100.00
G)	**Shareholders Holding 10% Or More**			
	Shirazi Investment (Pvt.) Limited	1	19,446,563	78.82
	Shirazi Capital (Pvt.) Limited	1	4,798,890	19.45
H)	**Trading in the shares of company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children**	-	-	-

Atlas Group Companies

	*Year of Establishment / Acquisition**
Shirazi Investments	**1962**
Atlas Honda	**1962**
Atlas Battery	**1966**
Shirazi Trading	**1973**
Atlas Insurance	**1980***
Atlas Engineering	**1981***
HONDA Honda Atlas Cars	**1992**
HONDA Honda Atlas Power Product	**1997**
Atlas Asset Management	**2002**
Shirazi Capital	**2005**
Atlas Power	**2007**
Atlas World Wide	**2007**
Atlas Venture	**2008**
Atlas Autos	**2011**

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

Registered Folio/ Participant's ID No. & A/c. No.
No. of Shares held

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 Monday the October 15, 2012 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 _____________________ 2012.

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.

AFFIX
POSTAGE

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

Fold Here

Fold Here

Fold Here

Fold Here