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Company's Vision & Mission Statement

Vision

To be the leader in tyre technology by building the Company's image through quality improvement, competitive prices, customers' satisfaction and meeting social obligations.

Mission

- To endeavor to be the market leader by enhancing market share, consistently improving efficiency and the quality of our products.
- To offer quality products at competitive prices to customers.
- To improve performance in all operating areas, so that profitability increases thereby ensuring growth for the company and increasing return to the stakeholders.
- To create a conducive working environment leading to enhanced productivity, job satisfaction and personal development of our employees.
- To discharge its obligation to society and environment by contributing to social welfare and adopting environmental friendly practices and processes.

Company Profile

Board of Directors

Lt.Gen.(Retd) Ali Kuli Khan Khattak
 Mr. Hussain Kuli Khan
 Mr. Ikram Ul-Majeed Sehgal
 Mr. Kashif Suhail
 Mr. Mansur Khan
 Mr. Manzoor Ahmed
 Mr. Muhammad Kuli Khan Khattak
 Mr. Mazhar Sharif
 Mr. Raza Kuli Khan Khattak
 Dr. Willi Flamm

Chairman
 Chief Executive

Major Bankers

Al-Baraka Bank Pakistan Limited
 Askari Bank Limited
 Allied Bank Limited
 Bank Al-Falah Limited
 Faysal Bank Limited
 Habib Bank Limited
 Habib Metropolitan Bank Limited
 Industrial and Commercial Bank of China Limited
 MCB Bank Limited
 National Bank of Pakistan
 Samba Bank Limited
 The Bank of Punjab
 United Bank Limited

Company Secretary

Mr. Farhan Ahmad

Chief Financial Officer

Mr. Ashraf Teli

Board Audit Committee

Mr. Manzoor Ahmed
 Mr. Ikram Ul-Majeed Sehgal
 Mr. Mazhar Sharif

Chairman

Registered Office & Factory

H-23/2, Landhi Industrial Trading Estate,
 Landhi, Karachi.
 Phone : 021-35080172-81, 021-38020207-13
 UAN : 021-111 487 487
 Fax : 021-35081212, 021-35080171, 021-35084121
 Website : www.generaltyre.com.pk

HR & Remuneration Committee

Mr. Raza Kuli Khan Khattak
 Mr. Hussain Kuli Khan
 Mr. Mansur Khan
 Mr. Manzoor Ahmed

Chairman

Branch Offices

Lahore Plot No. 20, Shahrah-e-Fatima Jinnah, Lahore. Phone : 042-36308605-6 Fax : 042-36300108	Islamabad Plot No. 189-A, Korang Road, Sector 1-10/3, Islamabad. Phone : 051-4449955-6 Fax : 051-4440916
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Auditors

ShineWing Hameed Chaudhri & Co.
 Chartered Accountants

Legal Advisor

Ahmed & Qazi
 Advocates & Legal Consultants

Multan

Plot No. 758-759/21,
 Khanewal Road, Multan
 Phone : 061-774407
 Fax : 061-774408

Share Registrar

Share Registrar Department
 Central Depository Company of Pakistan Limited
 CDC House 99-B, Block-B, S.M.C.H.S.,
 Main Shakra-e-Faisal Karachi-74400
 UAN No. : (92-21) 111 111 500
 Tel : Customer Support Services (Toll Free) 0800-CDCPL (23275)
 Fax: (92-21) 34326053, Email: info@cdcpak.com
 Website: www.cdcpakistan.com

Customer Care & Service Centre

Lahore
 Plot No. 20,
 Shahrah-e-Fatima
 Jinnah, Lahore.
 Phone : 042-36308605-6
 Fax : 042-36308607

Chairman's Review

It is my privilege and pleasure in presenting to the members of The General Tyre and Rubber Company of Pakistan Limited, review on the performance of the Company for the financial year ended June 30, 2016.

The GTR Team has done it once again and achieved another milestone by crossing Rupees One billion mark in **After Tax Profit**. I congratulate the Management for accomplishing this feat.

The Company made a Pre-tax Profit of Rs. 1.5 billion for the current year compared to Rs. 1.1 billion made in the previous year, an increase of 36%.

The Company's sales, however, went through abnormal quarterly fluctuations during the financial year under review. The first quarter saw a buying spree from Original Equipment Manufacturers ("OEMs") in Passenger Cars, Light Truck and Truck/Bus tyres. This growth was dampened in the second quarter as our two large Tractor tyre OEM customers closed down their plants. In the subsequent quarters the Company regained some of its lost sales which enabled the Company to end the year on flatter note.

The Replacement Market ("RM") sales continued to suffer due to flooding of the market with smuggled and under-invoiced tyres, which has further been aggravated by reduction of custom duties on tyres in the previous year.

During the year under review, the Company also witnessed hectic activities in the procurement and installation of various plant and equipment items. The Company installed the largest fire tube boiler in Pakistan which is up and running. The machinery for the mixing expansion has also arrived and is in the process of installation in the new building which is almost complete.

Future Outlook

Our new mixing plant is expected to come in production in the second quarter of the current year which will increase the capacity and enable the Company to meet additional demand due to increase in the population of the vehicles and boost to economic activity due to China-Pakistan Economic Corridor.

As mentioned above, smuggled and under-invoiced tyres continue to affect our sales negatively in the market. Additionally, government has maintained the same level of custom duties in the current Budget which they had reduced previous year in spite of Company's effort to convince the government to increase/rationalize them. As this has a negative impact on Company's sales, our efforts continue to present our case to the government to either increase the duties and/or increase the ITPs of the imported tyres at a realistic level.

The raw material prices are on an increasing trend after a two year slump coupled with rising oil prices which will affect profitability. The company will do its best to mitigate the effect by smart buying.

Code of Corporate Governance

Our Company takes Corporate Governance seriously. The Company keeps close co-ordination with the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange and complies with the Code of Good Corporate Governance in letter and spirit.

Board Changes

During the year our director Choudhry Sher Muhammed who also served the Company for thirty seven years as its Director Finance died on March 16, 2016 and Mr. Muhammad Kuli Khan Khattak was appointed on June 2, 2016 to fill the vacancy. Board records its appreciation for the contributions made by Choudhry Sahib towards the growth of the Company.

Additionally, Mr. M.A.Faisal Khan and Mr. Ahmad Kuli Khan Khattak resigned and Mr. Kashif Suhail was appointed on the Board during the year. The Board records its appreciation for the valuable contributions made by the out-going members of the Board and warmly welcomes the new appointees.

Management Change

The Board appointed Mr. Hussain Kuli Khan as CEO for three years effective November 6, 2015. Consequently, Mr. Ahmed Kuli Khan Khattak resigned as the CEO.

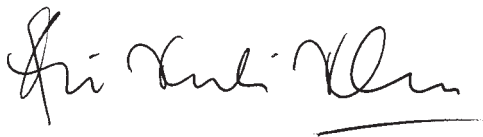
The Board offers thanks to its bankers and financial institutions for providing support, as solicited.

The Board also appreciates the dedicated services rendered by the employees and the management which is evidenced by the Company's record performance and results achieved for the period under review.

The relations with CBA remained cordial and they are contributing positively towards the goals and objectives of the Company.

The Board takes this opportunity to thank our Principal Technical partner Messers Continental for their continuous support and help in taking the Company to its present position.

Lastly I would also like to thank all our OEM's and Replacement market customers for their patronage and loyalty with 'General' brand.

A handwritten signature in black ink, appearing to read 'Ali Kuli Khan Khattak', with a horizontal line underneath.

LT.GEN. (RETD) ALI KULI KHAN KHATTAK
Chairman, Board of Directors

Karachi
October 4, 2016

تبدیلی بورڈ

اس سال ہمارے ڈائریکٹر جناب چوہدری شیر محمد (مرحوم) جنہوں نے 37 سال بحیثیت فائنانس ڈائریکٹر کمپنی کو اپنی خدمات پیش کی ہیں، 16 مارچ 2016 کو جہاں فانی سے کوچ فرما گئے، اور جناب محمد قلی خان خٹک 2 جون 2016 کو ڈائریکٹر کے عہدے پر فائز ہوئے، بورڈ نے چوہدری صاحب کی خدمات کو سراہا، جسکی وجہ سے کمپنی ترقی کی طرف گامزن رہی۔ مزید جناب ایم اے فیصل خان اور جناب احمد قلی خان خٹک اس سال مستعفی ہوئے اور جناب کاشف سہیل بورڈ میں شامل ہوئے، بورڈ مستعفی ہونے والے ممبران کی اہم خدمات کو سراہتا ہے، اور نئے آنے والوں کو تہ دل سے خوش آمدید کہتے ہیں،

مینیجمنٹ تبدیلی

بورڈ نے جناب حسین قلی خان کو 6 نومبر 2015 بطور چیف ایگزیکٹو آفیسر اگلے تین سال کیلئے منتخب کیا اور جناب احمد قلی خان خٹک بحیثیت چیف ایگزیکٹو آفیسر مستعفی ہو گئے۔ کمپنی کا بورڈ اپنے بکروز اور فنانشل انسٹیٹیوشنز کی قابل ذکر خدمات پر انکے مشکور ہیں۔

بورڈ اپنے ملازمین اور مینیجمنٹ کی خدمات کو سراہتی ہے جن کی کاوش کمپنی کی ریکارڈ ساز کارکردگی اور حاصل کردہ کامیابی اس بات کی گواہی ہے، CBA کے ساتھ تعلقات خوش گوار رہے ہیں اور وہ کمپنی کے مقصد حاصل کرنے میں مثبت کردار ادا کر رہے ہیں۔

بورڈ اپنے اہم ٹیکنیکل حصہ دار کا ٹیکنیکل کمپنی کا تہ دل سے شکر گزار ہے، جن کی وجہ سے کمپنی آج اس مقام پر کھڑی ہے۔

اختتام پر میں اور جنیل اکیو پینٹ مینوفیکچررز اور ریپلیسمنٹ مارکیٹ کسٹمرز کا شکر گزار ہوں جو جنرل برانڈ پر اعتماد اور حمایت کرتے ہیں۔



لیفٹنٹ جنرل (ریٹائرڈ) علی قلی خان خٹک

چیئر مین بورڈ آف ڈائریکٹرز

کراچی: 4 اکتوبر 2016

چیمبر مین کا تجزیہ

ختم ہونے والے سال 30 جون 2016

میں نہایت مسرت اور سعادت کے ساتھ جنرل ٹائر اینڈ ربر کمپنی آف پاکستان لمیٹڈ کے ممبران کو کمپنی کی کارکردگی رپورٹ ختم ہونے والے سال 30 جون 2016 پیش کر رہا ہوں۔

جنرل ٹائر کی ٹیم ایک دفع پھر ایک اور مقصد کو حاصل کرنے میں کامیاب ہو گئی ہے، جو کہ ایک بلین روپے بعد از حاصل منافع کی حد عبور کر چکا ہے، میں انتظامیہ کو اس مقصد کی تکمیل پر مبارکباد پیش کرتا ہوں۔ اس سال کمپنی نے ٹیکس سے پہلے منافع 1.5 بلین روپے کمایا جو کہ پچھلے سال 1.1 بلین روپے تھا جو کہ 36 فیصد زیادہ ہے۔

اس مالیاتی سال میں کمپنی کی سیل اتار چڑھاؤ سے گزری ہے، پہلے کوارٹر میں اورینٹل اکیو پینٹ میڈیو پیچرز (او. ای. ایم) کی خریداری کی تیزی دیکھی گئی، جس میں پیٹیج کار، لائٹ ٹرک اور ٹرک / بس ٹائرز شامل ہیں، دوسرے کوارٹر میں نیو نیچے آگئی، چونکہ ہمارے دو بڑے ٹریڈر ٹائر (او. ای. ایم) کسٹمرز نے اپنے پلانٹ بند کر دیے تھے، اگلے دو کوارٹر میں کمپنی نے دوبارہ اپنی کھوئی ہوئی سیل حاصل کر لی، جس نے کمپنی کو سال کا اختتام اچھے انداز سے کرنے کے قابل بنایا۔

ریٹیلیمنٹ مارکیٹ کی سیلز کو مسلسل مشکلات کا سامنا کرنا پڑا جسکی وجہ مارکیٹ میں اسمگلڈ اور انڈر انوائسڈ ٹائرز کی بہت طا ہے، جو کہ پچھلے سال کسٹم ڈیوٹی میں کمی کی وجہ سے مزید متاثر ہوئی ہے۔

اس تجزیاتی سال کے دوران کمپنی کافی حد تک پلانٹ اور اکیو پینٹ کی خریداری اور اسکی تنصیب میں مصروف رہی ہے، کمپنی نے پاکستان کے سب سے بڑے فائر ٹیوب بوائمر کی تنصیب کی ہے، جو کام کا آغاز کر چکا ہے، ملکنگ پلانٹ کے لیے مشینری درآمد کر لی گئی ہے، اور نئی بلڈنگ میں اس کی تنصیب آخری مراحل میں ہے،

مستقبل کے نقطہ نظر

امید کی جاتی ہے کہ اگلے سال کے دوسرے کوارٹر میں ہمارا نیا ملکنگ پلانٹ پیداواری عمل میں شامل ہو جائے گا، جو پیداواری صلاحیت میں اضافہ کرے گا اور کمپنی کی مصنوعات کی اضافی طلب کو پورا کرے گا جسکی وجہ گاڑیوں کی پیداوار میں اضافہ اور پاک چائنار اہداری منصوبے کی وجہ سے بڑھتی ہوئی اقتصادی سرگرمیاں ہیں۔

جیسا کہ اوپر واضح کیا گیا ہے کہ اسمگلڈ اور انڈر انوائسڈ ٹائرز مسلسل ہماری سیلز کو نقصان پہنچا رہے ہیں، مزید گورنمنٹ نے اس بحث میں کسٹم ڈیوٹی میں کوئی تبدیلی نہیں کی، جو کہ پچھلے سال کم کی گئی تھی۔ باوجود اس کہ کمپنی نے حکومت کو کسٹم ڈیوٹی بڑھانے یا معقول کرنے کے لیے قائل کرنے کی کوشش کی تھی اسکا منفی اثر کمپنی کی سیلز پر پڑتا ہے ہم مسلسل کوشش کے ساتھ گورنمنٹ کے سامنے یہ معاملہ پیش کرتے ہیں کہ کسٹم ڈیوٹی کو بڑھایا جائے، یا درآمد شدہ ٹائرز کی آئی. ٹی. پی حقیقی بنیادوں پر بڑھائی جائے۔

خام مال کی قیمتوں میں اضافے کا رجحان دو سال کے گراؤ کے بعد بڑھتی ہوئی تیل کی قیمت کی وجہ سے ہے جو کہ منافع پر اثر انداز ہو سکتی ہے کمپنی ہوشیار خریداری کر کے اس اثر کو بہتر طریقے سے کم کرے گی۔

ضابطہ برائے کاروباری نظم و نسق

ہماری کمپنی کاروباری نظم و نسق کو بہت سنجیدگی سے لیتی ہے، کمپنی کی سیوریٹیز اینڈ ایچ جی کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کے ساتھ قریبی روابط ہے، اور اچھے ضابطہ برائے کاروباری نظم و نسق کو اسکی پوری روح کے ساتھ تکمیل کرتی ہے۔

Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2016.

	2016 (Rupees in Thousand)	2015
Financial Results		
Profit for the year after taxation	1,032,287	732,855
Other comprehensive loss	(22,513)	(17,185)
Unappropriated profit brought forward	1,760,434	1,433,277
	2,770,208	2,148,947
Appropriation		
Dividend	(418,399)	(388,513)
Unappropriated profit carried forward	2,351,809	1,760,434
	Rs. 17.27	Rs. 12.26

The Board of Directors has recommended nil dividend for the year ended June 30, 2016.

Compliance with the Code of Corporate Governance

As required under the Code of Corporate Governance, the Directors are pleased to confirm that:

- The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of the financial statements and departures, if any, have been adequately disclosed.
- 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 a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- Key operating and financial data for the last 6 years have been included in the Annual Report.
- Information regarding outstanding taxes and levies is given in the notes to the financial statements.

- The value of investments made by the staff retirement funds as per their respective audited accounts are given below:

	Value of Investment	Year ended
Provident Fund	Rs. 351.42 Million	June 30, 2015
Gratuity Fund	Rs. 107.98 Million	June 30, 2015

- No trading in the shares of the Company was carried out by the Directors, CFO, Company Secretary, their spouses and minor children.

Corporate Social Responsibility

General Tyre & Rubber Company of Pakistan has the culture and history of undertaking social and philanthropic activities which reflects the commitment of its sponsors towards the social uplift of the down trodden.

The Company regularly pays to Wakf-e-Kuli Khan Trust, a trust engaged in spreading of education in the under privileged class. During the current year the Company has provided for Rs. 25.6 million as donation to Wakf-e-Kuli Khan. Additionally, the Company also paid during the year donations amounting to Rs. 1.2 million to various hospitals and charitable organizations.

During the year the Company contributed Rs. 2,266.4 million towards national exchequer under various modes.

Board Meetings

During the year six (6) meetings of the Board of Directors were held. Attendances by each Director are as follows:

S. No.	Name of Director	No. of Meetings Attended
1.	Mr. Ahmed Kuli Khan Khattak *	1
2.	Lt. Gen. (Retd) Ali Kuli Khan Khattak	6
3.	Mr. Choudhry Sher Muhammad (Late) **	1
4.	Mr. Hussain Kuli Khan (CEO)	4
5.	Mr. Ikram Ul-Majeed Sehgal	4
6.	Mr. Kashif Suhail ***	4
7.	Mr. M.A. Faisal Khan ****	2
8.	Mr. Mansur Khan	5
9.	Mr. Manzoor Ahmed	6
10.	Mr. Mazhar Sharif	6
11.	Mr. Muhammad Kuli Khan Khattak *****	1
12.	Mr. Raza Kuli Khan Khattak	6
13.	Dr. Willi Flamm	6

- * Resigned on November 5, 2015
- ** Appointed on January 28, 2016 and died March 16, 2016
- *** Appointed January 28, 2016
- **** Resigned on November 4, 2015
- ***** Joined June 2, 2016

Chairman's Review

The Directors of the Company endorse the contents of the Chairman's Review which covers plans and decisions for business along with future outlook and industry review.

Pattern of Shareholding

A statement showing the pattern of holding of shares as at June 30, 2016 is attached.

Auditors

The present Auditors, ShineWing Hameed Chaudhri & Co., Chartered Accountants retire and being eligible, offered themselves for re-appointment. On the recommendation of the Audit Committee, the Board of Directors has recommended to appoint Messrs ShineWing Hameed Chaudhri & Co. Chartered Accountants as Auditors of the Company for the year ending June 30, 2017.

For and on behalf of the Board of Directors



Hussain Kuli Khan
Chief Executive

Karachi
October 4, 2016

کمپنی کے ملازمین کے سرمایہ کفالت کی مالیت اس کے آڈٹڈ اکاؤنٹس 30 جون 2015 کے مطابق درج ذیل ہے۔

پر ووڈنٹ فنڈ - 351.42 ملین روپے

گریجویٹ فنڈ - 107.98 ملین روپے

کمپنی کے ڈائریکٹرز، چیف فنانس افسر، اور کمپنی سکریٹری اور ان کے فیملی ممبرز نے کمپنی کے حصص میں کوئی کاروبار نہیں کیا۔

کمپنی کی سماجی ذمہ داری

جزل ٹائر اینڈ ربر کمپنی آف پاکستان کی سماجی اور انسان دوست سرگرمیوں کی ایک تاریخ اور ثقافت ہے، جو ہمیں رسیدہ لوگوں کی سماجی ترقی کی جانب عزم کی عکاسی کرتی ہے۔ کمپنی وقف قلی خان ٹرسٹ کو جو کہ مستحق طبقہ کی تعلیم کو فروغ دینے میں مصروف عمل ہے باقاعدگی سے عطیہ دیتی ہے اس سال کمپنی نے 25.60 ملین روپے وقف قلی خان ٹرسٹ کو بطور عطیہ دیا ہے، اس کے علاوہ کمپنی نے 1.20 ملین روپے مختلف ہسپتالوں اور فلاحی اداروں کو بطور عطیہ دیا ہے، اس سال کمپنی نے مختلف مدوں میں 2,266.40 ملین روپے قومی خزانے میں جمع کرائے ہیں۔

بورڈ میٹنگ

اس سال کے دوران بورڈ آف ڈائریکٹرز کی چھ (6) میٹنگز منعقد کی گئی، جسکی حاضری درج ذیل ہیں۔

نمبر شمار	ڈائریکٹرز	میٹنگز میں حاضری کی تعداد
1	جناب احمد قلی خان خٹک *	1
2	لیفٹنٹ جنرل (ریٹائرڈ) علی قلی خان خٹک	6
3	جناب چوہدری شیر محمد (مرحوم) **	1
4	جناب حسین قلی خان (چیف ایگزیکٹو آفیسر)	4
5	جناب اکرام اللہ سہگل	4
6	جناب کاشف سہیل ***	4
7	جناب ایم اے فیصل خان ****	2
8	جناب منصور خان	5
9	جناب منظور احمد	6
10	جناب مظہر شریف	6
11	جناب محمد قلی خان خٹک *****	1
12	جناب رضا قلی خان خٹک	6
13	ڈاکٹر ولی فہیم	6

* 5 نومبر 2015 کو مستعفی ہوئے۔

** 28 جنوری 2016 کو بورڈ میں شامل ہوئے اور 16 مارچ 2016 کو انتقال فرما گئے۔

*** 28 جنوری 2016 کو بورڈ میں شامل ہوئے

**** 4 نومبر 2015 کو مستعفی ہوئے

***** 2 جون 2016 کو بورڈ میں شامل ہوئے

چئیرمین کا تجزیہ

کمپنی کے ڈائریکٹرز چئیرمین کے تجزیہ کی تصدیق کرتے ہیں جو کاروباری منصوبوں اور فیصلوں کو مستقبل کی عکاسی اور انڈسٹری کے تجزیے پر مشتمل ہے۔

شیئر ہولڈنگ کا پیٹرن

کمپنی کی شیئر ہولڈنگ کا پیٹرن 30 جون 2016 اس رپورٹ میں درج ہے۔

آڈیٹرز

سکدوش ہونے والے آڈیٹرز میسرز شائن ونگ حمید چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر خود کو دوبارہ تقرری کے لیے پیش کیا ہے، آڈٹ کمیٹی نے آڈیٹرز کی سال 2017 کے لیے دوبارہ تقرری کے لیے سفارش کی ہے، بورڈ آف ڈائریکٹرز نے اس سفارش کی توثیق کی ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

حسین قلی خان

چیف ایگزیکٹو آفیسر

کراچی: 4 اکتوبر 2016

شیئر ہولڈرز کے لیے ڈائریکٹر رپورٹ

ختم ہونے والے سال 30 جون 2016

کمپنی کے ڈائریکٹرز نہایت مسرت کے ساتھ ختم ہونے والے سال 30 جون 2016 کے سالانہ آڈیٹڈ مالیاتی گوشوارے پیش کرتے ہیں۔

مالیاتی نتائج

سال کا اختتام	سال کا اختتام	
30 جون 2015	30 جون 2016	
----- (روپے '000) -----		
732,855	1,032,287	منافع بعد از ٹیکس
(17,185)	(22,513)	دیگر جامع (خسارہ) برائے سال
1,433,277	1,760,434	غیر تقسیم شدہ منافع سال کے آغاز پر
2,148,947	2,770,208	تصرفات کے لیے دستیاب منافع
		تصرفات
(388,513)	(418,399)	نقد تقسیم شدہ منافع
1,760,434	2,351,809	غیر تصرف شدہ منافع سال کے اختتام پر
12.26 روپے	17.27 روپے	آمدنی فی شیئر

بورڈ آف ڈائریکٹرز نے اس سال کیش ڈیویڈنڈ نہ دینے کا فیصلہ کیا ہے

ضابطہ برائے کاروباری نظم و نسق پر عمل درآمد

ضابطہ برائے کاروباری نظم و نسق کے مطابق ڈائریکٹرز مسرت کے ساتھ یقین دہانی کراتے ہیں کہ:

- کمپنی کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی گوشوارے شفافیت کے ساتھ کمپنی کے فرد بقایا، فرد توازن، آپریشن کے نتائج، نقدی نقل و حرکت، اور ایکویٹی میں تبدیلیوں کو پیش کرتی ہے۔
- کمپنی حسابات کی کتب کو باقاعدہ برقرار رکھتی ہے۔
- مالیاتی گوشوارے کی تیاری کے لیے مناسب اکاؤنٹنگ پالیسیاں مسلسل لاگو کی جاتی ہیں اور اکاؤنٹنگ تخمینوں، معقول اور دانشمندانہ فیصلوں پر مبنی ہوتے ہیں۔
- پاکستان میں لاگو ہونے والے انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز پر مالیاتی گوشواروں کی تیاری کی جاتی ہے اور اگر کوئی چیز اس سے ہٹ کر ہو تو اسے موضوع طریقے سے واضح کیا جاتا ہے۔
- اندرونی کنٹرول کا نظام بہترین انداز میں مرتب کیا گیا ہے اور ساتھ ساتھ اس کی باقاعدہ نگرانی کی جاتی ہے۔
- جاری و ساری منصوبوں اور امور کی انجام دہی کے لیے کمپنی کی بہترین صلاحیتوں پر کوئی شک نہیں کیا جاسکتا۔
- لسٹنگ ریگولیشنز میں دی گئی تفصیل کے مطابق کاروباری نظم و نسق کے بہترین طریقوں میں کوئی میٹرل ڈیپارچمنٹ نہیں کیا جاتا۔
- کمپنی کے اہم کارکردگی اور مالیاتی ڈیٹا کا پچھلے 6 سالوں کا خلاصہ رپورٹ میں دیا گیا ہے۔
- ٹیکس جات کے بارے میں معلومات ٹوٹ ڈی اکاؤنٹس میں درج ہیں۔

Notice of Fifty Third (53rd) Annual General Meeting

Notice is hereby given that the Fifty-Third (53rd) Annual General Meeting of The General Tyre & Rubber Company of Pakistan Limited will be held at the Institute of Chartered Accountants of Pakistan, Auditorium, Clifton, Karachi on Monday, 31 October 2016 at 12.15 p.m., to transact the following business:

Ordinary Business

1. To confirm the minutes of Fifty-Second (52nd) Annual General Meeting held on Tuesday, 29 September 2015.
2. To receive, consider and adopt the Audited Financial Statements for the year ended 30 June 2016, together with Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending 30 June 2017 and to fix their remuneration. The retiring auditors, Messrs ShineWing Hameed Chaudhri & Co., Chartered Accountants, being eligible, have offered themselves for reappointment for the year ending 30 June 2017.
4. Any other business with the permission of the Chair.

Special Business:

5. To consider, and if thought fit, to pass the following resolution as a Special Resolution:
 "RESOLVED that Articles of Association of the Company be amended by adding a new Article 57 (4) as follows:
 The provisions and requirements for e-voting as prescribed by the SECP from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of the other provisions of these Articles and notwithstanding anything contradictory therein."
6. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:
RESOLVED that, unless specifically requested by a shareholder for a hard copy of annual audited accounts, transmission/circulation of the annual audited accounts to shareholders through CD/DVD/USB instead of transmitting the same in hard copies to shareholders be and is hereby approved.

By Order of the Board



Farhan Ahmad
Company Secretary

Karachi
Dated: October 4, 2016

NOTES:

1. The share transfer books of the Company shall remain closed from 24 October 2016 to 31 October 2016 (both days inclusive). Transfers received at the Company's share registrar, Share Registrar Department, Central Depository Company of Pakistan Limited. CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahrah-e-Faisal, Karachi by close of business on 21 October 2016 will be considered in time for eligibility for final dividend and to attend the AGM.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/ her vote by proxy. Proxies must be deposited at the Company's Registered Office at H-23/2, Landhi Industrial Trading Estate, Landhi, Karachi no later than 48 hours before the time for holding the meeting.
3. Members are requested to notify change in their address, if any, immediately.
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/ her identity by showing his/ her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
5. The shareholders holding physical shares are also required to bring their original CNIC and/ or copy of CNIC of shareholder(s) of whom he/ she/ they hold Proxy(ies) without CNIC such shareholder(s) shall not be allowed to attend and/ or sign the Register of Shareholders/ Members at the AGM.

6. Transmission of Annual Financial Statements through Email:

In pursuance of the directions given by SECP vide SRO 787 (1)/ 2014 dated 8 September 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.gentipak.com and send the said form duly filled in and signed along with copy of his /her / its CNIC / Passport to the Company's Share Registrar.

Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore this notice. Annual Financial Statements will be sent at your registered address, as per normal practice.

Statement Under Section 160 of the Companies Ordinance, 1984

This Statement is annexed to the Notice of the Annual General Meeting of The General Tyre and Rubber Company of Pakistan Limited to be held on Monday, 31 October 2016 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 6 of the Agenda

To give effect to the Companies (E-Voting) Regulations 2016, shareholders' approval is being sought to amend the Articles of Association of the Company to enable e-voting.

Item 7 of the Agenda

The Securities and Exchange Commission of Pakistan vide its S.R.O. 470(i)/2016 dated 31 May 2016 has allowed listed companies to transmit their audited annual accounts to shareholders through CD/DVD/USB instead of sending hard copy of the same to each shareholder, subject to fulfillment of a few conditions including seeking of consent of the members. This will be a convenient and cost effective way for the company to transmit its annual audited accounts to its members.

6- سالانہ مالیاتی گوشواروں کی بذریعہ ای۔میل منتقلی

SECP کے خط نمبر 2014/1(787) SRO بتاریخ 8 ستمبر کی ہدایات کے تحت وہ شیئرز ہولڈرز جو مستقبل میں اپنے مالیاتی گوشوارے ڈاک کے بجائے ای میل کے ذریعے وصول کرنا چاہتے ہیں، ان سے درخواست ہے کہ وہ کمپنی کی ویب سائٹ www.gentipak.com پر دستیاب درخواست فورم میں اپنے کارآمد ای۔میل ایڈریس فراہم کر کے باقاعدہ اپنی رضامندی دیں اور یہ فارم مکمل طور پر پُر کر کے اپنی CNIC / پاسپورٹ کی کاپی کے ساتھ کمپنی کے شیئرز رجسٹرار کے دفتر بھیجیں۔

یاد رہے کہ سالانہ مالیاتی گوشوارے ڈاک کے بجائے بذریعہ ای۔میل وصول کرنے کا اپشن اختیاری ہے۔ اگر آپ اس سہولت سے فائدہ نہیں اٹھانا چاہتے تو اس نوٹس کو نظر انداز کر دیں۔

سالانہ مالیاتی گوشوارے آپ کے رجسٹرڈ پتے پر بدستور ارسال کئے جاتے رہیں گے۔

کمپنیز آرڈیننس 1984 کی دفعہ 160 کے تحت بیان

یہ بیان، جنرل نائز ایڈز بر کمپنی آف پاکستان لمیٹڈ کے پیر 31 اکتوبر، 2016 کو سالانہ اجلاس عام کے نوٹس سے متعلق ہے۔ جس میں خصوصی کارروائی انجام دی جائے گی۔ اس بیان کا مقصد خصوصی کاروبار سے متعلق مادی حقائق کا تعین کرنا ہے۔

ایجنڈا آئٹم نمبر 6

کمپنیز (ای۔وونگ) ریگولیشنز 2016 کو موثر بنانے کے لئے کمپنی کے دستور میں ترامیم کے لئے شیئرز ہولڈرز کی منظوری حاصل کی جا رہی ہے تاکہ ای۔وونگ کے طریقہ کار پر عمل کیا جاسکے۔

ایجنڈا آئٹم نمبر 7

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے 2016(1)470 SRO مورخہ 31 مئی 2016 کے مطابق اس بات کی اجازت دی ہے کہ لسٹڈ کمپنیاں اپنے سالانہ آڈیٹڈ اکاؤنٹس شیئرز ہولڈرز کو کاغذی شکل میں بھیجنے کے بجائے CD/DVD/USB کے ذریعے ارسال کریں، جس کا اٹھار چنڈ شراٹھ بشمول ممبران کی رضامندی پر ہے۔

یہ ایک نہایت باسہولت اور کم خرچ طریقہ ہے جس سے کمپنی اپنے سالانہ آڈیٹڈ اکاؤنٹس ممبران کو بھیج سکتی ہے۔

53 ویں سالانہ اجلاس عام کانوٹس

2- سالانہ اجلاس میں حاضر ہونے اور ووٹ دینے کا حق دار کوئی بھی ممبر کسی دوسرے ممبر کو اجلاس میں حاضر ہونے اور ووٹ دینے کے لیے اپنی / اپنا نمائندہ مقرر کر سکتا ہے۔ نمائندے کا تقرر نامہ اجلاس سے کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ آفس H-23/2 لاٹھی انڈسٹریل ٹریڈنگ اسٹیٹ، لاٹھی، کراچی میں موصول ہو جانا چاہئیں۔

3- ممبران سے درخواست ہے کہ اپنے پتے میں کسی بھی قسم کی تبدیلی سے کمپنی کو فوراً مطلع کریں۔

4- مزید برآں، سی ڈی سی اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر 1 مجریہ 26 جنوری 2000 میں فراہم کردہ مندرجہ ذیل ہدایات کی پیروی کرنی ہوگی۔

الف۔ اجلاس میں شرکت کرنے کے لئے:

(i) انفرادی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور یا جن کی سیکورٹیز ریٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق آپ لوڈ ہوں، کو اجلاس میں شرکت کے وقت اصل قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھانا ہوگا۔

(ii) کارپوریٹ ادارے کی صورت میں، اجلاس کے وقت بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی مع شخصی دستخط کے (تا وقتیکہ پہلے فراہم کی گئی ہو) پیش کرنا گی۔

ب۔ (Proxies) کی تقرری کے لئے:

(i) انفرادی صورت میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور یا جن کی سیکورٹیز ریٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق آپ لوڈ ہوں، مندرجہ بالا شرائط کے مطابق پراکسی فارم جمع کرائیں گے۔

(ii) جن دو افراد سے پراکسی فارم کی تصدیق کروائی جائے گی ان کے نام، پتے اور CNIC نمبر فارم میں درج کیے جائیں گے۔

(iii) اصل ماکان کی CNIC یا پاسپورٹ کی مصدقہ نقول پراکسی فارم کے ساتھ منسلک کی جائیں گی۔

(iv) نامزد شخص کو اجلاس میں شرکت کے وقت اصل CNIC یا اصل پاسپورٹ مہیا کرنا ہوں گے۔

(v) کارپوریٹ شیئر ہولڈرز کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی امیدوار کے شخصی دستخط کے ساتھ کمپنی کو پراکسی فارم کے ساتھ جمع کروانی ہو گی (تا وقتیکہ پہلے فراہم کی گئی ہو)۔

5- کمپنی کے تمام شیئر ہولڈرز / ممبرز جن کے پاس کاغذی حالت میں شیئر موجود ہیں، ان سے درخواست کی جاتی ہے کہ وہ اپنے یا جن کے وہ نمائندے ہیں، ان کے کارڈ CNIC اور NTN سرٹیفیکیٹس کی کاپی لے کر آئیں۔ CNIC نہ ہونے کی صورت میں اجلاس کے وقت شیئر ہولڈر کو اجلاس میں شرکت اور شیئر ہولڈرز کے رجسٹر میں دستخط کرنے کی اجازت نہیں دی جائے گی۔

بذریعہ ہذا اطلاع دی جاتی ہے کہ جنرل ٹائر اینڈ بریکنگ آف پاکستان لمیٹڈ کا 53 واں سالانہ اجلاس عام بروز پیر 31 اکتوبر 2016 صبح 12:15 بجے بمقام اسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان، آڈیٹوریم کونشن، کراچی منعقد ہوگا۔ جس میں درج ذیل کارروائی پر عمل درآمد ہوگا۔

عمومی کارروائی

1- کمپنی کے 52 ویں سالانہ اجلاس عام منعقدہ جمعرات 29 ستمبر 2015 کی کارروائی کی تصدیق و توثیق۔

2- 30 جون 2016 کو ختم ہونے والے سال کے آڈٹ شدہ اکاؤنٹس مع ڈائریکٹرز اور آڈیٹرز کی رپورٹ کی وصولی، ان پر غور و خوض اور منظوری۔

3- 30 جون 2017 کو ختم ہونے والے سال کے لیے کمپنی آڈیٹرز کی تقرری اور ان کے معاوضے کا تعین۔ ریٹائر ہونے والے آڈیٹرز میسرز جمید چوہدری اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے 30 جون 2017 کو ختم ہونے والے سال کے لئے اہلیت کی بنیاد پر دوبارہ تقرری کے لیے اپنی خدمات پیش کی ہیں۔

4- اجلاس کے سربراہ کی اجازت سے کسی دیگر کارروائی پر غور و خوض۔

خصوصی کارروائی:

5- مندرجہ ذیل قرارداد پر غور و خوض اور اگر مناسب سمجھا گیا تو اس کی بطور خصوصی قرارداد منظور دینا:

”قرار پایا گیا کہ بذریعہ ہذا کمپنی کے دستور میں ذیل میں مذکور ایک نئی دفعہ (4) 57 کے اضافے کے بعد تنظیم کی منظوری دی جاتی ہے:

SECP کی جانب سے ای ویٹنگ کے لئے وقتاً فوقتاً صراحت کردہ ضوابط اور ضروریات کو دستور کے دیگر ضوابط سے قطع نظر اور اس میں کسی تضاد کے باوجود کمپنی کے دستور میں شامل کئے جانے پر غور و خوض۔

6- مندرجہ ذیل قرارداد پر غور و خوض اور اگر مناسب سمجھا گیا تو اس کی بطور خصوصی قرارداد منظور دینا:

قرار پایا گیا کہ بذریعہ ہذا سالانہ آڈیٹڈ اکاؤنٹس شیئر ہولڈرز کو کاغذی شکل میں فراہم کرنے کے بجائے CD/DVD/USB کے ذریعے، جب تک شیئر ہولڈر خصوصی طور پر کاغذی شکل میں سالانہ آڈیٹڈ اکاؤنٹس کی فراہمی کی درخواست نہ کرے، فراہم کرنے کی منظوری دی جاتی ہے۔

بیکم بورڈ

فرحان احمد

کمپنی سیکریٹری

کراچی
4 اکتوبر 2016

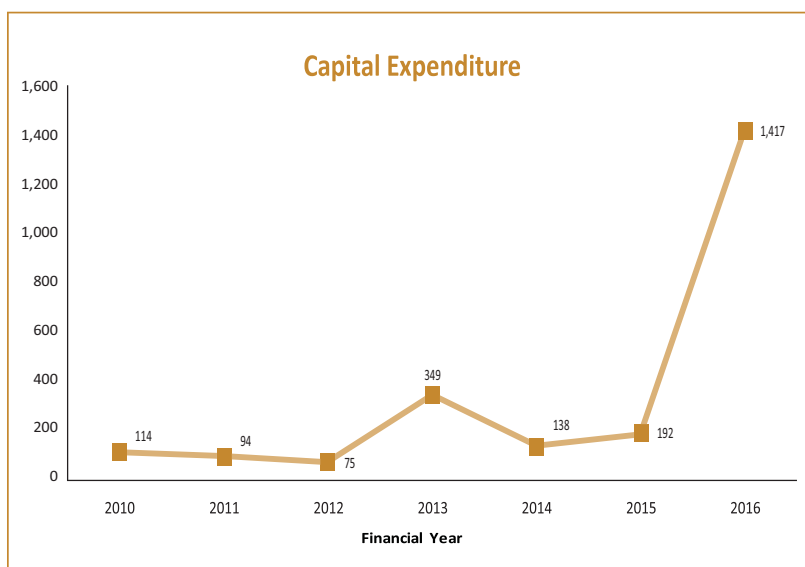
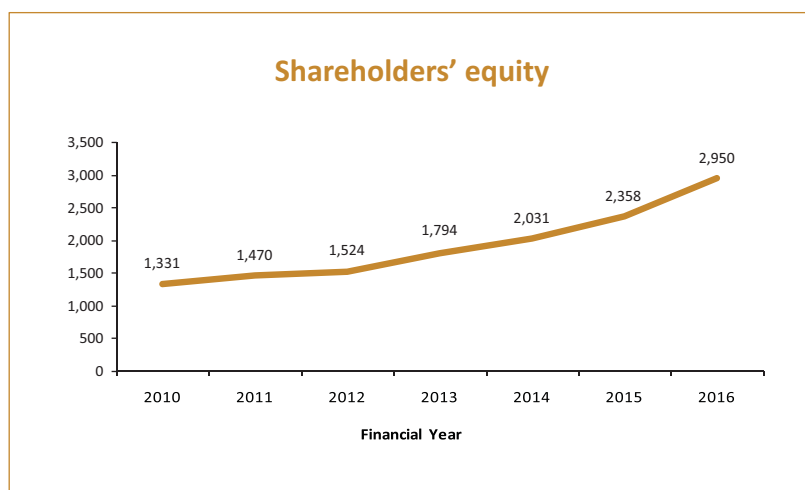
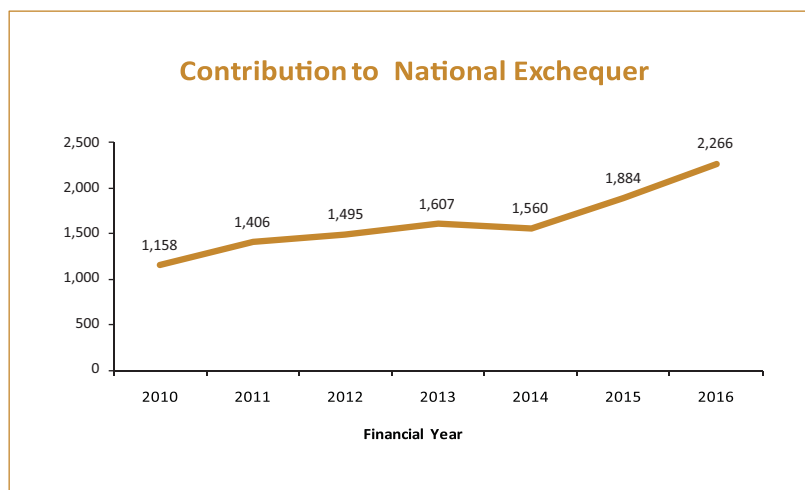
نوٹس:

1- کمپنی کے شیئر فرانسفر کے کھاتے 24 اکتوبر سے 31 اکتوبر 2016ء تک بند رہیں گے (دونوں ایام شامل ہیں)۔ سالانہ اجلاس عام میں شرکت اور حتمی ڈیویڈنڈ کی اہلیت کے لئے کمپنی کے شیئر رجسٹرار ڈپارٹمنٹ، بیننرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، CDC ہاؤس، B-99، بلاک B، ایس ایم سی ایچ ایس، مین شاہراہ فیصل کراچی کو 21 اکتوبر 2016 کو دفتر کی اوقات کار کے اختتام تک موصول ہونے والے فرانسفرز برقت تصور کئے جائیں گے۔

Key Operating and Financial Data

	2016	2015	2014	2013	2012	2011	2010
Rupees in million							
Operating Results							
Net sales	9,479	9,492	8,607	8,167	7,806	7,478	6,355
Gross profit	2,322	1,938	1,595	1,329	998	998	965
Profit before taxation	1,495	1,097	748	580	247	395	409
Profit after taxation	1,032	733	514	396	203	259	218
Cash dividend	70%	65%	45%	20%	25%	20%	-
Financial Position							
Operating Fixed assets - at cost	4,759	4,197	4,003	3,894	3,585	3,578	3,444
Share capital	598	598	598	598	598	598	598
Unappropriated profit	2,352	1,760	1,433	1,196	926	872	733
Shareholders' equity	2,950	2,358	2,031	1,794	1,524	1,470	1,331
Long -term loans	920	383	100	167	-	87	173

As per accounting policy, dividend is recognised as a liability in the period in which it is approved by the shareholders.



Certifications

Standard	Description	Certified by	Certified since	License No.
ISO 9001	Quality Management System	TUV-Austria International	2006	010131148
ISO 14001	Environmental Management System	NQA Pakistan	2015	E 5785
OHSAS 18001	Occupational Health and Safety Management System	NQA Pakistan	2015	H 9349



Statement of Value Addition

For the year ended June 30, 2016

	2016	2015
	----- Rupees in 000-----	
<u>Value addition</u>		
Net sales including sales tax	11,188,948	11,207,657
Other income	65,177	65,964
Cost of material and services	(5,995,435)	(6,524,269)
	5,258,690	4,749,352
<u>Value distribution</u>		
To Employees		
Salaries, wages, benefits and staff welfare	1,601,264	1,407,553
Workers' profit participation fund	80,276	58,934
To Government		
Income tax	462,456	364,180
Sales tax	1,709,903	1,716,005
Workers' welfare fund	30,505	23,109
To providers of Capital		
Dividend to shareholders	418,399	388,513
Mark up/ interest on barrowed money	136,159	258,301
To Society		
Donations	27,005	19,518
Retained for reinvestment & future growth		
Depreciation & retained profit	792,723	513,239
	5,258,690	4,749,352
Distribution		
Employees	31.98%	30.88%
Government	41.89%	44.29%
Providers of capital	10.55%	13.62%
Society	0.51%	0.41%
Retained for reinvestment & future growth	15.07%	10.81%
	100.00%	100.00%

Statement of Compliance with Code of Corporate Governance

For the year ended June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices of corporate governance.

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

1. The Company encourages the representation of independent, non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Executive Director (1)	Mr. Hussain Kuli Khan
Non Executive Directors (8)	Lt. Gen. (Retd.) Ali Kuli Khan Khattak Mr. Raza Kuli Khan Khattak Mr. Ikram Ul-Majeed Sehgal Dr. Willi Flamm Mr. Muhammad Kuli Khan Khattak Mr. Mansur Khan Mr. Mazhar Sharif Mr. Kashif Suhail
Independent Director (1)	Mr. Manzoor Ahmed

The independent director meets the criteria of independence under clause 5.19.1(b) of the Code.

2. The Directors have confirmed that none of them is serving as a Director on the Board of more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Three (3) casual vacancies occurred during the period under review. These vacancies were filled up by the directors within 90 days.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / 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 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, other executive and non executive directors, have been taken by the Board / Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 to all the directors. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified on clause 5.19.7 of the Code, three (3) Directors of the Company are exempted from the requirements of directors' training program as prescribed by the Code. Four (4) Directors are already Certified Director and during the year three (3) incoming directors have become certified through Directors' Training Program. All the Directors are fully conversant with their duties and responsibilities; they were further apprised through orientation courses during the year.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year 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 three (3) members and all of them are non-executive directors, including one independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of four (4) members, of whom one (1) is executive director, three (3) members are non-executive directors, including one (1) independent director. The Chairman of the Committee is a non-executive director.
18. The Board has set -up an effective Internal Audit Function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company.
19. 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 (ICAP), 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 the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code have also been complied with.

For and on behalf of the Board of Directors



Hussain Kuli Khan

Chief Executive Officer

Karachi
October 4, 2016

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **The General Tyre and Rubber Company of Pakistan Limited** (the Company) for the year ended June 30, 2016 to comply with the Code contained in Regulation No.5.19 of the Pakistan Stock Exchange Limited.

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

As a 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

KARACHI; 04 OCT 2016

Amir Hameed Chaudhri No.
SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **The General Tyre and Rubber Company of Pakistan Limited** as at June 30, 2016 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 accounts 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 accounts and are further in accordance with accounting policies consistently applied;
 - (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, 2016 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 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KARACHI; 04 OCT 2016
Engagement Partner: Muhammad Ali


SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

Balance Sheet

As at June 30, 2016

	2016	2015
Note	----- Rupees in '000 -----	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized capital	750,000	750,000
75,000,000 (2015: 75,000,000) ordinary shares of Rs.10 each		
Issued, subscribed and paid-up capital	4 597,713	597,713
Unappropriated profit	2,351,809	1,760,434
Total equity	2,949,522	2,358,147
Liabilities		
Non current liabilities		
Long term finances	5 920,276	383,334
Staff benefits	6 277,287	241,157
Deferred taxation	7 232,281	210,871
Long term deposits from dealers	8 8,930	8,990
	1,438,774	844,352
Current liabilities		
Current maturity of long term finances	5 224,057	116,666
Short term finances	9 143,889	86,030
Running finances under mark-up arrangements	10 621,020	666,389
Trade and other payables	11 1,293,036	1,183,356
Accrued mark-up	12 32,929	17,331
Provisions	13 109,282	75,794
	2,424,213	2,145,566
Total liabilities	3,862,987	2,989,918
Contingencies and commitments	14	
Total equity and liabilities	6,812,509	5,348,065

Balance Sheet

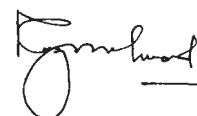
As at June 30, 2016

	2016	2015
Note	----- Rupees in '000 -----	
ASSETS		
Non current assets		
Property, plant and equipment	15 3,168,699	1,935,858
Intangible assets	16 36,215	2,048
Investment in an associated company	17 6,019	3,321
Long term loans and advances	18 10,888	10,493
Long term deposits	19 32,667	33,567
	3,254,488	1,985,287
Current assets		
Stores and spares	20 496,552	491,657
Stocks	21 1,570,594	1,456,593
Trade debts	22 1,024,670	851,269
Loans and advances	23 101,474	61,501
Deposits and prepayments	24 66,130	125,443
Other receivables	25 68,901	30,982
Taxation - net	112,849	103,564
Cash and bank balances	26 116,851	241,769
	3,558,021	3,362,778
Total assets	6,812,509	5,348,065

The annexed notes 1 to 45 form an integral part of these financial statements.



Hussain Kuli Khan
Chief Executive Officer



Manzoor Ahmed
Director

Profit and Loss Account

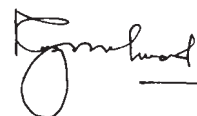
For the year ended June 30, 2016

	Note	2016 ---- Rupees in '000 ----	2015
Sales	27	9,479,045	9,491,652
Cost of sales	28	(7,157,029)	(7,553,193)
Gross profit		2,322,016	1,938,459
Administrative expenses	29	(210,598)	(200,241)
Distribution cost	30	(399,335)	(331,593)
Other income	31	65,177	65,567
Other expenses	32	(149,509)	(117,253)
Profit from operations		1,627,751	1,354,939
Finance cost	33	(136,159)	(258,301)
		1,491,592	1,096,638
Share of profit of an associated company		3,151	397
Profit before taxation		1,494,743	1,097,035
Taxation	34	(462,456)	(364,180)
Profit for the year		1,032,287	732,855
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of staff retirement benefit obligation		(32,628)	(25,272)
Impact of deferred tax		10,115	8,087
Other comprehensive loss for the year - net of tax		(22,513)	(17,185)
Total comprehensive income for the year		1,009,774	715,670
		----- Rupees -----	
Earnings per share - basic and diluted	35	17.27	12.26

The annexed notes 1 to 45 form an integral part of these financial statements.



Hussain Kuli Khan
Chief Executive Officer



Manzoor Ahmed
Director

Cash Flow Statement

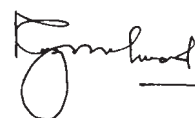
For the year ended June 30, 2016

	2016	2015
Note	---- Rupees in '000 ----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	36 1,706,084	3,040,945
Staff retirement gratuity paid	(39,782)	(33,583)
Compensated absences paid	(6,796)	(4,202)
Long term deposits from dealers - net	(60)	(2,180)
Finance cost paid	(120,561)	(319,287)
Taxes paid	(469,440)	(275,779)
Long term loans and advances - net	(395)	(484)
Long term deposits - net	900	(2,555)
Net cash generated from operating activities	1,069,950	2,402,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,417,025)	(192,050)
Purchase of intangible assets	(35,951)	(965)
Proceeds from sale of operating fixed assets	14,933	5,406
Dividend received	453	-
Profit on bank deposits received	302	318
Net cash used in investing activities	(1,437,288)	(187,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance - repaid	(116,667)	(66,667)
Long term finance - obtained	761,000	400,000
Short term finances - net	57,859	(628,383)
Dividend paid	(414,403)	(385,183)
Net cash generated from / (used in) financing activities	287,789	(680,233)
Net (decrease) / increase in cash and cash equivalents	(79,549)	1,535,351
Cash and cash equivalents - at beginning of the year	(424,620)	(1,959,971)
Cash and cash equivalents - at end of the year	37 (504,169)	(424,620)

The annexed notes 1 to 45 form an integral part of these financial statements.



Hussain Kuli Khan
Chief Executive Officer



Manzoor Ahmed
Director

Statement of Changes in Equity

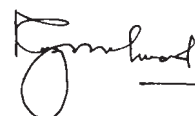
For the year ended June 30, 2016

	Issued, subscribed and paid-up capital	Unappro- priated profit	Total
----- Rupees in '000 -----			
Balance as at July 1, 2014	597,713	1,433,277	2,030,990
Transaction with owners, recognised directly in equity			
Final dividend for the year ended June 30, 2014 at the rate of Rs.6.50 per share	-	(388,513)	(388,513)
Total comprehensive income for the year ended June 30, 2015			
Profit for the year	-	732,855	732,855
Other comprehensive loss	-	(17,185)	(17,185)
	-	715,670	715,670
Balance as at June 30, 2015	597,713	1,760,434	2,358,147
Transaction with owners, recognised directly in equity			
Final dividend for the year ended June 30, 2015 at the rate of Rs.7.00 per share	-	(418,399)	(418,399)
Total comprehensive income for the year ended June 30, 2016			
Profit for the year	-	1,032,287	1,032,287
Other comprehensive loss	-	(22,513)	(22,513)
	-	1,009,774	1,009,774
Balance as at June 30, 2016	597,713	2,351,809	2,949,522

The annexed notes 1 to 45 form an integral part of these financial statements.



Hussain Kuli Khan
Chief Executive Officer



Manzoor Ahmed
Director

Notes to the Financial Statements

For the year ended June 30, 2016

1. LEGAL STATUS AND OPERATIONS

The General Tyre and Rubber Company of Pakistan Limited (the Company) was incorporated in Pakistan on March 7, 1963 as a private limited company and was subsequently converted into a public limited company. Its shares are quoted on Pakistan Stock Exchange Limited. The registered office is situated at H - 23/2, Landhi Industrial Trading Estate, Landhi, Karachi with regional offices at Lahore, Multan and Islamabad. The Company is engaged in the manufacturing and trading of tyres and tubes for automobiles and motorcycles.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified by the recognition of certain staff retirement benefit present value of defined benefit obligation net of fair value of plan assets.

2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

2.4 Changes in accounting standards and interpretations

2.4.1 Standards and amendments to approved accounting standards effective in current year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2015:

- (a) IFRS 12 'Disclosure of interests in other entities includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Company's accounting policy is in line with the requirements of this standard.
- (b) IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

Notes to the Financial Statements

For the year ended June 30, 2016

2.4.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2015 and have not been early adopted by the Company:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Company has yet to assess the impact of this standard on its financial statements.
- (c) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable to annual periods beginning on or after January 1, 2016, The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Notes – confirmation that the notes do not need to be presented in a particular order. Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards / accounting policies are not required for these amendments. These amendments likely to only affects the disclosures in the Company's financial statements.
- (d) Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are not likely to have material impact on the Company's financial statements.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise judgements in the process of applying the Company's accounting policies.

Notes to the Financial Statements

For the year ended June 30, 2016

Estimates and judgements 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements.

The assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy note. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:

- (i) Provision for staff retirement benefits [note 3.1]
- (ii) Provision for taxation [note 3.2]
- (iii) Estimate of useful lives and residual values of property, plant & equipment and intangible assets [notes 3.5 and 3.6]
- (iv) Provision for doubtful debts [note 3.10]
- (v) Provision for tyre replacement allowance [note 3.17]

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Staff retirement benefits

3.1.1 Defined benefit plans

The Company operates an approved funded gratuity scheme for its senior executive staff and an unfunded gratuity scheme for employees not covered by the funded gratuity scheme. The schemes define the amounts of benefit that an employee will receive on retirement subject to minimum qualifying period of service under the schemes. The amount of retirement benefits are usually dependent on one or more factors such as age, years of service and salary.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets (if any). The defined benefit obligation is calculated annually on the basis of actuarial valuation.

The actuarial valuations of both schemes are carried-out by an independent expert, using the 'Projected Unit Credit Method' with the latest valuation being carried-out as on June 30, 2016.

The amounts arising as a result of re-measurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur. Past-service cost, if any, are recognised immediately in income.

3.1.2 Defined contribution plan

The Company also operates a recognised provident fund (the Fund) for its employees. Equal monthly contributions at the rate of 10% of basic salary are made to the Fund both by the Company and employees.

Notes to the Financial Statements

For the year ended June 30, 2016

3.1.3 Employee compensated absences

The liability in respect of compensated absences of employees is accounted for in period in which these are earned in terms of basic salary upto the reporting date. The provision is recognised on the basis of an actuarial valuation, which was conducted as on June 30, 2016.

3.2 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

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under final tax regime.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit shall be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

3.3 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which is approximate fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.4 Mark-up bearing loans and borrowings

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

3.5 Property, plant and equipment

3.5.1 Operating fixed assets and depreciation thereon

Operating fixed assets other than leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Leasehold land is stated at cost. Cost of certain assets consists of historical cost and the related borrowing cost on loans utilised for the acquisition of those assets.

Depreciation is charged to income applying the straight line method whereby the cost of an asset less residual value is charged-off over its estimated useful life depending upon the class of assets. Depreciation is charged at rates stated in note 15.1.

Depreciation on additions is charged from the month following in which an asset is put to use and on deletions upto the month immediately preceding the deletion.

Notes to the Financial Statements

For the year ended June 30, 2016

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

Items of property, plant and equipment individually costing Rs.10,000 or less are charged to profit and loss account as and when purchased.

Maintenance and normal repairs are charged to expenses as and when incurred. Major renewals and improvements are capitalised and are depreciated over the remaining useful life of the related asset.

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

The Company assesses at each reporting date whether there is any indication that operating fixed assets may be impaired. If such an indication exists, the carrying amounts of the related assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is charged to the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. 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.

3.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method over their estimated useful lives. Amortisation is charged at the rate stated in note 16.

Amortisation on additions is charged from the month following in which an asset is put to use and on deletions upto the month immediately preceding the deletion.

Useful lives of intangible assets are reviewed at each reporting date and adjusted if the impact of amortisation is significant.

3.7 Investment in an Associated Company

Investment in an Associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Company's share of profit or loss of the Investee after the date of acquisition.

The Company's share of post acquisition profit or loss is recognised in the profit and loss account, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an Associate equals or exceeds its interest in the Associate the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the Associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the Associate and its carrying value and recognises the amount adjacent to share of profit / loss of an Associate in the profit and loss account.

Notes to the Financial Statements

For the year ended June 30, 2016

3.8 Stores and spares

Stores and spares are stated at lower of cost. The cost of inventory is based on weighted average cost less provision for obsolescence, if any. Items-in-transit are valued at cost accumulated upto the reporting date.

Provision for obsolete items, if any, is based on their condition as at the reporting date depending upon the management's judgement.

3.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost in relation to raw materials in hand is calculated on weighted average basis.

The cost of work-in-process and finished goods comprises of direct materials, labour and appropriate portion of production overheads.

Raw materials held in custom bonded warehouses and stock-in-transit are valued at cost accumulated upto the reporting date.

Claim tyres are valued at their estimated net realisable value.

Net realisable value is determined on the basis of the estimated selling price of the product in ordinary course of business less costs necessary to be incurred for its sale.

3.10 Trade debts and other receivables

Trade debts and other receivables are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost as reduced by appropriate provision for receivables considered to be doubtful. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Provision is charged to profit and loss account. Trade and other receivables considered irrecoverable are written-off.

3.11 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet includes loans & advances, deposits, trade debts, other receivables, cash & bank balances, long term finances, long term deposits from dealers, short term finances, running finances, trade & other payables, accrued mark-up and provisions . All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Notes to the Financial Statements

For the year ended June 30, 2016

3.12 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held with banks and running finances under mark-up arrangements.

3.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and is reduced for allowances such as taxes, duties, sales returns, trade discounts and incentives. Revenue from different sources is recognised on the following basis:

- revenue from sale of goods is recorded on despatch of goods to customers; and
- interest income is accrued on the time proportion basis by reference to the principal outstanding and applicable rate of return.

3.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of that asset.

3.16 Foreign currency transactions and translation

The foreign currency transactions are translated into functional currency using the exchange rates prevailing on the dates of transactions. The closing balance of non-monitory items is included at the exchange rate prevailing on the date of transaction and monetary items are translated using the exchange rate prevailing on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss account.

3.17 Warranty - tyre replacement allowance

Warranty expense is recognised in the year of sale on the basis of estimates of warranty claims to be received against those sales.

3.18 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

Notes to the Financial Statements

For the year ended June 30, 2016

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.

3.19 Operating leases / Ijarah

Operating leases / Ijarah in which a significant portion of the risks and rewards of ownership are retained by the lessor / Muj'ir (lessor) are classified as operating leases / Ijarah. Payments made during the year are charged to the profit and loss account on a straight-line basis over the period of the lease / Ijarah.

3.20 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.21 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment.

3.22 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2016 --- Number of shares ---	2015		2016 --- Rupees in '000 ---	2015
7,133,320	7,133,320	Ordinary shares of Rs.10 each fully paid in cash	71,333	71,333
186,680	186,680	Ordinary shares of Rs.10 each issued for consideration other than cash	1,867	1,867
52,451,250	52,451,250	Ordinary shares of Rs.10 each issued as fully paid bonus shares	524,513	524,513
<u>59,771,250</u>	<u>59,771,250</u>		<u>597,713</u>	<u>597,713</u>

Notes to the Financial Statements

For the year ended June 30, 2016

4.1 Ordinary shares of the Company held by the related parties as at June 30,

	Note	2016 -- Number of shares --	2015
Bibojee Services (Private) Limited		16,608,712	16,608,712
Pakistan Kuwait Investment Company (Private) Limited		17,931,292	17,931,292
Continental Global Holding Netherlands B.V.		5,844,300	5,844,300
		40,384,304	40,384,304

5. LONG TERM FINANCES - Secured

		2016 --- Rupees in '000 ---	2015
Term finance - from banking companies			
Conventional			
- Habib Bank Limited	5.1	33,333	100,000
- Samba Bank Limited	5.2	350,000	400,000
- Askari Bank Limited (an Associated Company)	5.3	350,000	-
Shariah compliant - Faysal Bank Limited	5.4	411,000	-
		1,144,333	500,000
Less: current maturity grouped under current liabilities		224,057	116,666
		920,276	383,334

- 5.1** This represents a term finance facility of Rs.200 million to finance the import, installation and capex of motorcycle tyre plant and related machinery, equipment & accessories. The principal amount draw down is repayable in twelve equal quarterly instalments commenced from fifteen months from date of disbursement (i.e. October 23, 2012). This finance facility carries mark-up at the rate of three months KIBOR plus 3.25% per annum, however, rebate of 1.00% per annum on the spread will be available to the Company subject to specified leverage for each year of finance. This term finance is secured by way of first pari passu charge over all the present and future plant & machinery of the Company to the extent of Rs.267 million.
- 5.2** This represents a term finance facility of Rs.400 million to finance capital expenditure and balancing, modernization & replacement. The principal amount draw down is repayable in sixteen equal quarterly instalments after a grace period of one year. This finance facility carries mark-up at the rate of three months KIBOR plus 1.25% per annum and is secured by way of first pari passu charge over stock, receivables and plant & machinery of the Company to the extent of Rs.533.333 million.
- 5.3** This represents a draw down amount of Rs.350 million against a term finance facility of Rs.700 million. This finance facility has been obtained to finance the Company's on-going budgeted capital expenditure. The principal amount is repayable in eight equal semi-annually instalments after the grace period of one and half year. This finance facility carries mark-up at the rate of six months KIBOR plus 0.50% per annum and is secured by way of first pari passu hypothecation charge of Rs.933.34 million over the present and future fixed assets (excluding land and building) and current assets of the Company.

Notes to the Financial Statements

For the year ended June 30, 2016

5.4 This represents a musharaka facility of Rs.650 million for acquisition of boiler and mixing line with down steam equipment. The bank against the said facility had made payments to vendors / suppliers aggregating Rs.411 million in six tranches of different amounts and each tranche is repayable in sixteen equal quarterly instalments commencing from September 6, 2016. This finance facility carries mark-up at the rate of three months KIBOR plus 1.25% per annum and is secured by way of first joint pari passu hypothecation charge of Rs.650 million on overall assets of the Company.

6. STAFF BENEFITS

	Note	2016 --- Rupees in '000 ---	2015
Staff retirement gratuity	6.1	241,986	208,794
Employees compensated absences	6.2	35,301	32,363
		277,287	241,157

6.1 Staff retirement gratuity

6.1.1 As stated in note 3.1.1, the Company operates an approved funded gratuity scheme for its senior executive staff and an unfunded gratuity scheme for employees not covered by the funded gratuity scheme.

6.1.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Plan. Responsibility for governance of the Plan, including investment decisions and contributions schedules lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

6.1.3 The latest actuarial valuations of the Schemes as at June 30, 2016 were carried out by an independent expert, using the 'Projected Unit Credit Method'. Details of the Schemes as per the actuarial valuations are as follows:

Notes to the Financial Statements

For the year ended June 30, 2016

	Funded		Unfunded		Total	
	2016	2015	2016	2015	2016	2015
----- Rupees in '000 -----						
6.1.4 Balance sheet reconciliation						
Present value of defined benefit obligation - note 6.1.5	158,416	141,896	246,481	219,854	404,897	361,750
Fair value of plan assets - note 6.1.6	(124,711)	(116,940)	-	-	(124,711)	(116,940)
Liability at end of the year	33,705	24,956	246,481	219,854	280,186	244,810
Payable within next twelve months	(13,034)	(8,499)	(25,166)	(27,517)	(38,200)	(36,016)
	20,671	16,457	221,315	192,337	241,986	208,794
6.1.5 Movement in the present value of defined benefit obligation						
Balance as at July 1,	141,896	117,914	219,854	191,417	361,750	309,331
Current service cost	7,526	6,559	13,074	11,999	20,600	18,558
Interest cost	12,562	14,615	20,535	23,613	33,097	38,228
Benefits paid	(29,760)	(15,106)	(14,827)	(15,435)	(44,587)	(30,541)
Re-measurement on obligation	17,398	7,004	16,639	19,170	34,037	26,174
Transferred to managerial cadre	8,794	10,910	(8,794)	(10,910)	-	-
Balance as at June 30,	158,416	141,896	246,481	219,854	404,897	361,750
6.1.6 Movement in the fair value of plan assets						
Balance as at July 1,	116,940	99,821	-	-	116,940	99,821
Interest income	11,167	13,175	-	-	11,167	13,175
Contributions	24,955	18,102	-	-	24,955	18,102
Benefits paid	(29,760)	(15,106)	-	-	(29,760)	(15,106)
Benefits paid on behalf of the fund	-	46	-	-	-	46
Re-measurement	1,409	902	-	-	1,409	902
Balance as at June 30,	124,711	116,940	-	-	124,711	116,940

Notes to the Financial Statements

For the year ended June 30, 2016

	Funded		Unfunded		Total	
	2016	2015	2016	2015	2016	2015
----- Rupees in '000 -----						
6.1.7 Expense recognised in profit and loss account						
Current service cost	7,526	6,559	13,074	11,999	20,600	18,558
Net interest cost	1,395	1,440	20,535	23,613	21,930	25,053
	8,921	7,999	33,609	35,612	42,530	43,611
6.1.8 Re-measurement recognised in other comprehensive income						
Actuarial loss on obligation	17,398	7,004	16,639	19,170	34,037	26,174
Re-measurement of fair value of plan assets	(1,409)	(902)	-	-	(1,409)	(902)
	15,989	6,102	16,639	19,170	32,628	25,272
6.1.9 Net recognised liability						
Net liability at beginning of the year	24,956	18,093	219,854	191,417	244,810	209,510
Charge for the year	8,921	7,999	33,609	35,612	42,530	43,611
Benefits paid during the year	-	(46)	(14,827)	(15,435)	(14,827)	(15,481)
Contributions made during the year	(24,955)	(18,102)	-	-	(24,955)	(18,102)
Transferred to managerial cadre	8,796	10,910	(8,796)	(10,910)	-	-
Re-measurement recognised in other comprehensive income	15,989	6,102	16,639	19,170	32,628	25,272
Net liability as at June 30,	33,707	24,956	246,479	219,854	280,186	244,810
Payable within next twelve months	(13,034)	(8,499)	(25,166)	(27,517)	(38,200)	(36,016)
	20,673	16,457	221,313	192,337	241,986	208,794
6.1.10 Plant assets comprise of:						
Mutual funds - units	76,721	70,513	-	-	76,721	70,513
Equity instruments	40,975	37,446	-	-	40,975	37,446
Cash at bank	7,016	8,981	-	-	7,016	8,981
	124,712	116,940	-	-	124,712	116,940
6.1.11 Actuarial assumptions used						
Discount rate	7.25	9.75	7.25	9.75		
Expected rate of increase in future salaries	7.25	9.75	7.25	9.75		
Demographic assumptions						
- Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)	SLIC (2001-05)	SLIC (2001-05)		
- Rates of employee turnover	Moderate	Moderate	Moderate	Moderate		

6.1.12 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in principal assumptions is :

Notes to the Financial Statements

For the year ended June 30, 2016

	Impact on define benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
	--- Rupees in '000 ---		
Discount rate	1.00%	<u>381,835</u>	<u>430,890</u>
Increase in future salaries	1.00%	<u>432,443</u>	<u>380,045</u>
Withdrawal rates	10.00%	<u>404,643</u>	<u>405,156</u>

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the project unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

6.1.13 Based on actuary's advice, the expected charge for the year ending June 30, 2017 amounts to Rs.9.081 million and Rs.32.055 million for funded and unfunded gratuity plans respectively.

6.1.14 The weighted average duration of funded gratuity and un-funded gratuity is 4.14 years and 7.29 years respectively.

6.1.15 Historical information

	2016	2015	2014	2013	2012
	----- Rupees in '000 -----				
Funded					
Present value of defined benefit obligation	158,416	141,896	117,914	92,849	87,013
Fair value of plan assets	124,711	116,940	99,821	75,232	75,015
	33,705	24,956	18,093	17,617	11,998
Loss on obligation	17,398	7,004	5,910	4,962	5,323
Gain / (loss) on plan assets	1,409	902	8,675	(1,067)	(3,635)
Unfunded					
Present value of defined benefit obligation	246,481	219,854	191,417	167,191	149,207
Loss on obligation	16,639	19,170	13,645	4,684	1,974

6.1.16 Expected maturity analysis of undiscounted retirement benefit plans:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	----- Rupees in '000 -----				
At June 30, 2016					
Funded	59,938	13,159	51,215	115,605	239,917
Unfunded	97	24,349	68,422	405,255	498,123

Notes to the Financial Statements

For the year ended June 30, 2016

6.2 Employees compensated absences	Note	2016	2015
		--- Rupees in '000 ---	
Balance as at June 30,	6.2.1	44,674	40,350
Payable within next twelve months		(9,373)	(7,987)
		35,301	32,363

6.2.1 Movement in the account during the year is as follows:

Balance as at July 1,	40,350	29,972
Provision for the year	11,120	14,580
	51,470	44,552
Encashed during the year	(6,796)	(4,202)
Balance as at June 30,	44,674	40,350

7. DEFERRED TAXATION - Net

The deferred tax liability comprises of temporary differences arising due to:

Accelerated tax depreciation	394,959	358,148
Provision for doubtful debts	(6,112)	(10,096)
Provision for doubtful custom duty rebates recoverable	(26,912)	(26,912)
Provision for staff retirement gratuity	(85,457)	(75,891)
Interest payable on custom duties	(8,980)	(8,980)
Provisions for tyre replacement allowance and incentive to dealers	(33,877)	(24,254)
Others	(1,340)	(1,144)
	232,281	210,871

8. LONG TERM DEPOSITS FROM DEALERS

These deposits are interest free and are not refundable during the subsistence of dealership.

9. SHORT TERM FINANCES - Secured

	2016	2015
	--- Rupees in '000 ---	
Shariah compliant	73,865	44,083
Conventional	70,024	41,947
	143,889	86,030

9.1 Short term finance facilities available from commercial banks aggregate to Rs.667 million (2015: Rs.667 million) and are secured against pari passu charge over fixed assets, stocks and trade debts of the Company. The rates of mark-up of these facilities, during the year, ranged from 6.62% to 9.26% (2015: 7.84% to 12.05%) per annum. These facilities are expiring on various dates upto December 31, 2016.

Notes to the Financial Statements

For the year ended June 30, 2016

10. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

2016
--- Rupees in '000 ---

2015

Conventional

621,020

666,389

10.1 The Company has arranged running finance facilities from various banks on mark-up basis to the extent of Rs.3,875 million (2015: Rs.3,325 million). The rates of mark-up on these arrangements, during the year, ranged from 6.85% to 8.75% (2015: 7.83% to 12.18%) per annum. These finance facilities are secured against pari passu charge over fixed assets, stocks and trade debts of the Company and are expiring on various dates by February 28, 2017.

The maximum available aggregate limit for utilisation of facilities for short term finances and running finances is Rs.4,542 million (2015: Rs.3,992 million).

10.2 The facilities for opening letters of credit and guarantees as at June 30, 2016 aggregated to Rs.3,667 million (2015: Rs.3,800 million) of which the amount remained unutilised at the year-end was Rs.2,275 million (2015: Rs.2,513 million).

10.3 The year-end balance includes Rs.3.803 million (2015: Rs.67.239 million) payable to Askari Bank Limited - an Associated Company.

11. TRADE AND OTHER PAYABLES

Note
2016
--- Rupees in '000 ---

2015

Trade creditors	11.1	24,614	45,845
Bills payable	11.2	375,857	444,507
Accrued expenses	11.3	405,455	317,957
Advances from customers	11.4	205,576	134,669
Staff provident fund payable		1,881	3,787
Staff retirement gratuity	6.1.4	38,200	36,016
Short term deposits		2,908	4,369
Workers' (profit) participation fund	11.5	80,276	58,934
Workers' welfare fund		53,224	22,719
Sales tax payable		3,084	31,335
Payable to Waqf-e-Kuli Khan		34,125	18,320
Retention money		368	1,422
Dividend payable		17,363	13,367
Interest payable on custom duties	11.6 & 11.7	29,933	29,933
Others	11.8	20,172	20,176
		1,293,036	1,183,356

Notes to the Financial Statements

For the year ended June 30, 2016

11.1 Includes creditors of Rs.1.322 million (2015: Rs.Nil) pertaining to Associated Companies.

11.2 Includes bills payable of Rs.11.262 million (2015: Rs. 11.558 million) pertaining to Continental Tire The Americas, LLC - a related party.

11.3 Accrued expenses include the following amounts due to related parties:

	2016 --- Rupees in '000 ---	2015
Continental Tire The Americas, LLC	51,910	53,191
Key management personnel	23,518	30,129
	<u>75,428</u>	<u>83,320</u>

11.4 These represent advances from customers against sale of tyres and tubes and carry no mark-up. These include following advances due to related parties:

	2016 --- Rupees in '000 ---	2015
Gandhara Nissan Limited	204	2,102
Gandhara DF (Private) Limited	9	5
	<u>213</u>	<u>2,107</u>

11.5 Workers' (profit) participation fund

	Note	2016 --- Rupees in '000 ---	2015
Balance as at July 1,		58,934	40,253
Interest on funds utilised in the Company's business	33	617	526
		<u>59,551</u>	40,779
Payments made during the year		(59,551)	(40,779)
		-	-
Allocation for the year	32	80,276	58,934
Balance as at June 30,		<u>80,276</u>	<u>58,934</u>

11.6 The Company had deferred the recognition of import levies relating to the plant and machinery imported under a finance lease arrangement with Islamic Development Bank (IDB), Jeddah as these were not payable by the Company until the ownership of the subject plant and machinery was transferred in the Company's name. The Federal Board of Revenue (FBR) had imposed a condition that interest at the prevailing bank rate shall be payable on the import levies deferred till the date such levies are paid.

During the year ended June 30, 2001 the Appraisal Collectorate, Custom House, Karachi (ACCH) issued a final notice to the Company to deposit all outstanding dues amounting to Rs.208.323 million being interest on custom duties including surcharge and delayed surcharge calculated upto March 31, 2001. In reply the Company had filed an application with the High Court of Sindh to vacate the said charge of interest.

The High Court of Sindh, during year ended June 30, 2005, dismissed the petition filed by the Company. ACCH issued another final notice to the Company to deposit all outstanding dues amounting to Rs.294.907 million being interest on custom duties including surcharge and delayed surcharge calculated upto May 15, 2005. The Company filed an appeal with the Supreme Court of Pakistan against the decision of the High Court of Sindh.

Notes to the Financial Statements

For the year ended June 30, 2016

However, during the year ended June 30, 2006, the Company also filed an application for alternate dispute resolution with the Supreme Court of Pakistan.

The Alternate Dispute Resolution Committee (ADRC), during year ended June 30, 2007, recommended that the Company shall be liable to interest on late payment of principal amounting to Rs.111.547 million and surcharge on late payment of principal amounting to Rs.2.983 million, however, the Company shall not be liable to surcharge on late payment of interest. The FBR accepted the recommendations of the ADRC except for the waiver of surcharge on the late payment of interest.

Further, during the year ended June 30, 2008, the FBR accepted all the recommendations made by the ADRC and instructed the Company to pay Rs.114.531 million on account of interest on custom duties including surcharge thereon. The Company's pending refund claims amounting to Rs.20.195 million had also been processed and adjusted by the ACCH. During this year, the Company also made a partial payment amounting to Rs.40 million in respect of FBR's demand based on ADRC recommendations. During the year ended June 30, 2009, the Company made a further partial payment amounting to Rs.20 million in respect of FBR's demand.

The FBR, during the year ended June 30, 2011, adjusted an amount of Rs.4.403 million against outstanding interest and customs duties which resulted in the reduction of liability towards FBR from Rs.34.336 million to Rs.29.933 million.

11.7 During the year ended June 30, 2001 an amount of Rs.5.00 million was paid by the Company under protest on account of interest on import levies. Further, refunds of custom duty rebates amounting Rs.4.923 million and Rs.4.070 million were adjusted by the customs authorities during the year ended June 30, 2000 and 2001 respectively against their demand of interest on import levies referred to in note 11.6 above. The management is of the view that the above adjustments aggregating Rs.13.993 million will be made against the amount of interest payable on custom duties, as more fully explained in note 11.6 above, and is accordingly shown receivable as 'Current account balances with statutory authorities ' (note 24).

11.8 Other liabilities include vehicle deposits under Company's vehicle policy aggregating Rs.5.143 million (2015: Rs.9.440 million).

12. ACCRUED MARK-UP

	Note	2016 --- Rupees in '000 ---	2015
Mark-up accrued on:			
- long term finances		18,854	1,874
- short term finances		1,448	1,167
- running finances	12.1	12,627	14,290
		<u>32,929</u>	<u>17,331</u>

12.1 Includes mark-up amounting Rs.1.029 million (2015: 3.082 million) due to Askari Bank Limited - an Associated Company.

13. PROVISIONS

	Note	2016 --- Rupees in '000 ---	2015
Incentive to dealers	13.1	78,682	46,194
Tyre replacement allowance	13.2	30,600	29,600
		<u>109,282</u>	<u>75,794</u>

Notes to the Financial Statements

For the year ended June 30, 2016

	Note	2016 --- Rupees in '000 ---	2015
13.1 Provision for incentive to dealers			
Balance as at July 1,		46,194	72,157
Charge for the year	27	105,771	92,044
		151,965	164,201
Incentives paid during the year		(73,283)	(118,007)
Balance as at June 30,		78,682	46,194

13.1.1 This represents provision for incentive to dealers, related to the year's turnover, which is expected to be borne by the Company in the coming years.

	Note	2016 --- Rupees in '000 ---	2015
13.2 Provision for tyre replacement allowance			
Balance as at July 1,		29,600	31,200
Charge for the year	28.1	39,993	34,420
		69,593	65,620
Claims paid / adjusted		(38,993)	(36,020)
Balance as at June 30,		30,600	29,600

13.2.1 This represents provision on account of tyre replacement claims expected to be received by the Company in the coming years.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 The Central Excise and Taxation Department had issued a demand notice for payment of sales tax of Rs.16.775 million. This represents sales tax levied on agricultural tyres supplied to approved assembly plants which were otherwise exempt under SRO.553(I)/94 dated June 9, 1994 as amended vide SRO.555(I)/94 dated June 9, 1994 during the period from July 1994 to September 1995. The Company filed an appeal with the Collector, Central Excise and Land Customs (Appeals) on November 25, 1997 which was rejected. The Company filed an appeal against that order before the Customs, Central Excise and Sales Tax Appellate Tribunal which had stayed the recovery of sales tax from the Company, subject to the condition that the Company furnishes an indemnity bond to the satisfaction of the Collector of Sales Tax. Accordingly, the Company furnished the indemnity bond dated March 18, 1998 of Rs.16.775 million.

The Company also filed an application No. B&CA/2.020/01/97 dated November 25, 1997 with the Collector of Sales Tax (East), Karachi for grant of exemption from sales tax in terms of section 65 of the Sales Tax Act, 1990. However, the Federal Board of Revenue (FBR) on finalisation of the report by the Collector of Sales Tax and Central Excise (East), rejected the Company's application through letter No. C No. 1/52-STT/97 dated July 19, 2000. The Company filed a constitutional petition No.1939/2000 against the decision of the FBR in the High Court of Sindh under article 199 of the Constitution of Pakistan, 1973 which was dismissed.

The Collector of Sales Tax and Central Excise (East), Karachi had adjusted refund claims filed by the Company aggregating Rs.12.823 million against the aforementioned demand notice upto the year ended June 30, 2002. The Company, during the year ended June 30, 2004, deposited the remaining balance of Rs.3.952 million as 'payment under protest'.

Notes to the Financial Statements

For the year ended June 30, 2016

However, during the year ended June 30, 2006, the Customs, Excise and Sales Tax Appellate Tribunal allowed the Company's appeal and set aside the order of the Collector of Customs, Sales Tax and Central Excise (Appeals). The Collector of Customs, Sales Tax and Central Excise (Appeals), during the year ended June 30, 2007, filed a request for rectification of error before the Custom, Excise and Sales Tax Appellate Tribunal.

Recently, all verification proceedings were completed; however, CIR rejected the Company's application for refund being time barred as application was filed after one year from the date of ATIR order. The Company is in process of applying to FBR for condonation of time limit under section 74 and are hopeful that refund of Rs.16.775 million would be realised which is included in sales tax refundable (note 25).

14.1.2 During the year ended June 30, 2010, the Company's records were inspected by an officer of the Board of Revenue, Government of Sindh and as a result thereof, the Inspector of Stamps has (i) claimed an amount of Rs.6.549 million on account of non payment of stamp duty on various documents; (ii) asked to handover the aforementioned documents; and (iii) asked to depute an authorised officer or advocate to appear before the Chief Inspector of Stamps for a hearing on the aforementioned matters, through a notice dated October 21, 2009.

The Company filed an appeal before the Chief Inspector of Stamps, Board of Revenue on April 7, 2010, that since a true and correct interpretation of various provisions of the Stamp Act, 1899 is involved in the matter, the Chief Revenue Authority may make a reference to the Honourable High Court of Sindh, Karachi, for adjudication thereon, and further, as similar cases are pending before the Supreme Court of Pakistan, therefore this matter be considered according to their final decision, when made. Several hearings were fixed in court but adjourned and judgement from Supreme Court in similar applications on similar issues awaits.

The management of the Company, based on the advise of its legal advisors, are of the view that the matter will be decided in their favour, therefore no provision in this respect has been made in these financial statements.

14.1.3 Certain other claims have been filed against the Company in respect of employees' matters for an aggregate amount which approximate to Rs.6.510 million (2015: Rs.4.060 million). These cases are pending in various labour courts, appellate tribunals and Sindh High Court. The management is confident that the outcome of those cases will be in the Company's favour.

14.1.4 Additional Commissioner Inland Revenue (ACIR) through its order dated June 29, 2013 has made various additions and adjustment to the Company's taxable income for the tax year 2012. These adjustments / additions are (i) restriction of adjustment of minimum tax against normal income, (ii) allocation of worker's (profit) participation fund between presumptive tax regime and normal tax regime, (iii) expenses added back on account of cash payments, (iv) added back exchange loss on commercial imports and royalty and (v) reversal of some portion of royalty payment and bad debts written-off. The Company filed appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] against the abovementioned order. CIA(R) in his order confirmed the above mentioned additions made by ACIR except for reversal of some portion of royalty as mentioned in point (v) above. The Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of CIA(R); which is pending for hearing.

Notes to the Financial Statements

For the year ended June 30, 2016

14.1.5 ACIR, during the year ended June 30, 2014, passed various orders under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2008, 2009, 2010 and 2011. The additions have been made to taxable income on account of royalty & technical services and respective federal excise duties on royalty & technical services claimed by the Company in each tax year. The Company filed appeals before Commissioner Inland Revenue (Appeals) [CIR(A)] and these appeals have been decided in favour of the Company. However, the department has filed appeals before the Appellate Tribunal Inland Revenue against the above orders of CIR(A); which are pending for hearing.

14.1.6 Tax authorities passed orders under sections 161 / 205 of the Income Tax Ordinance, 2001 (the Ordinance) in respect of monitoring of withholding of taxes for Tax Years 2010, 2012 & 2014 and created demands of Rs.11.889 million, Rs.3.212 million and Rs.20.060 million respectively on the premise that requisite tax was not withheld by the Company at the time of making payments against various expenses. These demands include Rs.1.551 million, Rs.0.984 million and Rs.3.401 million default surcharge under section 205 of the Ordinance.

The Company filed appeals with the Commissioner Inland Revenue (Appeals) [CIR(A)] against the impugned orders. CIR(A) confirmed the orders passed by the department, however, reduced the demand of tax year 2012 by Rs.0.203 million. The Company has filed appeals before the Appellate Tribunal Inland Revenue against the orders of CIR(A); which are pending for adjudication.

Further, the Company has also deposited Rs.29.224 million against abovementioned demands excluding default surcharge and classify this in other receivables as 'Income tax paid under protest'. Management expects a favourable outcome of the abovementioned legal proceedings.

	Note	2016 --- Rupees in '000 ---	2015
14.1.7 Guarantees issued by commercial banks on behalf of the Company		<u>314,575</u>	<u>146,925</u>
14.1.8 Post dated cheques issued to the Collector of Customs against duty on imported plant & machinery, raw materials and stores & spares		<u>97,351</u>	<u>55,908</u>
14.2 Commitments			
14.2.1 Commitments in respect of :			
- letters of credit for capital expenditure		<u>745,745</u>	<u>532,935</u>
- letters of credit for purchase of raw materials and stores & spares		<u>331,929</u>	<u>607,098</u>
- purchase orders issued to local suppliers for capital expenditure		<u>101,048</u>	<u>236,764</u>
- service contracts against implementation of SAP		<u>34,693</u>	<u>-</u>
- sales contracts entered into by the Company		<u>108,084</u>	<u>40,598</u>
- tentative schedules for supply of tyres		<u>1,722,167</u>	<u>1,801,064</u>
- indemnity bond	14.1.1	<u>16,775</u>	<u>16,775</u>

Notes to the Financial Statements

For the year ended June 30, 2016

14.2.2 The Company has entered into Ijarah arrangements for plant & machinery and vehicles with a commercial bank. Aggregate commitments for these ijarah arrangements as at June 30, are as follows:

	Note	2016 --- Rupees in '000 ---	2015
Not later than 1 year		65,469	71,984
Over 1 year and no later than 5 years		53,437	143,405
		118,906	215,389

15. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	15.1	2,292,064	1,886,894
Capital work-in-progress	15.4	876,635	48,964
		3,168,699	1,935,858

15.1	Operating fixed assets	Lease - hold land	Buildings on leasehold land	Electrical installations	Plant and machinery	Boilers and accessories	Laboratory equipment	Moulds	Vehicles	Furniture and fixtures	Factory and office equipment	Computer equipment	Total
----- Rupees in '000 -----													
At July 1, 2014													
	Cost	555	368,378	104,222	2,934,253	60,379	31,927	213,191	111,933	31,148	119,941	26,717	4,002,644
	Accumulated depreciation	-	185,721	75,998	1,502,468	45,996	30,693	137,471	71,108	12,230	67,168	20,207	2,149,060
	Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	1,054
	Net book value	<u>555</u>	<u>182,657</u>	<u>28,224</u>	<u>1,431,094</u>	<u>14,383</u>	<u>1,234</u>	<u>75,357</u>	<u>40,825</u>	<u>18,918</u>	<u>52,773</u>	<u>6,510</u>	<u>1,852,530</u>
Year ended June 30, 2015													
	Opening net book value	555	182,657	28,224	1,431,094	14,383	1,234	75,357	40,825	18,918	52,773	6,510	1,852,530
	Additions	-	13,340	15,112	88,715	-	33	48,776	9,827	1,198	25,229	1,894	204,124
	Disposals												
	- cost	-	-	-	241	-	-	-	9,620	-	50	82	9,993
	- accumulated depreciation	-	-	-	(241)	-	-	-	(8,757)	-	(50)	(82)	(9,130)
	Depreciation charge	-	15,675	6,251	95,596	2,574	241	16,484	13,428	2,488	12,032	4,128	168,897
	Closing net book value	<u>555</u>	<u>180,322</u>	<u>37,085</u>	<u>1,424,213</u>	<u>11,809</u>	<u>1,026</u>	<u>107,649</u>	<u>36,361</u>	<u>17,628</u>	<u>65,970</u>	<u>4,276</u>	<u>1,886,894</u>
At June 30, 2015													
	Cost	555	381,718	119,334	3,022,727	60,379	31,960	261,967	112,140	32,346	145,120	28,529	4,196,775
	Accumulated depreciation	-	201,396	82,249	1,597,823	48,570	30,934	153,955	75,779	14,718	79,150	24,253	2,308,827
	Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	1,054
	Net book value	<u>555</u>	<u>180,322</u>	<u>37,085</u>	<u>1,424,213</u>	<u>11,809</u>	<u>1,026</u>	<u>107,649</u>	<u>36,361</u>	<u>17,628</u>	<u>65,970</u>	<u>4,276</u>	<u>1,886,894</u>
Year ended June 30, 2016													
	Opening net book value	555	180,322	37,085	1,424,213	11,809	1,026	107,649	36,361	17,628	65,970	4,276	1,886,894
	Additions	-	11,937	4,232	298,236	140,698	8,631	45,961	60,941	3,900	11,399	3,419	589,354
	Disposals												
	- cost	-	-	-	-	-	-	2,874	22,459	-	1,123	233	26,689
	- accumulated depreciation	-	-	-	-	-	-	(258)	(19,753)	-	(1,123)	(206)	(21,340)
	Depreciation charge	-	16,311	7,167	97,601	2,574	783	19,299	16,555	2,717	13,763	2,065	178,835
	Closing net book value	<u>555</u>	<u>175,948</u>	<u>34,150</u>	<u>1,624,848</u>	<u>149,933</u>	<u>8,874</u>	<u>131,695</u>	<u>78,041</u>	<u>18,811</u>	<u>63,606</u>	<u>5,603</u>	<u>2,292,064</u>
At June 30, 2016													
	Cost	555	393,655	123,566	3,320,963	201,077	40,591	305,054	150,622	36,246	155,396	31,715	4,759,440
	Accumulated depreciation	-	217,707	89,416	1,695,424	51,144	31,717	172,996	72,581	17,435	91,790	26,112	2,466,322
	Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	1,054
	Net book value	<u>555</u>	<u>175,948</u>	<u>34,150</u>	<u>1,624,848</u>	<u>149,933</u>	<u>8,874</u>	<u>131,695</u>	<u>78,041</u>	<u>18,811</u>	<u>63,606</u>	<u>5,603</u>	<u>2,292,064</u>
	Depreciation rate (% per annum)		5	10	5	10	15	10	20	10	15	25	

Notes to the Financial Statements

For the year ended June 30, 2016

15.2 Depreciation charge has been allocated as follows:

	Note	2016 --- Rupees in '000 ---	2015
Cost of goods manufactured	28.1	166,957	155,988
Administrative expenses	29	6,521	7,009
Distribution cost	30	5,357	5,900
		178,835	168,897

15.3 The details of operating fixed assets disposed-off during the year are as follows:

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Sold to
----- Rupees in '000 -----						
Assets having net book value exceeding Rs.50,000 each						
Moulds						
	614	138	476	2,065	Negotiation	Pak Suzuki Motor Company Limited
	850	50	800	2,859	Negotiation	Pak Suzuki Motor Company Limited
	705	35	670	2,375	Negotiation	Pak Suzuki Motor Company Limited
	705	35	670	2,375	Negotiation	Pak Suzuki Motor Company Limited
	2,874	258	2,616	9,674		
Vehicles						
Honda City	1,714	942	772	343	Company policy	Mr. Rashid I. Malik (Ex-key management person)
Honda City	1,636	1,063	573	327	Company policy	Mr. Ghulam H. Ansari (Ex-key management person)
Suzuki Swift	1,096	804	292	466	Company policy	Mr. Ali Asad Usmani (Employee)
Toyota Vigo	3,103	2,328	775	1,267	Company policy	Mr. Hussain Kuli Khan (Key management person)
Suzuki Swift	1,096	822	274	457	Company policy	Mr. S.Obaid ul Haq Haqqi (Employee)
	8,645	5,959	2,686	2,860		
	11,519	6,217	5,302	12,534		
Various assets having net book value upto Rs.50,000 each						
	15,170	15,123	47	2,399		
June 30, 2016	26,689	21,340	5,349	14,933		
June 30, 2015	9,993	9,130	863	5,406		

Notes to the Financial Statements

For the year ended June 30, 2016

15.4 Capital work-in-progress	Note	2016 --- Rupees in '000 ---	2015 --- Rupees in '000 ---
Buildings		359,714	12,399
Electrical installations		19,818	1,339
Plant and machinery	15.4.1	467,675	26,410
Moulds		-	75
Vehicles	15.4.2	6,653	10,684
Factory and office equipment		1,534	332
Computers and equipment	15.4.3	23,516	-
		878,910	51,239
Provision for a doubtful advance		(2,275)	(2,275)
		876,635	48,964

15.4.1 Borrowing cost at the rates ranged from 7.60% to 8.01% per annum amounting Rs.6.829 million has been included in the cost of plant and machinery.

15.4.2 Include advance of Rs.Nil (2015: Rs.1.975 million) made to Ghandhara Industries Limited - an Associated Company for purchase of a truck.

15.4.3 Represents advance made to Siemens Pakistan Engineering Company Limited - an Associated Company for purchase of computers and related equipment for SAP implementation.

15.4.4 Capital work in progress includes Rs.67.948 million (2015: Rs.17.376 million) representing advance payments made to suppliers for procurement of operating fixed assets.

16. INTANGIBLE ASSETS

	Note	2016 --- Rupees in '000 ---	2015 --- Rupees in '000 ---
Net book value as at June 30, Software licences (SAP) and implement cost	16.1	5,439	2,048
		30,776	-
		36,215	2,048

Software licenses

2016 2015

--- Rupees in '000 ---

16.1 Reconciliation of carrying amount at beginning and end of the year

Cost

At July 1,		8,015	7,050
Additions during the year		5,175	965
At June 30,		13,190	8,015

Accumulated amortisation

At July 1,		5,967	4,628
Amortisation charge	16.2	1,784	1,339
At June 30,		7,751	5,967

Net book value

		5,439	2,048
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Amortisation rate (% per annum)

		33.33	33.33
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16.2 Amortisation charge has been allocated as follows:

Cost of goods manufactured	28.1	892	670
Administrative expenses	29	535	401
Distribution cost	30	357	268
		1,784	1,339

Notes to the Financial Statements

For the year ended June 30, 2015

	2016	2015
Note	--- Rupees in '000 ---	
17. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted		
Gandhara Industries Limited		
- Equity accounted investment		
Balance at beginning of the year	3,321	2,924
Share of comprehensive income for the year	3,151	397
Dividend received	(453)	-
Balance at end of the year	6,019	3,321
17.1 Investment in Gandhara Industries Limited (GIL) represents 100,700 (2015: 100,700) fully paid ordinary shares of Rs.10 each representing 0.473% (2015: 0.473%) of its issued, subscribed and paid-up capital as at June 30, 2016. GIL was incorporated on February 23, 1963 and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of GIL is the assembly, progressive manufacturing and sale of Isuzu trucks and buses.		
17.2 The summary of financial information / reconciliation of GIL as of March 31, 2016 is as follows:		
	As at March 31, 2016	As at March 31, 2015
	--- Rupees in '000 ---	
Summarised Balance Sheet		
Non current assets	1,818,835	1,768,239
Current assets	2,337,319	1,724,894
	4,156,154	3,493,133
Non current liabilities	92,021	46,545
Current liabilities	1,406,609	1,359,444
	1,498,630	1,405,989
Net asset	2,657,524	2,087,144
Reconciliation to carrying amount		
Opening net assets	2,087,144	2,008,740
Profit for the year	660,865	77,830
Other comprehensive loss	(318)	(1,440)
Other adjustment	5,703	2,014
Dividend paid	(95,870)	-
Closing net assets	2,657,524	2,087,144
Company's share (Percentage)	0.473%	0.473%
Company's share	12,570	9,872
Pre-acquisition profits	(6,551)	(6,551)
Carrying amount of investment	6,019	3,321
	Nine months period ended March 31, 2016	March 31, 2015
Summarised Profit and Loss Account		
Revenue	3,503,692	1,987,005
Profit before tax	735,478	87,361
Profit after tax	504,007	66,932

Notes to the Financial Statements

For the year ended June 30, 2015

17.3 The above figures are based on unaudited condensed interim financial information of GIL as at March 31, 2016. The latest financial statements of GIL as at June 30, 2016 are not presently available. Accordingly, results of operations of first three quarters of financial year 2016 and last quarter of financial year 2015 have been considered.

17.4 The market value of investment as at June 30, 2016 was Rs.40.873 million (2015: Rs.7.173 million).

18. LONG TERM LOANS AND ADVANCES

	Note	2016 --- Rupees in '000 ---	2015
Considered good - secured			
Loans and advances due from:			
- executives	18.1 & 18.2	4,213	3,552
- other employees	18.1	12,398	10,467
		16,611	14,019
Less: amounts recoverable within one year and grouped under current assets			
- executives		1,853	1,661
- other employees		3,870	1,865
		5,723	3,526
		10,888	10,493

18.1 These represent interest free loans and advances provided to executives and other employees as per the terms of employment. Loans are provided for purchase of motor vehicles and advances for furnishing of house. Loans are repayable and advances are amortizable over a period of two to five years by way of monthly instalments. These are secured against respective motor vehicles and employees' vested retirement benefits.

18.2 Reconciliation of carrying amount of loans and advances to executives

	2016 --- Rupees in '000 ---	2015
Balance as at July 1,	3,552	3,242
Disbursements	4,175	2,365
	7,727	5,607
Repayments	(3,514)	(2,055)
Balance as at June 30,	4,213	3,552

18.3 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2016 from executives against loans and advances aggregated to Rs.5.572 million (2015: Rs.4.899 million).

18.4 Advances to executives include an amount of Rs.0.444 million (2015: Rs.0.444 million) provided to the Chief Executive of the Company as furniture advance in accordance with his terms of employment.

18.5 The carrying values of these loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no default in recent history.

19. LONG TERM DEPOSITS

	2016 --- Rupees in '000 ---	2015
Considered good - unsecured and interest-free		
Security deposits for:		
- utilities	6,231	6,198
- ijarah	25,895	26,708
- others	541	661
	32,667	33,567

Notes to the Financial Statements

For the year ended June 30, 2016

20. STORES AND SPARES

	Note	2016 --- Rupees in '000 ---	2015
In hand		494,070	483,407
In transit		2,482	8,250
		<u>496,552</u>	<u>491,657</u>

21. STOCKS

Raw materials			
- in hand		837,013	597,396
- in transit		367,811	252,529
		<u>1,204,824</u>	<u>849,925</u>
Work-in-process		162,244	195,481
Finished goods including in-transit valuing Rs.0.126 million (2015: Rs.18.510 million)	21.1	203,526	411,187
		<u>1,570,594</u>	<u>1,456,593</u>

21.1 Finished goods include items costing Rs.2.873 million (2015: Rs.90.319 million) which are stated at their net realisable values aggregating Rs.2.328 million (2015: Rs.75.385 million). The aggregate amount charged to profit and loss account in respect of stocks written down to their net realisable value is Rs.0.545 million (2015: Rs.14.934 million).

21.2 All fixed assets (excluding land and building) and current assets of the Company upto a maximum amount of Rs.6,723 million (2015: Rs.6,723 million) are under hypothecation / pledge charge as security for long term, short term and running finance facilities (notes 5, 9 and 10).

22. TRADE DEBTS - Unsecured

	Note	2016 --- Rupees in '000 ---	2015
Considered good		1,024,670	851,269
Considered doubtful		19,716	31,551
		<u>1,044,386</u>	<u>882,820</u>
Provision for doubtful debts	22.1	(19,716)	(31,551)
		<u>1,024,670</u>	<u>851,269</u>

22.1 Provision for doubtful debts

Balance as at July 1,		31,551	30,927
Write-off during the year		(6,293)	-
Provision made during the year		-	6,068
Amount reversed during the year		(5,542)	(5,444)
Balance as at June 30,		<u>19,716</u>	<u>31,551</u>

22.2 The ageing analysis of trade debts at June 30, is as follows:

0 to 30 days		671,934	589,305
31 to 180 days		350,273	261,123
181 to 360 days		4,926	1,683
Over one year		17,253	30,709
		<u>1,044,386</u>	<u>882,820</u>
Provision for doubtful debts		(19,716)	(31,551)
		<u>1,024,670</u>	<u>851,269</u>

Notes to the Financial Statements

For the year ended June 30, 2016

23. LOANS AND ADVANCES - Considered good and interest free

Secured

Current portion of long term loans and advances

Unsecured

Loans and advances due from:

- executives
- other employees

Advances due from:

- executives
- other employees
- suppliers, contractors and others

Note	2016 --- Rupees in '000 ---	2015
18	5,723	3,526
23.1	1,950	1,154
	31,035	24,583
	32,985	25,737
23.3	209	12
	17	296
	62,540	31,930
	62,766	32,238
	101,474	61,501

23.1 These represent interest free festival loans, general loans, special loans, salary advance and Eid advance provided to executives and other employees in accordance with Company's policy and have maturities upto twelve months.

23.2 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2016 from executives against short term loans and advances aggregated to Rs.2.303 million (2015: Rs.1.166 million).

23.3 Includes Rs.Nil (2015: Rs.0.080 million) advance made to Continental Tire The Americas, LLC - a related party for purchase of bladders.

24. DEPOSITS AND PREPAYMENTS

Considered good and unsecured

Trade deposits - interest free

Call deposit receipts

Prepayments

Current account balances with statutory authorities

Note	2016 --- Rupees in '000 ---	2015
24.1	8,559	4,223
	31,805	96,910
	11,773	10,317
11.7	13,993	13,993
	66,130	125,443

24.1 These represent interest free call deposit receipts issued from a commercial bank in favour of respective Commandants of various Spares Depots of Pakistan Army against supply of tyres.

25. OTHER RECEIVABLES - Unsecured

Export benefit receivable (duty drawback)

Provision for doubtful export benefit receivable

Sales tax refundable

Custom duty rebates recoverable

Provision for custom duty rebates recoverable

Margin and deposits against bank guarantees

Income tax paid under protest

Others

Provision for doubtful receivables

Note	2016 --- Rupees in '000 ---	2015
	658	658
	(658)	(658)
14.1.1	-	-
	16,775	16,775
	89,705	89,705
	(89,705)	(89,705)
	-	-
14.1.6	4,420	-
	29,224	-
25.1	20,019	15,744
	(1,537)	(1,537)
	18,482	14,207
	68,901	30,982

Notes to the Financial Statements

For the year ended June 30, 2016

25.1 Includes Rs.9.174 million (2015: Rs.7.189 million) receivable from Continental Reifen Deutschland GmbH - a related party on account of product liability insurance premium.

26. CASH AND BANK BALANCES

	Note	2016 --- Rupees in '000 ---	2015
At banks on:			
- current accounts	26.1	101,922	170,906
- deposit account	26.2	7,469	4,845
		109,391	175,751
Cash and cheques in-hand		7,460	66,018
		116,851	241,769

26.1 Includes Rs.1.111 million (2015: Rs.0.387 million) placed under arrangements permissible under shariah.

26.2 Deposit account is held with Askari Bank Limited - an Associated Company and it carries mark-up at the rate of 3.75% (2015: 6.00%) per annum.

27. SALES - Net

	Note	2016 --- Rupees in '000 ---	2015
Own manufactured goods			
Local		11,347,099	11,141,282
Export		34,291	44,055
Trading goods		160,052	322,601
		11,541,442	11,507,938
Less:			
- sales tax		1,709,903	1,716,005
- discounts		246,723	208,237
- incentives to dealers	13.1	105,771	92,044
		2,062,397	2,016,286
		9,479,045	9,491,652

28. COST OF SALES

Opening stock of finished goods		411,187	543,789
Cost of goods manufactured	28.1	6,660,152	6,979,358
Finished goods purchased		88,217	241,104
Royalty technical service fee	28.2	200,999	200,129
		6,949,368	7,420,591
Closing stock of finished goods	21	(203,526)	(411,187)
		7,157,029	7,553,193

Notes to the Financial Statements

For the year ended June 30, 2016

28.1 Cost of goods manufactured	Note	2016 --- Rupees in '000 ---	2015
Opening work-in-process		195,481	284,536
Raw materials consumed	28.3	3,876,899	4,274,620
Stores and spares consumed		287,395	283,867
Salaries, wages and benefits	28.4	1,297,176	1,141,102
Travelling and conveyance		3,911	8,047
Vehicles running expenses		23,787	24,459
Legal and professional charges		3,373	2,433
Power and fuel		693,455	744,994
Rent, rates and taxes		18,920	14,292
Ijarah rentals		59,387	55,343
Insurance		17,407	17,015
Repairs and maintenance		39,444	38,868
Tyre replacement allowance	13.2	39,993	34,420
Depreciation	15.2	166,957	155,988
Amortisation	16.2	892	670
Printing and stationery		1,299	1,820
Postage and telephone		3,039	2,417
Freight and insurance		71,726	80,559
Stores and spares written off		12,948	-
Other manufacturing expenses		8,907	9,389
		6,822,396	7,174,839
Closing work-in-process		(162,244)	(195,481)
		6,660,152	6,979,358

28.2 The royalty technical service fee include provincial taxes amounting Rs.18.273 million (2015: Rs.18.194 million).

28.3 Raw materials consumed	Note	2016 --- Rupees in '000 ---	2015
Opening stock		849,925	1,170,831
Purchases during the year		4,249,841	3,968,637
		5,099,766	5,139,468
Indirect materials consumed		(18,043)	(14,923)
Closing stock	21	(1,204,824)	(849,925)
		(1,222,867)	(864,848)
		3,876,899	4,274,620

28.4 Salaries, wages and benefits include Rs.31.612 million (2015: Rs.30.687 million) and Rs.11.675 million (2015: Rs.11.666 million) in respect of staff retirement benefits gratuity and provident fund respectively.

Notes to the Financial Statements

For the year ended June 30, 2016

29. ADMINISTRATIVE EXPENSES

	Note	2016 --- Rupees in '000 ---	2015
Salaries and benefits	29.1	157,421	137,803
Travelling and conveyance		5,935	10,406
Vehicles running expenses		3,477	3,733
Legal and professional charges		6,771	6,848
Auditors' remuneration	29.2	1,960	1,920
Rent, rates and taxes		102	102
Insurance		2,636	2,500
Repairs and maintenance		894	117
Depreciation	15.2	6,521	7,009
Amortisation	16.2	535	401
Printing and stationery		798	776
Postage and telephone		596	1,257
Ijarah rentals		3,425	3,356
Entertainment		797	664
Provision for doubtful debts		-	6,068
Computer expenses		5,529	4,653
Directors' fee		10,700	10,800
Other expenses		2,501	1,828
		210,598	200,241

29.1 Salaries and benefits include Rs.4.971 million (2015: Rs.5.939 million) and Rs.3.675 million (2015: Rs.3.996 million) in respect of staff retirement benefits gratuity and provident fund respectively.

29.2 Auditors' remuneration	Note	2016 --- Rupees in '000 ---	2015
Audit fee		1,500	1,500
Audit of provident fund		100	75
Special certifications		110	95
Out-of-pocket expenses		250	250
		1,960	1,920

30. DISTRIBUTION COST

	Note	2016	2015
Salaries and benefits	30.1	146,667	128,648
Travelling, conveyance and entertainment		24,527	24,006
Vehicle running expenses		5,580	6,528
Legal and professional charges		-	38
Advertisement and sales promotion		67,712	20,037
Rent, rates and taxes		18,942	16,704
Ijarah rentals		7,425	6,696
Insurance		582	436
Repairs and maintenance		2,090	1,297
Depreciation	15.2	5,357	5,900
Amortisation	16.2	357	268
Printing and stationery		807	670
Postage and telephone		3,138	2,736
Freight and insurance		102,269	105,774
Gas and electricity		2,433	1,930
Others		11,449	9,925
		399,335	331,593

30.1 Salaries and benefits include Rs.5.947 million (2015: Rs.6.984 million) and Rs.2.863 million (2015: Rs.2.287 million) in respect of staff retirement benefits gratuity and provident fund respectively.

Notes to the Financial Statements

For the year ended June 30, 2016

31. OTHER INCOME

	Note	2016 --- Rupees in '000 ---	2015
Income from financial assets			
Profit on bank deposits - conventional bank		302	318
Income from other than financial assets			
Sale of scrap net of sales tax		49,166	52,570
Gain on sale of operating fixed assets	15.3	9,584	4,543
Reversal of provision for doubtful debts	22.1	5,542	5,444
Others	31.1	583	2,692
		<u>65,177</u>	<u>65,567</u>

31.1 This represents interest free income from various sources.

32. OTHER EXPENSES

Workers' (profit) participation fund	11.5	80,276	58,934
Workers' welfare fund			
- current year		30,505	22,719
- prior year		-	390
		<u>30,505</u>	<u>23,109</u>
Exchange loss - net	32.1	11,723	15,034
Provision for doubtful export benefit receivable		-	658
Donations	32.2	27,005	19,518
		<u>149,509</u>	<u>117,253</u>

32.1 This represents exchange loss / gain - net arising on revaluation of actual currency financial assets and financial liabilities.

32.2 Donation of Rs.25.807 million (2015: Rs.18.320 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gammon House, 400-2, Chour Chowk, Peshawar Road, Rawalpindi (the Trust). Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Chairman of the Company and Mr. Raza Kuli Khan Khattak, Director of the Company are trustees of the Trust.

33. FINANCE COST

	Note	2016 --- Rupees in '000 ---	2015
Mark-up on:			
- long term finances		43,607	33,295
- short term finances		25,330	69,784
- running finances		61,603	149,702
Interest on workers' (profit) participation fund	11.5	617	526
Bank charges and guarantee commission		5,002	4,994
		<u>136,159</u>	<u>258,301</u>

34. TAXATION

Current tax

Current tax on profit for the year		434,964	385,405
Adjustments in respect of prior years		(4,033)	1,835
		<u>430,931</u>	<u>387,240</u>

Deferred tax

Origination and reversal of temporary differences		29,228	3,722
Impact of change in tax rate		2,297	(26,782)
		<u>31,525</u>	<u>(23,060)</u>
		<u>462,456</u>	<u>364,180</u>

Notes to the Financial Statements

For the year ended June 30, 2016

34.1 The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	2016	2015
	--- Rupees in '000 ---	
Profit before taxation	<u>1,494,743</u>	<u>1,097,035</u>
Tax at the applicable rate of 32% (2015: 33%)	478,318	362,022
Tax effect of:		
- expenses not deductible for tax purposes	126,531	117,511
- expenses deductible for tax purposes but not taken to profit and loss account	(149,338)	(107,925)
- income not subject to tax / income subject to final tax regime / tax credits	(62,949)	(20,315)
Super tax	42,402	34,112
Effect of prior years' tax	(4,033)	1,835
Deferred taxation	31,525	(23,060)
	<u>462,456</u>	<u>364,180</u>

35. EARNINGS PER SHARE

2016 2015
--- Rupees in '000 ---

35.1 Basic earnings per share

Net profit for the year	<u>1,032,287</u>	<u>732,855</u>
	-- Number of shares --	
Weighted average ordinary shares in issue	<u>59,771,250</u>	<u>59,771,250</u>
	----- Rupees -----	
Earnings per share	<u>17.27</u>	<u>12.26</u>

35.2 Diluted earnings per share

No figures for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

Notes to the Financial Statements

For the year ended June 30, 2016

36. CASH GENERATED FROM OPERATIONS

	Note	2016 --- Rupees in '000 ---	2015
Profit before taxation		1,494,743	1,097,035
Adjustments for non-cash charges and other items			
Depreciation		178,835	168,897
Amortisation		1,784	1,339
Provision for staff retirement gratuity		42,530	43,611
Charge of employees compensated absences		11,120	14,580
Provision for doubtful debts - (reversal) / charge - net		(5,542)	624
Profit on bank deposits		(302)	(318)
Gain on sale of operating fixed assets		(9,584)	(4,543)
Unrealised exchange loss - net		74	121
Finance cost		136,159	258,301
Share of profit of an Associated Company		(3,151)	(397)
Working capital changes	36.1	(140,582)	1,461,695
		<u>1,706,084</u>	<u>3,040,945</u>
36.1 Working capital changes			
(Increase) / decrease in current assets:			
- Stores and spares		(4,895)	(29,493)
- Stocks		(114,001)	542,563
- Trade debts		(167,859)	538,660
- Loans and advances		(39,973)	(25,319)
- Deposits and prepayments		59,313	120,805
- Other receivables		(8,695)	2,760
		<u>(276,110)</u>	1,149,976
Increase / (decrease) in current liabilities:			
- Trade and other payables		102,040	339,282
- Provisions		33,488	(27,563)
		<u>135,528</u>	311,719
		<u>(140,582)</u>	1,461,695

37. CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise of following:

	Note	2016 --- Rupees in '000 ---	2015
Running finances under mark-up arrangements	10	(621,020)	(666,389)
Cash and bank balances	26	116,851	241,769
		<u>(504,169)</u>	<u>(424,620)</u>

38. REMUNERATION OF THE CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the Chief Executive and other Executives of the Company is as follows:

Notes to the Financial Statements

For the year ended June 30, 2016

	Chief Executive		Executives	
	2016	2015	2016	2015
	[note 38.1]			
	----- Rupees in '000 -----			
Managerial remuneration and allowances	24,480	24,986	190,948	169,619
Bonus	4,084	11,652	46,805	32,042
Company's contribution to provident fund and gratuity fund	2,225	2,810	18,328	16,057
Medical	171	297	15,358	12,713
Leave passage	1,166	1,166	7,185	6,213
Others	2,776	2,611	27,462	30,021
	<u>34,902</u>	<u>43,522</u>	<u>306,086</u>	<u>266,665</u>
Number of persons	<u>2 [note 38.1]</u>	<u>1</u>	<u>81</u>	<u>72</u>

38.1 At June 30, 2016 the number of Chief Executive was one. Amount includes remuneration of former Chief Executive who worked part of the year.

38.2 The Chief Executive and some of the executives are provided with free use of Company maintained cars.

38.3 Remuneration to other directors

Aggregate amount charged in these financial statements for meeting fee to eleven (2015: nine) non-executive directors was Rs.9.300 million (2015: Rs.9.800 million).

39. PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	2016	2015
		--- Number of units ---	
Capacity: Tyre sets		<u>3,230,820</u>	<u>3,112,875</u>
Production: Tyre sets	39.1	<u>2,365,459</u>	<u>2,285,229</u>

39.1 Actual production was sufficient to meet the demand.

	2016	2015
	--- Number of units ---	
Actual production comprises of:		
Passenger car	957,969	802,156
Light truck	409,389	386,701
Truck bus	43,022	32,188
Farm front	193,109	202,542
Farm rear	123,074	138,213
Motorcycle	638,896	723,429
	<u>2,365,459</u>	<u>2,285,229</u>

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors of the Company, companies in which directors are interested, staff retirement benefit funds, key management personnel and close members of the families of the directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Notes to the Financial Statements

For the year ended June 30, 2016

Name	Nature of relationship	Nature of transaction	2016	2015
--- Rupees in '000 ---				
Ghandhara Industries Limited	Associated company	Sales	184,649	109,421
		Services rendered	947	2,100
		Truck purchased	1,975	2,475
		Advance given for truck	-	1,975
		Dividend received	453	-
Ghandhara Nissan Limited	Associated company	Sales	80,468	73,354
Ghandhara DF (Private) Limited	Associated company	Sales	26,113	10,420
Bibojee Services (Private) Limited	Associated company	Dividend paid	116,261	107,956
		Rent	1,050	1,050
Sui Northern Gas Pipelines Limited	Associated company	Sales	28,065	-
Gammon Pakistan Limited	Associated company	Tender fee	-	25
		Construction services obtained	383,852	-
Continental Global Holding Netherlands, B.V.	Related party	Dividend paid	40,910	37,988
Pak Kuwait Takaful Company Limited	Associated company	Insurance premium	2,453	1,077
Continental Reifen Deutschland GmbH	Related party	Purchase of spare parts / bladders	19,206	12,342
Continental Tire The Americas, LLC	Related party	Purchase of machinery and spare parts / bladders	163	95
		Purchase of raw materials	69,868	57,867
		Royalty technical service fee	182,726	181,935
Wackenhut Pakistan (Private) Limited	Associated company	Service charges	2,977	3,344
Askari Bank Limited	Associated company	Mark-up on long term and running finances	17,303	-
		Profit earned	302	-
Pakistan Kuwait Investment Company (Private) Limited	Associated company	Dividend paid	125,519	116,553
Bank Alfalah Limited	Associated company	Mark-up on running finance	5,059	26,312
Siemens Pakistan Engineering Company Limited	Associated company	Advance for supply of computers and related equipment	23,516	-
		Software licenses purchased	30,034	-
		Services rendered	3,629	-
		Purchase of stores and spares	12,447	-

Notes to the Financial Statements

For the year ended June 30, 2016

Name	Nature of relationship	Nature of transaction	2016	2015
--- Rupees in '000 ---				
Waqf-e-Kuli Khan	Associated undertaking	Donation	25,807	18,320
Key management personnel	Related party	Remuneration and other short term benefits	155,627	146,287
Staff provident fund	Employees fund	Sale of fixed assets	1,937	1,049
Staff gratuity fund	Employees fund	Contributions made	18,213	17,949
Refer note 6.1				

41. PROVIDENT FUND RELATED DISCLOSURES

41.1 The following information is based on un-audited financial statements of the Fund for the year ended June 30, 2016:

	2016	2015
--- Rupees in '000 ---		
Size of the Fund - Total Assets	385,463	377,535
Cost of investments made	372,323	364,699
Percentage of investments made	96.59%	96.60%
Fair value of investments	377,333	369,147

41.2 Break-up of the investments is as follows:

	2016	2015	2016	2015
	----- Percentage -----		--- Rupees in '000 ---	
Special accounts in scheduled banks	6.07	5.48	23,409	20,679
Debt securities	13.05	13.33	50,309	50,339
Government securities	33.02	33.72	127,288	127,288
Listed securities	27.36	19.46	105,445	73,479
Mutual funds - units	17.09	24.61	65,873	92,914

41.3 The investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

42. FINANCIAL INSTRUMENTS

42.1 Financial risk factors

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign exchange risk, interest rate risk and price risk).

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's overall risk management program focuses on having volatility and provide maximum return to shareholders.

Notes to the Financial Statements

For the year ended June 30, 2016

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Credit risk

Credit risk represents the risk of accounting loss being caused if counterparty fails to perform as contracted or discharge an obligation. Credit risk mainly arises from loans & advances, deposits, trade debts, other receivables and balances with banks. Out of the total financial assets aggregating Rs.1,287.050 million (2015: Rs.1,281.701 million) as detailed in note 42.4 below, those that are subject to credit risk aggregate to Rs.1,285.612 million (2015: Rs.1,280.778 million).

The maximum exposure to credit risk at the end of the reporting period is as follows:

	2016 --- Rupees in '000 ---	2015 --- Rupees in '000 ---
Long term loans and advances	10,888	10,493
Long term deposits	32,667	33,567
Trade debts	1,024,670	851,269
Loans and advances	38,708	29,263
Deposits	40,364	101,133
Other receivables	22,902	14,207
Bank balances	115,413	240,846
	1,285,612	1,280,778

Out of the total financial assets credit risk is concentrated in cash and cash equivalents and credit exposure to Original Equipment Manufacturers, Replacement Market Dealers and Government Institutions, including outstanding receivables and committed transactions. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk with respect to trade debts the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an evaluation of customers profile and payment history. Outstanding customer receivables are regularly monitored. Where considered necessary, advance payments are obtained from certain parties.

The maximum exposure to credit risk for trade debts by type of counter party as at reporting date is as follows:

	2016 --- Rupees in '000 ---	2015 --- Rupees in '000 ---
Original equipment manufacturers	437,100	339,656
Government institutions	83,360	32,572
Replacement market	523,926	510,592
	1,044,386	882,820
Provision for doubtful debts	(19,716)	(31,551)
	1,024,670	851,269

Notes to the Financial Statements

For the year ended June 30, 2016

All the trade debts at the reporting date represent domestic parties.

The Company monitors the credit quality of its bank balances with reference to historical performance of such assets and available external credit ratings. The bank balances aggregating Rs.100.813 million placed with banks have a short term credit rating of at least A1+. Accordingly, management does not expect any counter party to fail in meeting their obligation.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity between one to two years	Maturity above three years
----- Rupees in '000 -----					
June 30, 2016					
Long term finances	1,144,333	1,424,788	391,006	653,383	380,399
Long term deposits from dealers	8,930	8,930	-	-	8,930
Short term finances	143,889	146,553	146,553	-	-
Running finances	621,020	621,020	621,020	-	-
Trade and other payables	920,943	920,943	920,943	-	-
Accrued mark-up	32,929	32,929	32,929	-	-
Provisions	109,282	109,282	109,282	-	-
	2,981,326	3,264,445	2,221,733	653,383	389,329
June 30, 2015					
Long term finances	500,000	603,365	158,381	163,320	281,664
Long term deposits from dealers	8,990	8,990	-	-	8,990
Short term finances	86,030	87,886	87,886	-	-
Running finances	666,389	666,389	666,389	-	-
Trade and other payables	905,766	905,766	905,766	-	-
Accrued mark-up	17,331	17,331	17,331	-	-
Provisions	75,794	75,794	75,794	-	-
	2,260,300	2,365,521	1,911,547	163,320	290,654

Notes to the Financial Statements

For the year ended June 30, 2016

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2016.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

Foreign exchange risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk on import of raw materials, stores & spares and export of goods denominated in U.S. Dollar, Euro and British Pound. The Company's exposure to foreign exchange risk at the reporting date is as follows:

	June 30, 2016				June 30, 2015			
	Rupees	U.S.\$	Euro	British Pound	Rupees	U.S.\$	Euro	British Pound
	----- in '000 -----				----- in '000 -----			
Trade and other payables	375,857	3,539	44	-	444,507	4,371	-	-
Loans and advances	(7,185)	(56)	(8)	(2)	(6,901)	(52)	(11)	(5)
	368,672	3,483	36	(2)	437,606	4,319	(11)	(5)

The following significant exchange rates have been applied:

	Reporting date rate 2016	2015
U.S. Dollar to Rupee	104.70 / 104.50	101.70/101.50
Euro to Rupee	116.31 / 116.08	113.57
British Pound to Rupee	140.12	159.59

At June 30, 2016, if Rupee had strengthened / weakened by 10% against U.S. Dollar, Euro and British Pound with all other variables held constant, profit before taxation for the year would have been higher / (lower) by the amount shown below mainly as a result of foreign exchange gain / (loss) on translation of denominated financial liabilities and financial assets.

	2016 --- Rupees in '000 ---	2015
Effect on profit before taxation for the year:		
U.S. Dollar to Rupee	36,467	43,924
Euro to Rupee	419	(125)
British Pound to Rupee	(28)	(80)
	36,858	43,719

Notes to the Financial Statements

For the year ended June 30, 2016

Interest rate risk

Interest rate risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of change in market interest rates.

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and mark-up bearing deposits held with a bank. Borrowings at variable interest rates expose the Company to cash flow interest rate risk and deposits with banks at fixed interest rates give rise to fair value interest rate risk. At June 30, 2016, the interest rate profile of the Company's significant financial instruments is as follows:

	2016	2015
	--- Rupees in '000 ---	
Fixed rate instruments		
Financial assets	7,469	4,845
Variable rate instruments		
Financial liabilities	1,909,242	1,252,419

At June 30, 2016, if the interest rate on the Company's borrowings had been higher / lower by 100 basis point with all other variables held constant, profit before tax for the year would have been lower / higher by Rs.19.092 million (2015: Rs.12.524 million) mainly as a result of higher / (lower) interest expense.

Price risk

Price risk represents the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from foreign exchange risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as it does not hold any price sensitive instruments.

42.2 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically re-priced.

International Financial Reporting Standard 13, 'Financial Instruments : Disclosure' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

Currently there are no financial assets or financial liabilities which are measured at their fair value in the balance sheet.

Notes to the Financial Statements

For the year ended June 30, 2016

42.3 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

	2016	2015
	--- Rupees in '000 ---	
42.4 Financial instruments by category		
Financial assets as per balance sheet		
Loans and receivables		
Long term loans and advances	10,888	10,493
Long term deposits	32,667	33,567
Trade debts	1,024,670	851,269
Loans and advances	38,708	29,263
Deposits	40,364	101,133
Other receivables	22,902	14,207
Cash and bank balances	116,851	241,769
	1,287,050	1,281,701
Financial liabilities as per balance sheet		
Financial liabilities at amortised cost		
Long term finances	1,144,333	500,000
Long term deposits from dealers	8,930	8,990
Short term finances	143,889	86,030
Running finances under mark-up arrangements	621,020	666,389
Trade and other payables	920,943	905,766
Accrued mark-up	32,929	17,331
Provisions	109,282	75,794
	2,981,326	2,260,300

43. ENTITY- WIDE INFORMATION

These financial statements have been prepared on the basis of single reportable segment.

43.1 Information about products and customers

The Company markets and sells tyre and tubes for automobiles and motorcycles. The principal classes of customers of the Company's product are Original Equipment Manufacturers, Replacement Market, Government Institutions and Exports. These principal classes of customers accounted for the following percentages of sales:

Notes to the Financial Statements

For the year ended June 30, 2016

	2016 %	2015 %
Original equipment manufacturers	58.20	52.73
Replacement market	36.95	40.88
Government institutions	4.49	5.99
Exports	0.36	0.40
	<u>100.00</u>	<u>100.00</u>

43.2 Information about geographical areas

All non-current assets of the Company as at June 30, 2016 are located in Pakistan. Revenues from external customers attributed to foreign countries in aggregate are not material.

43.3 Information about major customers

Sales to three original equipment manufacturers aggregating Rs.4,426.236 million (2015: Rs.4,013.116 million) account for 47% (2015: 42%) of net sales.

44. NUMBER OF EMPLOYEES

Number of employees as at June 30,

- Permanent
- Contractual

	2016	2015
	1,075	1,079
	1,328	1,343

Average number of employees during the year

- Permanent
- Contractual

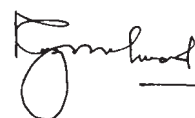
	1,074	1,077
	1,346	1,289

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 4, 2016 by the Board of Directors of the Company.



Hussain Kuli Khan
Chief Executive Officer



Manzoor Ahmed
Director

Pattern of Shareholding

As of June 30, 2016

# Of Shareholders	Shareholdings'Slab			Total Shares Held
690	1	to	100	22,086
617	101	to	500	192,697
304	501	to	1000	268,700
624	1001	to	5000	1,505,329
128	5001	to	10000	941,659
52	10001	to	15000	657,210
27	15001	to	20000	488,509
12	20001	to	25000	284,187
14	25001	to	30000	381,949
5	30001	to	35000	161,248
9	35001	to	40000	342,994
1	40001	to	45000	40,162
6	45001	to	50000	289,625
3	50001	to	55000	152,100
3	55001	to	60000	173,600
1	60001	to	65000	61,500
2	65001	to	70000	133,210
1	70001	to	75000	75,000
4	80001	to	85000	334,561
2	95001	to	100000	200,000
2	100001	to	105000	204,200
2	105001	to	110000	215,700
3	115001	to	120000	357,744
2	120001	to	125000	243,542
2	145001	to	150000	298,764
1	150001	to	155000	153,500
2	155001	to	160000	315,800
2	185001	to	190000	375,500
2	195001	to	200000	396,300
1	210001	to	215000	213,500
3	230001	to	235000	692,282
1	235001	to	240000	238,493
1	240001	to	245000	240,418
1	295001	to	300000	300,000
1	340001	to	345000	344,301
1	395001	to	400000	400,000
1	470001	to	475000	473,900
1	565001	to	570000	565,400
1	575001	to	580000	577,500
1	720001	to	725000	724,300
1	740001	to	745000	743,000
1	780001	to	785000	781,500
1	910001	to	915000	911,000
1	2205001	to	2210000	2,206,600
1	2910001	to	2915000	2,913,976
1	5840001	to	5845000	5,844,300
1	14400001	to	14405000	14,402,112
1	17930001	to	17935000	17,931,292
2544				59,771,250

Categories of Shareholders

As of June 30, 2016

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
LT. GEN (R) ALI KULI KHAN KHATTAK	1	238,493	0.40
MR. RAZA KULI KHAN KHATTAK	1	240,418	0.40
MR. IKRAM-UL-MAJEED SHEGAL	1	7	0.00
DR. WILLI FLAMM	1	80	0.00
MR. MANSUR KHAN	1	50	0.00
MR. MAZHAR SHARIF	1	50	0.00
MR. HUSSAIN KULI KHAN	1	100	0.00
MR. KASHIF SUHAIL	1	50	0.00
Associated Companies, undertakings and related parties			
BIBOJEE SERVICES (PVT) LTD.,	2	16,608,712	27.79
CONTINENTAL GLOBAL HOLDING NETHERLANDS B.V.	1	5,844,300	9.78
PAKISTAN KUWAIT INVESTMENT CO. (PVT) LTD.	1	17,931,292	30.00
Executives			
	-	-	-
Public Sector Companies and Corporations			
	3	161,126	0.27
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
	8	1,432,551	2.40
Mutual Funds			
MCBFSL - TRUSTEE JS VALUE FUND	1	188,000	0.31
CDC - TRUSTEE JS LARGE CAP. FUND	1	213,500	0.36
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	2,500	0.00
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	57,000	0.10
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	300	0.00
CDC - TRUSTEE DAWOOD ISLAMIC FUND	1	2,500	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	230,800	0.39
CDC - TRUSTEE HBL - STOCK FUND	1	565,400	0.95
MC FSL - TRUSTEE JS GROWTH FUND	1	473,900	0.79
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	50,000	0.08
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	100,900	0.17
CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	1	2,500	0.00
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	5,400	0.01
CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	1	2,200	0.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	2,913,976	4.88
CDC - TRUSTEE PIML VALUE EQUITY FUND	1	2,700	0.00
General Public			
a. Local	2454	10,605,422	17.74
b. Foreign	3	25,000	0.04
Foreign Companies			
	8	581,941	0.97
Others			
	40	1,290,082	2.16
Totals	2544	59,771,250	100.00
Share holders holding 5% or more			
		Shares Held	Percentage
BIBOJEE SERVICES (PVT) LTD.,		16,608,712	27.79
CONTINENTAL GLOBAL HOLDING NETHERLANDS B.V.		5,844,300	9.78
PAKISTAN KUWAIT INVESTMENT CO. (PVT) LTD.		17,931,292	30.00

Electronic Transmission Consent Form

The Securities and Exchange Commission of Pakistan through SRO 787(1)/ 2014 of 8 September 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditors' report and directors' report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/ CDC; while shareholders having physical shares are requested to send the forms and a copy of their CNIC to the Company's Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi.

Electronic Transmission Consent Form

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its S.R.O. 787(1)/ 2014 of 8 September 2014, I, Mr./ Ms. _____ S/o., D/o., W/o _____ hereby consent to have The General Tyre & Rubber Company of Pakistan Limited's Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below:

Name of Member/ Shareholder	
Folio/ CDC Account Number	
CNIC	
Email Address	

It is stated that the above mentioned information is true and correct and that I shall notify the Company and its Share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statements and Notice of Annual General Meeting.

Signature of Member/ Shareholder

Date: _____

برقی ترسیل کا منظوری فارم

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے مراسلہ SRO 787(1)2014 مورخہ 08 ستمبر 2014 کے ذریعے کمپنی کو اپنا سالانہ کھاتوں کا گوشوارہ اور نفع اور نقصان کھاتے، آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ (جانچ شدہ مالی گوشوارے) بمعہ کمپنی کا سالانہ اجلاس عام کانوٹس، اپنے حصص یافتگان کو بذریعہ ای میل ترسیل کی اجازت دی ہے۔

وہ حصص یافتگان جو کمپنی کی سالانہ رپورٹ بذریعہ ای میل حاصل کرنا چاہتے ہیں، ان سے گزارش ہے کہ مندرجہ ذیل مطلوبہ فارم پُر کریں۔
CDC حصص یافتگان سے گزارش ہے کہ وہ اپنا برقی ترسیل کا منظوری فارم اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کے ہمراہ براہ راست اپنے بروکر (پارٹنیشنٹ) / CDC کو جمع کرائیں، جبکہ کاغذی شکل میں حصص رکھنے والے حصص یافتگان سے درخواست ہے کہ وہ اپنے فارم اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی کے ہمراہ کمپنی کے رجسٹرار، سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، CDC ہاؤس، 99-B، بلاک 'بی'، ایس ایم سی ایچ ایس، مین شاہراہ فیصل کراچی کو جمع کرائیں۔

برقی ترسیل کا منظوری فارم

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے حکمنامے بذریعہ مراسلہ SRO 787(1)/2018 مورخہ 08 ستمبر 2014 کے مطابق
میں، مسٹر/مس _____ S/O, D/O, W/O _____ بذریعہ ہذا جنرل ٹائر
اینڈ بر کمپنی آف پاکستان کے جانچ شدہ مالی گوشوارے اور سالانہ اجلاس عام کانوٹس بذریعہ ای میل اپنے ذیل میں دیئے گئے ای میل
ایڈریس پر بھیجنے کی منظوری دیتا/ دیتی ہوں۔

رکن/حصص یافتہ کا نام	
فولیو/ CDC اکاؤنٹ نمبر	
ای۔ میل ایڈریس	

یہ بیان کیا جاتا ہے کہ مذکورہ بالا معلومات بالکل درست اور صادق ہیں اور میں اپنے ای میل ایڈریس میں کسی بھی تبدیلی یا کمپنی کے جانچ شدہ مالیاتی گوشواروں اور سالانہ اجلاس عام کے نوٹس کی بذریعہ ای میل وصولی پر اپنی رضامندی واپس لینے کی تحریری اطلاع کمپنی اور اس کے شیئر رجسٹرار کو دوں گا۔

رکن/حصص یافتہ کے دستخط

تاریخ:

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Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Form of Proxy

The Company Secretary
The General Tyre and Rubber Company
of Pakistan Limited
H-23/2, Landhi Industrial Trading Estate
Landhi, Karachi

Please quote:

No. of Shares held _____

Folio No. _____

CDC Part. ID _____

A/C/Sub A/C No. _____

I/We-----
of ----- Member(s) of The General Tyre & Rubber Company of Pakistan Limited do
hereby appoint -----
of ----- or failing him -----
of ----- as proxy in my/ our behalf at the Fifty Third (53rd) Annual General Meeting of
the Company to be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton,
Karachi on Monday, 31 October 2016, at 12.15 p.m. and at any adjournment thereof.

Signature on
Revenue Stamp
of Rs. 5/=

Signature of Shareholder

Name of Shareholder

Witnesses:

Signature _____ Signature _____

Name _____ Name _____

CNIC/Passport No. _____ CNIC/Passport No. _____

The Company Secretary
The General Tyre and Rubber Company
of Pakistan Limited
H-23/2, Landhi Industrial Trading Estate,
Landhi, Karachi.

AFFIX
POSTAGE

نیابتی فارم

کمپنی سیکریٹری
دی جنرل ٹائر اینڈ ربر کمپنی آف پاکستان لمیٹڈ،
H-23/2، لائڈھی انڈسٹریل ٹریڈنگ اسٹیٹ،
لائڈھی کراچی۔

میں/ہم _____ برائے _____
جنرل ٹائر اینڈ ربر کمپنی آف پاکستان لمیٹڈ بذریعہ ہذا _____ کو اور اس کی عدم موجودگی میں
_____ کو میری/ہماری غیر موجودگی میں کمپنی کے پیر 31 اکتوبر 2016 بوقت 12:15 کو انسٹیٹیوٹ آف
چارٹرڈ اکاؤنٹنٹس آف پاکستان آڈیٹوریم کلفٹن، کراچی میں منعقد ہونے والے تریبونوں (53) سالانہ اجلاس عام یا اس کے ملتوی شدہ اجلاس میں
شرکت کرنے اور اپنی جگہ ووٹ دینے کا اہل قرار دیتا ہوں/دیتے ہیں۔

حصص یافتہ کے دستخط: _____
5 روپے کے ریونیو
اسٹیپ پر دستخط _____
حصص یافتہ کا نام: _____

گواہان:
دستخط _____
دستخط _____
نام _____ نام _____
این آئی سی/ پاسپورٹ نمبر _____ این آئی سی/ پاسپورٹ نمبر _____

The Company Secretary
The General Tyre and Rubber Company
of Pakistan Limited
H-23/2, Landhi Industrial Trading Estate,
Landhi, Karachi.

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