

ATLAS BATTERY LIMITED

ANNUAL REPORT 1997

Atlas Battery Limited

MISSION STATEMENT

To achieve Market Leadership through Technological Edge, distinguished by Quality, Service and Customers' Satisfaction, emphasis on employees Long Term Welfare and ensure adequate Return to Shareholders.

Be a Good Corporate Citizen.

Contributing to development of the Society and the Country through Harmonised Endeavour.

Contents

Company Information
Notice of Meeting
Chairman's Review
Directors' Report
Five Years at a Glance
Graphic Illustration
Auditors' Report
Balance Sheet
Profit & Loss Account
Cash Flow Statement
Notes to the Accounts
Atlas Group Companies
Pattern of Shareholding

Company Information

Chairman

Yusuf H. Shirazi

Directors

Aitzaz Shahbaz	M. Iwai
M. Habib-ur-Rahman	Shahid Anwar
Iftikhar H. Shirazi	Vazeer All

Chief Executive

Vazeer Ali

Secretary

M. Atta Karim

General Manager (Tech)

M. Khalid Jilani

Chairman Group Personnel Committee

Yusuf H. Shirazi

Chairman Group Audit Committee

Sanaullah Qureshi

Auditors

Hameed Chaudhri & Co.
(Chartered Accountants)

Bankers

National Bank of Pakistan
Muslim Commercial Bank Limited
Credit Agricole Indosuez
Bank of Tokyo-Mitsubishi Limited

Registered Office (Factory)

D/181, Central Avenue, S. I. T. E., Karachi

GROUP EXECUTIVE COMMITTEE

Chairman

Yusuf H. Shirazi

Members

Jawaid Iqbal Ahmed

Frahim Ali Khan

Iftikhar H. Shirazi

Aamir H. Shirazi

Saquib H. Shirazi

Secretary

Amjad Hussain

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at 10.00 a.m. on Wednesday, December 17, 1997 at 8th Floor, Adamjee House, I.T. Chundrigar Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Last Annual General Meeting held on December 23, 1996.
2. To consider and adopt the audited accounts of the company for the year ended June 30, 1997 together with the Directors' and Auditors' Report thereon.
3. To consider and approve the recommendation of Directors for payment of dividend at the rate of 12.5% (Rs. 1.25 per share) for the year ended June 30, 1997.
4. To consider and if thought fit pass with or without modification the following as Ordinary Resolution.
 - 4.1 "Resolved that a sum of Rs. 1,725,000 out of the free reserves of the company be capitalised for issuing 172,500 fully paid ordinary shares of Rs. 10/- each as bonus shares to be allotted to those shareholders whose names stand in the register of members at the close of business on December 08, 1997 @ 7.5% in the proportion of three Ordinary Shares for every forty shares held. The said shares shall rank pari passu with the existing shares of the company as regards future dividend, and in all other respects.
 - 4.2 "Resolved further that the bonus shares entitlement infractions be consolidated and sold by the Directors on the Stock Exchange and proceeds thereof, be distributed to the respective shareholders according to their entitlement.
5. To appoint Auditors for the year 1997-98 and fix their remuneration.
6. To transact any other business with the permission of the Chair.

Notes:

1. The Share Transfer Books of the Company will remain closed from December 09, 1997 to December 17, 1997 (both days inclusive). Transfers received in order at the registered office of the company by December 08, 1997 will be in time for the purpose of entitlement for payment of the dividend to the transferee.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time appointed for meeting.
3. The members are requested to please communicate to the company any change in their mailing address immediately.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984 REGARDING SPECIAL BUSINESS AS GIVEN IN THE NOTICE OF MEETING:

1. The Directors have recommended to issue 172,500 Bonus Shares of Rs. 10/- each by capitalizing Rs. 1,725,000 from the profit of the company.

Chairman's Review

It gives me great pleasure to present to you the 31st Annual Report and review the performance of your Company for the year ended June 30, 1997.

THE ECONOMY

The Fiscal Year 1996-97 was one of the most difficult years in the economic history of Pakistan. Most economic indicators showed a declining trend. During the year, the GDP growth was 3.1%, a drop against

the growth of 6.4% during 1995-96. Agriculture, the largest contributing sector, showed a negligible growth of 0.7% as against 5.3% in the preceding year. The growth of the manufacturing sector was 1.8% compared with 4.4% during the last year. The large scale manufacturing registered a decline of 1.4%. Heavy taxation, high prices of raw materials, escalating cost of loans and high utility charges were the main reasons which impeded the growth of the industrial sector.

Despite the imposition of additional taxes of Rs. 40.8 billion in the Budget 1996-97 and a further Rs. 13.0 billion through another tax packages announced in October 1996, the fiscal deficit widened to 6.2% of GDP as against the Budget target of 4.0%. Inflation during the year increased to 11.6%. The rupee devalued by 15%, utility tariffs increased by 6.25% and revision in sales tax from 15% to 18% increased the cost of production. The high deficit financing at 6.3% contributed substantially to the inflationary impact of 11.6%. As a result, the balance of payment came under pressure during the year. The exports decreased by 5.4%, imports decreased by 1.479/0 and the trade deficit increased to \$ 3.37 billion.

The slowdown of the economy was also reflected in the quantum index numbers for import of machinery and transport equipment. In the first three quarters of 1995-96, the index numbers were 344.5, 206.6 and 247.3 for the respective quarters. These figures were drastically down for 1996-97 and stood at 191.1, 186.4 and 146.5 respectively. The general wholesale price index and the general consumer price index kept rising and stood at 207.76 and 196.96 respectively (base: 1990-91=100).

THE GROUP PERFORMANCE

The Atlas Group, of which your company is a constituent member relies on intellectual capital. Harmonizing human capital, owners capital and market capital - the Group image at the government, business and international levels, remaining within the bounds of law, morality and good practices, is one of entrepreneurial brand equity.

The Atlas Group is a diversified group dealing in engineering, financial services, trading, office equipment and information technology. It consists of seven public limited companies quoted on the stock exchanges in Pakistan and six private limited companies (vide annexure). Atlas shareholder equity has grown to Rs. 2.0 billion over the years; assets have increased to over Rs. 8.0 billion; personnel strength is over 2500 and sales have crossed the Rs.8 billion mark. The Group paid taxes of Rs. 2.4 billion during the year being 30% of the total turnover and your Company's share of Rs. 168.0million being 46% of the company's total sales, quite a high percentage!

The total paid-up capital of the seven listed companies stood at Rs. 855 million and free reserves and surplus stood at Rs. 903 million; the total equity in listed companies stood at Rs. 1,758 million. The break-up value per share of Rs. 10/- worked out to Rs. 20.56. Out of these seven companies, two companies have been rated 'A+' and three 'A' by the credit rating and other evaluating agencies. Your company is rated 'A+'. Your company is also ranked 46th among 577 industrial companies (total 782 companies) listed on the Karachi Stock Exchange.

The seven companies, set up at different times - the earliest in 1963 with a paid up capital of Rs. 2.0 million and the latest in 1993 with a paid up capital of Rs. 400.0 million - have paid cash dividend of Rs. 244.28 million and bonus of Rs. 166.55 million (market value Rs. 404.43 million) against the paid-up capital of Rs.855.15 million upto the year under review.

Your Company was set up in 1968 with a paid up capital of Rs. 3.0 million which has grown to Rs. 23.0 million. The total equity is Rs. 63.50 million which includes reserves and unappropriated profit of Rs. 40.50 million. During this period, the Company made a right issue of Rs. 10.0 million at par in 1989. It has issued bonus shares of Rs. 10.0 million (market value Rs. 37.25 million @ Rs. 37.25 per share) and paid cash dividend of Rs. 26.28 million upto June, 1997 against the shareholders' investment of Rs. 13.0 million.

THE BATTERY INDUSTRY

The state of the country's economy had its adverse impact on the organised sector of the Battery Industry as well, which for the first time, recorded a decline of 6%. General economic recession, uncertain political conditions, higher taxes on locally manufactured batteries, reduction in duties on imported batteries, influx of batteries through the Afghan Trade Transit Agreement without payment of Government duties and taxes, unabated smuggling and wide spread replating, which does not come under the tax net, were the reasons for the negative growth.

The Battery Industry is also facing the anomaly of double taxation to the extent that the excise duty is payable on the battery as well as on some of its components of in-house production, such as, separators, which is one of the essential battery components. Additionally, levy of sales tax on raw materials at import stage involves larger working capital, leading to increase in financial cost.

These factors are rendering the Battery Industry uncompetitive and causing loss not only to the local manufacturers but also to the Government revenue in the form of reduced duties and taxes, which otherwise would be a source of income to its exchequer. The Government should take

remedial measures to correct the situation and save the decline of revenue from the organised taxes and duties paying Battery Industry sector.

The installed capacity of the industry in the organized sector is 1,350,000 units. The unorganized sector is not less than 40% of the total capacity. Irregular imports through currently reduced duty and taxes, continued under-invoicing, imports through Afghan Trade and the production of the so called cottage industry are in addition.

THE COMPANY'S RESULTS

Despite the economic recession and the problems faced by the Battery Industry as already stated, your Company achieved sales of Rs. 366.1 million against Rs. 339.6 million in the preceding year, up by 7.8%, as a result of price increase in the first quarter of 1996-97 and a better sales mix. The gross profit to sales ratio was lower by 2.4% as compared to the last year. Continuous cost push due to international increase in prices of major raw materials, devaluation of the Rupee and other inflationary factors' impact led to an increase in cost of sales by 11.2%, which could not be passed on to the customers due to the highly competitive nature of the market. Thus, the gross profit margin reduced to 20.2% of sales as compared to 22.6% in the preceding year.

The administration and selling expenses as a percentage to sales were contained at 12.1% as against 12.2% in the previous year. Financial expenses increased to Rs. 12.0 million as compared to Rs. 7.2 million in the preceding year. This was due to the increase in the value of inventories, owing to higher input cost, increase in credit sales to Defence, Government Institutions and OEM. Income tax deduction at source in excess of actual tax liability was to the tune of Rs. 4.8 million in addition to Rs. 1.8 million tied up in appeals or pending appeal, which is refundable.

All these factors have eroded our profit margin. Thus, the profit before tax went down to Rs. 18.2 million, compared to Rs. 27.2 million in the preceding year. In spite of this, the return on equity of your Company stood at 28.6% for the year which is higher than the other companies in this sector and also the Battery Industry average of 18.0%. The total industry equity of the organized sector is Rs. 288 million including your Company's Rs. 63.5 million. The average industry EPS was Rs. 4.55 against Rs. 7.90 of your Company.

HUMAN RESOURCE

Investment in people and human resource development in the Atlas Group is a continuous and self sustaining process. We send people for higher education and training to such institutions as Harvard Business School, Stanford, Wharton School of Finance and Economics, INSEAD, Claremont, IMD, Notre Dame, Eton College, IBA, LUMS and PIM. All the members of

our senior management team have had exposure to these institutions. Others have had exposure to various other institutions related to their field of interest and technology in and outside the country.

The Group manpower includes 152 employees with service of over 25 years, 232 with over 20 years, 575 with over 15 years, and 753 with over 10 years service. Among them, 153 are postgraduates, 493 graduates and the rest diploma holders, intermediates, matriculates and skilled workers. Group employees turnover is around 5%.

Your CEO Mr. Vazeer Ali attended a 'Directors course' at INSEAD and Mr. M. Atta Karim, Secretary attended PIM's "Advanced Management Programme".

Mr. Khalid Jilani, General Manager Plant, together with Mr. Y. Morita, Japanese expert stationed at Karachi, carried out a comparative study of productivity, innovation and value addition at another JV of JSB - our principal JV Partners - in Indonesia. Some others attended several on and off the job training programmes.

The continued training of our personnel at various levels improves the quality of management and results in the creation of a great resource which we can use elsewhere within the Group as well. Qualified and trained personnel are indeed a great strength of the Company.

FUTURE OUTLOOK

There has been another devaluation of 8.71%, the single largest during the last 25 years after the 57% devaluation in 1972. It is now Rs.44.05 to the US dollar, gradually increasing from Rs.3.35 in 1953. On the other hand, against the Japanese Yen, the value of the US dollar fell by 75% within the last 25 years between 1971 and 1995 i.e. from 349 to 90 Yen. The German Mark appreciated against the Yen in the same 25 years period to 100 from 64. The US dollar is now equal to 121 Yen: A year ago it was stronger at 112 Yen.

Some economists and planners however seem to insist that devaluation is the only way of improving Pakistan's economy. Strong Yen, Mark or Dollar have never bothered the economies of these countries so much so as the Pakistan Rupee does the Pakistan economy. India and Bangladesh are following a different path. Earlier - immediately after the independence of Indian Sub Continent - it was India that devalued its currency and Pakistan did not. India has been able to bring down inflation rate to 2.5% against our double digit inflation rate. India is now to bring down interest rates substantially to boost economic growth to 7% this year. Our industry is handicapped by several factors including heavy interest rates while our competitors enjoy low interest rates among other comforts and incentives. It

seems, as long as Pakistan sustains high inflation, devaluation from time to time will remain inevitable. But when the exportable surplus is small, its import content heavy and too little value-added exports, devaluation will not bring us any deliverance.

Historically devaluation has had inverse impact. According to the State Bank's figures from 1992-93 to 1996-97, the average annual devaluation of 10.11% led to an annual increase in exports of 6.69%. On the other hand, imports increased annually by 10.37%, expenditure by 11.24% and trade imbalance by 22.14%. Revenues increased by 9.37% while CPI and WPI increased by 9.26% and 11.13% respectively. Debt repayments increased by geometrical ratios, so that the country had to do more borrowings in order to repay the debt than for any development expenditure. Debt repayment is also now more than our defence expenditure.

In addition, there is a trend towards reduction of markup rates which will also help to decrease the inflation rate and strengthen the purchasing power of the customers. The economic packages of the Government are emphasizing supply side economics which will also help the economy to steer itself towards better productivity leading to overall improvements in the vital areas of performance. Levy of 3% sales tax at the retail stage by January'98 will allow the Company to get more adjustment of the input sales tax. However, the latest 8.71% rupee devaluation in addition to the normal adjustment of 0.5% earlier, against the US dollar will result in a counter productive cost push and high inflationary pressures in a country where over 90% industrial units depend on imported raw materials.

Nevertheless, your Company is determined to face these challenges. I am also confident that the management will handle the challenges successfully. Some measures to meet with the situation would be the streamlining of the management structure, waste and claim control and cost cutting -fixed overheads, financial, selling, general and administrative expenses. Overall, we will rely more on our '3Es' approach of "economy, efficiency and effectiveness" duly harmonized with our '3Rs' emphasis on "respect, recognition and reward for our employees.

(There is a world, beyond a world)

ACKNOWLEDGEMENT

I wish to place on record the Board's appreciation for the Group Executive Committee, the CEO and his team for their dedication, hard work and commitment for achieving a high level of performance. I thank the CBA for their co-operation and understanding in entering into a new two years agreement effective from January 01, 1997. May I also thank Japan Storage Battery Co. Ltd. for their continuing help.

support, and co-operation in your Company's development. I am also thankful to members of the Board of Directors for providing suitable guidance and the banks, financial institutions, dealers, customers, suppliers and the share-holders for the confidence and trust they have reposed in us.

Directors' Report

Your Directors have pleasure to present their report together with the Audited Accounts and Auditors Report thereon for the year ended June 30, 1997.

Financial results are as follows:

	Rs. in 000	
	1997	1996
Profit before taxation	18,181	27,223
Provision for taxation	-----	-----
Current	6,258	9,726
Prior Year	1,280	-
	-----	-----
Deferred	-	(833)
	-----	-----
	7,538	8,893
	-----	-----
Profit after tax	10,643	18,330
Unappropriated profit brought forward	734	154
	-----	-----
	11,377	18,484
	-----	-----
Appropriations:		
Cash Dividend	2,875	5,750
Reserve for issue of Bonus Shares	1,725	-
General Reserve	6,000	12,000
	-----	-----
	10,600	17,750
	-----	-----
Unappropriated profit carried to Balance Sheet	777	734
	=====	=====

DIVIDEND AND BONUS ISSUE

The Directors are pleased to recommend a cash dividend of 12.5% and a bonus issue of 7.5% in the ratio of 3 ordinary shares of Rs. 10/- each for every forty ordinary shares of Rs. 10/- each on the paid up capital Rs. 23,000,000/- as on June 30, 1997.

CHAIRMAN'S REVIEW

The Directors endorse the contents of the Chairman's Review, included in this report highlighting the activities of the company for the year under review.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 1997 is annexed to this report.

AUDITORS

The present auditors, Messrs. Hameed Chaudhri & Co., Chartered Accountants retired and being eligible offer themselves for reappointment.

Five Years At A Glance

(Rs. in million)

	1993	1994	1995	1995-96	1996-97
STATISTICS					
Sales	206.35	260.41	121.97	339.58	366.10
Gross Profit	64.75	66.84	29.31	76.79	73.89
Profit before tax	23.11	23.89	8.57	27.22	18.18
Profit after tax	7.65	15.84	5.22	18.33	10.64
Paid up share capital	20.00	23.00	23.00	23.00	23.00

Reserves and unappropriated profit	10.14	18.38	20.15	32.73	40.50
Shareholders' equity	30.14	41.38	43.15	55.73	63.50
Long term debt	14.51	14.33	14.05	12.58	10.90
Fixed assets - Net	40.18	43.19	45.44	49.93	56.12
Total assets	119.13	134.07	162.79	198.29	199.52

DIVIDEND (%)

Cash	15	20	15	25	12.50
Stock	15	-	-	-	7.50

RATIOS

Gross Profit to Sales (%)	31.38	25.67	24.03	22.61	20.18
N.P. before tax to Sales (%)	11.20	9.17	7.03	8.01	4.97
Return on equity before tax (%)	76.68	57.73	19.88	48.84	28.63
Return on equity after tax (%)	25.37	38.28	12.10	32.89	16.76
Earning per share before tax (Rs.)	11.55	10.38	3.73	11.83	7.90
Earning per share after tax (Rs.)	3.82	6.89	2.27	7.97	4.63
Breakup value per share (Rs.)	15.07	17.99	18.76	24.23	27.61
Current ratio	1.16:1	1.27:1	1.24:1	1.17:1	1.17:1

Auditors' Report to the Members

We have audited the annexed balance sheet of ATLAS BATTERY LIMITED as at June 30, 1997 and the related profit and loss account and the cash flow statement, 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 and, after due verification thereof, we report that:

(a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984.

(b) In our opinion:-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for purpose of Company's business; and

iii) the business conducted, investments made and 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 and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and the profit and the cash flows for the year then ended; and

(d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance 1980, was deducted by the company and deposited in the Central Zakat Fund under Section 7 of that Ordinance.

HAMEED CHAUDHRI & CO

Karachi: November 03, 1997

CHARTERED ACCOUNTANTS

Balance Sheet As at June 30, 1997

SHARE CAPITAL	NOTE	1997 Rupees	1996 Rupees
Authorised Capital			
3,000,000 ordinary shares of Rs. 10 each		30,000,000	30,000,000
		=====	=====
Issued, subscribed & paidup capital	3.1	23,000,000	23,000,000

RESERVES & UNAPPROPRIATED PROFIT

General reserve	3.2	38,000,000	32,000,000
Reserve for issue of Bonus Shares		1,725,000	-
Unappropriated profit		777,080	734,426
		-----	-----
		40,502,080	32,734,426
		-----	-----
		63,502,080	55,734,426
REDEEMABLE CAPITAL	4	3,353,716	5,273,110
LONG TERM LOANS	5	1,292,426	1,601,145
		-----	-----
OBLIGATION UNDER FINANCE LEASE	6	6,254,220	5,702,680

DEFERRED LIABILITIES

Provision for gratuity		1,298,879	1,067,594
Deferred taxation		6,067,000	6,067,000
		-----	-----
		7,365,879	7,134,594

CURRENT LIABILITIES

Short term financing	7	47,403,627	42,634,701
Current maturity of long term liabilities 8		4,927,065	4,602,934
Creditors, provisions, accrued charges & other liabilities	9	55,114,391	59,777,536
Provision for taxation		7,436,117	10,075,576
Proposed Dividend		2,875,000	5,750,000
		-----	-----
		117,756,200	122,840,747

**CONTINGENT LIABILITIES/
COMMITMENTS**

	10	-	-
		-----	-----
		199,524,521	198,286,702
		=====	=====

The annexed notes form an integral part of these accounts.

FIXED CAPITAL EXPENDITURE

Operating fixed assets	11	534,365,451	145,863,755
Capital work in progress	12	2,678,477	4,064,499
		-----	-----
		56,115,022	49,928,254
LONG TERM INVESTMENT	13	4,821,850	3,821,850
		-----	-----
LONG TERM DEPOSITS	14	874,655	410,880

CURRENT ASSETS

Stores	15	6,029,721	6,679,126
Stocks	16	79,305,786	80,297,655
Trade debtors	17	18,890,537	16,230,162
Advances, Deposits & Prepayments	18	15,522,243	18,207,553
Trade & other deposits	19	4,612,732	4,828,060
Cash & bank balances	20	13,351,975	17,883,162
		-----	-----
		137,712,994	144,125,718
		-----	-----
		199,524,521	198,286,702
		=====	=====

Profit & Loss Account**FOR THE YEAR ENDED JUNE 30, 1997**

	NOTE	1997 Rupees	1996 Rupees
SALES	21	366,098,187	339,584,543
LESS: COST OF SALES	22	292,211,693	262,788,788
		-----	-----
GROSS PROFIT		73,886,494	76,795,755

OPERATING EXPENSES		-----	-----
Administrative	23	9,743,635	8,751,375
Selling and distribution	24	34,449,653	32,757,462
		-----	-----
		44,193,288	41,508,837
		-----	-----
OPERATING PROFIT		29,693,206	35,286,918
MISCELLANEOUS INCOME	25	1,811,864	1,174,392
		-----	-----
		31,505,070	36,461,310
LESS: OTHER CHARGES		-----	-----
Financial expenses	26	11,984,735	7,231,645
Workers' profit participation fund		976,016	1,461,783
Workers' welfare fund		363,614	544,468
		-----	-----
		13,324,365	9,237,896
		-----	-----
PROFIT FOR THE YEAR BEFORE TAXATION		18,180,705	27,223,414
PROVISION FOR TAXATION		-----	-----
Current		6,258,000	9,726,000
Prior years		1,280,051	-
Deferred		-	(833,000)
		-----	-----
		7,538,051	8,893,000
		-----	-----
PROFIT FOR THE YEAR AFTER TAXATION		10,642,654	18,330,414
UNAPPROPRIATED PROFIT			
BROUGHT FORWARD		734,426	154,012
		-----	-----
		11,377,080	18,484,426
APPROPRIATIONS:		-----	-----
Transfer to General reserve		6,000,000	12,000,000
Transfer to Reserve for issue of Bonus Shares		1,725,000	-
Proposed dividend @ 12.5% (1996 25%)		2,875,000	5,750,000
		-----	-----
		10,600,000	17,750,000
		-----	-----
UNAPPROPRIATED PROFIT RETAINED		777,080	734,426
		=====	=====

The annexed notes form an integral part of these accounts.

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 1997

	NOTE	1997 Rupees	1996 Rupees
Net cash (outflow) / inflow from operating activities	1	33,066,909	41,131,566
Return on investments and servicing of finance		-----	-----
Markup/ interest paid		(9,291,614)	(6,466,561)
Finance charges on leased assets		(1,698,745)	(1,049,999)
Dividend received		335,250	-
Dividend paid		(5,714,733)	(7,796,041)
Net cash outflow from return on investments and servicing of finance		-----	-----
		(16,369,842)	(15,312,601)
Taxation			
Taxes paid (including tax deducted at source)		(10,388,635)	(16,418,360)
Investing activities		-----	-----
Purchase of fixed assets		(12,205,920)	(8,158,613)
Sale of fixed assets		4,182,690	2,613,821
Investments		(1,000,000)	(3,821,850)
Long term deposits		(463,775)	(205,000)
		-----	-----
		(9,487,005)	(9,571,642)
		-----	-----
Net cash flow before financing activities		(3,178,573)	(171,037)
Financing activities		-----	-----
Increase/ (decrease) in short term borrowing		4,768,926	10,145,815

Repayment of redeemable capital/loans and debentures	(2,672,869)	(3,046,498)
Repayment of obligation under finance lease	(2,985,135)	(2,394,192)
Deposits paid on assets acquired on lease	(463,536)	(462,375)
	-----	-----
Net cash flow from financing activities	(1,352,614)	4,242,750
	-----	-----
(Decrease)/Increase in cash & cash equivalents	2 (4,531,187)	4,071,713
	=====	=====

Cash Flow Statement

1. Reconciliation of operating profit to net cash flow

from operating activities	1997 Rupees	1996 Rupees
Net profit before taxation	18,180,705	27,223,414
Depreciation	7,154,449	6,243,497
Mark up/interest expenses	9,208,611	5,216,177
Profit on sale of fixed assets	(589,717)	(560,996)
Provision for gratuity	234,096	143,245
Finance charges on leased assets	1,698,745	1,049,999
Dividend Income	(335,250)	-
	-----	-----
Operating profit before working capital changes	35,551,639	39,315,336
Decrease in trade, other receivables and deposits	585,129	3,791,244
Decrease / (Increase) in stores & stocks	1,641,274	(20,743,612)
(Decrease) /Increase in creditors, provisions, accrued charges & other liabilities	(4,708,322)	18,772,136
Gratuity paid	(2,811)	(3,538)
	-----	-----
	33,066,909	41,131,566
	=====	=====

2. Analysis of changes in cash & cash equivalents during the year

Balance as at June 30, 1996	17,883,162	13,811,449
Net cash inflow	(4,531,187)	4,071,713
	-----	-----
Balance as at June 30, 1997	13,351,975	17,883,162
	=====	=====

3. Non cash transactions

Assets acquired under finance leases	4,635,356	4,623,750
	=====	=====

Notes to the Accounts

FOR THE YEAR ENDED JUNE 30, 1997

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated as a public limited company on October 19, 1966 and its shares are quoted on Stock Exchanges in Pakistan. The company is engaged in manufacture and sale of automotive and motorcycle batteries.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The company operates unfunded gratuity scheme for workers. In terms of agreement with workers' union, the rate of gratuity was increased from 5 days to 8 days of wages for each completed year of service. Provision has been made at the rate of 8 days wages for each completed year of service. The company also operates approved contributory provident fund for all employees.

2.3 Taxation

Provision for taxation is based on the taxable income if any, at the current rate of taxation after taking into account tax credits available, if any or one half percent of turn over,

whichever is higher.

The company accounts for deferred tax on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that the timing differences will not reverse in the foreseeable

2.4 Fixed assets and depreciation

Fixed assets other than leasehold land are stated at cost less depreciation. Leasehold land and capital work in progress are stated at cost. Cost in relation to plant and machinery signifies historical cost and exchange differences in respect of foreign currency loans utilised for acquisition thereof.

Fixed assets (including leased assets) other than leasehold land are depreciated on a reducing balance basis, without considering extra shift workings, at the annual rates of 10% to 200/6 of written down values depending upon the class of assets. The exchange difference relating to plant and machinery at the end of each year is amortised at the normal rates of depreciation.

Normal repairs and maintenance are charged to income as and when incurred. Major repairs and renewals are capitalised. Gain or loss on disposal of fixed assets is included in the profit and loss account.

2.5 Accounting for leased assets

The company accounts for assets acquired under finance lease by recording the assets and related liability. Finance charge is allocated in a manner so as to produce a constant periodic rate of charge on the outstanding liability.

2.6 Investments

Long term investments are stated at cost less provision for permanent diminution in the value, if any.

2.7 Stores, spares and loose tools

These are valued at average cost.

2.8 Stocks

Stocks are valued at lower of cost or net realisable value. Cost in relation to work in process and finished goods represents direct cost of materials, wages and appropriate manufacturing overheads. In case of finished goods at regional and zonal offices cost also includes related excise duty. Items in transit are stated at cost accumulated to balance sheet date.

2.9 Foreign currency translation

Liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. Exchange gains or losses on translation of foreign currency loans utilised for the acquisition of plant and machinery are included in the cost of plant and machinery. All other exchange differences are included in the income.

2.10 Revenue recognition

Sales are recorded on despatch of goods to the customers.

2.11 Presentation

Figures in these accounts have been rounded off to the nearest rupee.

Figures of the previous year have been rearranged, wherever necessary for the purpose of comparison.

SHARE CAPITAL & GENERAL RESERVE.

	1997	1996
	Rupees	Rupees
3.1 Issued, Subscribed & Paid Up Capital		
Ordinary shares of Rs. 10 each		
1,300,000 Fully paid up in cash	13,000,000	13,000,000
1,000,000 Issued as fully paid Bonus Shares	10,000,000	10,000,000
-----	-----	-----
2,300,000	23,000,000	23,000,000
=====	=====	=====
3.2 General Reserve		
Balance as at June 30, 1996	32,000,000	20,000,000
Transfer from Profit & Loss account	60,00,000	12,000,000
	-----	-----
Balance as at June 30, 1997	38,000,000	32,000,000

	1997	1996
	Rupees	Rupees
4. REDEEMABLE CAPITAL		
Term Finance Certificates (TFCs) (note 4.1)	3,353,716	5,239,714
Citibank Morabaha Financing (note 4.2)	-	33,396
	-----	-----
	3,353,716	5,273,110
	=====	=====
4.1 Term Finance Certificates (TFCs)		
Balance as at June 30, 1996	6,892,911	8,347,079
Less redeemed during the year	1,653,197	1,454,168
	-----	-----
	5,239,714	6,892,911
Less redeemable within the following	1,885,998	1,653,197
12 months	-----	-----
	3,353,716	5,239,714
	=====	=====

(a) The company has issued Term Finance Certificates (TFCs) to National Investment Trust Limited (NIT amounting to Rs. 10 million with a corresponding rescheduled repurchase price of Rs. 20.5 million. While calculating the rescheduled repurchase price mark up at the rate of 15% per annum has been charged.

(b) The repurchase price is now redeemable in sixteen half yearly instalments commencing from June 30, 1992

(c) TFCs are secured by a trust deed creating a registered mortgage on all present and future movable and immovable properties of the company and a charge on other assets of the company ranking pari passu with charges created in favour of other creditors.

4.2 Citibank Morabaha Financing

Balance as at June 30, 1996	119,664	323,491
Repayment during the year	119,664	203,827
	-----	-----
	-	119,664
Less instalments due within the		
following twelve months	-	86,268
	-----	-----
	-	33,396
	=====	=====

5. LONG TERM LOANS

PICIC Loan (Note 5.1)	-	-
NDFC Loan (Note 5.2)	1,292,426	1,601,145
	-----	-----
	1,292,426	1,601,145
	=====	=====

	1997	1996
	Rupees	Rupees
5.1 PICIC - Foreign Currency Loan		
Balance as at June 30, 1996	603,143	1,717,143
Less repaid during the year	603,143	1,114,000
	-----	-----
	-	603,143
Less instalments due within the		
following twelve months	-	603,143
	-----	-----
	-	-
	=====	=====

5.2 NDFC - LMM Loan

Balance as at June 30, 1996	1,746,672	2,021,175
Less repaid during the year	296,865	274,503
	-----	-----
	1,449,807	1,746,672
Less instalments due within the following		
twelve months	157,381	145,527
	-----	-----
	1,292,426	1,601,145

=====

A. The finance has been obtained from National Development Finance Corporation (NDFC) for purchase of locally manufactured machinery. Under the arrangements NDFC purchased machinery at a price of Rs. 2,275,000 and simultaneously sold the machinery to the company at a marked up price of Rs. 5,774,496 subject to rebate in the marked up price of Rs. 2,467,822 if the instalments are paid on due dates.

B. The marked up price is repayable in fourteen semi annual instalments commencing from January 1, 1995 and ending on July 1, 2001.

C. The loan is secured by:-

(i) Equitable mortgage of company's present and future immovable properties and assets. The security created shall rank pari passu in all respects with the existing senior creditors.

(ii) A floating charge on the business, undertaking and other properties of the company.

(iii) Hypothecation of all plant, equipment, motor vehicles and movable properties.

(iv) Hypothecation of all benefits of the company's contracts with the suppliers of goods.

(v) Exclusive hypothecation of machinery purchased under the contract.

	1997 Rupees	1996 Rupees
6. OBLIGATION UNDER FINANCE LEASE		
Balance as at June 30, 1996	7,817,479	5,827,921
Assets acquired during the year	4,635,356	4,623,750
	-----	-----
Repaid during the year	12,452,835	10,451,671
	3,314,929	2,634,192
	-----	-----
	9,137,906	7,817,479
Less payable within the following 12 months	2,883,686	2,114,799
	-----	-----
	6,254,220	5,702,680
	=====	=====

(a) The company has entered into lease agreements with Orix Leasing Pakistan Limited and Atlas Lease Limited (associated under taking) for motor vehicles, moulds and plant & machinery.

(b) The lease rentals which include finance charges at the rate of 16% to 22 % per annum and are payable in equal quarterly/monthly instalments.

(c) The future minimum lease payments to which the company is committed under the agreements are due as follows:-

Payable 1997 - 1998	4,366,370	3,670,469
Payable 1998- 2001	7,486,516	6,672,316
	-----	-----
	11,852,886	10,342,785
Less finance charges allocated to future periods.	2,714,980	2,525,306
	-----	-----
	9,137,906	7,817,479
	=====	=====
Classified as under:		
Long term obligation under finance lease	6,254,220	5,702,680
Current obligation under finance lease	2,883,686	2,114,799
	-----	-----
	9,137,906	7,817,479
	=====	=====

1997

1996

	Rupees	Rupees
SHORT TERM FINANCING		
Running/term finances from banks	47,403,627	42,634,701
	=====	=====

7.1 The company has credit facilities upto an aggregate Rs. 63.5 million (1995. Rs. 46.0 million) which are secured against pledge/hypothecation of stocks and charge on receivables. The rate of mark-up is 48 paisas to 51 paisas per thousand per day.

8. CURRENT MATURITY OF LONG TERM LIABILITIES

Redeemable capital	1,885,998	1,653,197
Citibank Morabaha Financing	-	86,268
NDFC / PICIC Loan	157,381	748,670
Obligation under finance lease	2,883,686	2,114,799
	-----	-----
	4,927,065	4,602,934
	=====	=====

9. CREDITORS, PROVISIONS, ACCRUED CHARGES & OTHER LIABILITIES

Trade creditors. (note 9.1)	3,384,061	11,287,495
Accrued expenses (note 9.1)	29,265,328	22,822,360
Advances from customers	976,304	1,861,307
Interest/markup on redeemable	2,249,113	2,332,116
Capital & loans		
Workers' Welfare fund	404,884	585,739
Sales tax payable (note 9.2)	11,454,911	14,076,153
Other liabilities	5,755,874	4,840,702
Workers' profit participation fund (note 9.3)	1,205,885	1,561,427
Tax deductions	1,016	28,489
Unclaimed dividend (note 9.4)	417,015	381,748
	-----	-----
	55,114,391	59,777,536
	=====	=====

9.1 Trade creditors and accrued expenses include Rs. nil(1997Rs. 16,220)and Rs. 1,097.706 (1996-Rs. 1,197, 711) respectively due to associated undertaking.

9.2 Includes penalty of Rs. 100,000 (1996 Rs. 100,000). An appeal has been filed with Collector of Customs, Central Excise and Sales Tax which is pending.

	1997 Rupees	1996 Rupees
9.3 Workers' Profit participation fund		
Balance as at June 30, 1996	1,561,427	1,967,146
Interest credited	229,869	99,644
	-----	-----
	1,791,296	2,066,790
Less Payments during the year	1,561,427	1,967,146
	-----	-----
	229,869	99,644
Contributions for the year	976,016	1,461,783
	-----	-----
Balance as at June 30, 1997	1,205,885	1,561,427
	=====	=====

The company retains the allocation to the fund for its business operations till its payment to the fund.

9.4 Unclaimed Dividend

Unclaimed dividend	399,559	364,292
Unclaimed bonus fractions	17,456	17,456
	-----	-----
	417,015	381,748
	=====	=====

10. CONTINGENTLIABILITIES/COMMITMENTS

Confirmed letters of credit	11,563,460	20,130,000
Guarantees issued by bank on behalf of the company	1,864,207	2,828,799
Indemnity Bonds issued by insurance company	9,795,000	15,849,000
Excise duty & sales tax on lead oxide demands raised by Central Excise & Land Customs not acknowledged	18,175,000	18,175,000

11. STATEMENT OF OPERATING FIXED ASSETS

Particulars	Cost as at			Accumulated		Written		Rate %
	June 30, 1996	Additions	Disposals	Cost as at June 30, 1997	Depreciation June 30, 1997	down value June 30, 1997	Depreciation charge for the year	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Leasehold land	435,238	-	-	435,238	-	435,238	-	-
Building on leasehold land	10,434,423	6,010,200	-	16,444,623	7,001,169	9,443,454	1,049,273	10
Plant & Machinery	50,060,669	4,312,460	2,784,867	51,588,262	35,904,144	15,684,118	1,742,680	10
Electric installations	78,9,635	-	-	789,635	642,347	147,288	16,365	10
Air conditioners	1,002,010	192,497	-	1,194,507	430,259	764,248	84,916	10
Gas installations	135,073	-	-	135,073	94,861	40,212	4,468	10
Furniture & fixtures	977,033	-	-	977,033	732,983	244,050	27,117	10
Office equipment	1,325,259	61,100	-	1,386,359	727,445	658,914	73,213	10
Laboratory equipment	1,208,526	-	-	1,208,526	330,203	878,323	97,591	10
Vehicles	5,132,821	4,245,649	1,772,217	7,606,253	3,358,177	4,248,076	1,062,019	20
Fork lifter	264,196	790,000	-	1,054,196	753,741	300,455	75,114	20
Moulds, dies & Jigs	20,160,177	750,579	-	20,910,756	12,242,537	8,668,219	963,135	10
Factory equipment	1,699,286	-	-	1,699,286	1,180,366	518,920	57,658	10
Workshop equipment	149,749	-	-	149,749	111,566	38,183	4,242	10
Computer	1,334,343	527,400	-	1,861,743	490,954	1,370,789	152,310	10
	95,108,438	16,889,885	4,557,084	107,441,239	64,000,752	43,440,487	5,410,101	
LEASED ASSETS								
Plant & machinery	-	2,856,274	-	2,856,274	285,627	2,570,647	285,627	10
Vehicles	6,883,343	1,779,082	2,507,943	6,154,482	2,243,542	3,910,940	977,735	20
Moulds	2,246,850	-	-	2,246,850	517,899	1,728,951	192,106	10
Fork Lifter	1,808,000	-	790,000	1,018,000	366,480	651,520	126,000	20
Laboratory equipment	1,400,000	-	-	1,400,000	266,000	1,134,000	162,880	10
	12,338,193	4,635,356	3,297,943	13,675,606	3,679,548	9,996,058	1,744,348	
Total 1997	107,446,631	21,525,241	7,855,027	121,116,845	67,680,300	53,436,545	7,154,449	
Total 1996	101,565,191	11,157,261	5,275,821	107,446,631	61,582,876	45,863,755	6,243,497	

11.1 DISPOSAL OF FIXED ASSETS

Particulars	Cost Rupees	Accumulated Depreciation Rupees	Written down Value Rupees	Sale Proceeds Rupees	Profit (Loss) Rupees	Particulars of Purchaser	policy
MOTOR VEHICLES							
Motor Cycle	CD 70	31,650	17,066	14,584	31,650	17,066 Mr. Zafarullah	Employee
Motor Cycle	CD 70	34,300	18,495	15,805	34,300	18,495 Mr. Mohammed Ayaz	Employee
Motor Cycle	CD 70	38,900	16,494	22,406	38,900	16,494 Mr. Shafiqullah	Employee
Motor Cycle	CD 70	33,400	18,009	15,391	33,400	18,009 Mr. Zubair	Employee
Motor Cycle	CD 70	45,730	19,390	26,340	45,730	19,390 Mr. Umeed All Khan	Ex-Employee
Motor Cycle	CD 70	33,800	18,225	15,575	33,800	18,225 Mr. Noorul Islam	Employee
Motor Cycle	CD 70	34,300	18,494	15,806	34,300	18,494 Mr. Zaheer Ahmed	Employee
Motor Cycle	CD 70	31,450	16,958	14,492	31,450	16,958 Mr. Don D. Souza	Employee
Motor Cycle	CD 70	38,900	16,494	22,406	38,900	16,494 Mr. U. Ibrahim	Employee
Motor Cycle	CD 70	29,550	18,657	10,893	12,103	1,210 Mr. Perwaiz Iqbal Naqvi	Employee
Motor Cycle	CD 70	35,800	19,303	16,497	35,800	19,303 Mr. Perwaiz Khan	Employee

Motor Cycle	CG 125	31,675	24,202	7,473	12,974	5,501	Mr. R. A. Siddiqui	Employee
Motor Cycle	CD 70	38,300	20,651	17,649	38,300	20,651	Mr. Sher Rehman	Employee
Motor Cycle	CD 70	38,300	20,651	17,649	17,649		-Mr. A.K. Sherwani	Ex-Employee
Motor Cycle	CD 70	38,300	20,651	17,649	38,300	20,651	Mr. Hashmat ullah	Employee
Motor Cycle	CD 70	38,300	16,239	22,061	38,300	16,239	Mr. Sultan Ahmed	Employee
Motor Cycle	CD 70	34,300	18,496	15,804	34,300	18,496	Mr. Shujauddin	Employee
Motor Cycle	CD 70	35,800	19,303	16,497	35,800	19,303	Mr. M. Shabbir	Employee
Motor Cycle	CG 125	60,900	12,180	48,720	61,000	12,280	Insurance Claim Recvd.	
Motor Cycle	CD 70	38,300	20,651	17,649	38,300	20,651	Mr. Latifur Rahman	Employee
Motor Cycle	CD 70	38,300	20,651	17,649	38,300	20,651	Mr. Abdul Ghafoor	Employee
Suzuki Khyber		203,462	128,458	75,004	79,796	4,792	Syed Irshad H. Zaidi	Ex-Employee
Suzuki Sedan		297,500	134,396	163,104	327,600	164,396	Mr. Asim Shafiq	

J-2, Five Star Luxury Apartments,
Block 14, Gulshan-e-Iqbal, Karachi.

Suzuki Mehran		175,000	110,488	64,512	64,512		-Mr. Shafiq Baig	Employee
Suzuki Margalla		316,000	199,510	116,490	131,051	14,561	Mr. Jawaid Bashir	Ex-Employee
Machinery		2,784,867	-	2,784,867	2,856,274	71,407	Sales/Lease Back	
		-----	-----	-----	-----	-----		
		4,557,084	964,112	3,692,972	4,182,689	589,717		
		=====	=====	=====	=====	=====		

LEASED ASSETS

Motor Vehicles		2,507,943	1,246,869	1,261,074			Transferred to own assets on	
Fork Lifter		790,000	425,968	364,032			expiry of Lease	
		-----	-----	-----				
		3,297,943	1,672,837	1,625,106				
		=====	=====	=====				

1997 **1996**
Rupees **Rupees**

11.2 Depreciation for the year has been apportioned as follows:

Cost of goods manufactured		6,109,591	5,267,287
Administrative expenses		463,743	475,743
Selling & distribution expenses		581,115	500,467
		-----	-----
		7,154,449	6,243,497
		=====	=====

11.3 Moulds for containers and lids costing Rs. 9,253,000 included in the moulds, dies & jigs are held by Pak Polymer (Pvt) Limited, Mandviwala Mauser Plastic Industries Limited, Paramount Moulding Service, Omar Jibran, DICOM Industries Limited and Novoplast Custom Moulders under agreements executed by the company with them for use of these moulds for manufacturing containers and lids for the company.

12. CAPITAL WORK IN PROGRESS

Plant & machinery		-	647,965
Building		2,678,477	3,416,534
		-----	-----
		2,678,477	4,064,499
		=====	=====

13. INVESTMENT AT COST

Associated undertaking (Listed)			
Atlas Honda Limited			
245,850 (1996-223,500) ordinary shares of Rs. 10 each		3,821,850	3,821,850
Market value Rs. 7,621,350 (1996-6,258,000)			
Unlisted			
Arabian Sea Country Club Limited			
100,000 ordinary shares of Rs. 10 each		1,000,000	-
Name of Chief Executive Mr. Zaeem Lutfi			
		-----	-----
		4,821,850	3,821,850
		=====	=====

14. LONG TERM DEPOSITS

Utility and other deposits		874,655	410,880
----------------------------	--	---------	---------

	1997 Rupees	1996 Rupees
15. STORES		
General stores	1,881,650	1,615,919
Tools	68,555	95,551
Spare parts	4,079,516	4,967,656
	-----	-----
	6,029,721	6,679,126
	=====	=====

16. STOCKS		
Raw materials (average cost)	21,878,529	23,951,661
Work in process (average cost)	16,039,035	12,916,837
Finished goods (average cost)	28,189,047	24,700,011
Goods in transit (at cost)	13,199,175	18,729,146
	-----	-----
	79,305,786	80,297,655
	=====	=====

TRADE DEBTORS UNSECURED

Considered good (note 17.1)	18,890,537	16,230,162
	=====	=====

17.1 Includes Rs. 870,453 (1996- Rs. 1,613,667) due from associated undertakings. The maximum amount due from associated undertaking at the end of any month was Rs. 3,478,227 (1996 Rs.4,430,022)

18. ADVANCES, DEPOSITS & PREPAYMENTS**UNSECURED - CONSIDERED GOOD**

Loan to staff & workers	183,307	142,682
Advances to staff for expenses	30,913	24,863
Advances to suppliers	699,997	1,426,684
Advances to others	130,100	363,739
Tax deducted at source	10,933,101	10,721,976
Advance Sales Tax	2,822,598	4,834,157
Prepayments (note 18.1)	625,184	693,452
Insurance claims receivables (associated undertaking)	97,043	-
	-----	-----
	15,522,243	18,207,553
	=====	=====

18.1 Prepayments include rent Rs. 62,400(1996Rs. 251,028) computer services Rs. 108,000 (1996 Rs. nil) and insurance Rs. 417,284 (1996 Rs. 319,215) paid to associated undertakings.

	1997 Rupees	1996 Rupees
19. TRADE & OTHER DEPOSITS		
Trade deposits	2,569,820	1,847,660
Guarantee deposits	1,604,750	2,629,450
Excise deposit	327,251	148,932
L/C margin	110,911	202,018
	-----	-----
	4,612,732	4,828,060
	=====	=====

20. CASH & BANK BALANCES

Cash in hand and Imprest accounts	290,362	101,527
With banks:		
On current accounts	484,540	771,169
Un-deposited cheques/collection	12,577,073	17,010,466
	-----	-----
	13,351,975	17,883,162
	=====	=====

21. SALES

Sales have been recorded at dealers' net prices and are after deducting excise duty
Rs. 50,112,611 (1996- Rs. 50,353,374).

22. COST OF SALES

Stocks as at June 30,1996	24,700,011	18,620,094
Cost of goods manufactured (Note 22.1)	305,385,387	275,259,537
	-----	-----
	330,085,398	293,879,631
	-----	-----
Less cost of batteries replaced	9,684,658	6,390,832
Stocks as at June30, 1997	28,189,047	24,700,011
	-----	-----
	37,873,705	31,090,843
	-----	-----
	292,211,693	262,788,788
	=====	=====

1997	1996
Rupees	Rupees

22.1 Cost of Goods Manufactured

Work in process as at June 30, 1996	12,916,837	7,886,629
Raw materials & components consumed (Note 22.2)	215,376,054	187,526,516
Salaries, wages and benefits	31,386,847	31,101,087
Stores consumed	15,395,669	19,132,624
Fuel, power & water	12,851,798	11,574,152
Insurance	919,214	727,739
Rent, rates & taxes	1,313,905	744,843
Repairs & maintenance	4,422,845	6,596,575
Royalty	8,324,216	7,798,758
Travelling, conveyance & entertainment	1,643,006	1,583,075
Cartage	2,350,937	1,915,729
Postage & telephone	365,821	204,756
Printing & stationery	952,476	817,076
Vehicle running	207,564	247,010
Free replacement	6,337,066	4,256,297
Technical team expenses	-	340,013
Depreciation	6,109,591	5,267,287
Other manufacturing expenses	550,576	456,208
	-----	-----
	321,424,422	288,176,374
Work in process as at June 30, 1997	16,039,035	12,916,837
	-----	-----
	305,385,387	275,259,537
	=====	=====

22.2 Raw Material & Components Consumed

Stocks as at June 30, 1996	23,951,661	12,629,308
Purchases	213,302,922	198,848,869
	-----	-----
	237,254,583	211,478,177
Less stocks as at June 30, 1997	21,878,529	23,951,661
	-----	-----
	215,376,054	187,526,516
	=====	=====

1997	1996
Rupees	Rupees

23. ADMINISTRATIVE EXPENSES

Directors' meeting fee	3,500	1,000
Salaries & benefits	5,569,568	5,495,081
Travelling, conveyance & entertainment	1,220,926	887,101
Rent, rates & taxes	433,848	377,257
Insurance	205,487	213,173
Repairs & maintenance	31,787	61,630
Advertisement	28,858	127,415
Legal & professional charges	405,537	289,900
Auditors' remuneration		
Audit fee	60,000	60,000
Consultancy	5,000	5,000
Out of pocket expenses	9,575	21,932
Providend fund audit	22,100	-

Excise duty	-	13,900
Gas & electricity	131,163	194,578
Fees & subscription	125,469	92,495
Postage & telephone	178,399	109,133
Printing & stationery	285,559	268,713
Vehicle running expenses	50,494	30,609
Training Expenses	505,491	-
Depreciation	463,743	475,743
Others	7,131	26,715
	-----	-----
	9,743,635	8,751,375
	=====	=====

24. SELLING & DISTRIBUTION EXPENSES

Salaries & benefits	6,176,265	5,416,991
Travelling, conveyance & entertainment	2,723,018	2,557,219
Rent, rates & taxes	1,183,684	793,874
Insurance	2,073,468	1,464,037
Repairs & maintenance	194,707	190,446
Gas & electricity	335,456	181,167
Advertisement & publicity	2,864,174	4,848,910
Freight & handling	16,099,663	15,139,458
Printing & stationery	279,352	268,847
Postage & telephone	1,594,948	1,155,050
Vehicle running expenses	52,175	23,761
Service charges	3,302	7,145
Depreciation	581,115	500,467
Others	288,326	210,090
	-----	-----
	34,449,653	32,757,462
	=====	=====

1997	1996
Rupees	Rupees

25. MISCELLANEOUS INCOME

Scrap sales	239,616	329,142
Profit on sale of fixed assets	589,717	560,996
Dividend Income (Associated undertaking)	335,250	-
Service & others	647,281	284,254
	-----	-----
	1,811,864	1,174,392
	=====	=====

26. FINANCIAL EXPENSES**Interest/markup on:**

Long term loans	175,911	358,513
Bank loans / running finances	7,877,043	3,607,717
Redeemable capital	909,603	1,108,632
Morabaha financing	16,185	41,671
Workers' profit participation fund	229,869	99,644
Finance charges on leased assets	1,698,745	1,049,999
Bank & other financial charges	1,077,379	965,469
	-----	-----
	11,984,735	7,231,645
	=====	=====

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales	21,922,199	21,875,864
Purchases	1,781,906	2,142,679
Expenses charged by	2,401,751	2,772,089
Rent and insurance premium	4,968,418	3,330,154
Assets acquired on lease	4,635,356	502,500
	=====	=====

28. DIRECTORS' REMUNERATION

28.1 Chief Executive Officer

Managerial remuneration	519,000	409,000
Rent & utilities	285,450	224,950
Provident fund	51,900	40,900
Reimbursement of expenses		
Medical, telephone & others	40,636	47,508
Bonus	99,000	84,000
	-----	-----

	995,986	806,358
	=====	=====
Number of person	1	1
	1997	1996
	Rupees	Rupees
28.2 Meeting fees other directors	3,500	1,000
Number of persons	3	2
28.3 Executives		
Managerial remuneration	2,988,657	2,536,355
Rent & utilities	1,643,759	1,394,994
Provident fund	298,864	253,637
Medical, telephone & others	483,222	341,347
Bonus	548,588	478,700
	-----	-----
	5,963,090	5,005,033
	=====	=====
Number of persons	15	14

28.4 The chief executive officer was also provided with free use of company car.

29. PLANT CAPACITY

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

Atlas Group Companies

	Year of Establishment Acquisition *
Shirazi Investments (Pvt) Ltd.	1962
Atlas Honda Ltd.	1963
Atlas Battery Ltd.	1966
Shirazi Trading Co.(Pvt) Ltd.	1973
Atlas Warehousing (Pvt) Ltd.	1979
Atlas Office Equipment (Pvt) Ltd.	1979*
Muslim Insurance Co. Ltd.	1980*
Allwin Engineering Industries Ltd.	1981*
Atlas Lease Ltd.	1989
Atlas Investment Bank Ltd.	1990
Honda Atlas Cars (Pakistan) Ltd.	1993
Honda Atlas Services (Pvt) Ltd.	1994
Atlas Information Technology (Pvt) Ltd.	1996

Pattern of Shareholding

AS AT JUNE 30, 1997

NO OF SHAREHOLDERS		CATEGORIES		NO. OF SHARES	PERCENTAGE	
480	From	1	To	100	11,208	0.49
182	From	101	To	500	42,579	1.85
35	From	501	To	1000	24,444	1.06
43	From	1001	To	5000	11,7662	5.12
10	From	5001	To	10000	72,507	3.15
I	From	10001	To	15000	11,040	0.48
4	From	15001	To	20000	72,798	3.17

2	From	20001	To	25000	44,496	1.93
2	From	25001	To	30000	53,225	2.31
i	From	40001	To	45000	40,110	1.74
6	From	80001	To	85000	499,537	21.72
1	From	135001	To	140000	140,000	6.09
I	From	165001	To	170000	166,243	7.23
1	From	175001	To	180000	1 75,754	7.64
1	From	205001	To	210000	207,628	9.03
1	From	275001	To	280000	275,770	11.99
1	From	340001	To	345000	344,999	15.00
-----					-----	-----
772					2,300,000	100.00
=====					=====	=====

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	754	718,682	31.24
Investment Companies	8	733,206	31.88
Financial Institutions	2	11,342	0.49
Insurance Companies	3	67,562	2.94
Joint Stock Companies	3	760,769	33.08
Corporate Law Authority	1		
Abandoned Properties	1	8,438	0.37
-----			-----
772			2,300,000 100.00
=====			=====