



HALF YEARLY  

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REPORT  

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DECEMBER 31, 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



# Atlas Battery Limited

## 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 UFJ, Limited
Registered Office / Factory	D-181 Central Avenue, S.I.T.E. Karachi-75730 Tel: 2567990-94 Fax: 2564703
Zonal Office Karachi	PPI Building, Near Sindh Secretariat Building, Shahra-e-Kamal Ataturk, Karachi-74200 Tel: 2636057 - 2626478
Sukkur Office	F -33/4, Barrage Colony, Workshop Road, Sukkur Tel: 612532 Fax: 612532
Zonal Office Lahore	Salam Chambers, 21 Link Mcleod Road, Lahore-54000 Tel: 7227075 - 7354245 Fax: 7352724
Faisalabad Office	54-Chenab Market, Madina Town, Faisalabad Tel: 713127 Fax: 726628
Multan Office	Azmat Wasti Road, Chowk Dera Adda Multan-60000 Tel: 548017
Peshawar Office	1st Floor, Zeenat Plaza, near General Bus Stand, G.T. Road, Peshawar Tel: 262485
Rawalpindi Office	312-A, Kashmir Road, R.A. Bazar, Rawalpindi-65847 Tel: 5567423
Sahiwal Office	647-V-7, Al-Hilal Building, Nishter Road, Sahiwal-57000 Tel: 61539
Company Website	<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>

## CHAIRMAN'S REVIEW

It is my pleasure to present to you the un-audited accounts of your Company for the half-year ended December 31, 2005 along with the review of the auditors.

### ECONOMY

After a period of five years of continued growth, the economy slowed down during the period under review. The slow down partly stems from an overheated economy, due monetary policy, low wheat rate, high oil prices and imports higher than exports and partly due October earthquake. While the impact of the earthquake is hard to quantify, the consumption patterns have changed. With sustained high petroleum prices, etc. the average citizen's savings have declined, leading to slow down in purchasing behavior. Due to internal and external reasons, the high level of inflation is also deterring the usual consumption levels.

As a result, the growth in the manufacturing sector also slowed down substantially from 24.9% last year to around 8% in the last six months. With industrial production slowing down, capacity under-utilization may once again become a matter of concern. It thus necessitates to balance growth and price pressure so as to sustain growth.

On the agricultural front, the cotton and sugar crops have depicted declines. This will put pressure on meeting the overall growth target of 8%. With negligible growth in agriculture, the overall growth rate may only reach 6% - for a population of 150 million, with 70% rural. Timely support price and crop cultivation targets need to be set.

The services sector is too feeling a pinch-in the construction and transportation sector being increasingly under pressure. The Banking sector continues without higher growth, the margins being on decline - sooner than later !

### INDUSTRY

Being an ancillary business of auto industry, healthy growth of automotive sector has helped the battery industry to better utilization of its capacity. Cheaper auto financing options acted as catalyst in increasing the vehicles demand. During the period under review, 85,576 units of cars, vans & LCV's, 2,370 units of trucks and buses and 23,819 units of farm tractors were sold with growth of 27.8%, 34.9% and 15.3% respectively. Additionally, after reduction of custom duty on CBU's and relaxation in personal baggage scheme, the auto market is flooded with imported cars and vans - at 24,000 units during July-December period - a lot more expected during the current six months.

Three major Japanese Motorcycle manufacturers, with 75% share, performed well; they sold 220,915 units as against 180,343 units during the same period last year, a growth of 22.5%. There is also a mushroom growth of some 41 household motorcycle assemblers in the un-organized sector, which are catering to over 25% market demand. It is expected that the year 2005-06 will end with a total production and sales of over 225,000 units for four and six wheelers and over 500,000 units of motorcycles including Chinese. This will continue to help increase demand of automotive and motorcycle batteries.

**BATTERY MARKET REVIEW:** The organized sector of the industry continued to grow during the period under review. The automotive battery market grew 8.4% with total demand of two million batteries on annual basis. The motorcycle overall market reflected a significant growth of 22.8% with annual demand of 2.5 million batteries. The Organized sector of the industry is presently serving the 75% demand of the market. The rest is met by the un-organized sector of replators, smugglers and imports at under invoiced value, hurting the organized sector, besides revenue loss to the exchequer.



# Atlas Battery Limited

## OPERATING RESULTS

Net sales revenue for the six months was Rs.580.7 million, up 28.6% as compared to Rs.451.5 million for the same period, last year. However, due to rise in the price of lead in international market and recycled lead locally, the benefit of sales growth could not flow to the gross profit, which instead dipped to Rs.85.9 million as against Rs.87.6 million resulting in lower G.P. ratio of 14.8% as compared to 19.40% during the corresponding period last year. Additionally, your company also went through major capital expenditures at Rs.90.3 million in respect of balancing, modernization and replacement of plant and machinery during the period resulting in additional depreciation cost of Rs.4.5 million.

Operating expenses increased 11.3% in line with increase in sales revenue mainly due to increase in distribution cost owing to high diesel prices. However, as percentage of sales revenue it reduced from 11.2% as compared to 9.7% during the corresponding period. Operating profit showed a decline of Rs.7.4 million due to the reasons explained above.

Other income increased to Rs.5.7 million as compared to Rs.3.2 million due to treasury functions. Financial and other charges however increased to Rs. 12.6 million from Rs.6.0 million due to combined effect of higher mark-up charges, higher utilization of running finance facilities and provision of mark-up on borrowings for capacity expansion.

The profit before tax for the half year thus stood at Rs.22.8 million compared to Rs.34.4 million during corresponding period of last year. After making a provision of Rs.10.1 million in respect of current and deferred taxation, the after tax profit of your company was Rs.12.7 million compared to Rs.23.1 million of corresponding period last year. Earning per share was Rs.2.40 as against Rs.4.37 during the same period last year. We hope next six months will compensate and help achieve the improved profitability.

## FUTURE OUTLOOK

The battery industry is faced with a continuous rise in price of lead in international market, which has now touched US\$ 1,448, an increase of 47% in six months period from July 2005, and if continued will affect the competitiveness of the industry on the whole. However, the growth trend indicates that auto industry in Pakistan continue to perform well. Being part of this industry, your company is also poised for taking benefit from the growth in the ensuing period. To cater for the growing market demand, your company has increased the existing production facilities in line with the expected demand. The expansion of capacity was available from December 2005. Your company is committed to deal with the unprecedented rise in lead prices through improving quality, productivity, better cost control and higher volumes.

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

(Let us keep our flag fly high)

## ACKNOWLEDGEMENT

I would like to thank Japan Storage Battery Company Ltd., Japan our bankers, shareholders, members of the Board of Directors, vendors and customers for their continued help and support. I also thank Group President, Mr. Aamir H. Shirazi, Group Executive Committee, the Chief Executive Mr. Vazeer Ali and his team for their dedication and commitment to help your Company grow year after year.

Karachi: February 24, 2006

Yusuf H. Shirazi

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of **Atlas Battery Limited** as at December 31, 2005 and related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein after referred to as the “financial statements”) for the half year then ended. These financial statements are the responsibility of the company’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standards on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company’s personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Karachi: February 24, 2006

**Hameed Chaudhri & Co.**  
Chartered Accountants



# Atlas Battery Limited


## BALANCE SHEET (UNAUDITED)


AS AT DECEMBER 31, 2005

	Note	December 31, 2005	June 30, 2005
Rupees in '000'			
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Fixed assets	4	238,763	151,188
Intangible assets		188	375
Long term investment		-	-
Long term deposits		2,599	2,612
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		10,278	6,601
Stock-in-trade		182,976	211,650
Trade debts		64,744	39,536
Investments held for trading		56,193	39,835
Loans and advances		7,187	18,966
Trade deposits and prepayments		2,571	2,238
Interest accrued		52	107
Other receivables		732	-
Income tax refundable		3,253	21
Cash and bank balances		28,345	32,607
		356,331	351,561
<b>TOTAL ASSETS</b>		<b>597,881</b>	<b>505,736</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
10,000,000 Ordinary Shares of Rs.10/- each.		100,000	100,000
Issued, subscribed and paid up capital		52,874	45,977
Reserves - Revenue		182,841	188,544
		235,715	234,521
<b>NON CURRENT LIABILITIES</b>			
Long term financing		48,000	60,000
Deferred Liabilities		39,190	30,913
<b>CURRENT LIABILITIES</b>			
Trade and other payables		99,020	78,201
Mark-up accrued on borrowings		3,547	2,060
Short term borrowings		153,468	74,314
Current portion of long-term financing		16,000	16,000
Provision for taxation		2,941	9,727
		274,976	180,302
<b>CONTINGENCIES AND COMMITMENTS</b>	5		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>597,881</b>	<b>505,736</b>

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

  
Javaid Anwar  
Director

  
Vazeer Ali  
Chief Executive

  
Yusuf H. Shirazi  
Chairman



# Half Yearly Report 2005





## PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Note	Quarter Ended		Half year Ended	
		Dec 31, 2005	Dec 31, 2004	Dec 31, 2005	Dec 31, 2004
Rupees in '000'					
Sales		294,206	259,352	580,674	451,541
Cost of sales	6	(245,722)	(210,745)	(494,756)	(363,958)
Gross profit		48,484	48,607	85,918	87,583
Distribution costs		(20,430)	(15,171)	(38,108)	(29,719)
Administrative expenses		(10,187)	(11,486)	(18,054)	(20,726)
		17,867	21,950	29,756	37,138
Other income		5,131	2,101	5,653	3,230
Finance costs		(5,705)	(2,122)	(10,757)	(3,258)
Other operating expenses		(1,286)	(1,594)	(1,886)	(2,720)
Profit before taxation		16,007	20,335	22,766	34,390
Taxation		(6,799)	(6,372)	(10,078)	(11,273)
Profit after taxation		9,208	13,963	12,688	23,117
Earnings per share - basic and diluted		1.74	2.64	2.40	4.37

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

  
Javid Anwar  
Director

  
Vazeer Ali  
Chief Executive

  
Yusuf H. Shirazi  
Chairman



# Atlas Battery Limited

## CASH FLOW STATEMENT (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Half year Ended	
	Dec 31, 2005	Dec 31, 2004
	Rupees in '000'	
Net profit before taxation	22,766	34,390
Adjustments for:		
Depreciation	13,852	6,428
Amortization	187	723
Markup / interest expenses	10,138	2,601
Profit on sale of fixed assets	(351)	(445)
Provision for gratuity	38	28
Provision for compensated absences	1,740	1,009
Unrealized gain on re-measurement of investments	(3,008)	(2,333)
Gain on sale of investments	(2,080)	-
	20,516	8,011
Operating profit before working capital changes	43,282	42,401
Working capital changes: (Increase) / Decrease in Current Assets		
Stores, spare parts & loose tools	(3,677)	(202)
Stock-in-trade	28,674	(108,701)
Trade debts	(25,208)	(4,556)
Loan and advances	1,193	5,381
Trade deposits and prepayments	(333)	270
Interest accrued	55	-
Other receivable	(732)	-
	(28)	(107,808)
Increase in Current Liabilities		
Trade and other payables	20,819	3,970
Working capital changes	20,791	(103,838)
Cash generated / (utilized in) from operations	64,073	(61,437)
<b>ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS</b>		
Balance at beginning of period	32,607	26,421
Decrease in cash & cash equivalents	(4,262)	(23,639)
Balance at end of the period	28,345	2,782

# Half Yearly Report 2005


## CASH FLOW STATEMENT (UNAUDITED)


FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Half year Ended	
	Dec 31, 2005	Dec 31, 2004
	Rupees in '000'	
<b>Cash generated from / (utilized in) operations</b>	64,073	(61,437)
Mark-up/interest paid	(8,651)	(1,533)
Gratuity paid	(94)	(1,276)
Compensated absences paid	(619)	(16)
Income taxes paid	(2,297)	(18,352)
Long term deposits	13	(2,082)
<b>Net cash generated from / (utilized in) operations</b>	<b>52,425</b>	<b>(84,696)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(104,728)	(22,137)
Intangible assets	-	(60)
Sale proceeds from property, plant and equipment	3,653	1,127
Investments	(115,260)	-
Sale proceeds of investments	103,989	-
<b>Net cash used-in Investing Activities</b>	<b>(112,346)</b>	<b>(21,070)</b>
<b>Net cashflow before Financing Activities</b>	<b>(59,921)</b>	<b>(105,766)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in short term borrowings	79,154	65,885
Increase in long term borrowings	-	36,000
Repayment of long term financing	(12,000)	-
Dividend paid	(11,495)	(19,758)
<b>Cash flow from financing activities</b>	<b>55,659</b>	<b>82,127</b>
<b>Decrease in cash &amp; cash equivalents</b>	<b>(4,262)</b>	<b>(23,639)</b>

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

  
**Javid Anwar**  
 Director

  
**Vazeer Ali**  
 Chief Executive

  
**Yusuf H. Shirazi**  
 Chairman




# Atlas Battery Limited


## STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Share Capital	General Reserve	Unappro- priated profit	Total
	Rupees in '000'			
Balance as at June 30, 2004	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	-	-	23,117	23,117
Balance as at December 31, 2004	45,977	146,500	24,314	216,791
Profit for the period after taxation	-	-	17,730	17,730
Balance as at June 30, 2005	45,977	146,500	42,044	234,521
Dividend	-	-	(11,494)	(11,494)
Transfer	-	23,000	(23,000)	-
Bonus shares	6,897	-	(6,897)	-
Profit for the period after taxation	-	-	12,688	12,688
Balance as at December 31, 2005	52,874	169,500	13,341	235,715

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

  
Javid Anwar  
Director

  
Vazeer Ali  
Chief Executive

  
Yusuf H. Shirazi  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 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 half year ended December 31, 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, except for the following:

The management has reclassified available for sale investments to held for trading investments through Profit & Loss account. There is no effect on the results for current or prior periods.

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.

	As at	
	December 31, 2005	June 30, 2005
<b>4. FIXED ASSETS</b>		
Property, Plant and Equipment	238,447	140,097
Capital work in progress	316	11,091
	<u>238,763</u>	<u>151,188</u>
<b>Property, Plant and Equipment Acquisition</b>		
<b>Owned Assets</b>		
Building on leasehold land	7,500	13,796
Plant and machinery	90,298	19,010
Electric installations	6,371	4,810
Air conditioners	-	413
Office equipment	200	-
Laboratory equipment	260	-
Vehicles	6,773	5,436
Fork lifter	1,198	-
Moulds, dies & jigs	-	1,140
Factory equipment	2,733	20,336
Computers	169	1,485
	<u>115,502</u>	<u>66,426</u>
<b>Disposal</b>		
<b>Owned Assets</b>		
Vehicles	5,589	3,063
Computers	-	553
	<u>5,589</u>	<u>3,616</u>



# Atlas Battery Limited

As at  
December 31, 2005      December 31, 2004

## 5. COMMITMENTS

Confirmed letters of credit relating to:			
Raw materials		43,283	72,285
Stores, spares & tools		419	-
Property, plant and equipment		4,315	65,331
Commitment for Capital expenditures		-	3,933
Guarantees issued by banks on behalf of company		717	992

	Note	Quarter Ended		Half year Ended	
		Dec 31, 2005	Dec 31, 2004	Dec 31, 2005	Dec 31, 2004
<b>6. COST OF SALES</b>					
Stocks at the beginning		29,542	41,332	47,961	13,153
Cost of goods manufactured	6.01	<u>222,964</u>	<u>201,605</u>	<u>453,579</u>	<u>382,997</u>
		252,506	242,937	501,540	396,150
Stocks at the end		<u>6,784</u>	<u>32,192</u>	<u>6,784</u>	<u>32,192</u>
		<u>245,722</u>	<u>210,745</u>	<u>494,756</u>	<u>363,958</u>
<b>6.01 Cost of goods manufactured</b>					
Work in process at the beginning		25,776	25,783	25,517	19,046
Raw material & components consumed		172,219	161,096	349,372	305,310
Overheads		57,565	43,040	111,286	86,955
		<u>255,560</u>	<u>229,919</u>	<u>486,175</u>	<u>411,311</u>
Work in process at the end		<u>32,596</u>	<u>28,314</u>	<u>32,596</u>	<u>28,314</u>
		<u>222,964</u>	<u>201,605</u>	<u>453,579</u>	<u>382,997</u>

Half year ended  
December 31, 2005      December 31, 2004


## 7. RELATED PARTY TRANSACTIONS


Sales	85,400	59,495
Purchases	375	6,418
Actual reimbursement of expenses	363	1,029
Expenses charged to	18	39
Sale of Shares	-	34
Rent & Insurance premium	11,751	9,712
Purchase of fixed assets	5,969	596
Royalty	12,012	9,272
Dividend paid	6,199	11,457
Purchase of natural gas	7,270	5,269
Sale of fixed assets	844	-
Donation	221	-
Investment	100,260	-
Redemption of Investment	63,903	-
Interest received	88	-
Insurance claim	799	739
<b>Period end balances of Related Parties</b>		
Receivable from	23,724	11,227
Payable to	30,978	24,972

## 8. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 24, 2006 by the Board of Directors of the Company.

  
**Javaid Anwar**  
 Director

  
**Vazeer Ali**  
 Chief Executive

  
**Yusuf H. Shirazi**  
 Chairman