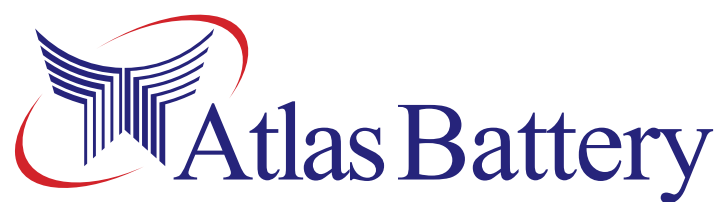


ANNUAL REPORT
2006



Organisation
development
through
self development





Vision

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

Mission

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



OUR VALUED CUSTOMERS



Atlas Honda Limited



Dawood Yamaha Ltd.



Delta Innovations Limited



Dewan Farooque Motors Ltd.



Fateh Motors Limited



Gandhara Nissan Ltd.



Honda Atlas Cars (Pakistan) Ltd.



Indus Motor Company Ltd.



Master Motor Corporation Limited



Millat Tractors Ltd.



Pak Suzuki Motor Company Ltd.



Sigma Motors (Pvt) Limited



Sindh Engineering (Pvt) Ltd.



Super Asia Motors (Pvt) Limited

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COMPANY INFORMATION
BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Chief Executive	Vazeer Ali
Directors	Aitzaz Shahbaz
	Iftikhar H. Shirazi
	Javaid Anwar
	Muhammad Atta Karim
	Naoyuki Inoue
Company Secretary	Muhammad Iqbal

AUDIT COMMITTEE

Chairman	Aitzaz Shahbaz
Members	Iftikhar H. Shirazi
	Muhammad Atta Karim
Head of Internal Audit	M. Rizwan Jamil
Secretary	Muhammad Saleem

GROUP EXECUTIVE COMMITTEE

Chairman	Aamir H. Shirazi
Members	Bashir Makki
	Frahim Ali Khan
	Iftikhar H. Shirazi
	Jawaid Iqbal Ahmad
	Saqib H. Shirazi
Secretary	Theresa Dias

GROUP HUMAN RESOURCE COMMITTEE

Chairman	Yusuf H. Shirazi
Members	Aamir H. Shirazi
	Bashir Makki

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

Chairman	Iftikhar H. Shirazi
Members	Qasim Imran Khan
	Ziaullah Begg
Secretary	Sarfraz Hasan

MANAGEMENT COMMITTEE

Chief Executive	Vazeer Ali
Chief Financial Officer & GMHR	Ahmad Zafaryab Ali
General Manager Marketing	Arshad Gulraiz Butt
General Manager Quality Assurance	Muhammad Jamil Awan
General Manager Plant	Shahzad Ahmad Khan

COMPANY INFORMATION

Auditors	Hameed Chaudhri & Co. Chartered Accountants
Legal Advisor	Agha Faisal Barrister at Law Mohsin Tayebaly & Co.
Tax Advisor	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Bankers	Atlas Bank Limited Bank Al-falah Limited Habib Bank Limited MCB Bank Limited National Bank of Pakistan The Bank of Tokyo-Mitsubishi UFJ, Limited
Registered Office / Factory	D-181 Central Avenue, S.I.T.E. Karachi-75730 Tel: 2567990-94 Fax: 2564703
Zonal Office Karachi	PPI Building, Near Sindh Secretariat Building, Shahra-e-Kamal Ataturk, Karachi-74200 Tel: 2636057 - 2626478
Sukkur Office	F -33/4, Barrage Colony, Workshop Road, Sukkur Tel: 612532 Fax: 612532
Zonal Office Lahore	Salam Chambers, 21 Link Mcleod Road, Lahore-54000 Tel: 7227075 - 7354245 Fax: 7352724
Faisalabad Office	54-Chenab Market, Madina Town, Faisalabad Tel: 713127 Fax: 726628
Multan Office	Azmat Wasti Road, Chowk Dera Adda Multan-60000 Tel: 548017
Peshawar Office	1st Floor, Zeenat Plaza, near General bus stand, G.T. Road, Peshawar Tel: 262485
Rawalpindi Office	312-A, Kashmir Road, R.A. Bazar, Rawalpindi-65847 Tel: 5567423
Sahiwal Office	647-V-7, Al-Hilal Building, Nishter Road, Sahiwal-57000 Tel: 61539
Company Website	www.atlasbattery.com.pk
Email Address	abl@atlasbattery.com.pk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at 9:30 a.m. on Saturday, September 30, 2006 at Federation House, 2nd Floor, Sharae Firdousi, main Clifton, Karachi, to transact the following business:

Ordinary Business:

1. To confirm Minutes of Annual General Meeting held on September 29, 2005.
2. To consider and adopt the audited accounts of the Company for the year ended June 30, 2006 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 30% (Rs.3/- per share) for the year ended June 30, 2006.
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.7,931 thousand out of Company's profit be capitalized for issuing 793,109 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 September 20, 2006 @ 15% in the proportion of three Ordinary Shares of Rs.10/- each for every twenty ordinary shares held and that these shares shall be treated for all purposes as an increase in the paid-up capital of the Company. 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. "Further Resolved that the bonus shares entitlement in fraction be consolidated and sold by the Directors on the Stock Exchange and proceeds of sale when realized be given to a charitable institution".
 - 4.3. "Further Resolved that the Directors be and are hereby authorized to give effect to the foregoing resolutions and in this regard to do or cause to be done all acts, deeds and things that may be necessary or required".
5. To appoint Auditors for the year 2006-2007 and fix their remuneration.

Other Business:

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

By ORDER OF THE BOARD



SECRETARY

Karachi: August 31, 2006

NOTES:

1. The Share Transfer Books of the Company will remain closed from September 21, 2006 to September 30, 2006 (both days inclusive). Transfers received in order at the registered office of the company by September 20, 2006 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.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity and in case of proxy, must enclose an attested copy of his/her National Identity Card. Representative members should bring the usual documents required for such purpose.

Abstract required under Section 218 of the Companies Ordinance, 1984 regarding terms of appointment of Chief Executive.

Remuneration of Chief Executive:

"A total amount not exceeding Rs. 5.0 million will be paid as the aggregate remuneration to Chief Executive of the Company for the year ending June 30, 2007, in addition to other benefits as per Company policy".

The Chief Executive is interested in the remuneration payable to him.

**OPERATING AND FINANCIAL DATA
TEN YEARS GROWTH AT A GLANCE**

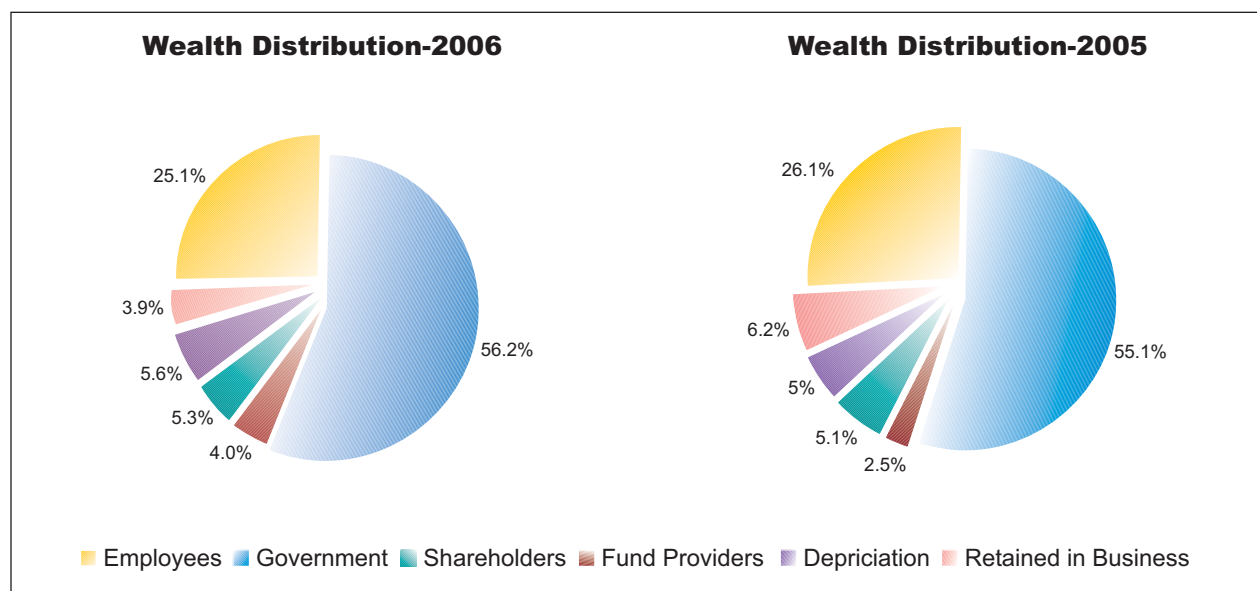
(Rupees in million)

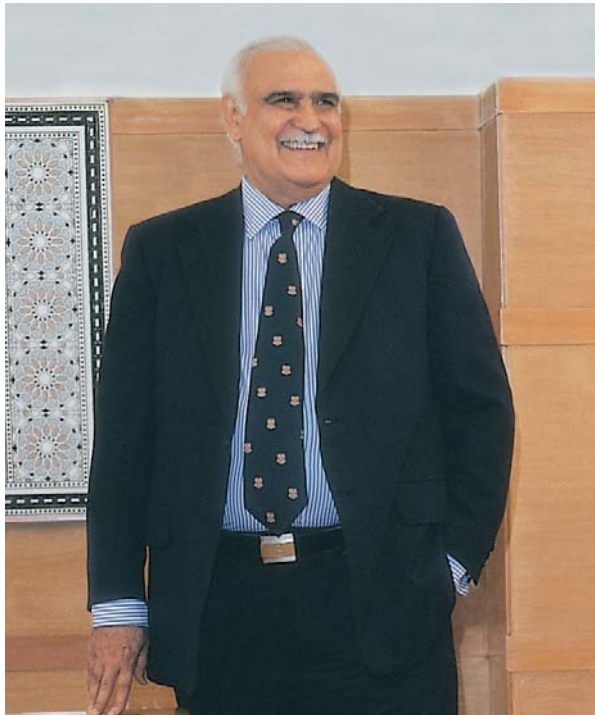
YEAR		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Sales		1,209.0	949.8	770.1	617.1	495.1	563.0	480.8	499.3	443.4	366.1
Gross Profit		189.1	157.6	173.4	141.2	91.5	109.2	91.1	107.7	93.3	73.9
Operating profit		78.0	61.3	94.1	65.3	24.1	27.5	32.0	46.9	40.6	29.7
Profit before Tax		66.2	54.0	117.7	57.3	7.1	11.6	15.8	36.2	31.5	18.2
Profit after Tax		41.3	40.9	83.5	39.2	5.5	9.5	14.1	24.4	21.1	10.6
Share Capital		52.9	46.0	32.8	28.6	27.2	27.2	24.7	24.7	24.7	23.0
Reserves		211.5	188.5	160.8	101.3	80.6	77.8	74.9	67.0	52.4	40.5
Shareholders' Equity		264.4	234.5	213.4	129.9	107.8	105.0	99.6	91.7	77.2	63.5
Property, Plant & Equipment		239.7	151.2	92.9	84.4	90.2	97.2	103.8	83.6	65.3	56.1
Net Current assets		111.1	171.3	141.3	47.3	34.1	40.1	44.0	37.0	24.8	19.9
Total Assets		562.9	505.7	376.3	303.6	305.4	356.7	278.7	260.3	213.9	199.5
Long term liabilities		40.0	60.0	-	-	14.7	29.3	40.3	24.8	10.7	11.0
Deferred Liabilities		50.5	30.9	22.4	6.9	8.2	8.9	12.6	9.7	7.7	7.4
Dividend											
Cash	%	30.0	25.0	60.0	60.0	10.0	15.0	25.0	40.0	30.0	12.5
Stock	%	15.0	15.0	40.0	15.0	5.0	-	10.0	-	-	7.5
Payout ratio	%	38.4	28.1	23.6	43.7	49.7	43.2	43.8	40.6	35.2	27.0
Dividend per share	Rs.	3.0	2.5	6.0	6.0	1.0	1.5	2.5	4.0	3.0	1.3
Ratios											
Profitability											
Gross Profit	%	15.6	16.6	22.5	22.9	18.5	19.4	19.0	21.6	21.0	20.2
Profit before Tax	%	5.5	5.7	15.3	9.3	1.4	2.1	3.3	7.3	7.1	5.0
Profit after Tax	%	3.4	4.3	10.8	6.4	1.1	1.7	2.9	4.9	4.8	2.9
Investment											
R.O.E. before tax	%	25.0	23.0	55.2	44.1	6.6	11.0	15.9	39.5	40.8	28.6
R.O.E. after tax	%	15.6	17.3	39.1	30.2	5.1	9.0	14.2	26.6	27.3	16.8
Return on Capital Employed	%	24.9	20.7	55.3	48.1	19.3	21.1	21.7	36.5	41.8	36.9
Earnings per share	Rs.	7.8	8.8	25.4	13.7	2.0	3.5	5.7	9.9	8.5	4.6
P.E. Ratio	Times	9.5	8.8	6.0	6.3	10.7	7.2	4.6	3.0	4.3	9.4
Activity											
Sales to total assets	Times	2.1	1.9	2.0	2.0	1.6	1.6	1.7	1.9	2.1	1.8
Sales to Fixed assets	Times	5.0	6.3	8.3	7.0	5.5	5.8	4.6	6.0	6.7	6.5
Inventory turnover	Days	79	75	74	99	110	91	96	83	85	107
Debtors turnover	Days	28	24	19	22	39	32	18	17	18	18
Liquidity / Leverage											
Current ratio	Times	1.5	2.0	2.0	1.3	1.2	1.2	1.4	1.3	1.2	1.2
Interst cover ratio	Times	4.7	6.9	29.5	7.8	1.4	1.6	1.9	4.7	4.7	2.5
Debt Equity ratio	Times	0.2	0.3	0.0	0.0	0.2	0.4	0.5	0.4	0.2	0.3
Total Liability to Equity	Times	1.1	1.2	0.8	1.3	1.8	2.4	1.8	1.8	1.8	2.1
Break-up value / Share	Rs.	50.0	51.0	65.1	45.4	39.6	38.6	40.3	37.1	31.2	27.6
Market value per share (At year end)	Rs.	73.9	77.0	154.0	86.0	21.5	25.0	26.5	30.0	37.0	43.5

STATEMENT OF VALUE ADDITION
YEAR ENDED JUNE 30, 2006

Rupees in '000'

	2006		2005	
	Amount	% age	Amount	% age
Wealth Generated:				
Total Revenue	1,412,281		1,107,649	
Bought in Material & Services	(960,423)		(744,915)	
	<u>451,858</u>	<u>100%</u>	<u>362,734</u>	<u>100%</u>
Wealth distributed:				
To Employees				
Salaries & other related costs	113,576	25.1%	94,795	26.1%
To Government				
Taxes	250,148	55.4%	196,539	54.2%
Workers' Profit Participation Fund	3,495	0.8%	2,740	0.8%
Workers' Welfare Fund	189	0.0%	563	0.2%
	<u>253,832</u>	<u>56.2%</u>	<u>199,842</u>	<u>55.1%</u>
To Providers of Capital				
Dividend to Shareholders	23,793	5.3%	18,391	5.1%
Markup / Interest	17,877	4.0%	9,199	2.5%
	<u>41,670</u>	<u>9.3%</u>	<u>27,590</u>	<u>7.6%</u>
Retained in the Business				
For replacement of Fixed Assets: Depreciation	25,250	5.6%	18,051	5.0%
To provide for Growth: Retained Profit	17,530	3.9%	29,456	6.2%
	<u>42,780</u>	<u>9.5%</u>	<u>40,507</u>	<u>11.2%</u>
	<u>451,858</u>	<u>100%</u>	<u>362,736</u>	<u>100%</u>





CHAIRMAN'S REVIEW

I am pleased to present to you the 40th Annual Report of your Company for the year ended June 30, 2006 together with the Auditors' Report.

THE ECONOMY

During the period under review, the world economy remained in a state of tension. However, this did not inhibit its broad-based expansion. It is expected to continue to grow benefiting Pakistan economy.

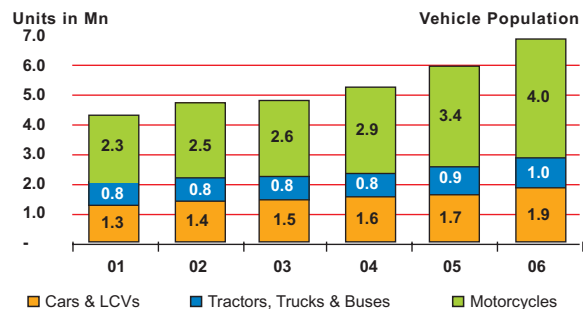
In Pakistan economic recovery continued. In the year 2005-06 the gains were consolidated despite high-energy prices, touching an all time high of over \$70 per barrel and a massive earthquake in October 2005, causing widespread destruction of basic infrastructure and human lives. GDP grew 6.6%. The recovery since 2002-03 accompanied by macroeconomic stability has been underpinned by prudent macroeconomic policies, wide-ranging structural reforms, fiscal discipline and continuity in policies. These policies have contributed to overall domestic demand - better performance in industry, agriculture and services. The workers' remittances continued the momentum, providing stability in the exchange rate, and reduction in the public and

external debt burden and Pakistan entering international capital markets with major successes.

Notwithstanding these successes, some major challenges were also faced through sharp increases in prices, widening trade and current account deficits. However, corporate and consumer segments continue as the bright spots in the economy. Consumer spending remained buoyant and investors remained upbeat on the strength of the current growth momentum. Construction continued to show a strong performance, partly due to activity in the private housing market, spending on physical infrastructure and reconstruction activities in the earthquake-affected areas. The performance of the stock market depicted strong economic growth, attracting foreign investment. The monetary policy aided fiscal discipline.

THE INDUSTRY

The battery industry is highly dependent on the growth of the auto industry. Due to favorable investment policies, a lot of expansion has taken place in the automobile sector to cater for the growing demand of automotive vehicles. Some 285,000 vehicles, including 45,000 imported units were sold during the year against last year's sale of 207,741 units, a growth of 37.7%. Resultantly, the demand for automotive batteries continued to expand.



The two-wheelers production and sale crossed 700,000 units as against 567,066 units during last year, a growth of 23.4%. Chinese manufacturers produced more than 200,000 units as compared to 150,000 units last year. The handsome growth in motorcycle segment had a salutary impact on the demand of batteries for motorcycles.

Being an important member of the vendor industry, battery manufacturers in the organized sector

responded to the demand opportunity in the replacement as well as in the OEM segments and enhanced their production capacities to meet the anticipated demand of batteries in the current period and the future.

The industry in Pakistan is mainly divided into two segments i.e. organized and un-organized sector - replators and importers of smuggled and under-invoiced batteries. There are four manufacturers in the organized sector, which are fulfilling 70% of the market demand. Rest of the demand is being catered for by the un-organized sector. The government measures against these elements will not only help the organized sector to utilize its enhanced capacity but will also add to government revenues through customs duty, sales tax and income tax, which at present is being evaded by the un-organized sector.

MARKETING & SALES REVIEW

The growth in the organized sector of the automotive battery industry during the year was 14.5% compared to 13% last year. I am glad to report that, your Company growth was 15.5% compared to the lower market growth. This was because your Company provided batteries with high performance, longer life, and good quality along with the after sales service and marketing support.

Through 40 years of history, your Company has continued to grow. Our objective of customer satisfaction requires that we find innovative ways to expand our capabilities in order to address emerging customer needs and trends. Our focus on innovation enabled us to continually offer our customers added value and reasons to remain attached with AGS. In addition our ability to execute and reduce cost while improving quality has helped to achieve financial goals in the ever - challenging economic environment.

In order to capture the market opportunities, we continued to find new ways to deliver high-level service, quality and performance. In this respect, your Company continued to explore ways for serving our loyal customer base through innovation - in automotive segment, CNG, Diesel and UPS batteries were launched, which received an overwhelming response throughout the country. Another new launch was CNG Rickshaw battery.

I am also glad to report that your Company makes original equipment batteries for all of the Japanese car and motorbike makers in Pakistan and has received various awards and distinctions as a reliable and quality product supplier.

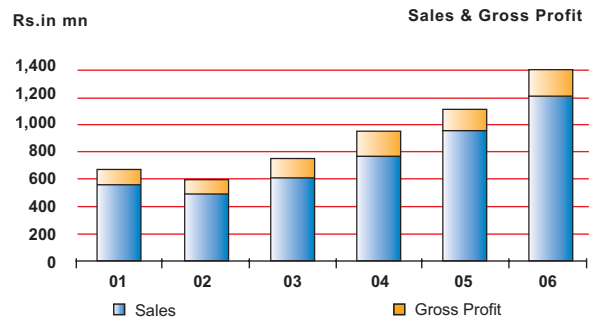
According to an independent survey conducted by a firm, more than 90% of the customers who own AGS battery reported that they intend to buy AGS again because of its premier quality and longer life. That's why every AGS customer says,

بات ہے کوالٹی کی...

(Quality is the thing)

OPERATING RESULTS

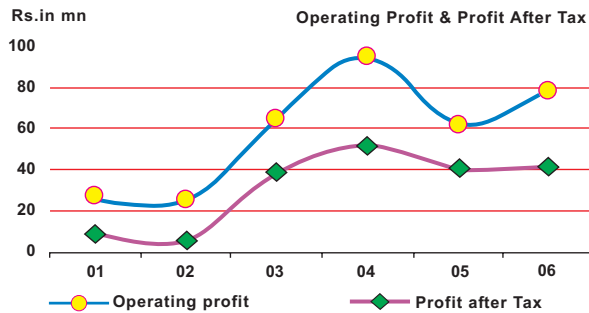
During the year, your Company sales revenue at Rs.1.21 billion was up 28%, over last year. The gross profit was Rs.31.5 million. Operating expenses increased 15.3% as against previous year's. However as a percentage of sales, it was 9.2% against 10.2% last year. Operating profit of Rs.78.1 million improved 27.3% as against previous year's Rs.61.3 million. Non-operating income was Rs.10.1 million as compared to previous year's Rs.6.0 million.



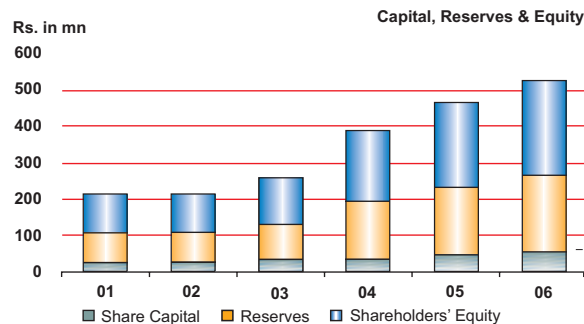
Financial charges remained higher by Rs.8.8 million as compared to previous year because of higher interest rates and provision of markup on long - term loan obtained for the expansion project. Thus profit before tax was Rs.66.2 million as against previous year's Rs.54.0 million, higher by 22.6%. After provision of Rs.24.9 million in respect of current and deferred taxation, net profit after tax stood at Rs.41.3 million as compared to Rs.40.8 million last year. Earnings per share was Rs.7.82 as against previous year of Rs.7.73 (restated).

ع مشك آنتس كه خود بيود نه كه عطار بگويد

(Performance speaks itself)



Cash flow management: During the year good earnings and prudent working capital management generated favorable a cash flow of Rs.77.1 million as compared to previous year negative cash flow of Rs.50.6 million. After funding significant investment of Rs.118.9 million for the expansion program and repayment of Rs.20.0 million long-term loan, there was a net decrease of Rs.2.3 million in cash and cash equivalents at the end of the year.

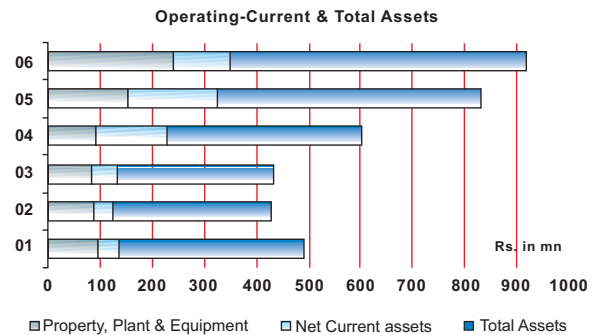


During the year under review, your Company contributed Rs.235.4 million to government revenues in respect of Income tax, sales tax, customs duty and other government levies against Rs.214.5 million last year. The Atlas group, of which your companies a constituent member, paid Rs.15 billion equivalent about 2% of the Government total revenue.

CAPITAL EXPENDITURES

In order to meet the growing battery demand, your Company invested Rs.112.3 million for capacity expansion in the back process area. This will not only help in meeting the future demand but also in reducing the cost and improving the product quality significantly - which is the hallmark of your Company. The management is also planning to modernize and upgrade the production facilities to bring them to an international level. This will

further strengthen quality, productivity and brand loyalty.



HUMAN RESOURCE

Our employees are our strength. We recognize that each employee contributes to the best of his ability. Imparting education and training to employees has been the hallmark of the Atlas Group, of which your company is a constituent member, recognizing that each employee has unique development needs. Our workforce critical to the achievement of our results. We appreciate their dedication, commitment and hard work clearly demonstrated, year after year.

In the rapidly changing business scenario, the biggest challenge for the corporate sector is to recruit and retain the right people for the right job. During the year, your Company held a family day and long service award distribution ceremony to recognize the services of the employees who have been with the Company since the last 35 years. These activities will now continue every year.

SAFETY, HEALTH & ENVIRONMENT-SHE

Improving Safety, Health and Environment remained a high priority. A continuation of our current safety and health initiatives seek to reinforce our safety culture and ensure that this trend will continue. We pursue our business with integrity. We know that our corporate reputation depends on how our stakeholders view what we do and how they are affected by our actions. We are committed to listening to the needs of our stakeholders and working to achieve sustainable and mutually beneficial goals. The health and safety of our people is paramount. We are committed to conduct our operations to minimize the impact on our surroundings.

OUTLOOK FOR 2006-07

During the last couple of years, the automotive industry has grown significantly and it is expected that this trend will continue. This will be further supported by the imported vehicles under the new gift and transfer of residence scheme. Some other renowned car brand manufacturers are also planning to set up their plants in Pakistan. All these factors will help in growth of demand in replacement and OEM segments for batteries and present a profitable future of your Company.

We have entered 2006-07 with sound growth strategies, a strong balance sheet and a dedicated team of stakeholders and associates. We foresee that the business environment will remain challenging - ever rising energy prices and raw material cost but we believe that we have the disciplined and dedicated team and resources to meet those challenges.

ACKNOWLEDGEMENT

I would like to thank the Group Executive Committee, Group President; Mr. Aamir H. Shirazi, Group Director Engineering; Mr. Jawaid Iqbal Ahmed, Chief executive; Mr. Vazeer Ali and his team, staff and associates for their dedication and commitment to your Company's growth.

May I thank our joint venture partner; Japan Storage Battery Company Ltd., Japan, for their continuous support in technology transfer. I would also like to thank our bankers, shareholders, members of the Board of Directors, vendors and customers for their continuous support and guidance.



Karachi: August 31, 2006

Yusuf H. Shirazi

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their 40th Annual Report together with the Audited Accounts and Auditors' Report thereon for the year ended June 30, 2006.

FINANCIAL RESULTS AND APPROPRIATIONS

	2006	2005
	Rupees in '000	
Profit before taxation	66,224	54,004
Provision for taxation:		
Current year	6,070	9,727
Prior year	550	(4,583)
Deferred	18,281	8,013
	24,901	13,157
Profit after tax	41,323	40,847
Un-appropriated profit brought forward	653	1,197
	41,976	42,044
Appropriations:		
Transferred to General Reserve	17,000	23,000
Reserve for issue of Bonus shares	7,931	6,897
Proposed Dividend @ 30% (2005-25%)	15,862	11,494
	40,793	41,391
Un-appropriated profit carried forward	1,183	653

EARNINGS PER SHARE

During the year under review, the company earned a basic earnings per share of Rs.7.82 (2005-Rs.7.73 diluted)

DIVIDEND

The Directors are pleased to recommend a cash dividend at the rate of 30% (Rupee 3/- per share) and Bonus share issue at the rate of 15% (three bonus share for every twenty shares held).

CHAIRMAN'S REVIEW

The review included in the Annual Report deals inter alia with the performance of the Company for the year ended June 30, 2006 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 Directors keenly take interest in the proper stewardship of the Company's affairs. The non-executive directors are independent of management of the Company.

During the year five (5) meetings of the Board of Directors were held, the attendance of the Directors and number of their directorship in listed companies, including Atlas Battery Limited, are listed below:

	Name of Directors	Attendance at the Meeting	Number of Directorship in listed companies, including ABL
1.	Mr.Yusuf H. Shirazi	5	6
2.	Mr.Vazeer Ali	5	1
3.	Mr.Aitzaz Shahbaz	2	2
4.	Mr.Iftikhar H. Shirazi	2	2
5.	Mr. Javaid Anwar	5	5
6.	Mr.Mohammad Atta Karim	5	2
7.	Mr. Naoyuki Inoue	0	1

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

Statement of Directors' Responsibilities

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

Followings are the Statements on Corporate and Financial Reporting Framework:

- (a) The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- (b) Proper books of accounts have been maintained by the Company.
- (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.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no doubts upon the Company's ability to continue as going concern.
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance as set out by the listing regulations of Karachi and Lahore Stock Exchanges, relevant for the year ended June 30, 2006 have been complied with. The Directors confirm the compliance of Code of Corporate Governance and a statement to this effect is annexed.

AUDIT COMMITTEE

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

The Board audit committee reviews the internal and external audit activities, monitors compliance with statutory requirements for financial reporting and reviews the quarterly, half yearly and annual financial statements before they are submitted to Board. It also reviews the effectiveness of internal control system including financial, operational and compliance control and risk management procedures. It considers reports from internal and external auditors and from management, and report and makes recommendation to the Board. The Committee reviews the procedure for ensuring their independence with respect to the services performed for the Company and make recommendations to the Board of Directors.

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

S. No.	Name of Directors	Attendance at the meeting
1.	Mr. Aitzaz Shahbaz Chairman	2/4
2.	Mr. Iftikhar H. Shirazi Member	2/4
3.	Mr. Mohammad Atta Karim Member	4/4

In addition to above meetings, Audit Committee also met with external auditors without CFO and head of internal audit. By invitation, chief executive attended all the four meetings held during the year.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee is responsible for setting overall corporate objectives and strategies, identifying opportunities, monitoring group business strategies and plans, and developing its group members as leaders of their respective fields.

GROUP HUMAN RESOURCE COMMITTEE

The Group Human Resource Committee determines the remuneration for the management staff. The Committee is also responsible to create and maintain congenial work environment that instills trust and ensures respect, fair treatment and development opportunities, grooming and make succession plan for all employees.

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

The Group Systems & Technology Committee is responsible to provide an insight towards the various technological aspects of information systems. The objective of the Committee is to introduce leading edge technology and IT initiative to automate information delivery and accessibility of data for enhancement of time and cost efficiency.

MANAGEMENT COMMITTEE

The Management Committee acts in an advisory capacity to the Chief Executive of the Company, providing recommendations relating to the business and employees' matters. The Committee is also responsible for strategic business plans, policies, capital and revenue budget development and maintaining a healthy and congenial working environment.

EMPLOYEES' PROVIDENT FUND & GRATUITY FUND

The Company operates a contributory provident fund scheme for all employees and non-contributory gratuity fund scheme for its management employees. The value of investment, based on their respective audited accounts as at June 30, 2006 are as follows:

Provident Fund	Rs.20.653 million
Gratuity Fund	Rs.12.392 million

OPERATING & FINANCIAL DATA

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

PATTERN OF SHAREHOLDING

The Pattern of Shareholding as at June 30, 2006 is annexed.

The Directors, CEO, CFO, Company Secretary and their spouse and minor children have made no transactions of the Company's shares during the year.

AUDITORS

The present Auditors, M/s Hameed Chaudhri & Co. Chartered Accountants, retired and being eligible offer themselves for reappointment. As required by the Code of Corporate Governance, the Audit Committee has recommended their re-appointment as auditors of the Company for the year ending June 30, 2007.

COMMUNICATION

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Ordinance, 1984. The Company also has a web site (www.atlasbattery.com.pk), which contains up to date information on company activities.

For & on behalf of
BOARD OF DIRECTORS



Vazeer Ali
Chief Executive

Karachi: August 31, 2006

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37 of Karachi Stock Exchange and Chapter XIII of the listing regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
2. The Company encourages representation of non-executive directors on its Board of Directors. At present the Board includes 6 non-executive directors and one executive director.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Code of Business Principles', which has been signed by all the directors and employees of the Company.
6. The Board has developed a Vision and Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises 3 members; all are non-executive directors including the Chairman of the Committee.
16. The Board has set-up an effective internal audit function.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations
20. We confirm that all other material principles contained in the Code have been complied with.

For & On behalf of
BOARD OF DIRECTORS



Yusuf H. Shirazi

KARACHI: August 31, 2006

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE ON TRANSFER PRICING

The Company has fully complied with the best practices on Transfer Pricing as contained in the Regulation No.38 of the Karachi Stock Exchange.

For & On behalf of
BOARD OF DIRECTORS



Vazeer Ali
Chief Executive

KARACHI: August 31, 2006

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Atlas Battery Limited** to comply with the Listing regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, and clause 40 (Chapter XIII) of the Lahore Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2006.

Karachi: August 31, 2006



HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS



HAMEED CHAUDHRI & CO.

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

KARACHI CHAMBERS
HASRAT MOHANI ROAD
KARACHI

PHONES : 2412754 - 2424826

CABLE : "COUNSEL"

FAX : 2424835

E-MAIL : majeed@khl.comsats.net.pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of ATLAS BATTERY LIMITED as at June 30, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2006 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: August 31, 2006



HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET

AS AT JUNE 30, 2006

	Note	2006	2005
		Rupees in '000'	
ASSETS			
NON CURRENT ASSETS			
Fixed assets	5	239,712	151,188
Intangible assets	6	-	375
Long term investment	7	-	-
Long term deposits	8	4,012	2,612
CURRENT ASSETS			
Stores, spare parts and loose tools	9	8,659	6,601
Stock-in-trade	10	218,012	211,650
Trade debts	11	45,864	39,536
Short term investment	12	254	39,835
Loans and Advances	13	14,355	18,966
Trade deposits and prepayments	14	1,224	2,238
Interest accrued	15	121	107
Other receivables	16	365	-
Income tax refundable		-	21
Cash and bank balances	17	30,309	32,607
		319,163	351,561
TOTAL ASSETS		562,887	505,736
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 Ordinary Shares of Rs.10/- each.		100,000	100,000
Issued, subscribed and paid up capital	18	52,874	45,977
Reserves - Revenue	19	211,476	188,544
		264,350	234,521
NON CURRENT LIABILITIES			
Long term financing	20	40,000	60,000
Deferred Liabilities	21	50,517	30,913
CURRENT LIABILITIES			
Trade and other payables	22	93,250	78,201
Mark-up accrued on borrowings	23	1,726	2,060
Short term borrowings	24	90,974	74,314
Current portion of long-term financing	25	16,000	16,000
Provision for taxation	26	6,070	9,727
		208,020	180,302
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		562,887	505,736


The annexed notes form an integral part of the financial statements



Aitzaz Shahbaz
Director



Vazeer Ali
Chief Executive



Yusuf H. Shirazi
Chairman


PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		Rupees in '000'	
Sales	28	1,209,033	949,755
Cost of sales	29	(1,019,970)	(792,172)
Gross profit		189,063	157,583
Distribution costs	30	(77,515)	(60,108)
Administrative expenses	31	(33,505)	(36,184)
		78,043	61,291
Other income	32	10,135	5,969
Finance costs	33	(17,877)	(9,199)
Other operating expenses	34	(4,077)	(4,057)
Profit before taxation		66,224	54,004
Taxation	35	(24,901)	(13,157)
Profit after taxation		41,323	40,847
Earnings per share - basic and diluted	36	7.82	7.73

The annexed notes form an integral part of the financial statements.


Aitzaz Shahbaz
Director


Vazeer Ali
Chief Executive


Yusuf H. Shirazi
Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006	2005
		Rupees in '000'	
Cash generated from / (utilized in) operations	37	103,356	(25,967)
Markup/interest paid		(16,915)	(6,082)
Gratuity paid		(94)	-
Compensated absences paid		(982)	(16)
Income tax paid		(6,894)	(16,479)
Long term deposits		(1,401)	(2,079)
Net cash generated from / (utilized in) operations		77,070	(50,623)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(118,864)	(77,176)
Intangible assets		-	(750)
Sale proceeds of fixed assets		5,893	1,763
Short term investments		(115,260)	-
Sale proceeds of short term investments		163,443	36,878
Dividend received		50	-
Net cash used-in Investing Activities		(64,738)	(39,285)
Net cashflow before Financing Activities		12,332	(89,908)
FINANCING ACTIVITIES			
Increase in short term borrowings		16,660	39,631
Long term borrowings obtained		-	80,000
Repayment of long term loans		(20,000)	(4,000)
Dividend paid		(11,290)	(19,537)
Cash flow (used-in) / from financing activities		(14,630)	96,094
(Decrease) / Increase in cash & cash equivalents	38	(2,298)	6,186


The annexed notes form an integral part of the financial statements.



Aitzaz Shahbaz
Director



Vazeer Ali
Chief Executive



Yusuf H. Shirazi
Chairman


STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Share Capital	General Reserve	Unappropriated Profit	Total
----- Rupees in '000 -----				
Balance as at June 30, 2004	32,841	146,500	34,038	213,379
Dividend paid	-	-	(19,705)	(19,705)
Bonus shares issued	13,136	-	(13,136)	-
Profit for the year after taxation			40,847	40,847
<hr/>				
Balance as at June 30, 2005	45,977	146,500	42,044	234,521
Transfer to General reserve		23,000	(23,000)	-
Dividend paid	-	-	(11,494)	(11,494)
Bonus shares issued	6,897	-	(6,897)	-
Profit for the year after taxation	-	-	41,323	41,323
<hr/>				
Balance as at June 30, 2006	52,874	169,500	41,976	264,350

The annexed notes form an integral part of the financial statements.


Aitzaz Shahbaz
Director


Vazeer Ali
Chief Executive


Yusuf H. Shirazi
Chairman

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. CORPORATE INFORMATION

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

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

3. BASIS OF PREPARATION

The financial statements are presented in Rupees, rounded to nearest thousand. These financial statements have been prepared under the historical cost convention except for measurement of certain financial instruments at fair value and recognition of certain employees' retirement benefits at present value.

The preparation of financial statements in conformity with the approved standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving higher degree of judgements or complexity where assumption and estimates are significant to the financial statements are as follows:

- a) Retirement benefits obligations
- b) Provision for taxation
- c) Accrued liabilities

The principal accounting policies adopted by the Company are set out below:

4. SIGNIFICANT ACCOUNTING POLICIES

4.01 Employees' Benefits

Defined Benefit Plan

The company has established funded gratuity scheme for its management staff. The company also operates unfunded gratuity scheme for its non management staff. Contributions under the scheme are made on the basis of actuarial valuation and are charged to Profit and Loss Account. The valuation of both the scheme was carried out on June 30, 2006 using the "Projected Unit Credit Method". The amount recognized in the balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized transitional liability as reduced by fair value of the plan assets. Cumulative net unrecognized actuarial gain or loss at the end of the previous year which exceeds 10% of the greater of the present value of the company's obligation and fair value of plan assets are amortized over the remaining service of the employees expected to receive benefits.

Defined Contribution Plan

The Company operates defined contribution plan (i.e. recognized provident fund scheme) for all

employees. Equal monthly contributions at the rate of 11 per cent of basic salary, in the case of management staff, and 11 per cent of basic salary and cost of living allowance, in the case of non-management staff, are made to the fund both by the Company and employees. The assets of the fund are held separately under the control of trustees.

Employee's Compensated Absences

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

4.02 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary difference and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary difference, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.03 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation on all property, plant and equipment is charged to income applying the diminishing balance method whereby the cost of an asset is written off over its estimated useful life. Depreciation is being charged at the rates given in note 5.01.

International Accounting Standard (IAS) 16, "Property, plant and equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, based on a review of the above, the management has revised the following:

- Depreciation on additions is now charged from the month the assets is available for use while no depreciation is charged in the month in which the asset is disposed off. Previously, full years depreciation was charged in the year of acquisition while no depreciation was charged in the year of disposal.

The above revisions have been accounted for as changes in accounting estimates in accordance with the requirements of International Accounting Standard (IAS) 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of these changes in accounting estimates has been recognized prospectively in the profit and loss account of the current year. Had there been no change in these estimates, the profit before taxation would have been lower by Rs.4,402 thousand.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Maintenance and normal repairs are charged to income. Major renewals and improvements are capitalised.

4.04 Intangible Assets

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

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over a period of two years.

4.05 Investments

The investments made by the company are classified for the purpose of measurement into the following categories:

a) Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

b) Investment at fair value through profit or loss

In pursuance of revised International Accounting Standard 39 "Financial Instrument: Recognition and Measurement" which is applicable for the accounting years beginning on or after January 01, 2005 the company has designated available for sale investments as investments at fair value through profit or loss.

Investment at fair value through profit or loss are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology. Realised and unrealised gains and losses arising from changes in fair value are included in the net profit or loss for the period in which they arise.

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

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

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

4.06 Stores, spares parts and loose tools

Stores, spares and tools are stated at the lower of cost and net realizable value. The cost of inventory is based on weighted average cost. Items in transit are stated at cost accumulated to balance sheet date.

4.07 Stock-in-trade

Stocks of raw materials, packing materials & components, work in process and finished goods are valued at lower of weighted average cost and net realizable value. Cost of raw materials, packing materials and components represents invoice values plus other charges paid thereon. Cost in relation to work in process and finished goods represents direct cost of materials, wages and appropriate manufacturing overheads.

Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing and distribution. Goods in transit are valued at cost accumulated to the balance sheet date.

4.08 Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into rupees at the exchange rates prevailing on the balance sheet date. Exchange differences are included in the profit and loss account.

4.09 Revenue Recognition

- Sales of goods are recorded when goods are delivered and title has passed on to the customers.
- Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the interest rate applicable.
- Dividend income from investments is recognized when the Company's rights to receive payment has been established.

4.10 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are dealt with profit and loss account in the period in which they are incurred.

4.11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

4.12 Warranty

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

4.13 Financial Instruments

Financial assets

The Company's principal financial assets are cash & bank balances, trade debts, advance and deposits, other receivables and investments. Trade debts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, if any.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include long term financing, finance lease obligations, short term borrowings and trade & other payable.

4.14 Cash and cash equivalents

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

4.15 Interest / Mark-up bearing loans and borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, if any. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the periods in which they arise.

4.16 Impairment

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

4.17 Related Party transactions

Transactions with related parties are carried out at arm's length prices determined in accordance with the methods prescribed in the companies Ordinance 1984, except for the assets sold to employees at written down value under the Company vehicle scheme as approved by the Board of directors.

Royalty is stated in accordance with the terms of Technical agreement duly registered with State Bank of Pakistan.

4.18 Recognition of proposed dividend

The Board of Directors have proposed a final dividend for the year ended June 30, 2006 of Rs.3/- per share amounting to Rs.15,862 thousand (2005: Rs.2.50 per share), and bonus share issue at the rate of 15% (2005: 15%) at their meeting held on August 31, 2006 for approval of the members at the Annual General Meeting to be held on September 30, 2006 . These financial statements do not reflect this dividend payable.

5. FIXED ASSETS

	Note	2006	2005
		Rupees in '000'	
Property, plant and Equipment	5.01	239,623	140,097
Capital work in progress	5.06	89	11,091
		<u>239,712</u>	<u>151,188</u>

5.01 Property, Plant and Equipment

Particulars	Cost				Depreciation				Written down value June 30, 2006	Rate %
	July 01, 2005	Additions	Disposals	June 30, 2006	July 01, 2005	Charge for the year	Disposals	June 30, 2006		
Owned										
Leasehold land	435	-	-	435	-	7	-	7	428	-
Building on leasehold land	42,774	7,372	-	50,146	20,073	2,709	-	22,782	27,364	10
Plant and Machinery	124,778	97,533	-	222,311	61,554	13,519	-	75,073	147,238	10
Electric installations	6,000	7,418	-	13,418	1,330	959	-	2,289	11,129	10
Air conditioners	3,022	248	-	3,270	1,460	161	-	1,621	1,649	10
Gas Installations	135	-	-	135	118	2	-	120	15	10
Furniture & fixtures	2,188	-	-	2,188	1,171	102	-	1,273	915	10
Office equipments	987	200	-	1,187	719	43	-	762	425	10
Laboratory equipments	4,197	332	-	4,529	2,603	185	-	2,788	1,741	10
Vehicles	23,059	10,893	9,492	24,460	9,570	3,408	4,401	8,577	15,883	20
Fork lifters	2,072	1,198	-	3,270	1,912	192	-	2,104	1,166	20
Moulds dies & jigs	34,457	907	-	35,364	23,430	1,145	-	24,575	10,789	10
Factory equipments	21,692	3,359	-	25,051	3,045	2,126	-	5,171	19,880	10
Computers	5,896	406	-	6,302	4,611	692	-	5,303	999	30
Total - 2006	271,692	129,866	9,492	392,066	131,595	25,250	4,401	152,443	239,623	
Total - 2005	208,882	66,426	3,616	271,692	115,995	18,051	2,451	131,595	140,097	

5.02 Depreciation for the year has been allocated as follows:

Cost of Goods Manufactured	29.01	22,655	16,246
Distribution Cost	30	1,559	731
Administrative Expenses	31	1,036	1,074
		25,250	18,051

5.03 Plant and Machinery includes capitalization of borrowing cost of Rs.1,559 thousand. (2005: Rs. Nil)

5.04 Disposal of fixed assets:

Particulars	Cost	Accumulated Depreciation	W.D.V.	Sale Proceeds	Profit	Mode of disposal	Particulars of Purchasers
Motor Vehicles							
Cars							
Honda City	755	508	247	309	62	Company Policy	Mr. Mohd Shafique Baig
Honda Civic	394	79	315	316	1	Transfer	Atlas Insurance Ltd.
Honda Civic	661	132	529	529	-	Transfer	Atlas Insurance Ltd.
Suzuki Cultus	609	302	307	312	5	Company Policy	Mr. Mohd Yunus Kharal
Daihatsu Cuore	434	165	269	278	9	Company Policy	Mr. Manzoor Alam
Honda Civic	834	630	204	365	161	Negotiation	Mr. Talat Ejaz Chaudhri,
							1/7-A, Block VI, P.E.C.H.S., Karachi.
Honda City	780	208	572	680	108	Insurance claim	Atlas Insurance Ltd.
Honda Civic	395	33	362	395	33	Company Policy	Mr. Shakeel Akhter
Honda Civic	925	584	341	379	38	Company Policy	Mr. Shahzad Ahmed Khan
Honda Civic	958	468	490	490	-	Company Policy	Mr. Zamir Haider
Honda City	775	458	317	317	-	Company Policy	Mr. Waseem H. Qureshi
Honda City	824	253	571	659	88	Company Policy	Mr. Mohd Shafique Baig
	8,344	3,820	4,524	5,029	505		
Motorcycles							
Motor Cycle CD 70	51	10	41	45	4	Company policy	Mr. Sajjad Haider
Motor Cycle CD 70	55	20	35	35	-	Insurance claim	Atlas Insurance Ltd.
Motor Cycle CD 70	65	38	27	27	-	Company policy	Mr. Shujaiddin
Motor Cycle CD 70	51	10	41	41	-	Company policy	Mr. Suleman
Motor Cycle CD 70	65	44	21	21	-	Company policy	Mr. Mohd. Ayaz
Motor Cycle CD 70	55	20	35	35	1	Company policy	Mr. Bazme Alam
Motor Cycle CD 70	55	21	34	55	21	Company policy	Mr. Abdul Rehman
Motor Cycle CD 70	65	33	32	65	33	Company policy	Mr. Liaquat Ali
Motor Cycle CD 70	65	45	20	65	45	Company policy	Mr. Nazeer Ahmed
Motor Cycle CD 70	65	40	25	27	2	Company policy	Mr. Mohd Rafique
Motor Cycle CG 125	69	28	41	44	3	Company policy	Mr. Aamir Ahsan
Motor Cycle CD 70	65	46	19	65	46	Company policy	Mr. Khan Afsar
Motor Cycle CD 70	52	16	36	41	5	Company policy	Mr. Tanveer A.Saleem
Motor Cycle CD 70	51	16	35	41	6	Company policy	Mr. Skindar Ali
Motor Cycle CD 70	65	42	23	27	4	Company policy	Syed Farhat H. Rizvi
Motor Cycle CD 70	65	47	18	65	47	Company policy	Mr. Zafar Ali
Motor Cycle CD 70	65	47	18	65	47	Company policy	Mr. Mohd Saleem
Motor Cycle CG 125	69	32	37	44	7	Company policy	Mr. Fakher Abbas
Motor Cycle CD 70	55	26	29	55	26	Company policy	Syed Rizwan Ahmed
	1,148	581	567	863	297		
Total - 2006	9,492	4,401	5,091	5,892	802		
Total - 2005	3,616	2,451	1,165	1,763	597		

5.05 Moulds for containers and lids costing Rs.13,367 thousand (2005: Rs. 13,367 thousand) included in the moulds, dies & jigs are held by Pak Polymer (Private) Limited, Paramount Moulding Service, DICOM Industries Limited and Decent Engineering under agreements executed by the Company with them for use of these moulds for manufacturing containers and lids for the Company.

	2006	2005
	Rupees in '000'	
5.06 CAPITAL WORK IN PROGRESS		
Plant and machinery	89	9,400
Civil work	-	1,691
	<u>89</u>	<u>11,091</u>
6. INTANGIBLE ASSETS		
Balance at beginning of the year	375	750
Incurred during the year	-	750
	<u>375</u>	<u>1,500</u>
Amortized during the year	375	1,125
	<u>-</u>	<u>375</u>
7. LONG TERM INVESTMENT - Other		
- Unlisted - Available-for-sale investment		
Arabian Sea Country Club Limited		
100,000 Ordinary Shares of Rs. 10/- each		
Break-up value on the basis of audited		
accounts for the year ended June 30, 2005		
Rs.8.39 (2004: Rs.5.89) per share	1,000	1,000
Less: Provision for impairment	(1,000)	(1,000)
	<u>-</u>	<u>-</u>
8. LONG TERM DEPOSITS		
Utility & Other deposits		
(Includes Rs.3.495 million paid to SSGC - related party)	4,012	2,612
	<u>4,012</u>	<u>2,612</u>
9. STORES, SPARE PARTS AND LOOSE TOOLS		
General stores (including Rs.285 thousand in transit)		
(2005: Rs. 269 thousand)	4,318	2,467
Spare parts	4,271	4,057
Tools	70	77
	<u>8,659</u>	<u>6,601</u>
There are no stores held for capital expenditure at year-end		
10. STOCK-IN-TRADE		
Raw materials, packing materials & components		
In-hand	96,475	101,780
With third parties	10,764	7,666
Work in process	49,667	25,517
Finished goods	52,530	47,961
Goods in transit	8,576	28,726
	<u>218,012</u>	<u>211,650</u>

10.01 Stock-in-trade and trade debtors upto a maximum amount of Rs.333.40 million (2005: Rs.193.38 million) are under hypothecation as security for the Company's short term finances.

10.02 Raw Materials and components costing Rs.10,764 thousand (2005 Rs.7,666 thousand) were held by Pak Polymer (Private) Limited, Paramount Moulding Service, Dicom Industries Limited and Decent Engineering under agreement executed by the company with them for manufacture of plastic containers and lids for the Company.

	Note	2006	2005
		Rupees in '000'	
11. TRADE DEBTS - Considered Good			
Local debtors - Unsecured	11.01	45,864	39,536

11.01 Includes Rs.1,697 thousand (2005 - Rs. 2,677 thousand) due from associated company (Honda Atlas Cars (Pakistan) Limited). The maximum amount due from associated companies at the end of any month was Rs.22,543 thousand (2005: Rs.14,549 thousand).

11.02 Trade debtors comprise amounts receivable from the sale of goods. The directors consider that the carrying amount of trade debts approximates their fair value.

12. SHORT TERM INVESTMENTS

Investments at fair value through profit & loss

Atlas Income Fund - Related Party 456.62 units (2005: Nil)		254	-
Pakistan Income Fund - others Nil (2005: 726,922 units)		-	39,835
		254	39,835

13. LOANS AND ADVANCES - Unsecured - Considered Good

Loan to employees	13.01	431	518
Advances to staff for expenses		-	155
Advances to suppliers		3,650	4,526
Advances to others		-	130
Tax deducted at source		10,274	13,637
		14,355	18,966

13.01 Loans to employees include loans to executives amounting to Rs.236 thousand (2005: Rs. 167 thousand). The maximum amount due from executives at the end of any month was Rs.668 thousand (2005: Rs. 236 thousand). Loan outstanding for more than 3 year is Nil (2005: Nil).

	Note	2006	2005
		Rupees in '000'	
14. TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits		1,132	1,873
Guarantee deposits		24	157
Prepayments		68	208
		<u>1,224</u>	<u>2,238</u>
15. INTEREST ACCRUED			
Mark-up accrued	- on PLS term deposits	-	19
	- on Long term deposit	121	88
		<u>121</u>	<u>107</u>
16. OTHER RECEIVABLES - Unsecured - Considered Good			
Other receivables		365	-
		<u>365</u>	<u>-</u>
17. CASH AND BANK BALANCES			
With banks:			
PLS term deposits	17.01	689	1,597
On current accounts		836	4,506
Imprest accounts		367	450
Un-deposited cheques / collection		28,417	26,054
		<u>30,309</u>	<u>32,607</u>

17.01 PLS Term Deposits are under lien of bank for guarantee issued on behalf of the Company. At June 30, 2006 the mark-up rates on PLS term deposits range from 2.25% to 3.0% (2005: 1% to 3%)

18. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each			
1,300,000	Fully paid up in cash	13,000	13,000
3,987,395	Issued as fully paid bonus shares (2005: 3,297,735 shares)	39,874	32,977
<u>5,287,395</u>		<u>52,874</u>	<u>45,977</u>

18.01 The holders of Ordinary shares are entitled to receive dividends as declared by the Company from time to time and are also entitled to one vote per share at the meetings of the Company.

18.02 On October 15, 2005, a capitalisation issue of three bonus shares for every twenty shares held resulted in an increase in issued capital of Rs. 6,897 thousands and an equivalent reduction in Unappropriated profit.

18.03 2,574,418 (2005: 2,673,410) Ordinary Shares of Rs. 10/- each were held by associated companies at the year end. Detail given in pattern of shareholding.

	Note	2006	2005
		Rupees in '000'	
19. RESERVES - REVENUE			
General reserves		169,500	146,500
Unappropriated profit		41,976	42,044
		211,476	188,544
20. LONG TERM FINANCING - SECURED			
From MCB Bank Limited			
Balance at beginning of year		76,000	-
Loan disbursed during the year		-	80,000
Less: Paid during the year		(20,000)	(4,000)
		56,000	76,000
Less: Transfer to current maturity		(16,000)	(16,000)
		40,000	60,000

20.01 The Company has arranged Term loan of Rs. 80 million from MCB Bank Limited which is secured against first registered charge of Rs.107 million by way of equitable mortgage over present and future fixed assets of the Company. The loan was disbursed in two tranches of Rs.40 million each on December 8, 2004 and April 29, 2005. The loan is repayable in twenty equal quarterly installments commencing from March 8, 2005. The loan carries markup rate of base rate plus 0.7% per annum. Base rate means 3 month KIBOR ASK RATE. The markup is payable quarterly.

21. DEFERRED LIABILITIES

Deferred Taxation	21.01	39,565	21,284
Provision for gratuity	21.02	1,286	1,234
Provision for compensated absences	21.05	9,666	8,395
		50,517	30,913

21.01 Deferred Income tax at June 30, 2006 relates to the following:

	Balance Sheet		Profit and Loss		
	2006	2005	2006	2005	
		Rupees in '000'		Rupees in '000'	
Deferred tax liabilities:					
Accelerated depreciation for tax purposes	41,701	22,742	18,959	8,068	
Deferred Income Tax assets:					
Provision for gratuity	(1,012)	(432)	(580)	(35)	
Provision for impairment of long term investment	(350)	(350)	-	-	
Provision for warranty	(774)	(676)	(98)	(20)	
	39,565	21,284			
Net deferred Income tax liability			18,281	8,013	
Deferred Income Tax charge		35			

	Note	2006	2005
		Rupees in '000'	
21.02 PROVISION FOR GRATUITY			
Non-management - Unfunded			
Balance at beginning of year		1,234	1,137
Add: Provision for the year	21.04	146	97
		<u>1,380</u>	<u>1,234</u>
Less : Payments during the year		(94)	-
Balance at end of year	21.03	<u>1,286</u>	<u>1,234</u>
21.03 The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit retirement plan is as follows:			
Present value of defined benefit obligation (actuarial liability)		1,036	1,136
Unrecognized actuarial gain		250	98
Balance at end		<u>1,286</u>	<u>1,234</u>
Net Liability at the beginning of the year		1,234	1,137
Gratuity cost for the year		146	97
Payment to outgoing employees		(94)	-
Net Liability at the end of the year		<u>1,286</u>	<u>1,234</u>
21.04 The expense is recognized in the following line items in the income statement			
Cost of sales	29.04	<u>146</u>	<u>97</u>
Principal actuarial assumptions at the balance sheet date for:			
Discount rate		9%	9%
Future salary increases		8%	8%
Return on investment		9%	9%

	Note	2006	2005
Rupees in '000'			
21.05 PROVISION FOR COMPENSATED ABSENCES			
Balance at beginning of year		8,395	6,719
Add: Provision for the year		2,253	1,692
		10,648	8,411
Less : Payments during the year		(982)	(16)
Balance at end of year		9,666	8,395

22. TRADE AND OTHER PAYABLES

Trade creditors		36,570	19,029
Accrued liabilities	22.01	36,881	34,465
Provision for warranty	22.02	2,212	1,930
Customers credit balances		2,059	1,836
Sales tax payable		4,471	8,348
Provident Fund Trustees		593	597
Gratuity - Funded	22.03	1,607	3,680
Workers' profit participation fund	22.06	3,604	3,081
Workers' welfare fund	22.07	150	561
Tax deductions		1,222	1,071
Unclaimed dividend	22.08	1,322	1,117
Other liabilities	22.09	2,559	2,486
		93,250	78,201

22.01 Accrued liabilities include Rs.24,021 thousand (2005: Rs.18,995 thousand) payable to associated company.

22.02 PROVISION FOR WARRANTY

Balance at beginning		1,930	1,776
Provided during the year		11,719	8,493
		13,649	10,269
Paid / charged during the year		(11,437)	(8,339)
Balance at end		2,212	1,930

22.03 GRATUITY - FUNDED (Management)

Balance at beginning of year		3,680	1,276
Add: Provision for the year	22.05	1,607	3,680
		5,287	4,956
Less : Payments during the year		(3,680)	(1,276)
Balance at end of year	22.04	1,607	3,680

22.04 The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit retirement plan is as follows:

	Note	2006	2005
Present value of defined benefit obligation (actuarial liability)		14,631	16,649
Fair value of plan assets		(12,392)	(10,608)
Unrecognized Non-vested Liability		(186)	(373)
Unrecognized actuarial gain / (loss)		(446)	(1,988)
Balance at end		<u>1,607</u>	<u>3,680</u>
Net Liability at the beginning of the year		3,680	1,276
Gratuity cost for the year		1,607	3,680
Contributions		(3,680)	(1,276)
Net Liability at the end of the year		<u>1,607</u>	<u>3,680</u>

22.05 The expense is recognized in the following line items in the income statement:

Cost of sales	29.04	591	458
Distribution cost	30.02	455	276
Administrative expenses	31.02	561	2,946
		<u>1,607</u>	<u>3,680</u>

Principal actuarial assumptions at the balance sheet date for:

Discount rate	9%	9%
Future salary increases	8%	8%
Return on investment	9%	9%

22.06 WORKERS' PROFIT PARTICIPATION FUND

Balance at beginning of year	3,081	6,266
Add: Interest credited on fund utilised in the Company's business	109	209
	<u>3,190</u>	<u>6,475</u>
Less: Payment made during the year	3,081	6,266
	<u>109</u>	<u>209</u>
Contributions for the year @ 5 %	3,495	2,872
Balance at end of year	<u>3,604</u>	<u>3,081</u>

22.07 WORKERS' WELFARE FUND

Balance at beginning of year	561	1,584
Less: Payment made during the year	601	1,587
	<u>(40)</u>	<u>(3)</u>
Add: Provision for the year	150	561
Prior year	40	3
Balance at end of year	<u>150</u>	<u>561</u>

	Note	2006	2005
		Rupees in '000'	
22.08 UNCLAIMED DIVIDEND			
Unclaimed dividend		1,294	1,089
Unclaimed bonus fractions		28	28
		1,322	1,117
		1,322	1,117

22.09 Other liabilities include vehicle deposits/instalments under company vehicle policy amounting to Rs.2,080 thousand (2005: Rs. 2,037 thousand).

23. MARK-UP ACCRUED ON BORROWINGS

Mark-up -long term financing		338	414
Mark-up -short term borrowings		1,388	1,646
		1,726	2,060
		1,726	2,060

24. SHORT TERM BORROWINGS - SECURED

Running finances from Banks	24.01	12,644	44,314
Import Finance (Foreign currency)	24.02	58,330	-
Demand Finance		20,000	30,000
		90,974	74,314
		90,974	74,314

24.01 The Company has credit facilities upto an aggregate of Rs. 250 million (2005-Rs. 150 million) which are secured against pledge/hypothecation of stocks and charge on debtors amounting to Rs.333.40 million (2005: Rs. 193.38 million). The facilities carry mark-up at the rate of KIBOR + 0.8% to KIBOR + 1.5% per annum (2005-KIBOR + 0.8% to KIBOR + 1.5% per annum).

24.02 The Company has Finance agreements (Under SBP Circular F.E. 25) with MCB Bank Ltd., Bank Alfalah Ltd., National Bank of Pakistan and Habib Bank Ltd. for availing a foreign currency financing upto the extent of USD 3.22 million (2005: USD 1.639 million) for import of raw materials. These facilities are available to the Company as a Sub-limit of its running finance facilities of Rs. 250 million.

24.03 The facility for opening letters of credit as at June 30, 2006 amounted to Rs. 255 million (2005: Rs. 160 million) of which the amount remaining unutilised at the year-end was Rs. 111 million (2005: Rs.22 million).

25. CURRENT PORTION OF LONG -TERM FINANCING

Opening balance		16,000	-
Less: Paid during the year		(16,000)	-
		-	-
Transferred during the year		16,000	16,000
		16,000	16,000
		16,000	16,000

	Note	2006	2005
		Rupees in '000'	
26. PROVISION FOR TAXATION			
Balance at beginning of year		9,727	29,929
Add: Provision made during the year			
Current year		6,070	9,727
Prior year		550	(4,583)
		6,620	5,144
		16,347	35,073
Less : Payments during the year		10,277	25,346
Balance at end of the year		6,070	9,727
27. CONTINGENCIES AND COMMITMENTS			
Confirmed letters of credit relating to:-			
Raw materials		112,269	72,285
Stores, spareparts and loose tools		365	-
Plant and equipment		30,913	65,331
Commitment for Capital expenditure		-	3,933
Guarantees issued by banks on behalf of the Company		24	992
28. SALES			
Export sales		7,741	12,087
Local sales	28.01	1,201,292	937,668
		1,209,033	949,755
28.01 Local Sales			
Gross Local sales		1,556,340	1,218,394
Less: Discounts and incentives		(161,935)	(128,801)
Sales tax		(193,113)	(151,925)
		1,201,292	937,668
29. COST OF SALES			
Finished Stock at beginning of year		47,961	13,153
Cost of goods manufactured	29.01	1,024,539	826,980
		1,072,500	840,133
Finished Stocks at end of year	10	(52,530)	(47,961)
		1,019,970	792,172

	Note	2006	2005
Rupees in '000'			
29.01 COST OF GOODS MANUFACTURED			
Work in process at beginning of year		25,517	19,046
Raw materials, Packing materials & Components consumed	29.02	808,154	649,848
Salaries, wages & benefits	29.03	70,419	56,246
Stores consumed		36,766	26,228
Fuel, power & water		55,166	41,298
Insurance		3,906	2,538
Rent, rates & taxes		448	801
Repair & maintenance		6,903	5,716
Royalty		24,181	18,995
Travelling, conveyance and entertainment		3,464	3,216
Cartage		2,259	1,637
Postage & telephone		616	578
Printing & Stationery		667	695
Vehicle running		322	296
Free replacement		11,719	8,493
Depreciation	5.02	22,655	16,246
Others manufacturing expenses		1,044	620
		1,074,206	852,497
Work in Process at end of year	10	(49,667)	(25,517)
		1,024,539	826,980
29.02 RAW MATERIALS, PACKING MATERIALS & COMPONENTS CONSUMED			
Stock at beginning of year		109,446	52,096
Purchases		805,947	707,198
		915,393	759,294
Stock at end of year	10	(107,239)	(109,446)
		808,154	649,848
29.03 Salaries, wages & benefits include Rs.1,212 thousand (2005: Rs. 1,177 thousand) in respect of provident fund contribution.			
29.04 The following amounts have been charged to cost of goods manufactured during the year in respect of gratuity schemes:			
Current service cost		370	303
Interest costs		605	435
Expected return on Plan Assets		(317)	(234)
Amortization of loss/(gain)		10	(13)
Amortization of non vested liability		69	64
		737	555

	Note	2006	2005
		Rupees in '000'	
30. DISTRIBUTION COSTS			
Salaries & benefits	30.01	17,655	12,332
Travelling, conveyance & entertainment		5,973	5,018
Rent, rates & taxes		1,834	1,763
Insurance		5,087	3,624
Repairs & maintenance		309	363
Gas & electricity		793	702
Advertisement & publicity		8,102	7,716
Freight & handling		32,960	24,733
Export handling and other charges		110	262
Printing & stationery		364	437
Postage & telephone		2,102	1,852
Vehicle running		60	40
Services charges		252	302
Depreciation	5.02	1,559	731
Others		355	233
		<u>77,515</u>	<u>60,108</u>

30.01 Salaries & benefits include Rs.732 thousand (2005: Rs. 602 thousand) in respect of provident fund contribution.

30.02 The following amounts have been charged to distribution costs during the year in respect of gratuity schemes:

Current service cost	250	160
Interest costs	388	219
Expected return on Plan Assets	(244)	(141)
Amortization of loss	8	-
Amortization of non vested liability	53	38
	<u>455</u>	<u>276</u>

31. ADMINISTRATIVE EXPENSES

Directors' meeting fee	40.02	70	26
Salaries & benefits	31.01	25,502	26,085
Travelling, conveyance & entertainment		1,457	2,326
Rent, rates & taxes		1,417	1,090
Insurance		572	515
Advertisement		-	193
Legal & professional charges		568	519
Fees & Subscription		217	357
Postage & telephone		254	436
Printing & Stationery		488	582
Vehicle running		221	54
Training expenses		487	1,309
Depreciation	5.02	1,036	1,074
Amortization		375	1,125
Others		5	29
Donations	31.03	836	464
		<u>33,505</u>	<u>36,184</u>

31.01 Salaries & benefits include Rs.1,007 thousand (2005: Rs. 1,244 thousand) in respect of provident fund contribution.

31.02 The following amounts have been charged to administrative expenses during the year in respect of gratuity schemes:

Note	2006	2005
	Rupees in '000'	
Current service cost	308	349
Interest costs	480	478
Expected return on Plan Assets	(301)	(308)
Amortization of loss	9	-
Recognition of Liability in respect of transferee	-	2,343
Amortization of non vested liability	65	84
	561	2,946
	561	2,946

31.03 Includes Rs 444 thousand (2004: Rs. Nil) paid to the Atlas Foundation, Federation House, 2nd Floor, Sharae Firdousi, main Clifton, Karachi, where Mr.Yusuf H. Shirazi and Mr. Iftikhar H. Shirazi the directors of the Company are also members of the foundation.

32. OTHER INCOME

Income from Financial assets:

Dividend Income	50	-
Profit on PLS term/Long term deposits	149	128
Gain on Sale of Investment	8,589	1,189
Exchange gain	5	4
Unrealized gain on remeasurement of investment at fair value through profit and loss account	12	3,481
	8,805	4,802

Income from Non Financial assets:

Scrap Sales	528	570
Profit on sale of property, plant and equipment	802	597
	1,330	1,167
	10,135	5,969
	10,135	5,969

33. FINANCE COSTS

Interest / markup on:

Long term loans - secured	4,555	1,965
Short term finance - secured	11,917	5,723
Workers' profit participation fund	109	208
Bank & other financial charges	1,296	1,303
	17,877	9,199
	17,877	9,199

34. OTHER OPERATING EXPENSES

Workers' profit participation fund	3,495	2,872
Workers' welfare fund	189	564
Auditors' remuneration	393	407
Exchange loss	-	214
	4,077	4,057
	4,077	4,057

	Note	2006	2005
		Rupees in '000'	
35. TAXATION			
Tax charge for			
Current year		6,070	9,727
Prior year		550	(4,583)
Deferred		18,281	8,013
		<u>24,901</u>	<u>13,157</u>

35.01 Minimum tax provided for the tax year 2006 (income year ending June 30, 2006)

35.02 The income tax assessments of the Company have been finalised upto and including tax year 2005 (Income year ending June 30, 2005)

36. BASIC EARNINGS PER SHARE

Net Profit after taxation for the year attributable to Ordinary Shareholders		<u>41,323</u>	<u>40,847</u>
		Number	Number
Weighted average number of ordinary shares outstanding at year-end (2005 - restated)		<u>5,287,395</u>	<u>5,287,395</u>
		Rupees	Rupees
Basic earnings per share (2005 - restated)		<u>7.82</u>	<u>7.73</u>

37. CASH FLOWS FROM OPERATING ACTIVITIES

	Rupees in '000'	
Net profit before taxation	66,224	54,004
Adjustments for:		
Depreciation	25,250	18,051
Amortization	375	1,125
Markup / interest expenses	16,581	7,896
Profit on sale of fixed assets	(802)	(597)
Provision for gratuity	146	97
Provision for compensated absences	2,253	1,692
Dividend Income	(50)	-
Unrealized gain on remeasurement of investment	(12)	(3,481)
Gain on sale of investment	(8,589)	(1,189)
	<u>35,152</u>	<u>23,594</u>
Operating profit before working capital changes	<u>101,376</u>	<u>77,598</u>

	2006	2005
	Rupees in '000'	
Operating profit before working capital changes	101,376	77,598
Working capital changes:		
(Increase) / Decrease in Current Assets		
Stores, spares parts and loose tools	(2,059)	(1,128)
Stock-in-trade	(6,362)	(108,438)
Trade debts	(6,328)	190
Loan and Advances (excluding tax deducted at source)	1,249	(3,582)
Trade deposits and prepayments	1,014	1,232
Interest accrued	(14)	(51)
Other receivables	(365)	7,088
	(12,865)	(104,689)
Increase in Current Liabilities		
Trade and other payable (excluding unclaimed dividend)	14,845	1,124
Working Capital changes	1,980	(103,565)
Cash generated from / (utilized in) operations	103,356	(25,967)

38. ANALYSIS OF CHANGES IN CASH & CASH EQUIVALENTS

Balance at beginning of year	32,607	26,421
Net Cash (outflow) / Inflow	(2,298)	(6,186)
Balance at end of year	30,309	32,607

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39. RELATED PARTY TRANSACTIONS

Name of Related Party and Nature of relationship	Nature of Transaction	----- Transaction Value -----	
(a) Associated Companies			
Allwin Engineering Industries Limited (Common Directorship)	Expenses charged to - received	18	126
Atlas Honda Limited (Common Directorship)	Sale of Batteries	121,642	101,395
	Purchase of motorcycles	982	1,430
	Reimbursement of expenses - paid	313	429
	Expenses charged to - received	30	-
Atlas Insurance Limited (Formerly Muslim Insurance Company Limited) (Common Directorship)	Insurance claim	3,263	1,252
	Insurance premium	10,899	12,164
	Dividend Paid	190	344
	Expenses charged to - received	-	67
	Transfer of fixed assets	844	
Atlas Bank Limited (Common Directorship)	Sale of Shares	21	-
	Deposit	10	-
Atlas Asset Management Limited (Common Directorship)	Investment in mutual funds	100,260	-
	Redemption of mutual funds	107,684	-
Honda Atlas Cars (Pakistan) Limited (Common Directorship)	Sale of Batteries	34,439	25,266
	Purchase of fixed assets	5,693	1,604
Honda Atlas Power Product (Private) Ltd. (Common Directorship)	Purchase of fixed assets	105	-
	Purchase of consumable items	10	-
Japan Storage Battery Co Ltd (Technology Supplier)	Purchase of Raw Material	3,411	6,089
	Royalty	24,181	18,995
	Dividend Paid	1,724	2,956
	Purchase of fixed assets	-	3,575
Shirazi Investments (Private) Limited (Common Directorship)	Rent of premises	1,417	1,090
	Reimbursement of expenses - paid	123	1,169
	Dividend paid	4,070	7,752
Shirazi Trading Company (Private) Limited (Common Directorship)	Purchase of fixed assets	528	1,336
	Purchase of consumable items	450	750
	Reimbursement of expenses - paid	45	30
Sui Southern Gas Company Limited (Common Directorship)	Purchase of Natural Gas	17,513	10,327
	Security Deposit	1,413	2,082
	Interest on deposits - received	88	-
Total Atlas Lubricants Pakistan (Private) Ltd. (Common Directorship)	Purchase of Lubricants	343	-
(b) Enterprise over which any person described in (a) above is able to exercise significant influence			
Batool Benefit Trust (Common Directorship/Trustees)	Dividend Paid	24	43
Atlas Foundation (Common Directorship/Member)	Rent of premises	449	428
	Dividend Paid	190	362
	Sale Proceeds of bonus fractions	21	34
	Donation	836	444

All these transactions were carried out on commercial terms and conditions and were valued at arm's length price. Reimbursement of expenses were on actual basis. Royalty is stated as per terms of Technical Agreement duly approved by State Bank of Pakistan.

There are no transactions with key management personnel other than under their terms of employment.

The outstanding balances of related parties as at June 30, 2006 are included in respective notes to the accounts.

	2006	2005
	Rupees in '000'	
40. DIRECTORS' AND EXECUTIVES' REMUNERATION		
40.01 Chief Executive		
Managerial Remuneration	2,829	2,530
Rent & utilities	1,556	1,392
Cost of living allowance	424	380
Provident fund	311	278
Reimbursement of medical expenses & others	94	106
	5,214	4,686
40.02 Meeting fees other directors	70	26
Number of persons	2	2
40.03 Executives		
Managerial Remuneration	9,568	8,238
Rent & utilities	4,482	4,531
Cost of living allowance	1,222	1,235
Provident fund	775	894
Reimbursement of medical expenses & others	252	520
	16,299	15,418
Number of persons	10	9

The Chief Executive is provided with free use of Company maintained car. Certain executives are also provided with Company vehicles.

41. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

41.01 Financial Assets and Liabilities

The Company's exposure to interest rate risk on its financial assets and liabilities as of June 30, are summarized as follows:

	2 0 0 6						2 0 0 5	
	Interest bearing			Non-Interest bearing			Total	Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
Rupees in '000								
Financial assets								
Long term deposits	-	3,495	3,495	-	517	517	4,012	2,612
Trade Debtors	-	-	-	45,864	-	45,864	45,864	39,536
Short term investment	254	-	254	-	-	-	254	39,835
Loans & advances	-	-	-	4,081	-	4,081	4,081	5,329
Trade deposits & Prepayments	-	-	-	1,156	-	1,156	1,156	2,030
Other receivable	-	-	-	365	-	365	365	-
Cash & Bank balances	689	-	689	29,620	-	29,620	30,309	32,607
	943	3,495	4,438	81,086	517	81,603	86,041	121,949
Financial liabilities								
Long term financing	16,000	40,000	56,000	-	-	-	56,000	76,000
Trade & Other payable	-	-	-	88,780	-	88,780	88,780	69,853
Mark-up accrued on borrowings	-	-	-	1,726	-	1,726	1,726	2,060
Short term financing	90,974	-	90,974	-	-	-	90,974	74,314
	106,974	40,000	146,974	90,506	-	90,506	237,480	222,227
On-balance sheet gap	(106,031)	(36,505)	(142,536)	(9,420)	517	(8,903)	(151,439)	(100,278)
Off-balance sheet gap							143,571	142,541

41.02 Effective interest rates

	2006	2005
Assets		
Long term deposits	5.0%	5.0%
Short term investment	1.4% to 10.1%	5.8% to 9.6%
Cash at Bank under PLS. Deposit	2.25% to 3%	1% to 3%
Liabilities		
Short term financing	2.56% to 10.81%	2.53% to 8.71%

41.03 Concentration of credit risks

The Credit Risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its trade debtors and balances with banks. The financial assets which are subject to credit risks amounted to Rs. 86.04 million (2005: Rs. 121.95 million).

The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

41.04 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

42. 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.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 31, 2006 by the board of directors of the Company

44. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE


The Board of Directors have proposed a final dividend for the year ended June 30, 2006 of Rs.3/- per share amounting to Rs.15,862 thousand (2005: Rs.2.50 per share),and bonus share issue at the rate of 15% (2005: 15%) at their meeting held on August 31, 2006 for approval of the members at the Annual General Meeting to be held on September 30, 2006 . These financial statements do not reflect this impact.

45. CORRESPONDING FIGURES

Certain reclassifications and rearrangements have been made in prior year's balances. The management has reclassified available for sale investments to investments at fair value through Profit & Loss account. There is no effect on the results for current or prior periods.


Aitzaz Shahbaz
Director


Vazeer Ali
Chief Executive


Yusuf H. Shirazi
Chairman


PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2006

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
540	1	100	13,068	0.25%
346	101	500	88,263	1.67%
147	501	1,000	104,898	1.98%
128	1,001	5,000	264,723	5.00%
13	5,001	10,000	98,945	1.87%
5	10,001	15,000	59,740	1.13%
4	15,001	20,000	70,046	1.32%
4	20,001	25,000	88,977	1.68%
2	25,001	30,000	58,139	1.10%
1	35,001	40,000	35,428	0.67%
1	40,001	45,000	42,600	0.81%
1	55,001	60,000	59,612	1.13%
2	70,001	75,000	142,748	2.70%
1	90,001	95,000	92,204	1.74%
2	95,001	100,000	196,123	3.71%
4	245,001	250,000	998,361	18.88%
1	495,001	500,000	500,000	9.46%
1	790,001	795,000	793,104	15.00%
1	1,580,001	1,585,000	1,580,416	29.89%
<u>1,204</u>			<u>5,287,395</u>	<u>100.00%</u>

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Associated Undertakings & Related parties			
Atlas Insurance Limited	1	92,204	1.74%
Atlas Foundation	1	97,203	1.84%
Batool Benefit Trust	1	11,491	0.22%
Japan Storage Battery Co.Ltd.	1	793,104	15.00%
Shirazi Investments (Private) Limited	1	1,580,416	29.89%
	<u>5</u>	<u>2,574,418</u>	<u>48.69%</u>
Investment Corporation of Pakistan	1	1,692	0.03%
Directors/Spouse			
Mr. Yusuf H. Shirazi and Mrs. Khawar S. Shirazi	1	21,968	0.42%
Mr. Iftikhar H. Shirazi	1	249,587	4.72%
Mr. Aitzaz Shahbaz	1	115	-
Mr. Javaid Anwar`	1	115	-
Mr. Muhammad Atta Karim	1	115	-
	<u>5</u>	<u>271,900</u>	<u>5.14%</u>
Corporation			
State Life Insurance Corporation of Pakistan	1	70,348	1.33%
Financial Institutions			
Bank Al-Habib Limited	1	22,540	0.43%
J.P. Morgan Chase Bank	1	500,000	9.46%
Habib Insurance Co.Ltd.	1	9,499	0.18%
	<u>3</u>	<u>532,039</u>	<u>10.07%</u>
Joint Stock Companies	12	22,179	0.42%
Individuals	1,175	1,795,425	33.95%
SECP	1	1	0.00%
Abandoned Properties Organisation	1	19,393	0.37%
	<u>1,204</u>	<u>5,287,395</u>	<u>100.00%</u>

Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1963
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Allwin Engineering	1981*
 Atlas Bank	1990
HONDA Honda Atlas Cars	1992
HONDA Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Atlas Capital Markets	2006

PRODUCT TYPES AND THEIR APPLICATION

Battery Type	No. of Plates	A.M.P	Application
XR38	9PL	32	Suzuki Van/pickups, Subaru van/Pickups (old models) 600cc 800cc
XL40	9PL	35	Suzuki Car/ Van pickups, Jeep Subaru Car/Van Pickups, Charade Petrol (800cc-1000cc)
CNG40	9PL	38	
XL 46	11PL	40	All Types of Suzuki Vehicles (800cc to 1,300cc) Honda Citi
HB43	11PL	40	Toyota, Nissan (Datsun), Daihatsu, Mazda, Mitsubishi (1000cc to 1600cc)
HB43(S)	9PL	35	
45C24L	11PL	40	Toyota Nissan (Datsun), Daihatsu, Mazda, Mitsubishi 1200cc-1600cc
CNG50	11PL	45	
50C24R	13PL	45	Datsun 120Y, Mazda 1600, Mitsubishi Lancer 1500 Honda Civic (1000cc-1600cc)
55D26R	9PL	48	
65D26R	11PL	50	Datsun Toyota Mark II, Toyota Crown, Toyota Cressida, Mercedes Benz Petrol, Willys Jeeps, MF375 Tractors, Hyundai/Daewoo (2000cc-4000cc), Datsun Toyota Mark II, Toyota Crown, Toyota cressida, Mercedes Benz Petrol, Willys Jeeps, Issuzu JCR 520zz, (200-6000cc)
DIN 555-30	11PL	60	
XR 85	13PL	55	
XL 85	13PL	70	
80D31R	11PL	72	
85D31R	13PL	75	Toyota Hi-Ace Diesel, Mercedes Benz (Petrol), Issuzu Bus JCR 520zz, Massey Ferguson Tractors MF -210 Crusier, Toyota Hi-Lux Nissan Diesel Pick-up, Ford 1910) Tractor, (2000cc - 6000cc)
U95	13PL	80	
95D31R	15PL	85	
95D31L	15PL	85	
6FT108	15PL	100	Fiat Tractors 460/480, IMT 540 Tractors Massey Ferguson Tractors 240/265, Ford Wagons Land Rover, Toyota Land Cruiser Jhon deersc 500 Taishen TS-25 Tractors 3000cc-6000cc)
N110	17PL	107	Issuzu Trucks Mercedes Benz -Hino Truck ZH-100 Fiat Tractors 640 issuzu JCR 460R. (3000cc-6000cc)
U115	15PL	110	Old Americian & European Car Models (1000cc-2000cc)
118E41R	19PL	117	
U130	19PL	120	Fiat Tractors 460, Hino Truck & Busses, Hino Bowzer, Fiat Trucks, Ford Dumper, Issuzu Diesel Busses, Fiat Buses, 331 (300cc - 12000cc)
130F51R	21PL	130	
145F51R	23PL	140	
4DLT145	23PL	120	Ford Tractor-3610 & 46
4DLT160	27PL	155	
XL180	23PL	165	
N185	25PL	175	Mazda Coaster T-3000, Issuzu TD-72, Generator Sets, Road Rollers & Belarus Tractor.
195G51R	27PL	175	
195G51RF	27PL	190	
210H52	31PL	200	Generator Sets, Road Roller, Bulldozer.
245H52	33PL	210	

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

Affix
Revenue Stamp

Signature

Dear Sir,

SUBJECT: PROXY FORM

(Address)

Date

I/We the undersigned member(s) of Atlas Battery Limited Holding _____ Ordinary
Shares hereby appoint Mr./Mrs./Miss _____ of _____
or failing him/her Mr./Mrs./Miss _____ of _____
being member of the Company as my/our proxy to attend, act and vote for me/us and on my/our
behalf at the Annual General Meeting of the Company to be held at Adamjee House, Federation House,
2nd Floor, Sharae Firdousi, main Clifton, Karachi, on September 30, 2006 at 9:30 a.m. and at every
adjournment thereof.

(1) _____ (2) _____

(3) _____ (4) _____

Signature(s)

(1) _____

(2) _____

(3) _____

(4) _____

Names(s)

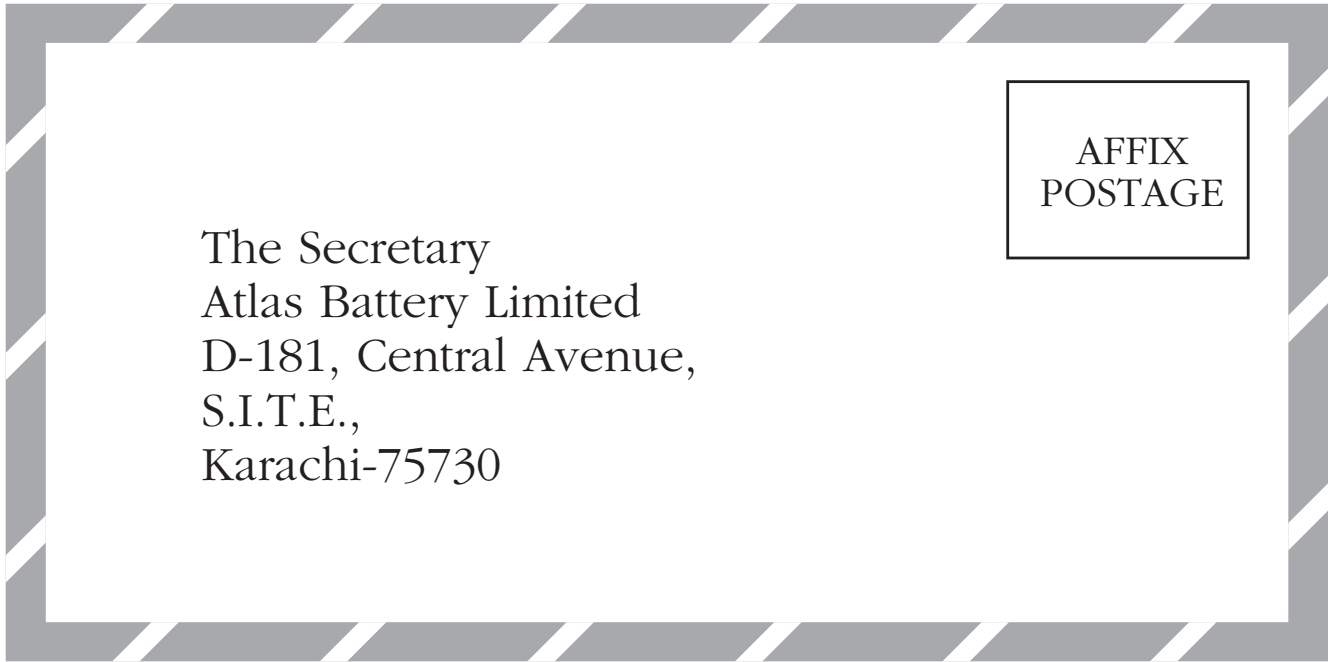
Signed in the presence of

Name of Witness

Address

Signature

Date



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

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Atlas Battery Limited

D-181, Central Avenue, S.I.T.E., Karachi-75730 **Ph:** (92-21) 2567990-4 **Fax:** (92-21) 2564703
Email: abl@atlasbattery.com.pk **Website:** www.atlasbattery.com.pk