



# ANNUAL REPORT 2010



Organisation  
development  
through  
*self development*





# CONTENTS

## MANAGEMENT REPORT (02-36)

Vision and Mission.....	02
Quality Policy .....	03
Notice of Annual General Meeting .....	04
Company Information.....	06
Board of Directors Profile .....	08
Financial Highlights.....	10
Statement of Value Addition.....	11
Ten Years Growth at a Glance.....	12
Analysis of Financial Statements.....	16
Chairman's Review.....	20
Directors' Report .....	26
Statement of Compliance with the Code of Corporate Governance .....	30
Review Report to the Members.....	32
Information for Shareholders.....	33
Pattern of Shareholding .....	35

## FINANCIAL REPORT (37-75)

Auditors' Report to the Members .....	37
Balance Sheet.....	38
Profit & Loss Account.....	40
Cash Flow Statement.....	41
Statement of changes in Equity .....	42
Notes to the Financial Statements .....	43

## OTHERS (76-79)

Atlas Group Companies.....	76
Product Types and their Application .....	77
Our Valued OEM Customers.....	78
Proxy Form .....	79

## VISION

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

## MISSION

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

## QUALITY POLICY



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

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at 9:15 a.m. on Wednesday, September 29, 2010 at Federation House, 2nd Floor, Shahrah-e-Firdousi, Main Clifton, Karachi, to transact the following business:

### Ordinary Business:

1. To confirm Minutes of Annual General Meeting held on September 29, 2009.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' Report thereon.
3. To consider and approve the Cash dividend @100% (Rs.10/- per share) for the year ended June 30, 2010 as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year ending June 30, 2011. The present auditors M/s. Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

### Special Business:

5. To consider and approve the bonus shares issue @20 % (One bonus share for every Five shares held) for the year ended June 30, 2010 as recommended by the Board of Directors.

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

- 5.1. RESOLVED "that a sum of Rs.16,782,180/- out of Company's profit be capitalized for issuing 1,678,218 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 the business on September 20, 2010 @ 20% in the proportion of One ordinary share of Rs.10/- each for every Five ordinary shares held by a member. The said shares shall rank pari passu with the existing shares of the Company as regards future dividend, and in all other respects."
- 5.2. FURTHER RESOLVED "that all the fractional bonus shares shall be combined and the Directors be and are hereby authorized to combine and sell the fractional shares so combined in the stock market and pay the proceeds of sales thereof, when realized, to a charitable institution approved under the Income Tax Ordinance 2001."
- 5.3. FURTHER RESOLVED "that the Directors be and are hereby authorized to give effect to the foregoing resolutions and in this regard to do or cause to be done all acts, deeds and things that may be necessary or required."
6. To consider and, if thought fit, to pass the following resolutions to increase the Authorized Capital of the Company from Rs.100,000,000/- (Rupees One hundred million) to Rs.500,000,000/- (Rupees Five hundred million) as "Special Resolution."
  - 6.1 RESOLVED "that the Authorized Capital of the Company be and is hereby allowed to be increased from Rs.100,000,000/- (Rupees One hundred million) to Rs.500,000,000/- (Rupees Five hundred million) by creation of 40,000,000 (Forty million) new ordinary shares of Rs.10/- each."
  - 6.2 FURTHER RESOLVED "that the Memorandum and Articles of Association of the Company be and are hereby allowed to be altered by substituting the figures and words Rs.100,000,000/- (Rupees One hundred million) divided into 10,000,000 ordinary shares of Rs.10/- each appearing in clause 5 of the Memorandum and clause 8 of the Articles of Association with the words and figures Rs.500,000,000/- (Rupees Five hundred million) divided into 50,000,000 ordinary shares of Rs.10/- each by creation of 40,000,000 ordinary shares of Rs.10/- each."
  - 6.3 FURTEHR RESOLVED "that the Chief Executive Officer of the Company be and is hereby authorized and empowered to give effect to the resolutions as mentioned above and to do or cause to be done all acts, deeds and things that may be necessary or required for the increase in the Authorized Capital of the Company."

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

**Other Business:**

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

BY ORDER OF THE BOARD



Company Secretary

Karachi: September 04, 2010

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from September 21, 2010 to September 29, 2010 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Hameed Majeed Associates (Private) Ltd., Karachi Chambers, Hasrat Mohani Road, Karachi before the close of business on September 20, 2010 will be in time for the purpose of entitlement for cash dividend and bonus shares.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his/her Computerized National Identity Card (CNIC) or passport along with CDC account number to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are requested to immediately inform the company's Share Registrar of any change in their mailing address.
5. Members are requested to provide by mail or fax, photocopy of their CNIC or Passport (in case of foreigner), unless it has been provided earlier, enabling the company to comply with relevant laws.

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

This statement is annexed to the Notice of the Annual General Meeting of Atlas Battery Limited to be held on September 29, 2010 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

**ITEM NO.5 OF THE AGENDA**

The Board of Directors has recommended to the members of the Company to declare dividend by way of issue of fully paid bonus shares @ 20% for the year ended June 30, 2010 and thereby capitalize a sum of Rs.16,782,180/-. The Directors have also recommended that all the fractional bonus shares shall be combined and the Directors be authorized to combine and sell the fractional shares so combined in the stock market and pay the proceeds of sales thereof when realized to a charitable institution approved under the Income Tax Ordinance 2001.

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

**ITEM NO. 6 OF THE AGENDA**

The Board of Directors has recommended to increase the Authorized Capital of the Company. The purpose to increase the Authorized Capital is to make provision for the future increase in the Paid-up Capital of the Company from time to time. Accordingly, the Memorandum and Articles of Association of the Company are sought to be amended to reflect the increase in the amount of Authorized Capital appearing therein.

Directors are not interested in the business except as shareholders of the Company.



## COMPANY INFORMATION



### BOARD OF DIRECTORS

Chairman  
Directors

Yusuf H. Shirazi  
Aitzaz Shahbaz  
Javaid Anwar  
Makio Tanaka  
Muhammad Atta Karim  
Talha Saad

President / Chief Executive  
Company Secretary

Ali H. Shirazi  
Muhammad Iqbal

### AUDIT COMMITTEE

Chairman  
Members

Aitzaz Shahbaz  
Muhammad Atta Karim  
Talha Saad

Head of Internal Audit  
Secretary

M. Rizwan Jamil  
Muhammad Saleem

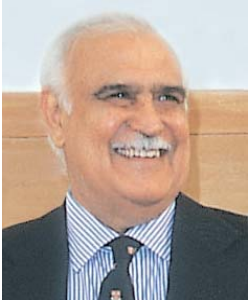
### MANAGEMENT COMMITTEE

President / Chief Executive  
Managing Director  
Chief Financial Officer  
General Manager Marketing  
General Manager Quality Assurance  
General Manager Plant  
Manager Human Resources  
Company Secretary  
Manager Information Technology

Ali H. Shirazi  
Talha Saad  
Ahmad Zafaryab Ali  
Arshad Gulraiz Butt  
Muhammad Jamil Awan  
Shahzad Ahmad Khan  
Ahmar Waheed  
Muhammad Iqbal  
Qasim Imran Khan

COMPANY INFORMATION	
Auditors	Hameed Chaudhri & Co. Chartered Accountants
Legal Advisor	Agha Faisal Barrister at Law Mohsin Tayebaly & Co.
Tax Advisor	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants
Bankers	Allied Bank Limited Atlas Bank Limited Bank Al-falah Limited Habib Bank Limited MCB Bank Limited National Bank of Pakistan The Bank of Tokyo-Mitsubishi UFJ, Limited United Bank Limited
Share Registrar	M/s. Hameed Majeed Associates (Pvt.) Limited, Karachi Chambers, Hasrat Mohani Road, Karachi. Phones: 32424826 & 32412754 Fax: 32424835 E-mail: majeed@hmaconsultants.com
Registered Office & Factory	D-181 Central Avenue, S.I.T.E. Karachi-75730 Tel: 32567990-94 Fax: 32564703
Zonal Office Karachi	PPI Building, Near Sindh Secretariat Building, Shahra-e-Kamal Ataturk, Karachi-74200 Tel: 32636057 - 32610145 Fax: 32626478
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: 37227075 - 37354245 Fax: 37352724
Faisalabad Office	54-Chenab Market, Madina Town, Faisalabad Tel: 8713127 Fax: 8726628
Multan Office	Azmat Wasti Road, Chowk Dera Adda Multan-60000 Tel: 4548017
Peshawar Office	1st Floor, Zeenat Plaza, near General bus stand, G.T. Road, Peshawar Tel: 2262485
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: 4461539
Company Website	<a href="http://www.atlasbattery.com.pk">www.atlasbattery.com.pk</a>
Email Address	<a href="mailto:abl@atlasbattery.com.pk">abl@atlasbattery.com.pk</a>

## BOARD OF DIRECTORS



**Mr. Yusuf H. Shirazi**

Chairman

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

**Mr. Aitzaz Shahbaz**

Director

Mr. Aitzaz Shahbaz has been the Chairman of Sui Southern Gas Company Limited. (SSGC) and Inter State Gas Systems (Pvt) Ltd., and Member on the Board of Governors of National Management Foundation and LUMS, in addition to being a Trustee of Layton Rahmatullah Benevolent Trust. He is also a Director of Petroleum Institute of Pakistan, (PIP). Earlier he worked with Pakistan Burmah Shell as Chief Executive for over 16 years. Later he became Chief Executive of Shell Pakistan Ltd, and subsequently its Chairman. Mr. Shahbaz has done his BA (Hons) from Punjab University and MA (English) from Peshawar University.



**Mr. Javaid Anwar**

Director

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

## BOARD OF DIRECTORS



**Mr. Makio Tanaka**  
Director

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

**Mr. Muhammad Atta Karim**  
Director

Mr. Muhammad Atta Karim has been associated with Atlas Group since 1989. He has over 40 years experience in senior Management position in the manufacturing sector. He retired as Chief Executive Officer of Atlas Engineering Ltd in 2008. He completed MBA from Institute of Business Administration, Karachi and is a Fellow member of the Institute of Cost & Management Accountants of Pakistan.



**Mr. Talha Saad**  
Director

Mr. Talha Saad has the dual honor of holding a bachelors degree in mechanical engineering from Peshawar University and Master's degree in business administration from IBA, Karachi. He also attended a 'Management and Development' course from Harvard University. He has been with the Atlas Group of Companies for the last 29 years. Prior to joining Atlas Battery, he was associated with Atlas Honda Limited as General Manager Supply Chain.



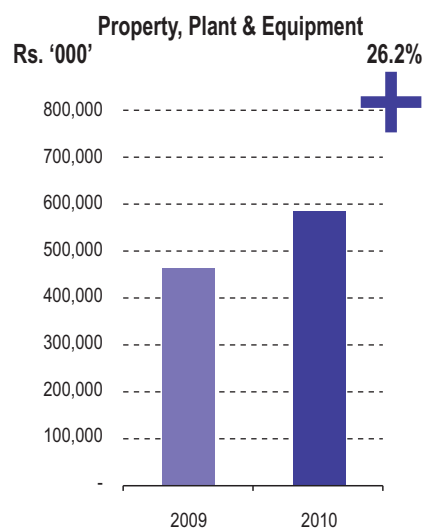
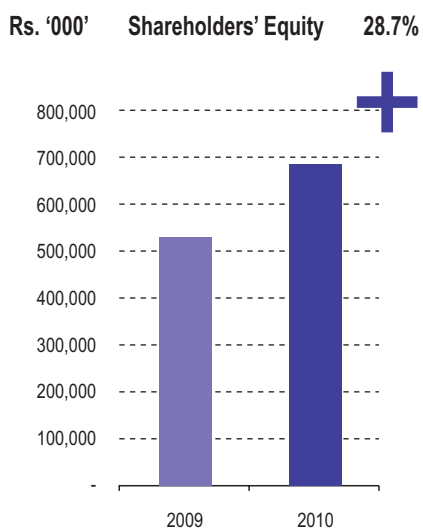
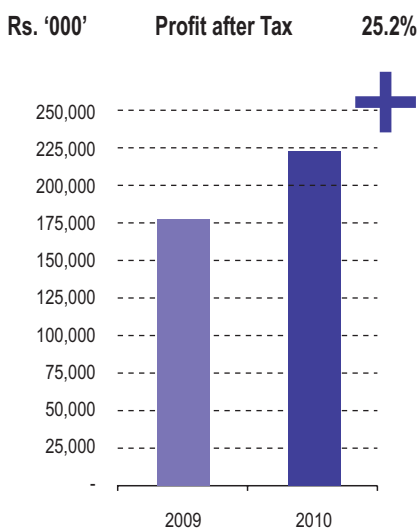
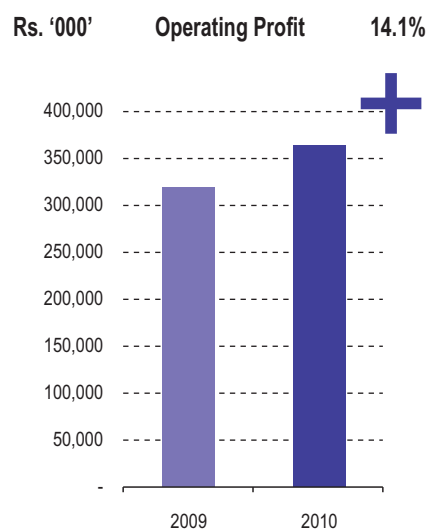
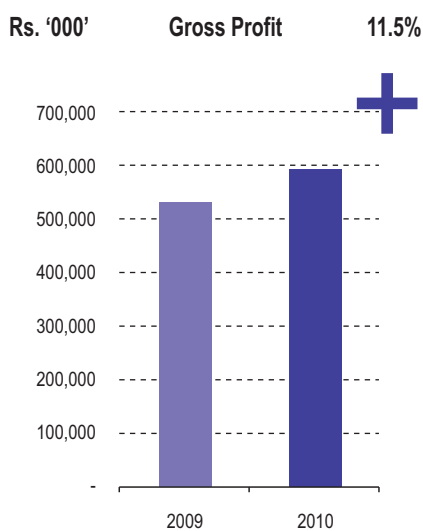
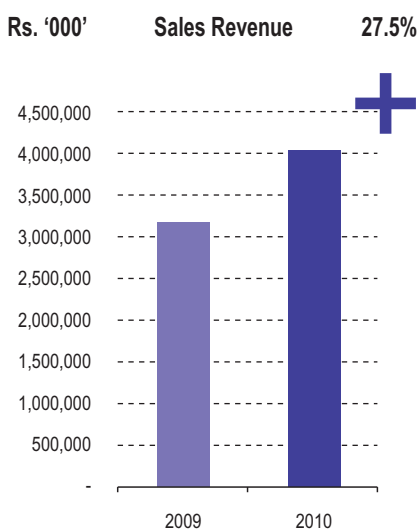
**Mr. Ali H. Shirazi**  
President / Chief Executive

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



## FINANCIAL HIGHLIGHTS

	Rupees in '000'		
	2010	2009	%
Sales	4,024,422	3,156,807	27.5% +
Gross profit	591,200	530,067	11.5% +
Operating profit	361,146	316,417	14.1% +
Profit before Tax	341,289	272,880	25.1% +
Profit after Tax	222,534	177,678	25.2% +
Earnings Per Share - Basic & Diluted (Rupees)	26.52	21.17	25.3% +
Shareholders' Equity	684,154	531,546	28.7% +
Property, Plant & Equipment - Net of Rev. Reserve	582,553	461,508	26.2% +

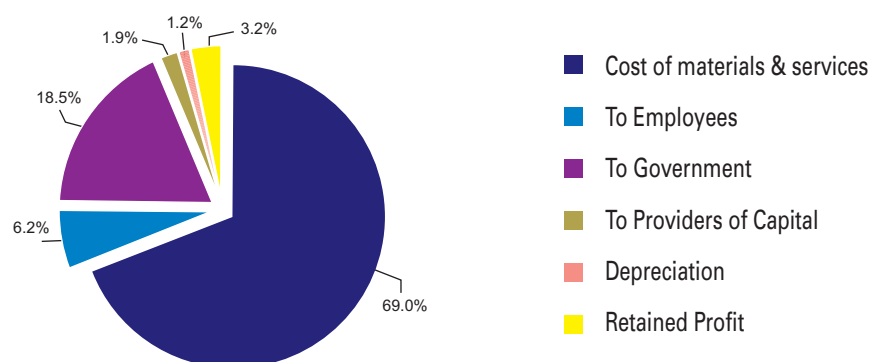


**STATEMENT OF VALUE ADDITION  
YEAR ENDED JUNE 30, 2010**

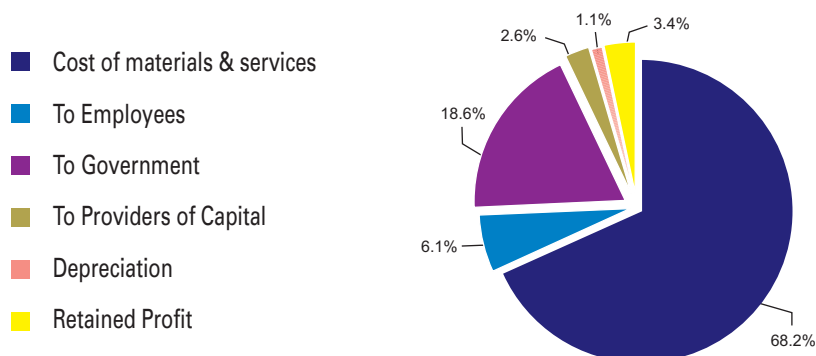
Rupees in '000'

	2010		2009	
	Amount	% age	Amount	% age
<b>Wealth Generated:</b>				
Sales including Sales Tax & SED	4,743,398	99.9%	3,724,832	99.9%
Other Operating Income	5,258	0.1%	2,149	0.1%
	<u>4,748,656</u>	<u>100%</u>	<u>3,726,981</u>	<u>100%</u>
<b>Wealth distributed:</b>				
Cost of Material & Services	3,278,370	69.0%	2,543,748	68.2%
<b>To Employees</b>				
Salaries & other related costs	296,182	6.2%	225,912	6.1%
<b>To Government</b>				
Taxes	852,459	18.0%	672,774	18.0%
Workers' Profit Participation Fund	18,316	0.4%	14,657	0.4%
Workers' Welfare Fund	6,712	0.1%	5,594	0.2%
	<u>877,487</u>	<u>18.5%</u>	<u>693,025</u>	<u>18.6%</u>
<b>To Providers of Capital</b>				
Dividend to Shareholders	69,926	1.5%	52,444	1.4%
Markup / Interest	19,857	0.4%	43,536	1.2%
	<u>89,783</u>	<u>1.9%</u>	<u>95,980</u>	<u>2.6%</u>
<b>Retained in the Business</b>				
For replacement of Fixed Assets: Depreciation	54,226	1.2%	43,082	1.1%
To provide for Growth: Retained Profit	152,608	3.2%	125,234	3.4%
	<u>206,834</u>	<u>4.4%</u>	<u>168,316</u>	<u>4.5%</u>
	<u>4,748,656</u>	<u>100%</u>	<u>3,726,981</u>	<u>100%</u>

**June 30, 2010**



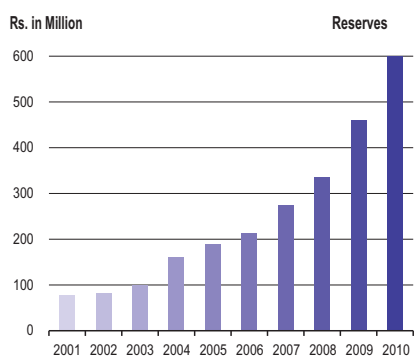
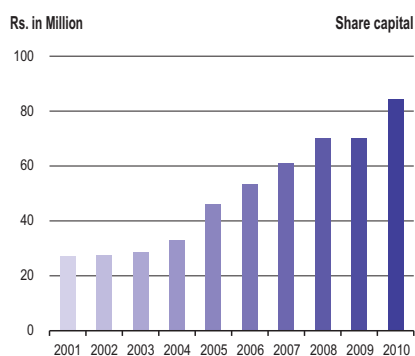
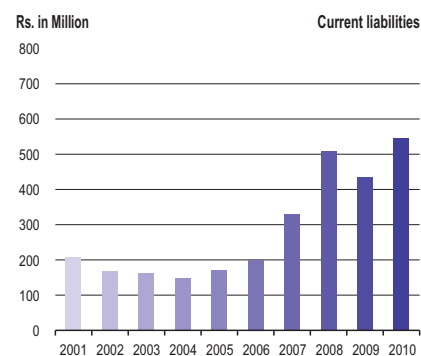
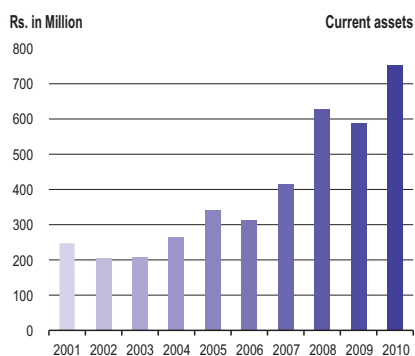
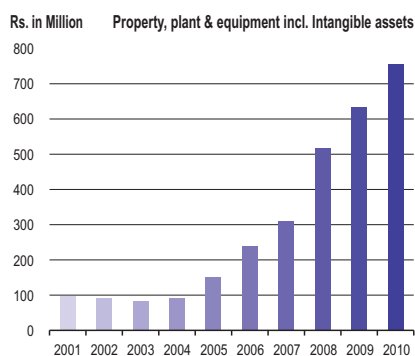
**June 30, 2009**



## TEN YEARS GROWTH AT A GLANCE

(Rupees in million)

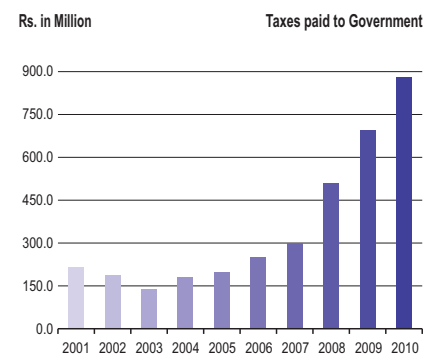
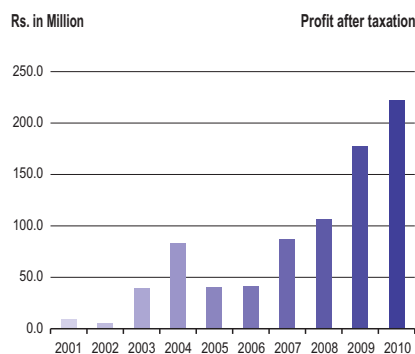
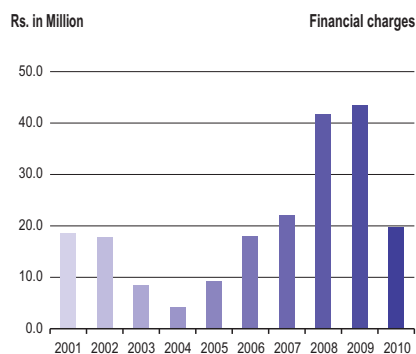
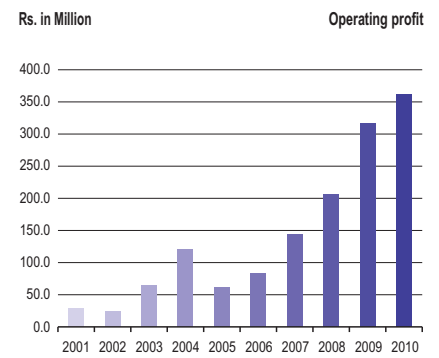
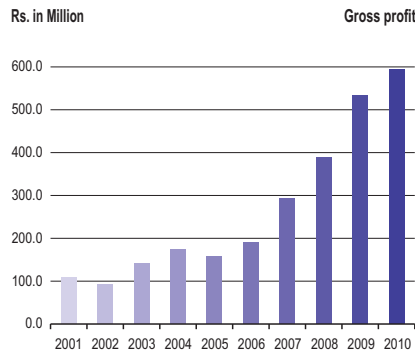
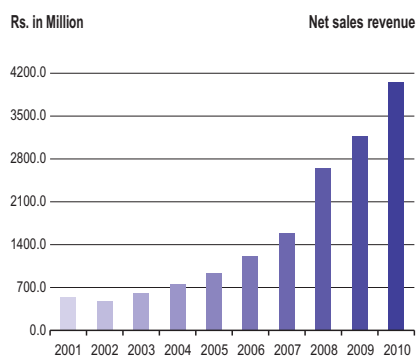
YEARS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Condensed Balance Sheet (Rs. in million)</b>										
<b>Assets</b>										
<b>Non Current Assets:</b>										
Property, plant & equipment incl.										
Intangible assets	756.3	635.3	517.9	311.0	239.7	151.5	94.0	84.4	90.2	97.2
Other non current assets	0.5	2.4	4.0	4.0	4.0	2.6	0.5	5.1	6.3	5.9
Long Term loan	0.3	-	-	-	-	-	-	-	-	-
<b>Current Assets:</b>										
Inventory	554.0	448.7	423.6	316.9	226.7	218.2	108.7	134.8	122.2	126.1
Investments & bank balances	56.1	35.0	49.3	37.8	30.6	72.5	98.5	16.6	21.6	22.4
Other current assets	46.3	16.4	78.0	7.2	9.9	11.7	17.8	17.9	26.4	26.4
Trade debtors	100.4	88.5	77.4	51.8	45.9	39.5	39.7	40.0	32.9	72.5
	756.8	588.6	628.3	413.7	313.1	341.9	264.7	209.3	203.1	247.4
<b>Total Assets</b>	<b>1,513.9</b>	<b>1,226.3</b>	<b>1,150.2</b>	<b>728.7</b>	<b>556.8</b>	<b>496.0</b>	<b>359.2</b>	<b>298.8</b>	<b>299.6</b>	<b>350.5</b>
<b>Equity &amp; Liabilities</b>										
Share capital	83.9	69.9	69.9	60.8	52.9	46.0	32.9	28.6	27.2	27.2
Reserves	600.2	461.6	336.4	275.2	211.5	188.5	160.8	101.3	80.6	77.8
Surplus on revaluation of fixed assets	173.8	173.8	173.8	-	-	-	-	-	-	-
Deferred liabilities	111.3	85.6	61.8	62.9	90.5	90.9	15.7	6.9	22.9	38.2
<b>Current Liabilities:</b>										
Creditors & provisions	368.9	329.3	185.3	156.2	93.3	78.2	82.6	86.6	70.2	87.4
Short term borrowings	174.6	103.6	313.0	171.2	91.0	74.3	34.7	41.0	88.8	102.8
Other current liabilities	1.2	2.6	10.0	2.4	17.6	18.1	32.5	34.4	9.9	17.1
	544.7	435.5	508.3	329.8	201.9	170.6	149.8	162.0	168.9	207.3
<b>Total Equity &amp; Liabilities</b>	<b>1,513.9</b>	<b>1,226.4</b>	<b>1,150.2</b>	<b>728.7</b>	<b>556.8</b>	<b>496.0</b>	<b>359.2</b>	<b>298.8</b>	<b>299.6</b>	<b>350.5</b>



## TEN YEARS GROWTH AT A GLANCE

(Rupees in million)

YEARS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Condensed Profit &amp; Loss A/C</b>										
Sales	4,024.4	3,156.8	2,628.8	1,585.6	1,209.0	949.8	770.1	617.1	495.1	563.0
Cost of sales	(3,433.2)	(2,626.7)	(2,241.9)	(1,294.0)	(1,020.0)	(792.2)	(596.6)	(475.9)	(403.6)	(453.8)
Gross profit	591.2	530.1	386.9	291.6	189.0	157.6	173.5	141.2	91.5	109.2
Operating expenses (net of other income)	(230.1)	(213.7)	(181.2)	(147.3)	(104.9)	(94.4)	(51.7)	(75.6)	(66.4)	(79.0)
Operating profit	361.1	316.4	205.7	144.3	84.1	63.2	121.8	65.6	25.1	30.2
Financial charges	(19.8)	(43.5)	(41.6)	(22.0)	(17.9)	(9.2)	(4.1)	(8.4)	(17.9)	(18.6)
Profit before tax	341.3	272.9	164.1	122.3	66.2	54.0	117.7	57.2	7.2	11.6
Taxation	(118.8)	(95.2)	(57.3)	(34.8)	(24.9)	(13.2)	(34.2)	(18.0)	(1.7)	(2.1)
Profit after taxation	222.5	177.7	106.8	87.5	41.3	40.8	83.5	39.2	5.5	9.5
<b>Profitability Ratios</b>										
Gross profit (%)	14.7	16.8	14.7	18.4	15.6	16.6	22.5	22.9	18.5	19.4
Profit before tax (%)	8.5	8.6	6.2	7.7	5.5	5.7	15.3	9.3	1.5	2.1
Profit after tax (%)	5.5	5.6	4.1	5.5	3.4	4.3	10.8	6.4	1.1	1.7
Return on capital employed (%)	37.3	40.0	32.0	36.2	23.7	19.4	58.2	48.0	19.2	21.1
Interest cover ratio (Times)	18.2	7.3	4.9	6.6	4.7	6.9	29.7	7.8	1.4	1.6
Earnings before interest, tax, depreciation & amortisation (EBITDA) (Rs in million)	361.1	359.5	241.4	178.2	109.4	81.3	134.6	77.9	37.8	43.5
EBITDA Margin (%)	9.0	11.4	9.2	11.2	9.0	8.6	17.5	12.6	7.6	7.7

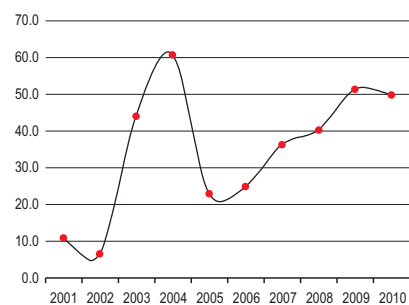




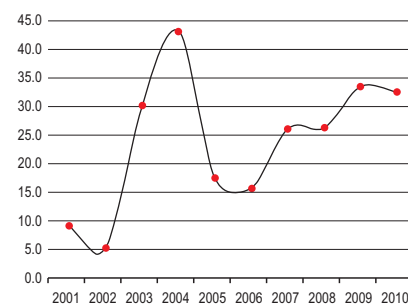
## TEN YEARS GROWTH AT A GLANCE

YEARS		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Return to Shareholders</b>											
Return On Equity - before tax	(%)	49.9	51.3	40.4	36.4	25.0	23.0	60.8	44.0	6.7	11.0
Return On Equity - after tax	(%)	32.5	33.4	26.3	26.0	15.6	17.4	43.1	30.2	5.1	9.0
Earnings Per Share	(Rs)	26.52	25.42	15.28	14.39	7.81	8.87	25.38	13.71	2.02	3.49
Price Earning Ratio	(Times)	6.8	5.7	10.1	11.7	9.5	8.7	6.1	6.3	10.6	7.2
Market Price - at year end	(Rs)	181.0	144.0	154.9	167.8	73.9	77.0	154.0	86.0	21.5	25.0
Market Price - during the period	High - Rs.	237.0	150.0	213.0	187.4	90.5	115.0	205.0	140.0	35.3	30.0
Market Price - during the period	Low - Rs.	138.0	63.6	129.9	68.2	61.7	62.0	96.0	25.3	18.3	20.5
<b>Break up value per share without Surplus on Revaluation</b>											
	(Rs)	81.5	76.0	58.1	55.3	50.0	51.0	58.9	45.4	39.6	38.6
<b>Break up value per share with Surplus on Revaluation</b>											
	(Rs)	102.3	100.9	83.0	55.3	50.0	51.0	58.9	45.4	39.6	38.6
<b>Dividend</b>											
Cash dividend	(%)	100	100	75	60	30	25	60	60	10	15
Stock dividend	(%)	20	20	-	15	15	15	40	15	5	-
Dividend yield (Cash)	(%)	5.5	6.9	4.8	3.6	4.1	3.2	3.9	7.0	4.7	6.0
Dividend cover (Cash)	(Times)	2.7	2.5	2.0	2.4	2.6	3.5	4.2	2.3	2.0	2.3
Dividend pay out (Cash)	(%)	37.7	39.3	49.1	41.7	38.4	28.2	23.6	43.8	49.5	42.9
Plough back ratio	(%)	62.3	60.7	50.9	58.3	61.6	71.8	76.4	56.2	50.5	57.1

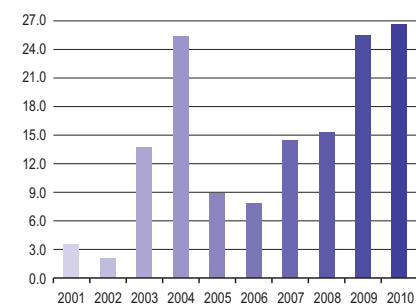
Percentage ROE - before tax



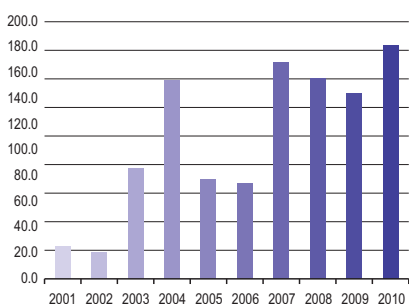
Percentage ROE - after tax



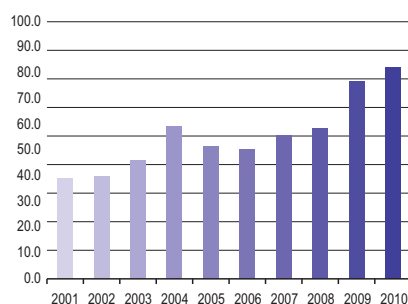
Rupees Earnings per share



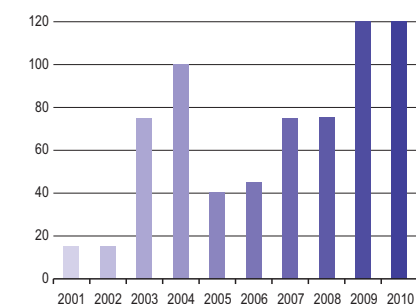
Rupees Market price - at year end



Rupees Break up value per share without surplus on revaluation

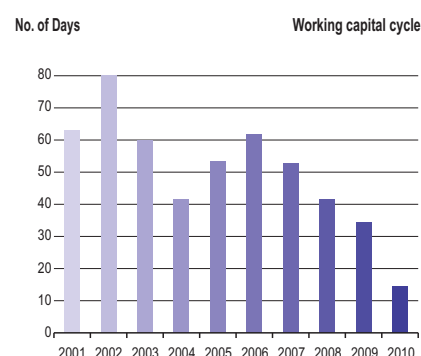
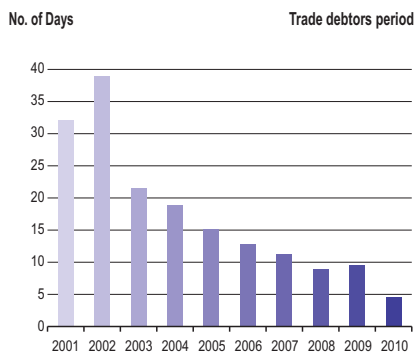
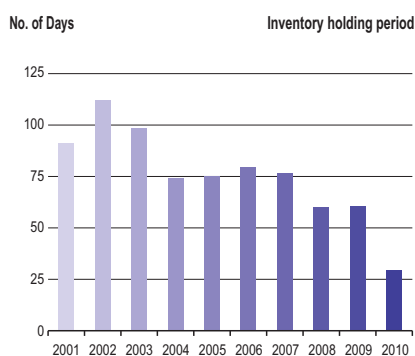
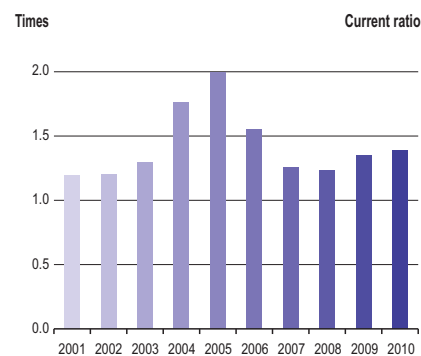
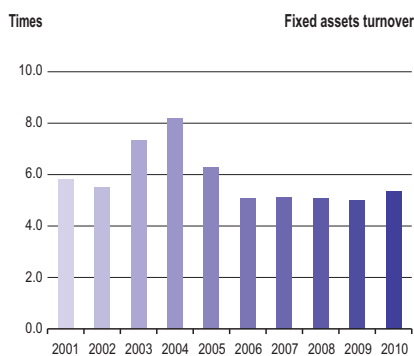
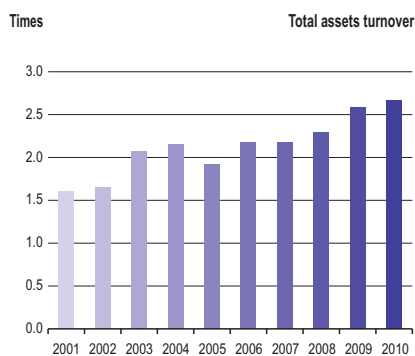


Percentage Cash & stock dividends



## TEN YEARS GROWTH AT A GLANCE

YEARS		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Asset Utilization</b>											
Total assets turnover	(Times)	2.7	2.6	2.3	2.2	2.2	1.9	2.1	2.1	1.7	1.6
Fixed assets turnover	(Times)	5.3	5.0	5.1	5.1	5.0	6.3	8.2	7.3	5.5	5.8
Inventory turnover	(Times)	12.4	6.0	6.1	4.8	4.6	4.8	4.9	3.7	3.3	4.0
Debtor turnover	(Times)	80.2	38.1	40.7	32.5	28.3	24.0	19.3	16.9	9.4	11.4
Capital employed turnover	(Times)	4.2	4.0	4.1	4.0	3.4	2.9	3.7	4.5	3.8	3.9
<b>Working Capital Cycle</b>											
Inventory holding period	(No. of Days)	29	61	60	77	80	75	74	99	112	91
Trade debtors period	(No. of Days)	5	10	9	11	13	15	19	22	39	32
Creditors period	(No. of Days)	(20)	(36)	(28)	(35)	(31)	(37)	(52)	(60)	(71)	(60)
Working capital cycle	(No. of Days)	14	34	41	53	62	53	42	60	80	63
<b>Liquidity/ Leverage</b>											
Current Ratio	(Times)	1.4	1.4	1.2	1.3	1.6	2.0	1.8	1.3	1.2	1.2
Quick Ratio	(Times)	0.4	0.3	0.4	0.3	0.4	0.7	1.0	0.5	0.5	0.6
Long Term debts to Equity	(Times)	-	-	-	-	0.15	0.26	-	-	0.14	0.28
Total Liabilities to Equity	(Times)	0.76	0.74	0.98	1.17	1.11	1.12	0.85	1.30	1.78	2.34



## ANALYSIS OF FINANCIAL STATEMENTS BALANCE SHEET

(Rupees in '000')

<b>PARTICULARS</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>FIXED ASSETS</b>						
Property, Plant & Equipment	756,339	635,294	517,862	310,995	239,712	151,563
Long term deposits and prepayments	517	2,439	4,012	4,012	4,012	2,612
Long term loans	270	-	-	-	-	-
<b>Total non-current assets</b>	<b>757,126</b>	<b>637,733</b>	<b>521,874</b>	<b>315,007</b>	<b>243,724</b>	<b>154,175</b>
<b>CURRENT ASSETS</b>						
Stores, spares and loose tools	22,413	14,122	12,968	10,730	8,659	6,601
Stock in trade	531,597	434,594	410,672	306,171	218,012	211,650
Trade debts	100,396	88,521	77,387	51,834	45,864	39,536
Loans and advances	2,350	2,381	1,475	2,622	4,081	5,329
Deposits and prepayments	5,928	7,025	74,191	2,826	1,224	2,238
Investments	26,224	6,132	-	278	254	39,835
Accrued mark-up / interest	195	14	175	175	121	107
Other receivables	-	1,952	2,240	26	365	21
Sales tax -net	31,050	5,065	-	-	-	-
Advance tax -net	6,792	-	-	1,532	4,204	3,910
Cash and bank balances	29,869	28,892	49,274	37,501	30,309	32,607
<b>Total current assets</b>	<b>756,814</b>	<b>588,698</b>	<b>628,382</b>	<b>413,695</b>	<b>313,093</b>	<b>341,834</b>
<b>Total assets</b>	<b>1,513,940</b>	<b>1,226,431</b>	<b>1,150,256</b>	<b>728,702</b>	<b>556,817</b>	<b>496,009</b>
<b>EQUITY &amp; LIABILITIES</b>						
<b>SHARE CAPITAL &amp; RESERVES</b>						
Share capital	83,911	69,926	69,926	60,805	52,874	45,977
Reserves	375,500	282,500	228,500	186,500	169,500	146,500
Unappropriated profit	224,743	179,120	107,886	88,693	41,976	42,044
<b>Total Equity</b>	<b>684,154</b>	<b>531,546</b>	<b>406,312</b>	<b>335,998</b>	<b>264,350</b>	<b>234,521</b>
Surplus on Revaluation of Property, Plant & Equipment	173,786	173,786	173,786	-	-	-
<b>DEFERRED LIABILITIES</b>	<b>111,246</b>	<b>85,627</b>	<b>61,823</b>	<b>62,881</b>	<b>50,517</b>	<b>30,913</b>
<b>LONG TERM LOAN</b>					<b>40,000</b>	<b>60,000</b>
<b>Total non-current liabilities</b>	<b>969,186</b>	<b>790,959</b>	<b>641,921</b>	<b>398,879</b>	<b>354,867</b>	<b>325,434</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	368,911	329,326	185,267	156,154	93,250	78,201
Accrued mark-up / interest	1,245	1,603	7,057	2,469	1,726	2,060
Short term borrowings - secured	174,598	103,616	313,002	171,200	90,974	74,314
Provision for taxation-net	-	927	3,009	-	-	-
Current portion of long term loan	-	-	-	-	16,000	16,000
Proposed Dividend	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>544,754</b>	<b>435,472</b>	<b>508,335</b>	<b>329,823</b>	<b>201,950</b>	<b>170,575</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,513,940</b>	<b>1,226,431</b>	<b>1,150,256</b>	<b>728,702</b>	<b>556,817</b>	<b>496,009</b>

## ANALYSIS OF FINANCIAL STATEMENTS BALANCE SHEET

PARTICULARS	Vertical Analysis						Horizontal Analysis				
	2010	2009	2008	2007	2006	2005	2010 / 2009	2009 / 2008	2008 / 2007	2007 / 2006	2006 / 2005
	%	%	%	%	%	%	%	%	%	%	%
<b>FIXED ASSETS</b>											
Property, Plant & Equipment	50.0	51.8	45.0	42.7	43.1	30.6	19.1	22.7	66.5	29.7	58.2
Long term deposits and prepayments	-	0.2	0.3	0.6	0.7	0.5	(78.8)	(39.2)	-	-	53.6
Total non-current assets	50.0	52.0	45.4	43.2	43.8	31.1	18.7	22.2	65.7	29.2	58.1
<b>CURRENT ASSETS</b>											
Stores, spares and loose tools	1.5	1.2	1.1	1.5	1.6	1.3	58.7	8.9	20.9	23.9	31.2
Stock in trade	35.1	35.4	35.7	42.0	39.2	42.7	22.3	5.8	34.1	40.4	3.0
Trade debts	6.6	7.2	6.7	7.1	8.2	8.0	13.4	14.4	49.3	13.0	16.0
Loans and advances	0.2	0.2	0.1	0.4	0.7	1.1	(1.3)	61.4	(43.7)	(35.8)	(23.4)
Deposits and prepayments	0.4	0.6	6.4	0.4	0.2	0.5	(15.6)	(90.5)	2,525.3	130.9	(45.3)
Investments	1.7	0.5	-	0.0	0.0	8.0	327.7	-	(100.0)	9.4	(99.4)
Accrued mark-up / interest	0.0	0.0	0.0	0.0	0.0	0.0	1,292.9	(92.0)	-	44.6	13.1
Other receivables	-	0.2	0.2	0.0	0.1	0.0	(100.0)	(12.9)	8,515.4	(92.9)	1,638.1
Sales tax -net	2.1	0.4	-	-	-	-	513.0	-	-	-	-
Advance tax -net	0.4	-	-	0.2	0.8	0.8	-	-	(100.0)	(63.6)	7.5
Cash and bank balances	2.0	2.4	4.3	5.1	5.4	6.6	3.4	(41.4)	31.4	23.7	(7.0)
Total current assets	50.0	48.0	54.6	56.8	56.2	68.9	28.6	(6.3)	51.9	32.1	(8.4)
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>23.4</b>	<b>6.6</b>	<b>57.8</b>	<b>30.9</b>	<b>12.3</b>
<b>EQUITY &amp; LIABILITIES</b>											
<b>SHARE CAPITAL &amp; RESERVES</b>											
Share capital	5.5	5.7	6.1	8.3	9.5	9.3	20.0	-	15.0	15.0	15.0
Reserves	24.8	23.0	19.9	25.6	30.4	29.5	32.9	23.6	22.5	10.0	15.7
Unappropriated profit	14.8	14.6	9.4	12.2	7.5	8.5	25.5	66.0	21.6	111.3	(0.2)
Total Equity	45.2	43.3	35.3	46.1	47.5	47.3	28.7	30.8	20.9	27.1	12.7
Surplus on Revaluation of Property, Plant & Equipment	11.5	14.2	15.1	-	-	-	-	-	-	-	-
DEFERRED LIABILITIES	7.3	7.0	5.4	8.6	9.1	6.2	29.9	38.5	(1.7)	24.5	63.4
LONG TERM LOAN	-	-	-	-	7.2	12.1	-	-	-	(100.0)	(33.3)
Total non-current liabilities	64.0	64.5	55.8	54.7	63.8	65.6	22.5	23.2	60.9	12.4	9.0
<b>CURRENT LIABILITIES</b>											
Trade and other payables	24.4	26.9	16.1	21.4	16.7	15.8	12.0	77.8	18.6	67.5	19.2
Accrued mark-up / interest	0.1	0.1	0.6	0.3	0.3	0.4	(22.3)	(77.3)	185.8	43.0	(16.2)
Short term borrowings - secured	11.5	8.4	27.2	23.5	16.3	15.0	68.5	(66.9)	82.8	88.2	22.4
Provision for taxation-net	-	0.1	0.3	-	-	-	(100.0)	(69.2)	-	-	-
Current portion of long term loans	-	-	-	-	2.9	3.2	-	-	-	-	-
Total current liabilities	36.0	35.5	44.2	45.3	36.2	34.4	25.1	(14.3)	54.1	63.3	18.4
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>23.4</b>	<b>6.6</b>	<b>57.8</b>	<b>30.9</b>	<b>12.3</b>

## ANALYSIS OF FINANCIAL STATEMENTS PROFIT AND LOSS ACCOUNT

PARTICULARS	(Rupees in '000')					
	2010	2009	2008	2007	2006	2005
Sales	4,024,422	3,156,807	2,628,820	1,585,648	1,209,033	949,755
Cost of Sales	(3,433,222)	(2,626,740)	(2,241,937)	(1,294,026)	(1,019,970)	(792,172)
Gross Profit	591,200	530,067	386,883	291,622	189,063	157,583
Distribution Cost	(128,861)	(124,359)	(114,957)	(96,481)	(77,515)	(60,108)
Administrative expenses	(80,548)	(70,549)	(55,957)	(42,661)	(33,505)	(36,184)
Other Operating Income	5,258	2,149	1,929	1,296	10,135	5,969
Other Operating expenses	(25,904)	(20,891)	(12,231)	(9,477)	(4,077)	(4,057)
Profit from operation	361,145	316,417	205,667	144,299	84,101	63,203
Finance Cost	(19,857)	(43,537)	(41,536)	(22,042)	(17,877)	(9,199)
Profit before tax	341,288	272,880	164,131	122,257	66,224	54,004
Taxation	(118,755)	(95,202)	(57,334)	(34,747)	(24,901)	(13,157)
Profit after tax	222,533	177,678	106,797	87,510	41,323	40,847

## ANALYSIS OF FINANCIAL STATEMENTS CASH FLOW STATEMENT

PARTICULARS	(Rupees in '000')					
	2010	2009	2008	2007	2006	2005
Cash flow from operating activities	190,487	406,363	(26,597)	103,149	77,070	(50,623)
Cash flow from investing activities	(191,437)	(165,688)	(67,387)	(104,515)	(64,738)	(39,285)
Cash flow from financing activities	1,927	(261,057)	105,756	8,558	(14,630)	96,094
Increase/(Decrease) in cash & cash equivalent	977	(20,382)	11,772	7,192	(2,298)	6,186

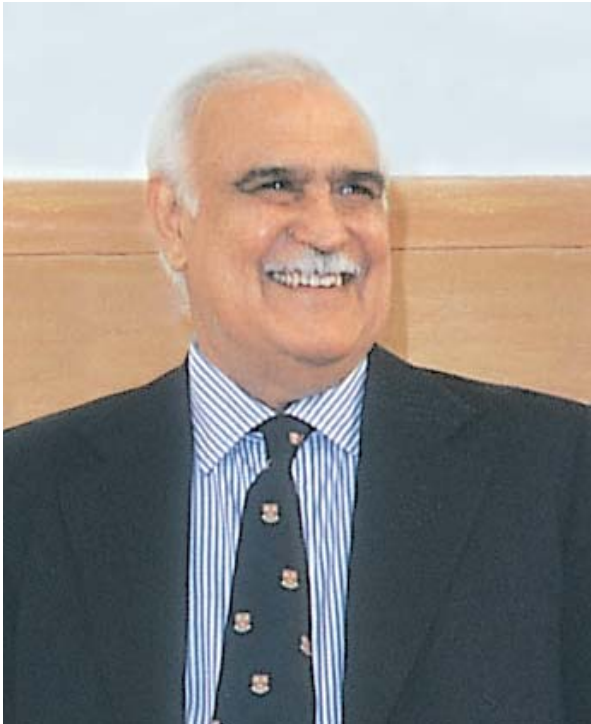
## ANALYSIS OF FINANCIAL STATEMENTS PROFIT AND LOSS ACCOUNT

PARTICULARS	Vertical Analysis						Horizontal Analysis				
	2010	2009	2008	2007	2006	2005	2010 / 2009	2009 / 2008	2008 / 2007	2007 / 2006	2006 / 2005
	%	%	%	%	%	%	%	%	%	%	%
Sales	100.0	100.0	100.0	100.0	100.0	100.0	27.5	20.1	65.8	31.2	27.3
Cost of Sales	(85.3)	(83.2)	(85.3)	(81.6)	(84.4)	(83.4)	30.7	17.2	73.3	26.9	28.8
Gross Profit	14.7	16.8	14.7	18.4	15.6	16.6	11.5	37.0	32.7	54.2	20.0
Distribution Cost	(3.2)	(3.9)	(4.4)	(6.1)	(6.4)	(6.3)	3.6	8.2	19.1	24.5	29.0
Administrative expenses	(2.0)	(2.2)	(2.1)	(2.7)	(2.8)	(3.8)	14.2	26.1	31.2	27.3	(7.4)
Other Operating Income	0.1	0.1	0.1	0.1	0.8	0.6	144.7	11.4	48.8	(87.2)	69.8
Other Operating expenses	(0.6)	(0.7)	(0.5)	(0.6)	(0.3)	(0.4)	24.0	70.8	29.1	132.5	0.5
Profit from operation	9.0	10.0	7.8	9.1	7.0	6.7	14.1	53.8	42.5	71.6	33.1
Finance Cost	(0.5)	(1.4)	(1.6)	(1.4)	(1.5)	(1.0)	(54.4)	4.8	88.4	23.3	94.3
Profit before tax	8.5	8.6	6.2	7.7	5.5	5.7	25.1	66.3	34.3	84.6	22.6
Taxation	(3.0)	(3.0)	(2.2)	(2.2)	(2.1)	(1.4)	24.7	66.0	65.0	39.5	89.3
Profit after tax	5.5	5.6	4.1	5.5	3.4	4.3	25.2	66.4	22.0	111.8	1.2

## ANALYSIS OF FINANCIAL STATEMENTS CASH FLOW STATEMENT

PARTICULARS	Vertical Analysis						Horizontal Analysis				
	2010	2009	2008	2007	2006	2005	2010 / 2009	2009 / 2008	2008 / 2007	2007 / 2006	2006 / 2005
	%	%	%	%	%	%	%	%	%	%	%
Cash flow from operating activities	19,497.1	(1,993.7)	(225.9)	1,434.2	(3,353.8)	(818.3)	(53.1)	(1,627.9)	(125.8)	33.8	(252.2)
Cash flow from investing activities	(19,594.4)	812.9	(572.4)	(1,453.2)	2,817.1	(635.1)	15.5	145.9	(35.5)	61.4	64.8
Cash flow from financing activities	197.2	1,280.8	898.4	119.0	636.6	1,553.4	(100.7)	(346.8)	1,135.8	(158.5)	(115.2)
Increase/(Decrease) in cash & cash equivalent	100.0	100.0	100.0	100.0	100.0	100.0	(104.8)	(273.1)	63.7	(413.0)	(137.1)

## CHAIRMAN'S REVIEW



I am pleased to present to you the 44th Annual Report of your Company for the year ended June 30, 2010 together with the Auditors' Report.

### THE ECONOMY

During the year 2009-10, Pakistan's economy experienced an overall improvement. All the major economic indicators have generally showed healthy trends. The progress is significant in the backdrop of a gloomy 2008-09 when the country was forced to seek assistance from the International Monetary Fund for Balance of Payments Support Program. The most significant improvement witnessed during the period was the shrinking trade deficit to US\$15.2 billion from US\$17.1 billion for the same period last year, a decline of 11.1%. Exports registered an increase of 10.2% to US\$19.5 billion as compared to US\$17.7 billion during the same period in the previous year. On the other hand, imports declined by 0.29% to US\$34.7 billion in 2009-10 as against US\$34.8 billion a year ago. Tax revenue during the year 2009-10 stood at Rs.1.335 trillion as against Rs.1.09 trillion during 2008-09, up 22.5% year on year. CPI inflation averaged around 11.7% from

July 09 to June 10, as compared to 22% during the same period of last year. The fall in inflation played an important role in lowering the discount rate by the central bank. Remittances from abroad continued to provide the much needed cover for the increasing external funding gap and hit a record level of US\$8.91 billion as against US\$7.8 billion, up 14.1% year on year. Foreign exchange reserves were bolstered from a series of IMF tranches and are now expected to remain stable around US\$16.5 billion.

On the other hand, continued depreciation of Pak Rupee against the US\$ raises concern as it has a dampening effect on the economic progress. A declining exchange rate inflated import bill of essential commodities. Heavy payments for oil, food commodities, fertilizer and agricultural chemicals place the rupee under pressure. Other problems faced by the economy include fiscal and administrative slippages, ongoing war on terror, worsening law and order and lower Foreign Direct Investment.

Overall, agriculture sector registered a robust performance. Among the major Kharif crops, cotton has seen healthier crop (13.0 million bales) up 6.7% Y-o-Y basis. However, negative contribution by other Kharif crops (rice and sugar cane) due to water shortages at sowing time partially off set the growth in agriculture sector. Conversely, the impact of favorable prices is reflected in the higher acreage during Kharif FY10. Also, the announced support price for wheat is expected to help the Rabi crop. This would bolster the farmers' income and improve liquidity in rural areas. Large scale manufacturing registered a growth of 4.3% led by recovery in automobile and other allied industries and revived construction activities. This could be attributed to gradual ease in monetary policy, fiscal support and improved liquidity in agriculture. By addressing the structural problems of the economy in particular the energy crisis, LSM will continue to contribute towards economic growth.

### REVIEW OF AUTOMOBILE INDUSTRY

Pakistan economy is semi-industrialized, which mainly encompasses textiles, chemicals, food

processing, agriculture and other manufacturing and service industries. Automobile industry in Pakistan is comparatively new as compared to other industries. In fact, this industry is now the mainstay of Pakistan economy and its growth shows that the economy is moving in right direction. Pakistan is an emerging market for automobiles and automotive parts offers immense business and investment opportunities. During the year 2009-10, automobile industry showed signs of recovery as against disappointing results of year 2008-09. The demand for local assembled cars increased substantially due to three reasons - surging rural buying in the wake of good cash flow; 14.1% rise in home remittance to US\$8.91 billion during July 09-June 10 and improvement in sale of cars through bank leasing to 25%-26% from 20% few months back.

Being an ancillary business of automotive sector, battery industry is highly dependent on the growth of automobile industry, which is considered as mother of all vendor industries. During the period from July 09 to June 10, sale of locally manufactured cars improved 49.6% to 123,957 units from 82,844 units. LCV segment improved by 7.1% to 16,496 units from 15,400 units. There was also a slight improvement in the sales of the truck and bus segment, though there were fluctuations owing to the sudden surges in the transportation tariff, law and order situation and the energy crisis. This segment grew by 11.9% during 2009-10; 4,277 units sold as against 3,822 units during the same period, last year. The sale of farm tractors improved by 18.5%, with 71,512 units as against 60,351 units during July 09 - June 10 period.

The two wheeler industry's performance was impressive. It was on the back of improved cash flow in the rural economy on account of strong support prices of wheat, cotton, sugarcane and rice crops. Sales of two and three wheelers (assemblers who are registered with PAMA) during July 09 - June 10 period improved by 45.3% with 737,759 units as against 507,924 units during the same period, last year. Furthermore, it is estimated that around 400,000 units have been manufactured by various Chinese based assemblers who are not registered with PAMA. The growth in this segment can also be attributed to the poor transportation system in the big cities coupled with improved farm to market access through an upgraded road network in rural areas. Despite

uncertain economic conditions in the country and high mark up rates the automobile industry performed admirably during this financial year. The present upsurge in growth of automotive industry will have a positive impact in the following years on demand of automotive and motorcycle batteries.

## **BATTERY INDUSTRY**

The battery industry has shown tremendous resilience in the face of insurmountable obstacles brought on by the global economic recession two years ago. The last fiscal year offered some respite owing to reversal of fortune for the automobile industry which fueled not only the economy but the battery industry as well. Furthermore, with no respite in load-shedding, consumers will increasingly turn to generators and UPS for their energy needs which would help grow demand for heavy batteries. Overall, the battery industry is poised to make further inroads and now is the time for investing in brand-building endeavors to serve the long-term goals beyond the current boom.

### **REVOLUTIONIZING THE INDUSTRY- Battery Model Shop Concept**

Battery industry used to be viewed as a backward and unorganized business segment. Most of the whole and retail sale points were dirty and haphazardly organized. I am proud to say that your Company has always been the trend-setter in innovations in the battery industry. The latest initiative is the "Battery Model Shops". These shops have the AGS brand aesthetically integrated into the design and serve the dual purpose of projecting a uniform and consistent image as well as enhancing the image of the industry.







Your Company is fast changing the consumer perception of the battery industry with the aid of these model shops. The consumer experiences the ambiance of a modern and well-organized retail shop, a factor which is instrumental in facilitating the sales process for the dealer.

These model shops have received overwhelming response wherever they have been set up and in the coming years with more AGS branded shops opening up, a revolution is in the offing which will change the entire complexion of the industry.

### **CUSTOMER CARE - Battery Check-Up Campaign**

Your Company does not confine itself to just manufacturing quality batteries. It also ensures that the customer gets maximum value for his money. We deliver on this promise by adhering reverently to the marketing maxim, 'Under-promise but over-deliver'. Our goal is to exceed the customer's expectations and make them feel like an integral part of the AGS family. Free Battery check-up campaigns are just one of the manifestations of this business philosophy.

These campaigns entail checking the maximum number of vehicles present at a particular venue with respect to their electrical system irrespective of which battery brand is installed in a vehicle. One such campaign was the "Dream World Car Rally", an event held annually in Karachi. Your Company was one of the main sponsors of the event and leveraged this opportunity to serve the customer in the best possible way.



### **Technical Education Workshops**

No industry can survive without all stakeholders working in tandem towards a common goal. The battery industry is no different. Auto-electricians and retailers are important stakeholders who act as the "Point Of Sales" terminals and have direct contact with the end-user. Your Company has taken the initiative to train the auto-electricians about battery handling, service and maintenance in each and every corner of the country. These efforts will result not only in imparting battery knowledge to the trade but also bringing peace of mind to the end-users.



## OPERATING PERFORMANCE

The year 2009-10 was another historic one for your Company in which we increased our Sales revenue and delivered the best operating performance in our 44-years history. It was a year of continued strategy execution, resulting in overall improved operational performance and strengthening our management team.

During the year 2009-10, your Company achieved its strongest financial performance by generating Rs.4.0 billion net sales revenues; up 27.5% over 2008-09. Cost of sales, however, increased by 30.7% as against same period last year due to depreciation of Pak rupee against all major currencies coupled with increase in cost of all major raw materials. This resulted in gross profit ratio of 14.7% as against 16.8% in 2008-09. However, in terms of value gross profit improved from Rs.530.1 million to Rs.591.2 million; up 11.5%.

Despite increase in sales revenue by 27.5%, your Company kept good control on distribution and administrative expenses which increased by a mere 7.4% over the same period last year. Other operating expenses increased by 24.0% due to better profitability during the year as against last year. Other operating income also improved from Rs.2.1 million to Rs.5.3 million. This was mainly because of treasury activities which generated gain of Rs.3.6 million as against gain of Rs.0.5 million the previous year.

All of the above operating activities resulted in generating operating profit of Rs.361.1 million as against Rs.316.4 million; up 14.1%. During the year your Company reduced its finance cost by 54.4% over the same period, last year from Rs. 43.5 million to Rs.19.9 million.

Overall better working capital management together with reduced markup rates were the main reasons in lowering the finance cost. Thus the profit before taxation for the year 2009-10 stood at Rs.341.3 million as against Rs.272.9 million; up 25.1%.

After providing Rs.118.8 million in respect of current and deferred taxation, your Company's net profit was Rs.222.5 million as against Rs.177.7 million

during same period last year; up 25.2%. Earning per share was Rs.26.52 (basic) as against Rs.21.17 (diluted) for the year 2008-09.

## CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, your Company contributed Rs.877.5 million towards the national exchequer on account of various government levies, taxes and import duties. Payment of these taxes was almost 4.0 times more than the net profit after tax of the Company which shows your company's positive attitude towards development of economy and fulfilling its responsibility as a good corporate citizen. Added to the Group of which your Company is a constituent member, total contribution is above Rs 15 billion - one of the highest contributions in the country.

## FINANCIAL MANAGEMENT

Given the extraordinary depth of the economic crisis and its severe impact on the automotive industry, your company effectively managed factors within their control to reduce costs and generate cash. Generating cash and reducing debt have always been top priorities of your company and we made good progress this year in improving our balance sheet.

Our working capital management, including efficiently collecting receivables, drove cash generation to Rs.190.5 million from operations. Additionally, a significant part of our strategic management was to have capital spending of Rs.177.8 million during 2009-10 keeping in view future growth prospects. Your Company also invested Rs.210.7 million during the year in various tax-free mutual funds which resulted in gain of Rs.3.6 million. After paying annual dividend of Rs.69.1 million, there was a slight increase of Rs.1.0 million in cash and cash equivalents at the end of the year 2009-10 as against decrease of Rs.20.4 million at the end of year 2008-09.

## INFORMATION TECHNOLOGY

We are in the midst of a fundamental transition - from the industrial age to the information age. The best way forward for any organization is to go through a process of developing an integrated IT system which has the power to change the communication

patterns and bringing efficiency and effectiveness in operations. Your Company, in line with Atlas group IT policy, has entered into an agreement with a local software house to implement a state-of-the-art ERP system- Oracle EBS Rel 12.1. This initiative will put your company at the forefront of IT advancement in the battery industry.

After the successful implementation of Oracle EBS Rel 12.1 during the year 2010, all the regional offices of your Company will enjoy seamless data integration, providing a real time exchange of information. This system will not only help to reduce the cost of production but also bring further improvement in operational efficiencies across all functional areas and provide better service to our valued customers.

### **BUSINESS CONTINUITY PLAN (BCP)**

An efficient business risk management system is the key to successful business operations. During the year, we completed our first formal Business Continuity Plan (BCP), which has been designed to ensure that the operations of the Company will continue and our employees will be protected in case of any disaster.

Event detection, event notification, escalation, incident response plan, activation, risk mitigation, recovering and closing are eight steps included in our BCP. This process is designed to help our managers respond to any incident/disaster at our factory or any of regional offices in Pakistan. The established escalation process leverages our internal and external resources in a short time, and effectively minimizes the impact on our Operations.

In order to ensure this, we have instituted a Business Continuity Management process and conducted annual disaster recovery drills or tabletop exercises at many of our key sites.

### **HUMAN RESOURCE MANAGEMENT**

A core belief at Atlas Group is that employees are our best asset. Consistent with this value, we have significantly invested in our processes to recruit, develop and retain the best possible employees. Our philosophy is to nurture our employees and provide them with equal opportunities to grow their careers within your company. We are fully aware

that development and growth only have value if they are sustainable.

Your Company selects employees based on values, talent, character, integrity, potential, working experience and educational background. Once employees are hired, we constantly offer both required and optional training programs and establish the criteria for promotion and other rewards. During the year, your Company in cooperation with IBA Karachi has organized an Atlas-IBA diploma program focused on career development of potential employees.

Apart from this, your company conducted 15 in-house courses for 151 associates. During the year 36 associates were also sent on 20 courses conducted by reputed institutions. The HR department keeps track of various statistics about our employee population to verify that our policies are implemented throughout the company. Atlas considers HR management systems to be a critical aspect of our strategic plan and central to our success as a business.

Annual Family Function: The Annual Family Function is a day of celebration for families, friends and associates. This annual event epitomizes the closeness of the associates and promotes a sense of kinship. Service awards are also given to long-serving associates. We have employees who have been with us since the early 1970s and are still happily working with your Company.

### **AWARDS AND APPRECIATIONS**

I am pleased to inform you that on the basis of excellent performance during the year 2007-08, your Company has been nominated as the winner of Karachi Stock Exchange (KSE) award for the year 2008. Furthermore, your Company was also awarded as No.1 Quality supplier for the year 2008-09 by Atlas Honda Limited in its annual "ALA MAYAR WORKING COMMITTEE" held during 2009. Earlier, your company had won "Best presented Annual Report award of ICAP / ICMAP for the year 2000 and 2001.

### **SAFETY, HEALTH AND ENVIRONMENT**

Being a responsible corporate citizen, we are acutely aware of our responsibility to provide a safe and

healthy work environment to our associates. We make every effort to eliminate workplace hazards and provide safe, healthy and comfortable working conditions for our employees. Our safety culture is founded on the premise that all injuries are preventable.

To this end, we have established "zero incidents and zero injuries" as our goal. We pursue this goal through a culture of continuous improvement in which all incidents are reported and investigated, and the root causes are resolved. We believe that safety and health is a journey of continuous improvement and eternal diligence. We will continue to take steps to improve the safety and health of all of our associates.

## LOOKING AHEAD

We are excited about the growth opportunities in 2010 and beyond. We expect sustained performance in agriculture sector, recovery in manufacturing segment including automobile industry and reasonable performance of the service sector. Foreign exchange reserves are expected to grow on the back of import contraction, stable growth in remittances and support from international donors. With inflation decelerating significantly during 2009-10, this will all culminate into a modest growth in the GDP vis-à-vis, last year.

The most important goal of your Company is to strengthen the business over the long term. This priority clarifies our thinking about what we have to accomplish in 2010-11 and how we want to be positioned in the next 4-5 years. Pakistan economy is still faced with challenges of economic volatility, energy crisis, heavy reliance on import of oil, ongoing war on terror and the worsening law and order situation. Moreover, the recent floods have devastated many areas across the country and displaced millions from their homes. The impact of the floods will certainly hamper economic growth. Expected increase in power tariffs will also fuel inflation and cause further deterioration in rupee-dollar parity. The recent increase in base interest rates by 50 basic points by SBP will also increase the cost of doing business. However, we have a high degree of confidence in both the future of the battery industry and the ability of the management

team of your Company to capitalize on the market opportunities:

محبت مجھے اُن جوانوں سے ہے  
ستاروں پہ جو ڈالتے ہیں کمنڈ

(High Achievers are highly respected)

## ACKNOWLEDGEMENTS

I am pleased to inform you that the Board of Directors of your Company has appointed Mr. Ali H. Shirazi as President/Chief Executive of your Company effective from 01 August 2010 in place of Mr. Talha Saad who has been re-designated as Managing Director of the Company. We would like to place on record the valuable contributions made by Mr. Talha Saad during last three years in propelling the growth momentum of your Company. Mr. Ali H. Shirazi had joined the Board of your Company last year. He has done his graduation from Yale University and completed Masters in Law from Bristol University UK. He has worked with The Bank of Tokyo-Mitsubishi in New York as well as American Honda in Torrance, California for a number of years. He is also member of the Board of Directors of Atlas Insurance Limited, Atlas Engineering Limited and Atlas Asset Management Limited where in addition he worked as Executive Director. We are sure that under his leadership, your Company will continue its journey towards achieving greatness.

May I thank our joint venture partners; GS Yuasa International Limited, Japan for their continuous support in product development and technology transfer. I would also like to thank our bankers, shareholders, vendors and customers for their continuous support.

I also thank members of the Board of Directors, Group Executive Committee, Group President; Mr. Aamir H. Shirazi, Group Director Engineering; Mr. Jawaid Iqbal Ahmed, Mr. Talha Saad and his team for their commitment towards achieving your Company's growth year after year.



Yusuf H. Shirazi  
Chairman

Karachi: August 26, 2010

## DIRECTORS' REPORT

The Directors of the Company take pleasure in presenting their report together with the Company's annual audited financial statements for the year ended June 30, 2010. The Director's report, prepared under section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance, will be put forward to the members at the Forty Fourth Annual General Meeting of the company to be held on September 29, 2010.

	Rupees in thousand	
	2010	2009
<b>Operating Results</b>		
Profit before taxation	341,289	272,880
Provision for taxation:		
Current year	101,989	74,652
Prior year	191	489
Deferred	16,575	20,061
	118,755	95,202
Profit after taxation	<u>222,534</u>	<u>177,678</u>

### Subsequent appropriations

The directors have recommended a cash dividend of Rs.10/- (2009: Rs.10/-) per share along with a 20% (2009: 20%) bonus issue. Accordingly the following appropriations have been made:

Profit available for appropriation	224,743	179,120
Appropriations:		
Transferred to General Reserve	122,000	93,000
Proposed Dividend @ 100% (2009-100%)	83,911	69,926
Reserve for issue of Bonus shares @ 20% (2009-20%)	16,782	13,985
	222,693	176,911
Un-appropriated profit carried forward	<u>2,050</u>	<u>2,209</u>

### Earnings Per Share

26

The Basic and Diluted earnings per share after tax is Rs.26.52 (2009:Rs.21.17)

### Chairman's Review

The Chairman's review included in the Annual Report deals inter alia with the performance of the Company for the year ended June 30, 2010 and future prospects. The Directors endorse the contents of the review.

### Board Of Directors

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

The Board of Directors vide its resolution dated July 31, 2010 has appointed Mr. Ali H. Shirazi as President / Chief Executive Officer of the Company with effect from August 01, 2010 in place of Mr. Talha Saad, for the period

ending on May 20, 2011, at a remuneration not exceeding in the aggregate of Rs.9.0 million per annum, together with other benefits as per Company rules.

Mr. Talha Saad has relinquished his position as Chief Executive Officer with effect from July 31, 2010. He has been re-designated as Managing Director of the Company with effect from August 01, 2010 at a remuneration not exceeding in the aggregate of Rs.8.0 million per annum, together with other benefits as per Company rules.

Mr. Ali H. Shirazi and Mr. Talha Saad are concerned / interested in the above mentioned appointments and remuneration payable to them.

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

S. No.	Name of Directors	No. of Meetings	Attendance	Number of Directorship in listed companies
1.	Mr.Yusuf H. Shirazi	5	5	7
2.	Mr.Aitzaz Shahbaz	5	5	1
3.	Mr. Ali H. Shirazi	5	5	4
4.	Mr. Javaid Anwar	5	3	4
5.	Mr.Makio Tanaka	5	5	1
6.	Mr.Mohammad Atta Karim	5	5	2
7.	Mr.Talha Saad	5	5	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 provisions set out by the Securities & Exchange Commission of Pakistan and accordingly amended listing rules of the Stock Exchanges.

Following are the Statements on Corporate and Financial Reporting Framework:

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

### The Corporate Governance Practices

The Board of Directors of Atlas Battery Limited is committed to the principles of good Corporate Governance. The stakeholders expect that the Company is managed and supervised responsibly and proper internal controls and

risk management policy and procedures are in place for efficient and effective operations of the Company, safeguarding of assets, compliance with laws and regulations and proper financial reporting in accordance with International Financial Reporting Standards.

### **Donation**

The Company has a policy to donate 1% of its profit before tax to a charitable institution. During the year, Company has donated Rs.2.729 million to Atlas Foundation.

### **Contribution to National Exchequer**

During the year under review, Company contributed Rs.877.5 million towards the National Exchequer on account of various government levies, taxes and import duties. Payment of these taxes is almost 4.0 times more than the net profit after tax of the Company which shows company's positive attitude towards development of economy and fulfilling its responsibility as a good corporate citizen.

### **Safety, Health and Environment**

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

### **Business Principles**

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

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

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

### **Audit Committee**

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

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

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

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

S. No.	Name of Members	Status	No. of Meetings	Attendance
1.	Mr. Aitzaz Shahbaz	Chairman	4	4
2.	Mr. Ali H. Shirazi	Member	4	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.

### Management Committee

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

### Employees' 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 accounts as at June 30 2010 are as follows:

- Provident Fund	Rs. 131.8 million
- Gratuity Fund	Rs. 17.2 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, 2010 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, except those reported in pattern of shareholding.

### Statutory Auditor of the Company

The present Auditors, M/s Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee of the Company has recommended their re-appointment as auditors of the Company for the year 2010-11.

### Communication

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

For and on behalf of the  
BOARD OF DIRECTORS



Ali H. Shirazi  
President / Chief Executive

Karachi: August 26, 2010



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
2. The Company encourages representation of non-executive directors on its Board of Directors. At present, the Board includes five non-executive directors and two executive directors.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy was occurred in the Board during the year which was filled up within stipulated time.
5. The Company has prepared a 'Statement of Ethics and Business Principles', which has been signed by all the directors and employees of the Company.
6. The Board has developed a Vision and Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board had previously arranged an orientation course for its directors to apprise them of their duties and responsibilities.
10. The Board has approved appointment of 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 of 3 members; of whom two are non-executive directors including the Chairman of the Committee.
16. The Board has set-up an effective internal audit function.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the  
BOARD OF DIRECTORS



Ali H. Shirazi  
President / Chief Executive

Karachi: August 26, 2010

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

We have reviewed the Statement of Compliance with the best practices ("the statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Atlas Battery Limited ("the Company") to comply with the Listing Regulation No. 35 Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited, 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 provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 are not required to consider whether the Board's statement covers all risks or controls, or to form an opinion on effectiveness of such internal control, the Company's corporate governance procedures and risks.

Further, Sub - Regulation (xiii-a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2010.



HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS  
Abdul Majeed Chaudhri

## INFORMATION FOR SHAREHOLDERS

### Company Registered Office

D-181, Central Avenue, SITE, Karachi-75730.  
Tel #: 32567990-4  
Fax # 32564703

### Share Registrar

M/s. Hameed Majeed Associates (Private) Ltd,  
Karachi Chambers, Hasrat Mohani Road, Karachi.  
Phone No. 32424826 - 32412754  
Fax No. 32424835

### Listing on Stock Exchanges

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

### Listing Fees

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

### Stock Symbol

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

### Statutory Compliance:

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

### Share Transfer System

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

### Dividend Announcement

The Board of Directors of the Company has proposed a Final Cash Dividend of Rs.10/- each (100%) and Bonus

Shares @20% (one bonus share for every five shares held) for the year ended June 30, 2010, subject to approval by the shareholders of the Company at the Annual General Meeting.

Dividend paid for the previous year ended June 30, 2009 was Cash Dividend of Rs.10/- per share (100%) and Bonus Shares @20% (one bonus share for every five shares held).

### Book Closure Dates

The Register of Members and Share Transfer Books of the company will remain closed from September 21, 2010 to September 29, 2010, both days inclusive.

### Dividend Remittance

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

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

to shareholders whose names appear in the Register of Members of the company after entertaining all requests for transfer of shares lodged with the Company by September 20, 2010.

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

to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on September 20, 2010.

### Withholding of Tax & Zakat on Dividend

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

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

### Dividend Warrants

Cash Dividends are paid through dividend warrants addressed to the shareholders whose names appear in the Register of Members at the date of book closure. Shareholders are requested to deposit those warrants into their bank accounts, at their earliest, thus helping the company to clear the unclaimed dividend account.

### Annual General Meetings

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

### Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles

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

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

### Share Price and Volume:

The following table shows the monthly high and low share prices of the Company and the volume of shares traded on the Karachi Stock Exchange during the financial year ended June 30, 2010.

Months	Highest (Rs.)	Lowest (Rs.)	No. of Shares traded
Jul-09	154.50	142.00	88,943
Aug-09	177.58	139.16	295,013
Sep-09	181.50	134.00	260,063
Oct-09	192.30	138.00	780,883
Nov-09	194.00	171.50	125,278
Dec-09	188.90	170.20	99,072
Jan-10	194.49	178.00	141,177
Feb-10	183.75	159.00	183,026
Mar-10	215.74	152.25	641,069
Apr-10	237.88	204.00	475,042
May-10	213.00	170.81	73,354
Jun-10	205.25	165.00	228,302

### Website

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

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010

NO. OF SHAREHOLDERS	HAVING SHARES FROM	TO	SHARES HELD	PERCENTAGE
582	1	100	16,027	0.19%
354	101	500	94,891	1.13%
145	501	1,000	106,993	1.28%
167	1,001	5,000	358,429	4.27%
21	5,001	10,000	147,523	1.76%
1	10,001	15,000	13,917	0.17%
6	15,001	20,000	95,435	1.14%
2	20,001	25,000	42,394	0.51%
3	25,001	30,000	85,500	1.02%
1	30,001	35,000	30,775	0.37%
1	35,001	40,000	37,367	0.45%
2	45,001	50,000	93,570	1.12%
1	50,001	55,000	52,200	0.62%
1	75,001	80,000	75,300	0.90%
1	80,001	85,000	84,000	1.00%
1	110,001	115,000	111,642	1.33%
1	120,001	125,000	122,369	1.46%
1	145,001	150,000	146,326	1.74%
1	150,001	155,000	154,260	1.84%
1	155,001	160,000	156,985	1.87%
1	165,001	170,000	167,430	2.00%
1	790,001	795,000	793,500	9.46%
1	1,255,001	1,260,000	1,258,656	15.00%
1	1,635,001	1,640,000	1,637,487	19.51%
1	2,505,001	2,510,000	2,508,118	29.89%
<u>1,298</u>			<u>8,391,094</u>	<u>100.00%</u>

The slabs representing nil holding have been omitted.

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO, their spouse and minor children	5	545	0.01%
Associated Companies, undertakings & related parties (Note 1 & 2)	5	5,704,847	67.99%
NIT and ICP	2	3,054	0.04%
Banks, DFIs & NBFCs	3	916,959	10.93%
Insurance Companies (Note 2)	2	16,032	0.19%
Modarbas and Mutual Funds	3	6,000	0.07%
Public Sector Companies & Corporations	1	111,642	1.33%
Shareholders holding 10% or more voting Interest in the Company (Note 1)	-	-	-
<b>General Public</b>			
- Local	1,250	1,406,167	16.76%
- Foreign	-	-	-
<b>Others:</b>			
Joint Stock Companies	24	195,071	2.32%
Corporate Law Authority (SECP)	1	1	0.00%
Abandoned Properties Organization	1	30,775	0.37%
Trustee Iftikhar Shirazi Family Trust	1	1	0.00%
	<u>1,298</u>	<u>8,391,094</u>	<u>100.00%</u>

### Note:

1- Following shareholders holding 10% or more voting interest are shown under Associated Companies category:

GS Yuasa International Limited	1,258,656	shares
Shirazi Investments (Private) Limited	2,508,118	shares
Shirazi Capital (Private) Limited	1,637,487	shares

2- Atlas Insurance Limited, holding 146,326 shares is shown under Associated Companies category.

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2010**  
Information required under the Code of Corporate Governance

Categories of shareholders	Number of Shareholder	Number of Shares held
<b>Associated Companies, Undertakings and Related Parties</b>		
Atlas Foundation	1	154,260
Atlas Insurance Limited	1	146,326
GS Yuasa International Limited	1	1,258,656
Shirazi Capital (Pvt) Limited	1	1,637,487
Shirazi Investments (Pvt) Limited	1	2,508,118
<b>NIT and ICP</b>		
Investment Corporation of Pakistan	1	254
IDBP - (ICP Unit)	1	2,800
<b>Directors, Chief Executive and their spouse and minor children</b>		
Mr. Yusuf H. Shirazi & Mrs. Khawar S. Shirazi	1	1
Mr. Ali H. Shirazi	1	1
Mr. Aitzaz Shahbaz	1	181
Mr. Javaid Anwar	1	181
Mr. Muhammad Atta Karim	1	181
<b>Executives</b>		
	-	-
<b>Public Sector Companies &amp; Corporation</b>		
State Life Insurance Corporation of Pakistan	1	111,642
<b>Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modaraba and Mutual Funds</b>		
	8	938,991
<b>Shareholders holding 10% or more voting interest</b>		
GS Yuasa International Limited - Japan	1	1,258,656
Shirazi Investments (Pvt) Limited	1	2,508,118
Shirazi Capital (Pvt) Limited	1	1,637,487

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

Name	No. of Shares Transferred	Date of Transfer	Detail
Mr. Yusuf H. Shirazi	1	July 11, 2009	Gift from Mr. Iftikhar H. Shirazi
Mr. Yusuf H. Shirazi	1	Dec. 30, 2009	Gift to trustees of Iftikhar Shirazi Family Trust

# FINANCIAL --- STATEMENTS



This page intentionally left blank



**HAMEED CHAUDHRI & CO.**

**HAMEED CHAUDHRI & CO.**  
**CHARTERED ACCOUNTANTS**

KARACHI CHAMBERS,  
HASRAT MOHANI ROAD,  
KARACHI.

PHONES : 3242 4826 - 3241 2754

FAX : 3242 4835

E-MAIL : [majeed@khi.comsats.net.pk](mailto:majeed@khi.comsats.net.pk)

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Atlas Battery Limited ("the Company")** as at June 30, 2010 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, except for the changes as described in Note 2.2 to the financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2010 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 the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*Hameed Chaudhri & Co.*

HAMEED CHAUDHRI & CO.  
CHARTERED ACCOUNTANTS  
Abdul Majeed Chaudhri

Karachi: August 26, 2010

**BALANCE SHEET**  
 AS AT JUNE 30, 2010

	Note	2010 Rupees in '000'	2009
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	756,339	635,294
Investments - Available for sale	6	-	-
Long term deposits	7	517	2,439
Long term loans	8	270	-
		<u>757,126</u>	<u>637,733</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	22,413	14,122
Stock-in-trade	10	531,597	434,594
Trade debts	11	100,396	88,521
Loans and advances	12	2,350	2,381
Deposits and prepayments	13	5,928	7,025
Investments	14	26,224	6,132
Accrued mark-up / interest	15	195	14
Other receivables	16	-	1,952
Sales tax - net		31,050	5,065
Advance tax - net		6,792	-
Cash and bank balances	17	29,869	28,892
		<u>756,814</u>	<u>588,698</u>
		<u><u>1,513,940</u></u>	<u><u>1,226,431</u></u>

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



Yusuf H. Shirazi  
Chairman



Ali H. Shirazi  
President / Chief Executive




Aitzaz Shahbaz  
Director

**BALANCE SHEET**  
AS AT JUNE 30, 2010

	Note	2010 Rupees in '000'	2009
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised Capital			
10,000,000 (2009: 10,000,000) ordinary shares of 10 each		100,000	100,000
Issued, subscribed and paid up capital			
8,391,094 (2009: 6,992,579) ordinary shares of 10 each	18	83,911	69,926
General reserves		375,500	282,500
Unappropriated profit		224,743	179,120
		684,154	531,546
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
- leasehold land		173,786	173,786
<b>NON CURRENT LIABILITIES</b>			
Deferred liabilities	19	111,246	85,627
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	368,911	329,326
Accrued mark-up / interest	21	1,245	1,603
Short term borrowing - secured	22	174,598	103,616
Provision for taxation - net		-	927
		544,754	435,472
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	23		
		1,513,940	1,226,431

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



**Yusuf H. Shirazi**  
Chairman



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



**Aitzaz Shahbaz**  
Director

**PROFIT AND LOSS ACCOUNT**  
 FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees in '000'	2009
Sales	24	4,024,422	3,156,807
Cost of sales	25	(3,433,222)	(2,626,740)
<b>Gross profit</b>		591,200	530,067
Distribution cost	26	(128,861)	(124,359)
Administrative expenses	27	(80,548)	(70,549)
Other operating income	28	5,258	2,149
Other operating expenses	29	(25,903)	(20,891)
<b>Profit from operations</b>		361,146	316,417
Finance cost	30	(19,857)	(43,537)
<b>Profit before tax</b>		341,289	272,880
Taxation	31	(118,755)	(95,202)
<b>Profit after tax</b>		222,534	177,678
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		222,534	177,678
Basic & Diluted earnings per share	32	26.52	21.17

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



Yusuf H. Shirazi  
Chairman



Ali H. Shirazi  
President / Chief Executive




Aitzaz Shahbaz  
Director

**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees in '000'	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	33	190,487	406,363
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(177,831)	(164,392)
Investments acquired		(210,700)	(55,500)
Proceeds from disposal of property, plant and equipment		2,867	4,288
Proceeds from disposal of investments		194,227	49,916
<b>Cash used in investing activities</b>		(191,437)	(165,688)
<b>Net cash flow before financing activities</b>		(950)	240,675
<b>FINANCING ACTIVITIES</b>			
Increase / (decrease) in short term borrowing		70,982	(209,386)
Dividend paid		(69,055)	(51,671)
<b>Net cash generated / (used) from financing activities</b>		1,927	(261,057)
<b>Increase/(decrease) / in cash &amp; cash equivalent</b>		977	(20,382)
Cash and cash equivalent as at the beginning of the year		28,892	49,274
<b>Cash and cash equivalent as at June 30</b>		<u>29,869</u>	<u>28,892</u>

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



**Yusuf H. Shirazi**  
Chairman



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



**Aitzaz Shahbaz**  
Director

**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	General Reserve	Unappro- priated profit	Total
	Rupees in '000'			
Balance as at June 30, 2008	69,926	228,500	107,886	406,312
Total comprehensive income for the period	-	-	177,678	177,678
Cash dividend paid @ Rs. 7.5 per share	-	-	(52,444)	(52,444)
Transfer to general reserve	-	54,000	(54,000)	-
<b>Transaction with owner directly recorded in equity</b>	-	54,000	(106,444)	(52,444)
Balance as at June 30, 2009	69,926	282,500	179,120	531,546
Total comprehensive income for the period	-	-	222,534	222,534
Cash dividend paid @ Rs. 10 per share	-	-	(69,926)	(69,926)
Bonus shares issued	13,985	-	(13,985)	-
Transfer to general reserve	-	93,000	(93,000)	-
<b>Transaction with owner directly recorded in equity</b>	13,985	93,000	(176,911)	(69,926)
<b>Balance as at June 30, 2010</b>	<u>83,911</u>	<u>375,500</u>	<u>224,743</u>	<u>684,154</u>

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



Yusuf H. Shirazi  
Chairman



Ali H. Shirazi  
President / Chief Executive



Aitzaz Shahbaz  
Director

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Atlas Battery Limited (the Company) was incorporated as a public limited Company on 19 October 1966 and its shares are quoted 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. BASIS OF PREPARATION

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

#### 2.2 Changes in Accounting Policies

##### 2.2.1 Standards, amendments to the published standards and interpretations that are effective in 2009 and are relevant to the company.

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

IAS 1 (Revised), 'presentation of Financial Statements' is effective from January 1, 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from the owner changes in equity in a statement of comprehensive income. As a result the company shows all owner related changes in equity in the statement of changes in equity, where as all non-owner changes in equity are presented in other comprehensive income. Comparative information is required to be re-presented so that it is in conformity with revised standard.

The Company has chosen to present all non-owner changes in equity in one performance statement – Statement of comprehensive income (profit and loss account). Accordingly, items of income and expenses representing other comprehensive income have been presented in the 'Profit and Loss account' and total comprehensive income have been presented separately from owners related changes in the Statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no change in earnings per share.

IAS 23 (Amendments), 'Borrowing cost' as effective from January 1, 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset as a part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and therefore there is no impact on the Company's financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.



### **2.2.2 Standards, interpretations and amendments to the published approved accounting standards that are effective in 2009 but not relevant to the Company.**

There are certain new standards, amendments to published standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore not disclosed in these financial statements.

### **2.3 Standards, interpretations and amendments to published approved accounting standards and interpretations not yet effective and have not been early adopted by the Company.**

The following standards, amendments and interpretations of International Financial Reporting Standards will be effective for accounting periods beginning on or after the dates specified below:

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2010).

IAS 7 (Amendments) 'Statement of Cash Flows' (effective for annual periods beginning on or after 1 January 2010).

IAS 17 (Amendments) 'Leases' (effective for annual periods beginning on or after 1 January 2010).

IAS 24 (Revised) 'Related Party Disclosures' (effective for annual periods beginning on or after 1 February 2010).

IAS 32 (Amendment) 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 1 January 2010).

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 1 January 2010).

IAS 39 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 1 January 2010).

IFRS 2 (Amendment) 'Share-based Payments' - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).

IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 1 January 2010).

IFRS 8 (Amendments) 'Operating Segments' (effective for annual periods beginning on or after 1 January 2010).

IFRIC 14 (Amendments) - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011).

IFRIC 19 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after 1 July 2010).

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2011 financial statements.

### 3. BASIS OF MEASUREMENT

#### 3.1 Measurement

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

#### 3.2 Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with approved accounting standards, as stated in note 2.1 above, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- Accounting for retirement benefit obligations
- Recognition of provision for current taxation (current and prior years) and deferred taxation
- Accrued liabilities
- Calculation of provision for warranty
- Determining the recoverable amounts, useful lives and residual values of property, plant and equipment

#### 3.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees which is the Company's functional currency.

### 4. SIGNIFICANT ACCOUNTING POLICIES

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

#### 4.1 Employees' Benefits

##### Defined Benefit Plan

The company operates an approved funded gratuity scheme for its management staff and an unfunded gratuity scheme for its non management staff. Contributions under the scheme are made on the basis of actuarial valuation and are charged to Profit and Loss Account. The valuation of both the schemes was carried out as at 30 June, 2010 using the "Projected Unit Credit Method".

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

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

### **Defined Contribution Plan**

The Company operates a recognized provident fund for all of its employees. Equal monthly contributions are made, both by the company and the employees, to the fund, in the case of:

- management staff at the rate of 11 per cent of basic salary
- non-management staff at the rate of 11 per cent of basic salary and cost of living allowance.

The assets of the fund are held separately under the control of trustees.

### **Employee Compensated Absences**

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

## **4.2 Trade and Other Payables**

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

## **4.3 Taxation**

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

### **Current**

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

### **Deferred**

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

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

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

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

## **4.4 Property, Plant and Equipment**

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

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

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

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

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

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

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

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

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

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

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

#### 4.5 Intangible Assets

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

Cost associated with developing or maintaining computer software programs 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.

## 4.6 Investments

### Investment at fair value through profit or loss

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

### Held to maturity

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

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

### Loans and receivables

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

### Available for sale

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

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

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

At each reporting date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are 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.

## 4.7 Stores, Spare parts and Loose tools

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

#### 4.8 Stock-in-trade

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

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

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

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

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

#### 4.9 Trade debts and other receivables

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

#### 4.10 Cash and cash equivalents

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

#### 4.11 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 at the interest rate applicable.
- Dividend income from investments is recognized when the Company's rights to receive payment has been established.

#### 4.12 Borrowing Cost

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

#### 4.13 Foreign Currency Translation

Transactions in foreign currencies are initially recorded in Pakistan rupees at the rates of exchange ruling on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into Pakistan rupees at the exchange rates prevailing on the balance sheet date.

Exchange differences are included in income currently.

In order to hedge its exposure to foreign exchange risks, the Company enters into forward exchange contracts. Such transactions are translated at contracted rates. All exchange differences are included in the profit and loss account.

#### 4.14 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 of obligation can be made.

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

#### 4.15 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.

#### 4.16 Dividend

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

#### 4.17 Financial Instruments

The Company's principal financial assets are cash & bank balances, trade debts, advance and deposits, other receivables and investments. Significant financial liabilities include short term borrowings and trade & other payable.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be.

#### 4.18 Offsetting of financial assets and financial liabilities

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

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

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

#### 4.20 Impairment

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

#### 4.21 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.

### 5. PROPERTY, PLANT AND EQUIPMENT

	Note	2010 Rupees in '000'	2009
Operating fixed assets	5.1	680,935	576,825
Capital work-in-progress - at cost	5.7	75,404	58,469
		<u>756,339</u>	<u>635,294</u>

## 5.1 Operating fixed assets

	Leasehold land	Buildings on leasehold land	Plant and machinery	Moulds dies & Jigs	Factory equipment	Office equipment	Computer & accessories	Furniture & fixture	Air conditioners	Gas installation	Electrical installation	Vehicle	Fork lifter	Laboratory equipment	Total
<b>At June 30, 2008</b>															
Cost / Valuation	174,200	61,973	301,646	40,063	26,250	1,187	8,661	2,188	3,868	135	15,845	35,459	4,277	4,903	680,655
Accumulated depreciation	-	29,874	113,433	27,379	8,984	843	6,862	1,446	2,000	123	4,685	10,828	2,550	3,126	212,133
Net book value	174,200	32,099	188,213	12,684	17,266	344	1,799	742	1,868	12	11,160	24,631	1,727	1,777	468,522
<b>Year ended June 30, 2009</b>															
Additions	-	40,316	92,189	7,825	3,614	-	655	-	198	-	4,647	5,819	-	-	155,263
Disposals															
- Cost	-	-	-	-	-	-	-	-	-	-	-	5,895	-	-	5,895
- Depreciation	-	-	-	-	-	-	-	-	-	-	-	(2,017)	-	-	(2,017)
Depreciation charge	-	6,198	24,557	1,931	1,969	34	932	74	195	1	1,470	5,198	345	178	43,082
Net book value as at June 30, 2009	174,200	66,217	255,845	18,578	18,911	310	1,522	668	1,871	11	14,337	21,374	1,382	1,599	576,825
<b>Year ended June 30, 2010</b>															
Additions		7,200	100,804	15,998	15,630	40	4,037	-	425	-	-	12,141	3,618	1,003	160,896
Disposals															
- Cost			296				41				647	3,765			4,749
- Depreciation			(252)				(25)				(214)	(1,698)			(2,189)
Depreciation charge	-	7,004	31,330	2,193	3,344	32	1,782	67	211	1	1,390	5,778	909	185	54,226
Net book value as at June 30, 2010	174,200	66,413	325,275	32,383	31,197	318	3,761	601	2,085	10	12,514	25,670	4,091	2,417	680,935
<b>At June 30, 2009</b>															
Cost / Valuation	174,200	102,289	393,835	47,888	29,864	1,187	9,316	2,188	4,066	135	20,492	35,383	4,277	4,903	830,023
Accumulated depreciation	-	36,072	137,990	29,310	10,953	877	7,794	1,520	2,195	124	6,155	14,009	2,895	3,304	253,198
Net book value	174,200	66,217	255,845	18,578	18,911	310	1,522	668	1,871	11	14,337	21,374	1,382	1,599	576,825
<b>At June 30, 2010</b>															
Cost / Valuation	174,200	109,489	494,343	63,886	45,494	1,227	13,312	2,188	4,491	135	19,845	43,759	7,895	5,906	986,170
Accumulated depreciation	-	43,076	169,068	31,503	14,297	909	9,551	1,587	2,406	125	7,331	18,089	3,804	3,489	305,235
Net book value	174,200	66,413	325,275	32,383	31,197	318	3,761	601	2,085	10	12,514	25,670	4,091	2,417	680,935
<b>Depreciation rate (%)</b>	-	10	10	10	10	10	30	10	10	10	10	20	20	10	



5.2 Borrowing cost capitalised during the year in the building on leasehold land amounted to Nil (2009: Rs. 54 thousand). Borrowing cost was related to general borrowing and was capitalized at the rate of Nil per annum (2009: 10.19% per annum)

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

Had there been no revaluation, the net book value of the lease hold land would amount to Rs. 407 thousand (2009: Rs. 407 thousand)

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

	Note	2010 Rupees in '000'	2009
(a) Cost of goods manufactured	25.1	48,192	38,267
(b) Distribution cost	26	2,303	2,056
(c) Administrative expenses	27	3,731	2,759
		<u>54,226</u>	<u>43,082</u>

5.5 Certain dies and moulds having cost of Rs.30,908 thousand (2009: Rs.17,817 thousand) and book value of Rs. 17,079 thousand (2009: Rs 4,767 thousand) are held by Pak Polymer (Private) Limited, Paramount Moulding, Decent Engineering, Precision Polymer (Pvt) Limited, Diwan Plastics and Al-Huda Plastics for production of components to be supplied to the Company.

5.6 Disposal of fixed assets

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

Assets	Acc.		Sale W.D.V.	Sale Proceed	Profit	Mode of Disposal	Particulars of buyers
	Cost	Deprecia- tion					
----- (Rupees in '000') -----							
<b>Electric Installation</b>							
240 MMSQ single core cable	122	42	80	83	2	Insurance claim	} Atlas Insurance Limited (Associated company)
240 MMSQ single core cable	95	32	63	65	2	Insurance claim	
Various core cable	194	63	131	135	4	Insurance claim	
Various core cable	181	59	122	126	4	Insurance claim	
	<u>592</u>	<u>196</u>	<u>396</u>	<u>408</u>	<u>12</u>		

#### VEHICLES

Suzuki Alto	496	355	141	166	25	Company Policy	Anwar Ahmed (Executive)
Suzuki Alto	504	249	255	255	-	Company Policy	Hashmat Ali Khan (Ex- Employee)
Suzuki Mehran	409	124	285	285	-	Company Policy	Shahzad Rasheed (Employee)

Assets	Cost	Acc. Depreciation	W.D.V.	Sale Proceed	Profit	Mode of Disposal	Particulars of buyers
Daihatsu Coure	464	234	230	230	-	Insurance claim	Atlas Insurance Limited (Associated company)
Daihatsu Coure	474	191	283	283	-	Company Policy	
Honda CG125	73	13	59	59	-	Insurance claim	
Honda CD 70	60	8	52	52	-	Insurance claim	
Honda CD 70	60	4	56	61	5	Insurance claim	
Honda CD 70	60	8	52	52	-	Insurance claim	
Honda CD 70	60	5	55	60	5	Insurance claim	
Honda CD 100	66	3	63	66	3	Insurance claim	
Honda CG125	79	9	70	70	-	Company Policy	Anwar Khan (Employee)
Honda CG125	66	11	55	55	-	Company Policy	Muhammad Akbar Qureshi (Ex-Employee)
	2,871	1,215	1,656	1,692	38		

Aggregate values of items where WDV is less than Rs. 50,000

-Various	1,286	778	508	767	257	Company Policy	Various
2010	4,749	2,189	2,560	2,867	307		
2009	5,895	2,017	3,878	4,288	410		

## 5.7 Capital Work in Progress

	Note	2009	Additions	(Transfers)	2010
----- Rupees in thousand -----					
Land	5.7.1	48,105	-	-	48,105
Plant & machinery		64	40,971	(30,113)	10,922
Moulds, dies & jigs		-	7	-	7
Factory equipment		10,300	6,041	(13,167)	3,174
Intangible asset	5.7.2	-	13,196	-	13,196
		58,469	60,215	(43,280)	75,404

5.7.1 This represents cost of land purchased in Sundar Industrial Estate, Raiwind, Lahore. The physical possession of the plot and execution of agreement to sell is pending in terms of conditions mentioned in the application form and bye laws of Sunder Industrial Estate. The NOC and sale deed in favor of the company shall be issued after completion of the project.

5.7.2 It includes expenditure incurred on acquiring licence and implementing Enterprise Resource Planning (ERP) software Oracle EBS Rel 12.1.

## 6. INVESTMENTS

	2010	2009
Rupees in '000'		
<b>Unquoted</b>		
Arabian Sea Country Club Limited 100,000 (2009: 100,000) ordinary shares of Rs. 10 each.	1,000	1,000
Less: Impairment in the value of investment	(1,000)	(1,000)
	-	-

	Note	2010 Rupees in '000'	2009
<b>7. LONG TERM DEPOSITS</b>			
Utility and other deposits		517	2,439
<b>8. LONG TERM LOANS</b>			
Considered Good:			
Due from employees	8.1	345	-
Less: Instalments recoverable within twelve months	12	75	-
		270	-

8.1 This represents interest free loans to employees for purchase of motor cycles and are repayable in monthly instalment over a period of 48 to 54 months. Loans are secured by the registration of motor cycle in the name of the Company.

	Note	2010 Rupees in '000'	2009
<b>9. STORES, SPARES &amp; LOOSE TOOLS</b>			
Consumables stores		9,029	7,970
Maintenance spares		9,666	5,285
Loose tools		774	486
Goods in transit	9.1	2,944	381
		22,413	14,122

9.1 Good in transit includes consumables stores amounting Rs. 18 thousand (2009: Rs. 9 thousand) and maintenance spares Rs. 372 thousand (2009: 18 thousand).

	Note	2010 Rupees in '000'	2009
<b>10. STOCK-IN-TRADE</b>			
Raw materials & components:			
In hand		243,613	163,641
With third parties		14,693	45,713
	25.2	258,306	209,354
Work in Process	25.1	115,589	90,802
Finished Goods	25	69,056	47,612
Goods in transit		88,646	86,826
		531,597	434,594

10.1 Stock in trade and trade debts up to a maximum amount of Rs.1,135.9 million (2009: Rs.1,135.9 million) are under hypothecation as security for the Company's short term borrowings (Note 22).

	Note	2010 Rupees in '000'	2009
<b>11. TRADE DEBTS</b>			
Considered good:			
Export - Secured		-	3,206
Local - Unsecured	11.1	100,396	85,315
		<u>100,396</u>	<u>88,521</u>
11.1 Trade debts include the following amounts due from associated companies.			
- Atlas Honda Limited		34,807	15,207
- Honda Atlas Cars (Pakistan) Limited		3,425	1,354
		<u>38,232</u>	<u>16,561</u>
<b>12. LOANS AND ADVANCES</b>			
Considered good - unsecured			
Loan and advances due from:			
Executives	12.1	-	-
Non executives		422	426
Advances to suppliers, contractors and others		1,768	1,955
Advances to staff for expenses		85	-
Current portion of long term loans	8	75	-
		<u>2,350</u>	<u>2,381</u>
12.1 Reconciliation of loans and advances to executives			
Balance at the beginning of the year		-	622
Add: Disbursement / addition		178	1,569
		<u>178</u>	<u>2,191</u>
Less: Recovered during the year		178	2,191
		<u>-</u>	<u>-</u>

12.2 The maximum amount due from executives at the end of any month was Rs. 50 thousand (2009: Rs. 594 thousand).

	Note	2010 Rupees in '000'	2009
<b>13. DEPOSITS AND PREPAYMENTS</b>			
Deposits	13.1	4,960	6,225
Prepayments		968	800
		<u>5,928</u>	<u>7,025</u>

13.1 This includes Rs.210 thousand (2009: Rs.1,411 thousand) representing margin maintained with various banks against letters of credit.

	Note	2010 Rupees in '000'	2009
<b>14. INVESTMENTS</b>			
<b>AT FAIR VALUE THROUGH PROFIT AND LOSS</b>			
		No of units 2010	2009
		621,348	612,204
		-	-
		<u>621,348</u>	<u>612,204</u>
ABL Income Fund	14.1		6,132
Pre IPO subscription in HBL			-
money market fund			20,000
			<u>26,224</u>
			<u>6,132</u>

14.1 606,660 units (2009:554,122) amounting to Rs.6,077 thousand (2009: 5,550 thousand) are under lien against bank guarantee amounting to Rs.5,417 thousand (2009: Rs.3,495 thousand) issued in favour of Sui Southern Gas Company, on behalf of the Company.

	Note	2010 Rupees in '000'	2009
<b>15. ACCRUED MARKUP / INTEREST</b>			
Interest accrued on:			
Long term deposit		-	4
Term deposit receipt (TDR)		-	10
Interest on Short term deposit		195	-
		<u>195</u>	<u>14</u>
<b>16. OTHER RECEIVABLES</b>			
Other receivable	16.1	-	1,952

16.1 It represents insurance claim receivable from Atlas Insurance Limited - an associated company.

	Note	2010 Rupees in '000'	2009
<b>17. CASH AND BANK BALANCES</b>			
In current account	17.1	898	8,327
In imprest account	17.2	151	119
Term deposits		-	700
Cheques in hand		28,820	19,746
		<u>29,869</u>	<u>28,892</u>

17.1 Current account includes Rs.5 thousand (2009: Rs 1,317 thousand) held with Atlas Bank Limited - an associated Company.

17.2 Imprest account includes Rs. 2 thousand (2009: Rs 3 thousand) held with Atlas Bank Limited - an associated company.

## 18. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010 (No. of Shares)	2009		2010 Rupees in '000'	2009
1,300,000	1,300,000	Ordinary shares of Rs. 10 each fully paid-up in cash	13,000	13,000
7,091,094	5,692,579	Ordinary shares of Rs. 10 each issued as fully paid bonus shares.	70,911	56,926
<u>8,391,094</u>	<u>6,992,579</u>		<u>83,911</u>	<u>69,926</u>

18.1 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to Company's residual assets.

18.2 Ordinary shares of Rs. 10 each held by associated undertakings as at June 30, 2010 with comparatives are as follows:

	2010 (Number of shares)	2009
Atlas Foundation	154,260	128,550
Atlas Insurance Company Limited	146,326	121,939
GS Yuasa International Limited-Japan	1,258,656	1,048,880
Shirazi Capital (Private) Limited	1,637,487	1,364,573
Shirazi Investment (Private) Limited	2,508,118	2,090,099
	<u>5,704,847</u>	<u>4,754,041</u>

	Note	2010 Rupees in '000'	2009
<b>19. DEFERRED LIABILITIES</b>			
Provision for gratuity - Non management	19.1	1,453	1,325
Compensated leave absences	19.2	28,779	19,863
Deferred taxation	19.3	81,014	64,439
		<u>111,246</u>	<u>85,627</u>

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

	Management Funded		Non - management Unfunded	
	2010	2009	2010	2009
	----- Rupees in '000' -----			
Present value of defined benefit obligation	48,703	26,614	1,195	1,088
Fair value of plan assets	(17,215)	(21,893)	-	-
Payable to associated companies in respect of transferees	5,850	8,039	-	-
Unrecognized actuarial (loss) / gain	(31,323)	(11,013)	258	237
Balance at end	<u>6,015</u>	<u>1,747</u>	<u>1,453</u>	<u>1,325</u>
Movement in net obligation:				
Net liability as at 01 July,	1,747	1,389	1,325	1,334
Charge for the year	6,015	1,747	159	150
Contributions	(1,747)	(1,389)	(31)	(159)
Net liability as at June 30	<u>6,015</u>	<u>1,747</u>	<u>1,453</u>	<u>1,325</u>
Actual return on plan assets	<u>2,184</u>	<u>902</u>	<u>-</u>	<u>-</u>

The movement in the present value of defined benefit obligation is as follows:

	Management Funded		Non - management Unfunded	
	2010	2009	2010	2009
	----- Rupees in '000' -----			
Present value of defined benefit obligation as at July 01	31,635	29,173	1,088	1,114
Current service cost	1,839	1,364	41	37
Interest cost	5,086	3,484	131	123
Benefits paid	(2,852)	(1,105)	(31)	(159)
Actuarial (gain) / loss	8,505	1,737	(34)	(27)
Liability recognized in respect of Transferred In	4,490	982	-	-
Liability recognized in respect of Transferred Out	-	(9,021)	-	-
Present value of defined benefit obligation as at June 30	<u>48,703</u>	<u>26,614</u>	<u>1,195</u>	<u>1,088</u>

The movement in the fair value of plan assets is as follows:

	Management Funded		Non - management Unfunded	
	2010	2009	2010	2009
	----- Rupees in '000' -----			
Fair value of plan assets as at July 01	21,893	20,882	-	-
Expected return on plan assets	1,800	3,433	-	-
Contributions	1,747	1,389	-	-
Benefits paid	(2,852)	(1,105)	-	-
Actuarial (gain) / loss	(5,373)	(2,706)	-	-
Fair value of plan assets as at June 30	<u>17,215</u>	<u>21,893</u>	<u>-</u>	<u>-</u>
Plan assets comprises:				
Debt	8,233	11,171	-	-
Equity	8,979	10,655	-	-
Cash	4	67	-	-
	<u>17,215</u>	<u>21,893</u>	<u>-</u>	<u>-</u>

#### Historical information

	2010	2009	2008	2007	2006
	----- Rupees in '000' -----				
<b>Management - Funded:</b>					
Present value of defined benefit obligation	48,703	26,614	29,173	26,728	14,631
Fair value of plan assets	(17,215)	(21,893)	(20,882)	(14,161)	(12,392)
Surplus	<u>31,488</u>	<u>4,721</u>	<u>8,291</u>	<u>12,567</u>	<u>2,239</u>
Experience adjustment on obligation (gain) / loss	<u>88</u>	<u>1,737</u>	<u>3,428</u>	<u>3,717</u>	<u>(988)</u>
Experience adjustment on plan assets (gain) / loss	<u>(384)</u>	<u>(2,522)</u>	<u>150</u>	<u>(454)</u>	<u>(528)</u>
<b>Non-management - Unfunded:</b>					
Present value of defined benefit obligation	1,195	1,088	1,114	1,073	(1,035)
Fair value of plan assets	-	-	-	-	-
Surplus / (deficit)	<u>1,195</u>	<u>1,088</u>	<u>1,114</u>	<u>(1,073)</u>	<u>1,035</u>
Experience adjustment on obligation (gain)/loss	<u>(34)</u>	<u>(27)</u>	<u>(43)</u>	<u>53</u>	<u>(151)</u>
Experience adjustment on plan assets (gain)/loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



	Note	Management Funded		Non - management Unfunded	
		2010	2009	2010	2009
----- Rupees in '000' -----					
<b>The charge for the year has been allocated as follows:</b>					
Cost of sales	25.4	2,232	553	159	149
Distribution cost	26.2	1,131	2,354	-	-
Administrative expenses	27.2	2,652	716	-	-
		<u>6,015</u>	<u>3,623</u>	<u>159</u>	<u>149</u>

**Principal actuarial assumptions as at June 30, 2010:**

Discount rate	12.75%	12%	12.75%	12%
Expected long term rate of return on plan assets	12.75%	12%	12.75%	12%
Expected long term rate of future salary increases per annum	11.75%	11%	11.75%	11%
Expected death in service	Based on the LIC (1975-79) Ultimate mortality tables.			
Return on investment	12.75%	12%	12.75%	12%

Expected expense for gratuity scheme for the year ending June 30, 2011 work out to Rs. 7,964 thousand.

	2010	2009
	Rupees in '000'	
<b>19.2 Compensated leave absences</b>		
Balance at beginning	19,863	16,110
Add: Provision for the year	10,995	4,298
	<u>30,858</u>	<u>20,408</u>
Less : Payments during the year	2,079	545
	<u>28,779</u>	<u>19,863</u>

**19.3 Deferred taxation**

The deferred tax liability comprises of (deductible) / taxable temporary differences in respect of the following:

Deferred credit arising in respect of accelerated tax depreciation / amortization	96,107	74,889
Provision for gratuity	(2,614)	(1,075)
Provision for impairment in available for sale investments	(350)	(350)
Provision for warranty	(2,056)	(2,073)
Provision for compensated leave absences	(10,073)	(6,952)
	<u>81,014</u>	<u>64,439</u>

	Note	2010 Rupees in '000'	2009
<b>20. TRADE AND OTHER PAYABLES</b>			
Trade creditors		69,800	115,921
Accrued liabilities	20.1	192,943	166,153
Provision for warranty	20.2	5,875	5,923
Customers advances & credit balances		54,487	23,237
Tax deductions		3,940	2,613
Special Excise Duty payable		3,956	2,559
Workers' Profit Participation Fund	20.3	18,316	132
Provision for gratuity - Management	19.1	6,015	1,747
Workers' Welfare Fund	20.4	6,822	5,570
Unclaimed dividend	20.5	3,598	2,727
Other liabilities	20.6	3,159	2,744
		<u>368,911</u>	<u>329,326</u>
<b>20.1 Accrued liabilities include the following amounts due to associated companies</b>			
GS Yuasa International Limited Japan		40,244	31,336
Atlas Insurance Limited		-	8,921
		<u>40,244</u>	<u>40,257</u>
<b>20.2 Provision for Warranty</b>			
Balance as at July 01		5,923	5,549
Add: Provided during the year		26,306	33,859
		<u>32,229</u>	<u>39,408</u>
Less: Paid during the year		26,354	33,485
Balance at June 30		<u>5,875</u>	<u>5,923</u>
<b>20.3 Workers' Profit Participation Fund</b>			
Balance as at July 01		132	93
Interest on funds utilized in the company's business at 75 % per annum (2009: 56.25%) per annum	30	19	8
		<u>151</u>	<u>101</u>
Less : Payment made during the year		151	14,626
		<u>-</u>	<u>(14,525)</u>
Contributions for the year	29	18,316	14,657
Balance at June 30		<u>18,316</u>	<u>132</u>

	Note	2010 Rupees in '000'	2009
<b>20.4 Workers' Welfare Fund</b>			
Balance as at July 01		5,570	3,421
Less: Paid during the year		5,460	3,444
		110	(23)
Add: Charge for the current year		6,822	5,569
(Adjustment) / prior year		(110)	24
	29	6,712	5,593
Balance at June 30		6,822	5,570
<b>20.5 Unclaimed dividend</b>			
Dividends		3,570	2,699
Bonus fractions		28	28
		3,598	2,727

The board of directors have proposed a final dividend for the year ended June 30, 2010 of Rs.10 (2009: Rs.10.00) per share, at their meeting held on August 26, 2010 for approval of the members at the Annual General Meeting to be held on September 29, 2010. These financial statements do not reflect this dividend payable as explained above.

**20.6** Other liabilities include vehicle deposits under company vehicle policy amounting to Rs. 2,985 thousands (2009: 2,569 thousands).

	Note	2010 Rupees in '000'	2009
<b>21. ACCRUED MARK-UP/INTEREST</b>			
Short term borrowing - secured		1,245	1,603
<b>22. SHORT TERM BORROWINGS-SECURED</b>			
Running finance from banks	22.1	84,598	103,616
Demand finance	22.1	90,000	-
		174,598	103,616

**22.1** The Company has facilities for short-term running finance from various banks under mark-up arrangements amounting to Rs.850 million (2009: Rs.850 million). The facilities carry mark-up at the rate of one month KIBOR + 1.00 % per annum to three months KIBOR + 1.25% (2009: one month KIBOR + 0.75% to three months KIBOR + 1.25%). The mark-up on running finance facilities is payable on quarterly basis.

The company has demand finance facility from Bank Alfalah Limited amounting to Rs. 90 million (2009: Rs. Nil). The facility is a sub-limit of running finance facility and carries mark-up at the rate of three months KIBOR + 0.5% per annum (2009: Nil). The company has also FE-25 facility from various banks amounting Rs.525 million (2009: Rs.525 million). The facility carries mark-up at the rate of one month LIBOR + 1.5% per annum to one month LIBOR + 2% per annum (2009: one month LIBOR + 1.5% per annum to one month LIBOR + 2% per annum). These facilities are available to the company as a sub-limit of its running finance facilities.

The above facilities are secured against joint hypothecation / ranking charge on stock in trade and trade debts amounting to Rs.1,135.9 million (2009: Rs.1,135.9 million). These facilities are expiring on various dates by December 31, 2010.

The facility for opening letters of credit as at June 30, 2010 amounted to Rs. 1,100 million (2009: Rs. 1,100 million) of which the amount remaining unutilized at the year end was Rs. 708.608 million (2009: Rs. 897.546 million). The facility is secured against lien on import documents.

2010                      2009  
Rupees in '000'

## 23. CONTINGENCIES AND COMMITMENTS

### 23.1 Guarantees

Issued by bank on behalf of the company to Sui Southern Gas Company Limited against gas supply deposit.

5,417	3,495
-------	-------

### 23.2 Commitments

Confirmed letters of credit relating to:

- Raw-materials and stores, spare parts and loose tools

283,980	161,261
---------	---------

- Plant and equipment

57,414	36,931
--------	--------

## 24. NET SALES

Local sales

5,175,517	4,079,855
-----------	-----------

Export sales

-	3,206
---	-------

5,175,517	4,083,061
-----------	-----------

Less: Sales tax and special excise duty

718,976	568,025
---------	---------

Trade discount & incentives

432,119	358,229
---------	---------

1,151,095	926,254
-----------	---------

4,024,422	3,156,807
-----------	-----------

	Note	2010 Rupees in '000'	2009
<b>25. COST OF SALES</b>			
Stock at beginning		47,612	47,807
Cost of goods manufactured	25.1	<u>3,454,666</u>	<u>2,626,545</u>
		3,502,278	2,674,352
Stocks at end	10	<u>69,056</u>	<u>47,612</u>
		<u>3,433,222</u>	<u>2,626,740</u>
<b>25.1 COST OF GOODS MANUFACTURED</b>			
Work in process at beginning		90,802	108,099
Raw materials & components consumed	25.2	2,841,250	2,114,974
Salaries, wages & benefits	25.3 & 25.4	193,264	135,739
Stores consumed		113,807	75,955
Light, heat & water		156,750	121,713
Insurance		8,177	8,645
Rent, rates & taxes		9,907	2,371
Repair & maintenance		20,512	16,093
Royalty		40,244	31,496
Federal Excise Duty		2,028	5,758
Cartage		4,572	3,777
Travelling, conveyance and entertainment		9,159	9,908
Postage & telephone		1,023	752
Printing & Stationery		1,708	917
Vehicle running		902	352
Depreciation	5.4	48,192	38,267
Free replacement		26,307	41,117
Other manufacturing expenses		<u>1,651</u>	<u>1,414</u>
		3,570,255	2,717,347
Less: Work in Process at end	10	<u>115,589</u>	<u>90,802</u>
		<u>3,454,666</u>	<u>2,626,545</u>

	Note	2010 Rupees in '000'	2009
<b>25.2 RAW MATERIALS &amp; COMPONENTS CONSUMED</b>			
Stock at beginning		209,354	221,335
Add: Purchases		<u>2,890,202</u>	<u>2,102,993</u>
		3,099,556	2,324,328
Less: Stock at end	10	<u>258,306</u>	<u>209,354</u>
		<u>2,841,250</u>	<u>2,114,974</u>

25.3 Salaries, wages & benefits include Rs.3,190 thousand (2009: Rs.2,040 thousand ) in respect of retirement benefit contribution.

25.4 The following amounts have been charged to cost of sales during the year in respect of gratuity:

	Management Funded		Non - management Unfunded	
	2010	2009	2010	2009
	----- Rupees in '000' -----			
Current service cost	682	432	41	37
Interest costs	1,888	1,103	130	123
Expected return on plan assets	(668)	(1,087)	-	-
Amortization of loss/(gain)	330	105	(12)	(11)
	<u>2,232</u>	<u>553</u>	<u>159</u>	<u>149</u>
	Note	2010	2009	
		Rupees in '000'		

## 26. DISTRIBUTION COST

Salaries & benefits	26.1 & 26.2	40,740	36,552
Travelling, conveyance, entertainment		9,432	8,849
Vehicle running		114	116
Rent, rates & taxes		3,129	2,533
Advertisement and sales promotion		12,143	18,849
Repairs & maintenance		445	599
Light, heat & water		1,211	934
Freight & forwarding		43,339	39,531
Printing & stationery		453	404
Postage & telephone		2,169	2,424
Depreciation	5.4	2,303	2,056
Services charges		311	352
Insurance		12,841	10,833
Newspapers, magazines & subscription others		231	327
		<u>128,861</u>	<u>124,359</u>

26.1 Salaries and benefits include Rs.1,454 thousand (2009: Rs.1,237 thousand ) in respect of retirement benefit contribution.

26.2 The following amounts have been charged to distribution cost during the year in respect of gratuity:

	Note	2010 Rupees in '000'	2009
Current service cost		346	373
Interest costs		956	952
Expected return on Plan Assets		(338)	938
Amortization of loss		167	91
		<u>1,131</u>	<u>2,354</u>

## 27. ADMINISTRATIVE EXPENSES

Directors' meeting fee	36.2	100	110
Salaries & benefits	27.1 & 27.2	62,178	53,622
Travelling, conveyance & entertainment		5,786	5,341
Rent, rates & taxes		-	1,886
Insurance		1,230	1,261
Legal & professional charges		596	494
Fees & subscription		1,271	1,048
Postage & telephone		672	671
Printing & stationery		824	683
Vehicle running		269	226
Training expense		1,162	800
Depreciation	5.4	3,731	2,759
Donation	27.3	2,729	1,642
Others		-	6
		<u>80,548</u>	<u>70,549</u>

27.1 Salaries and benefits include Rs.2,545 thousand (2009: Rs.2,214 thousand ) in respect of retirement benefit contribution.

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

	2010	2009
	Rupees in '000'	
Current service cost	811	559
Interest costs	2,243	1,429
Expected return on Plan Assets	(794)	(1,408)
Amortization of loss	392	136
	<u>2,652</u>	<u>716</u>

27.3 Donations include Rs.2,729 thousand (2009: Rs.1,642 thousand) paid to Atlas Foundation, 2nd Floor, Federation House, Shara-e-Firdousi, Clifton, Karachi. Mr. Yusuf H. Shirazi, Chairman is on the Board of the Foundation.

	Note	2010	2009
		Rupees in '000'	
<b>28. OTHER OPERATING INCOME</b>			
<b>Income from financial assets:</b>			
Interest on Deposits		276	194
Gain on sale of investments		3,071	493
Net change in fair value of investments at fair value through profit or loss		548	51
Exchange gain		26	-
<b>Income from non financial assets:</b>			
Scrap Sales		1,030	1,001
Gain on sale of fixed assets		307	410
		<u>5,258</u>	<u>2,149</u>
<b>29. OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	29.1	875	641
Workers' Profit Participation Fund	20.3	18,316	14,657
Workers' Welfare Fund	20.4	6,712	5,593
		<u>25,903</u>	<u>20,891</u>
<b>29.1 Auditor's Remuneration</b>			
Audit fee		500	375
Half Yearly review of financial statements		70	70
Review of Code of Corporate Governance		68	68
Audits of gratuity funds, provident funds and WPPF		73	73
Certification of Royalty, technical fee and dividend		149	34
Out of pocket expenses		15	21
		<u>875</u>	<u>641</u>



	Note	2010 Rupees in '000'	2009
<b>30. FINANCE COST</b>			
Interest / mark-up / return on:			
Short term loans	30.1	17,612	41,590
Workers' profit participation fund	20.3	19	8
Other financial charges		2,226	1,939
		<u>19,857</u>	<u>43,537</u>

30.1 Finance cost includes NIL (2009:Rs. 3.445 million ) charged by Atlas Bank Limited - an associated company.

	2010 Rupees in '000'	2009
<b>31. TAXATION</b>		
Current year	101,989	74,652
Prior years'	191	489
Deferred	16,575	20,061
	<u>118,755</u>	<u>95,202</u>
Relation between income tax expense and accounting profit		
Profit before tax	<u>341,289</u>	<u>272,880</u>
Tax at the applicable income tax rate - 35%	119,451	95,508
Tax effect of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	(15,991)	(20,013)
Effect of applicability of certain exemptions on certain income and other tax debits/credits	-	(765)
Effect of difference in tax rates under normal assessment and presumptive tax regime	(1,471)	(78)
Prior year charge	191	489
Deferred tax charge	16,575	20,061
	<u>118,755</u>	<u>95,202</u>

### 32. EARNINGS PER SHARE - BASIC AND DILUTED

Earnings for purposes of basic earnings per share (net profit for the year)	Rupees in thousand	<u>222,534</u>	<u>177,678</u>
Weighted average number of outstanding ordinary shares	Numbers	<u>8,391,094</u>	<u>8,391,094</u>
Basic and diluted earnings per share	Rupees	<u>26.52</u>	<u>21.17</u>

2010                      2009  
Rupees in '000'

### 33. CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	341,289	272,880
<b>Adjustment for:</b>		
Depreciation	54,226	43,082
Unrealised gain on remeasurement of investment	(548)	(51)
Gain on sale of investment	(3,071)	(493)
Interest expense	19,857	43,537
Interest income	(276)	(194)
Provision for gratuity	159	150
Provision for employee compensated absences	10,995	4,298
Gain on sale of fixed assets	(307)	(410)
<b>Operating profit before working capital changes</b>	<b>422,324</b>	<b>362,799</b>
<b>Working capital changes:</b>		
(increase) / Decrease in current assets:		
Stores, spares & tools	(8,291)	(1,154)
Stock-in-trade	(97,003)	(23,922)
Trade debtors	(11,875)	(11,134)
Loans and advances	31	(906)
Deposits and prepayments	1,097	67,166
Other receivables	1,952	288
Sales Tax - net	(25,985)	(5,065)
	(140,074)	25,273
Increase in current liabilities		
Trade and other payables	38,714	143,285
<b>Cash generated from operations</b>	<b>320,964</b>	<b>531,357</b>
Interest paid	(20,215)	(48,991)
Interest received	95	355
Income taxes paid (including tax deducted at source)	(109,899)	(77,227)
Compensated absences paid	(2,079)	(545)
Gratuity paid	(31)	(159)
Long term deposits and prepayments	1,922	1,573
Long term loans and advances	(270)	-
<b>Cash flow from operating activities</b>	<b>190,487</b>	<b>406,363</b>

### 34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 34.1. Financial Risk Management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments : a) Credit Risk, b) Liquidity Risk, c) Market risk

#### a) Credit risk

##### (i) Exposure to credit risk

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

	2010	2009
	Rupees in '000'	
Long term deposits	517	2,439
Trade debts	100,396	88,521
Loans and advances	2,350	2,381
Deposits and Prepayments	15,928	6,225
Investments	26,224	6,132
Accrued mark-up / interest	195	14
Other receivables	-	1,952
Cash and bank balances	29,869	28,892
	<u>165,479</u>	<u>136,556</u>

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

Pakistan	100,396	85,315
Bangladesh	-	3,206
	<u>100,396</u>	<u>88,521</u>

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

	2010		2009	
	Rupees in '000'	%	Rupees in '000'	%
Original Equipment & Institutions	56,127	55.9	35,985	40.7
Associated Companies	38,232	38.1	16,561	18.7
Others	6,037	6.0	32,769	37.0
Export	-	0.0	3,206	3.6
	<u>100,396</u>	<u>100.0</u>	<u>88,521</u>	<u>100.0</u>

2010                      2009  
Rupees in '000'

(iv) Impairment

The ageing of trade debts at the reporting date is:

Not past due	78,298	73,236
Past due 0-30 days	13,745	10,767
Past due 31 to 150 days	7,811	3,943
Past due 151 to 365 days	158	186
More than one year	384	389
	<u>100,396</u>	<u>88,521</u>

- (v) Based on past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors past due over one year do not require any impairment and no impairment allowance is necessary in respect of remaining portion of past due over one year.
- (vi) The credit quality of the Company's bank balances can be assessed with the reference to the external credit ratings as follows.

	Rating Short-term	Rating Long-term	Rating Agency	2010 Rupees in '000'	2009 Rupees in '000'
MCB Bank Limited	A1+	AA+	PACRA	1,036	6,258
Habib Bank Limited	A-1+	AA+	JCR-VIS	-	859
Atlas Bank Limited	A2	A-	PACRA	7	1,319
Allied Bank Limited	A1+	AA	PACRA	-	700
The Bank of Tokyo Mitsubishi UFJ Limited	A-1	A+	S & P	6	10
				<u>1,049</u>	<u>9,146</u>

b) Liquidity Risk

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

	2010		
	Carrying Amount	Contractual cash flows	Six months or less
	Rupees in '000'		
<b>Non Derivative</b>			
<b>Financial liabilities</b>			
Trade & other payable	368,911	368,911	368,911
Accrued mark-up / interest	1,245	1,245	1,245
Short term borrowing-secured	174,598	174,598	174,598
	<u>544,754</u>	<u>544,754</u>	<u>544,754</u>

	2009		
	Carrying Amount	Contractual cash flows	Six months or less
	----- Rupees in '000' -----		

**Non Derivative**
**Financial liabilities**

Trade & other payable	329,325	329,325	329,325
Accrued mark-up / interest	1,603	1,603	1,603
Short term borrowing-secured	103,616	103,616	103,616
	<u>434,544</u>	<u>434,544</u>	<u>434,544</u>

**c) Market risk**

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

**(i) Currency risk**

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods that are denominated in a currency other than the respective functional currency of the Company. The company primarily has foreign currency exposures in US Dollars and Japanese Yen. The Company's exposure to foreign currency risk as on June 30, 2010 was Nil.

	2010			
	Rupees	Japanese Yen	Rupees	US \$
	----- (Figures in '000') -----			

Trade debts	-	-	-	-
Trade payables and accruals	-	-	-	-
Net exposure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2009			
	Rupees	Japanese Yen	Rupees	US \$
	----- (Figures in '000') -----			

Trade debts	-	-	3,206	40
Trade payables and accruals	(31,336)	(36,975)	-	-
Net exposure	<u>(31,336)</u>	<u>(36,975)</u>	<u>3,206</u>	<u>40</u>

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2010	2009	2010	2009
Yen	0.94	0.81	0.96	0.85
USD	87.34	81.21	85.60	81.30
Euro	131.78	118.61	104.58	114.82

**(ii) Sensitivity Analysis**

10% strengthening of Pak rupees against the following currencies at June 30 would have increased / (decreased) equity and profit or loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	2010	2009
	Profit & loss Rupees in '000'	
Effect in:		
USD	140,725	99,239
Japanese Yen	9,833	7,409
Euro	66	1,695

**(iii) Interest rate risk**

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

	Note	2010	2009
		Rupees in '000'	
<b>Fixed rate instruments</b>			
Financial assets		26,224	2,622
<b>Variable rate instruments</b>			
Financial liabilities		174,598	103,616

**FAIR VALUE SENSITIVITY ANALYSIS FOR FIXED RATE INSTRUMENTS**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

**CASH FLOW SENSITIVITY ANALYSIS FOR VARIABLE RATE INSTRUMENTS**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit & Loss	
	100 bp increase	100 bp decrease
	Rupees in '000'	
As at June 30, 2010		
Cash flow sensitivity-Variable rate instruments	810	810
As at June 30, 2009		
Cash flow sensitivity-Variable rate instruments	270	270

### 34.2. CAPITAL RISK MANAGEMENT

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

### 35. RELATED PARTY TRANSACTIONS

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

	2010	2009
	Rupees in '000'	
Sales	248,069	161,036
Sale of fixed assets	299	-
Purchase of fixed assets	6,936	3,497
Reimbursement of expenses	752	344
Insurance claim	9,010	5,673
Donation paid	2,729	1,642
Sale proceeds of bonus fractions	52	-
Insurance premium	46,614	37,063
Rent / service charges paid	4,567	3,047
Dividend paid	47,540	35,655
Mark-up on running finance/Other Charges	-	3,470
Investment in mutual fund	130,000	20,000
Redemption of mutual fund	132,421	20,287
Purchases of consumables	447	317
Purchases of raw material	13,171	10,823
Purchases of lubricants	31	121
Royalty	40,244	31,495
Post employment benefit plans	1,747	-
Gain on disposal of fixed asset to key management personnel	25	-

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

### 36. DIRECTORS' AND EXECUTIVES' REMUNERATION

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

	Chief Executive		Executives	
	2010	2009	2010	2009
	----- Rupees in '000' -----			
Remuneration	3,999	3,529	41,670	24,280
Rent and Utilities	2,835	2,471	28,044	16,491
Bonus	1,750	791	11,790	16,452
Company's contribution to provident & gratuity fund	440	642	4,237	2,718
Medical and others	64	78	1,262	611
Total	<u>9,088</u>	<u>7,511</u>	<u>87,003</u>	<u>60,552</u>
Number of persons	<u>1</u>	<u>1</u>	<u>29</u>	<u>13</u>

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

#### 36.2 Meeting fees others directors

Aggregate amount charged in the accounts for the year for fees to three directors was Rs.100 thousand (2009: Rs.110 thousand)

### 37. CORRESPONDING FIGURES

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

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


Statement	Nature of item	Reclassification from	Reclassification to	(Rupees in '000)
Balance Sheet	Advance Tax	Other receivables	Advance tax - net	73,725
Balance Sheet	Current tax liability	Provision for tax	Advance tax - net	(74,652)
Balance Sheet	Sales tax	Other receivables	Sales tax refundable-net	5,065

### 38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on August 26, 2010.

### 39. PLANT CAPACITY

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



Yusuf H. Shirazi  
Chairman



Ali H. Shirazi  
President / Chief Executive



Aitzaz Shahbaz  
Director



## Atlas Group Companies

	<i>Year of Establishment / Acquisition*</i>
 Shirazi Investments	1962
 Atlas Honda	1962
 Atlas Battery	1966
 Shirazi Trading	1973
 Atlas Insurance	1980*
 Atlas Engineering	1981*
<b>HONDA</b> Honda Atlas Cars	1992
<b>HONDA</b> Honda Atlas Power Product	1997
 Total Atlas Lubricants	1997
 Atlas Asset Management	2002
 Shirazi Capital	2005
 Atlas Capital Markets	2006
 Atlas Power	2007

## PRODUCT TYPES AND THEIR APPLICATION

Battery Type			Application
<b>Light Batteries</b>			
CGR30	7PL	CGR30	CNG Rickshaw Suzuki Van/pickups, Subaru Van/Pickups (old models) (600cc - 800cc) Suzuki Car/Van pickups, Jeep Subaru Car/Van Pickups, Charade Petrol (800cc-1000cc) Suzuki Mehran, Daihatsu Cuore, kia Classic, All CNG Converted Vehicles (800cc-1000cc) All Types of Suzuki Vehicles (800cc to 1300cc) Honda Citi (1300cc) Toyota, Nissan (Datsun), Mazda, Mitsubishi (1200cc to 1600cc) Datsun 120Y, Mazda, Mitsubishi Lancer, Toyota, Honda Civic (1000cc-1600cc)
GX43	9PL	NS40SR	
GL43	9PL	NS40SR	
GL47	9PL	NS40ZL 9PL	
CNG48	9PL	NS40ZL 9PL	
GL50	11PL	NS40ZL 11PL	
CNG60	11PL	N40	
GR65	13PL	NS60	
GL65	13PL	NS60L	
55D26R	9PL	N50	
80D26R	11PL	N50Z	
GR85	13PL	N70 EXTRA	
GL85	13PL	N70 EXTRA L	
<b>Medium Batteries</b>			
GR87	11PL	NS70	Toyota Hi-Ace, Mercedes Benz, Issuzu Bus JCR 520zz, Massey Ferguson Tractors, MF -210 Crusier, Toyota Hi-Lux, Nissan Diesel Pick-up, Ford 1910 Tractor (2000cc - 6000cc),
GR90	13PL	N70Z	
U95	13PL	82ah	
GR100	15PL	N85P	Fiat Tractors 460/480, IMT 540 Tractors Massey Ferguson Tractors 240/265, Ford Wagons Land Rover, Toyota Land Cruiser (3000cc-6000cc)
GL100	15PL	N85L	
6FT115	15PL	6FT15	Issuzu Trucks, Mercedes Benz - Hino Truck ZH -100 Fiat Tractors 640 issuzu JCR 460R. (3000cc-6000cc)
N120	17PL	N100S	
U115	15PL	U107T	Fiat Tractors 640, Hino Truck & Busses, Hino Bowzer, Fiat Trucks, Ford Dumper, Issuzu Diesel Busses, Fiat Buses (3000cc - 12000cc)
GX 128	17PL		
GX130	19PL	N100	
U130	19PL	U121T	
<b>Heavy Batteries</b>			
GX145	21PL	N120S	Ford Tractor-3610 & 46
GX148	21PL	N120S	
GX150	23PL	N140	Bedford Truck, Fiat Tractors 640, Mazda Coaster T-3000, Issuzu TD-72, Generator Sets, Local Converter, Mazda Coaster T-3000, Generator Sets, Road Rollers & Belarus Tractor.
4DLT145	23PL	N130S	
4DLT160	27PL	N150S	
GL190	23PL		
195G51F	25PL		Generator Sets, Road Roller, Bulldozer.
GX200R	27PL	N175	
GX200F	27PL	N190Z	
210H52	31PL	N200P	
245H52	33PL	N200	

## OUR VALUED OEM CUSTOMERS



Atlas Honda Limited



Honda Atlas Cars (Pakistan) Ltd.



Indus Motor Company Ltd.



Pak Suzuki Motor Company Ltd.



Al-Ghazi Tractors Limited



Sigma Motors (Pvt) Limited



Dewan Farooque Motors Ltd.



DYL Motorcycles Ltd.



Ghandhara Nissan Ltd.



Sazgar Engineering Works Ltd.



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



D.S. Motors



Memon Motors (Pvt) Ltd.



HKF Engineering (Pvt) Ltd.



Super Asia Motors (Pvt) Ltd.



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 Federation House, 2nd Floor, Sharae Firdousi, main Clifton, Karachi, on September 29, 2010 at 9:15 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

AFFIX  
POSTAGE

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

Fold Here

Fold Here

Fold Here

Fold Here

## **Atlas Battery Limited**

D-181, Central Avenue, S.I.T.E., Karachi-75730 **Ph:** (92-21) 32567990-4 **Fax:** (92-21) 32564703

**Email:** [abl@atlasbattery.com.pk](mailto:abl@atlasbattery.com.pk) **Website:** [www.atlasbattery.com.pk](http://www.atlasbattery.com.pk)