



Q U A R T E R L Y

R E P O R T

September 30, 2005



Atlas Battery Limited

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

GROUP EXECUTIVE COMMITTEE

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

GROUP HUMAN RESOURCE COMMITTEE

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

GROUP SYSTEMS & TECHNOLOGY COMMITTEE

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

MANAGEMENT COMMITTEE

Chief Executive	Vazeer Ali
Chief Financial Officer	Ahmad Zafaryab Ali
General Manager Marketing	Arshad Gulraiz Butt
General Manager Quality Assurance	Muhammad Jamil Awan
General Manager Plant	Shahzad Ahmad Khan
General Manager Human Resources	Zamir Haider

COMPANY INFORMATION

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



CHAIRMAN'S REVIEW

It is my pleasure to present to you the un-audited Accounts of your Company for the 1st quarter ended September 30, 2005.

ECONOMY

During the period under review, Pakistan economy continued to grow. During the first two months of the fiscal year, imports increased to US\$ 4.231 billion, up 44.3%, compared to the corresponding period of last year. Exports grew to US\$2.680 billion up 13.02%. The surge in imports was attributable to increase in the purchase of machinery, metals and petroleum products. Consequently, the trade deficit during July ~ August period increased to US\$1.551 billion as compared to US\$ 566.44 million in the same period, last year. Tax collections during July ~ August improved to Rs.147.7 billion compared to Rs.145.5 billion in the corresponding period, last year. Foreign remittances during July ~ August stood at US\$ 661.55 million vis-à-vis US\$ 670 million of the same period, last year. Foreign direct investment also improved to US\$ 225.8 million during July ~ August. Foreign exchange reserves were at US\$ 12.02 billion despite heavy payments including petroleum bills.

Inflationary pressure toned down to 8.41% against 9.35% recorded earlier, despite continuous rise in petroleum prices. This was primarily due to tight monetary policy and increasing interest rates. The stock market remained sluggish till the middle of August when the Continuous Funding System -CFS-was introduced. Thereafter, it has risen-up with the KSE-100 Index 8,225.66 points on September 30, 05. It surpassed 8,800 points later.

INDUSTRY

The organized sector of the industry continued its growth momentum. During the quarter under review, the organized sector grew 14.1% as compared to 13.2% during the corresponding period, last year. On the other hand, the battery industry is experiencing a steep increase in the input cost of basic raw materials, which has adversely affected the gross margins of the industry. Additionally, the penetration of cheaper smuggled and replated batteries which are fulfilling 25% of the market demand, are further worsening the situation. It is now highly competitive in the local as well as in the international market especially with the WTO and SAFTA are at the doorstep. The Government measures against these issues along with reduction of duty rates and other taxes on basic raw materials will certainly help the organized sector and ultimately enhance government revenues.

The unabated cost increase could not be passed on fully to the customers and compelled the battery manufacturers of the organized sector to only revise the selling price just 5%.

OPERATING RESULTS

Net sales revenue for the quarter was Rs.286.5 million, up 49.1%, as compared to the revenue of Rs.192.2 million for the same period, last year. The gross profit was Rs.37.4 million as against Rs.39.0 million for the corresponding period, last year.

Operating expenses increased to Rs.25.5 million as compared to the corresponding period of last year of Rs.23.8 million, resulting in drop of operating profit from 7.9% to 4.2%. Financial and other charges were higher Rs.3.4 million due to markup on long term loan of Rs.80.0 million and combined impact of higher utilization of running finance facility and higher mark up charges.

Profit before tax for the quarter was thus Rs.6.8 million compared to Rs.14.1 million for the corresponding period of last year. After making a provision of Rs.3.3 million in respect of current and deferred taxation, the after tax profit of your Company was Rs.3.5 million compared to Rs.9.2 million of the corresponding period of last year.

FUTURE OUTLOOK

The political situation is expected to remain stable. Liberalization, deregulation and privatization are an integral part of the current reform process and the economy is expected to grow.

The automobile sector has committed to invest Rs.80.0 billion to enhance its production capacity by 100% in order to match the growing demand for vehicles. Your Company, being a part of this industry, will benefit from this growth in the foreseeable future.

However, unprecedented increase in the input cost of raw materials during the preceding two years has put the battery industry in a challenging position. On the other hand the day-by-day increase in petroleum prices are aggravating the situation, which will ultimately push the cost of doing business to possible "unmanageable" levels. However, the management of your Company will continue to focus on quality, productivity and cost control to improve its competitiveness.


ع ذرا نم ہو تو یہ مٹی بڑی زرخیز ہے ساقی

(A little fertility yield better crop)

ACKNOWLEDGEMENT

I would like to thank our joint venture partner, Japan Storage Battery Company Ltd; Japan, our bankers, shareholders, members of the Board of Directors, vendors and customers for their continued support and guidance. I also thank the Group President, Mr. Aamir H. Shirazi, Group Director Engineering, Mr. Jawaid Iqbal Ahmed, the Chief Executive Officer, Mr. Vazeer Ali and his team for their dedication and commitment to achieve your Company's corporate objectives and profitable growth.

Karachi: October 29, 2005


Yusuf H. Shirazi



Atlas Battery Limited


BALANCE SHEET


AS AT SEPTEMBER 30, 2005

	Note	September 30, 2005	June 30, 2005
Rupees in '000			
ASSETS			
NON CURRENT ASSETS			
Fixed assets	4	231,348	151,188
Intangible assets		234	375
Long term investment		-	-
Long term deposits		2,612	2,612
CURRENT ASSETS			
Stores, spare parts and loose tools		6,364	6,601
Stock-in-trade		202,470	211,650
Trade debts		58,427	39,536
Investments- Available for Sale		50,000	39,835
Loans and Advances		19,158	18,966
Trade deposits and prepayments		1,501	2,238
Interest accrued		-	107
Income tax refundable		21	21
Cash and bank balances		2,998	32,607
		340,939	351,561
TOTAL ASSETS		575,133	505,736
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
10,000,000 Ordinary Shares of Rs.10/- each.		100,000	100,000
Issued, subscribed and paid up capital		45,977	45,977
Reserves - Revenue		180,530	188,544
		226,507	234,521
NON CURRENT LIABILITIES			
Long term financing		56,000	60,000
Deferred Liabilities		33,694	34,593
CURRENT LIABILITIES			
Trade and other payables		67,836	74,521
Mark-up accrued on borrowings		2,929	2,060
Short term borrowings		153,542	74,314
Current portion of long-term financing		12,000	16,000
Provision for taxation		11,131	9,727
Proposed dividend		11,494	-
		258,932	176,622
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	5	575,133	505,736

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


Aitzaz Shabbaz
Director


Vazeer Ali
Chief Executive


Yusuf H. Shirazi
Chairman


PROFIT AND LOSS ACCOUNT


FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	Note	September 30, 2005	September 30, 2004
Rupees in '000'			
Sales		286,468	192,189
Cost of sales	6	(249,034)	(153,213)
Gross profit		37,434	38,976
Distribution costs		(17,678)	(14,548)
Administrative expenses		(7,867)	(9,240)
		11,889	15,188
Other income		522	1,129
Finance costs		(5,052)	(1,136)
Other operating expenses		(600)	(1,126)
Profit before taxation		6,759	14,055
Taxation		(3,279)	(4,901)
Profit after taxation		3,480	9,154
Earnings per share - basic and diluted		0.76	1.99

The annexed notes form an integral part of the financial statements


Aitzaz Shahbaz
Director


Vazeer Ali
Chief Executive


Yusuf H. Shirazi
Chairman



CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	September 30, 2005	September 30, 2004
	Rupees in '000'	
Net profit before taxation	6,759	14,055
Adjustments for:		
Depreciation	5,370	4,446
Amortization	141	339
Markup / interest expenses	4,723	795
Profit on sale of property, plant & equipment	(118)	(169)
Provision for gratuity	377	169
Provision for compensated absences	870	454
Gain on sale of investments-available for sale	(251)	-
	11,112	6,034
Operating profit before working capital changes	17,871	20,089
Working capital changes: (Increase) / Decrease in Current Assets		
Stores, spares parts & loose tools	237	(578)
Stock-in-trade	9,180	(74,308)
Trade debts	(18,891)	(8,235)
Loan and advances (excluding tax deducted at source)	1,077	4,658
Trade deposits and prepayments	737	37
Interest accrued	107	-
	(7,553)	(78,426)
Decrease in Current Liabilities		
Trade and other payables (excluding unclaimed dividend)	(6,685)	(16,744)
Working Capital changes	(14,238)	(95,170)
Cash generated / (utilized in) from operations	3,633	(75,081)
Analysis of changes in cash and cash equivalents		
Balance at beginning of year	32,607	26,421
Net Cash outflow	(29,609)	(23,422)
Balance at end of the period	2,998	2,999

CASH FLOW STATEMENT (UNAUDITED)


FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	September 30, 2005	September 30, 2004
	Rupees in '000'	
Cash generated / (utilized in) from operations	3,633	(75,081)
Markup/interest paid	(3,854)	(643)
Gratuity paid	(3,693)	(1,276)
Compensated absences paid	(328)	(16)
Income taxes paid	(1,269)	(4,625)
Long term deposits	-	(2,082)
Net cash utilized in operations	(5,511)	(83,723)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(87,480)	(11,673)
Sale proceeds from property, plant & equipment	2,068	622
Investments-available for sale	(50,000)	-
Sale proceeds of investments-available for sale	40,086	-
Net cash used-in Investing Activities	(95,326)	(11,051)
Net cashflow before Financing Activities	(100,837)	(94,774)
FINANCING ACTIVITIES		
Increase in short term borrowings	79,228	71,352
Repayment of long term financing	(8,000)	-
Cash flow from financing activities	71,228	71,352
Decrease in cash & cash equivalents	(29,609)	(23,422)

The annexed notes form an integral part of these financial statements


Aitzaz Shabbaz
Director


Vazeer Ali
Chief Executive


Yusuf H. Shirazi
Chairman




Atlas Battery Limited


STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	Share Capital	General Reserve	Reserve for issue of bonus shares	Unappro- priated profit	Total
	Rupees in '000'				
Balance as at June 30, 2004 (as previously stated)	32,841	146,500	13,136	1,197	193,674
Effect of change in accounting policy (note 3.03)					
Proposed dividend	-	-	-	19,705	19,705
Bonus shares	-	-	(13,136)	13,136	-
Balance as at June 30, 2004 - restated	32,841	146,500	-	34,038	213,379
Dividend	-	-	-	(19,705)	(19,705)
Bonus share	-	-	13,136	(13,136)	-
Profit for the period after taxation	-	-	-	9,154	9,154
Balance as at September 30, 2004	32,841	146,500	13,136	10,351	202,828
Bonus share issued	13,136	-	(13,136)	-	-
Profit for the period after taxation	-	-	-	31,693	31,693
Balance as at June 30, 2005	45,977	146,500	-	42,044	234,521
Dividend	-	-	-	(11,494)	(11,494)
Bonus shares	-	-	6,897	(6,897)	-
Profit for the period after taxation	-	-	-	3,480	3,480
Transfer	-	23,000	-	(23,000)	-
Balance as at September 30, 2005	45,977	169,500	6,897	4,133	226,507

The annexed notes form an integral part of these financial statements


Aitzaz Shahbaz
Director


Vazeer Ali
Chief Executive


Yusuf H. Shirazi
Chairman

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2005

1. CORPORATE INFORMATION

Atlas Battery Limited (the Company) was incorporated as a public limited company on October 19, 1966 and its shares are quoted on Karachi and Lahore Stock Exchanges in Pakistan. The Company is engaged in manufacturing and sale of automotive and motorcycle batteries.

2. ACCOUNTING POLICIES

- 2.01 The accounting policies and methods of computation adopted for the preparation of these financial statements for the quarter ended September 30, 2005 are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended June 30, 2005.
- 2.02 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Financial Reporting Standard (IAS 34) " Interim Financial Reporting " as applicable in Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take the precedence.

3. GENERAL

- 3.01 In the notes all amounts are shown in rupees thousands.
- 3.02 All figures except June 30, 2005 figures appearing in financial statements are unaudited.
- 3.03 Due to revision of the Fourth Schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(1)/2004 dated July 5, 2004, previous period's figures have been rearranged and / or reclassified, wherever necessary, for the purpose of comparison.

	As at	
	September 30, 2005	June 30, 2005
4. FIXED ASSETS		
Property, Plant and Equipment	222,814	140,097
Capital work in progress	8,534	11,091
	231,348	151,188
4.01 Property, Plant and Equipment Acquisition		
Owned Assets		
Building on leasehold land	-	13,796
Plant and machinery	81,920	19,010
Electric installations	1,000	4,810
Air conditioners	-	413
Office equipment	230	-
Vehicles	3,952	5,436
Moulds, dies & jigs	-	1,140
Factory equipment	2,934	20,336
Computers	-	1,485
	90,036	66,426
Disposal		
Owned Assets		
Vehicles	3,105	3,063
Computers	-	553
	3,105	3,616



As at
September 30, June 30,
 2005 2005

5. COMMITMENTS

Confirmed letters of credit relating to:		
Raw materials	51,137	72,285
Property, plant and equipment	1,512	65,331
Commitment for Capital expenditures	1,178	3,933
Guarantees issued by banks on behalf of Company	992	992

6. COST OF SALES

Stocks at the beginning		47,961	13,153
Cost of goods manufactured	6.01	230,615	181,392
		<u>278,576</u>	<u>194,545</u>
Stocks at the end		29,542	41,332
		<u>249,034</u>	<u>153,213</u>

6.01 Cost of goods manufactured

Work in process at the beginning		25,517	19,046
Raw material & components consumed		177,153	144,214
Overheads		53,721	43,915
		<u>256,391</u>	<u>207,175</u>
Work in process at the end		25,776	25,783
		<u>230,615</u>	<u>181,392</u>

7. RELATED PARTY TRANSACTIONS


Sales		35,918	30,483
Purchases		162	68
Actual reimbursement of expenses		246	174
Expenses charged to		48	39
Rent & Insurance premium		7,909	7,318
Purchase of property, plant & equipment		4,952	1,171
Royalty		5,960	3,923
Purchase of natural/oxygen gas		2,224	2,102
Investment		50,000	-
Sale of property, plant & equipment		815	-
Insurance claim		80	-


All related party transactions were carried out in accordance with the transfer pricing policy approved by the Board. These transactions were carried out on commercial terms and conditions and valued at "arms length price".

8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 29, 2005 by the Board of Directors of the Company.


 Aitzaz Shabbaz
 Director


 Vazeer Ali
 Chief Executive


 Yusuf H. Shirazi
 Chairman