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Company Profile

Board of Directors

Chairman Dr. Willi Flamm

Chief Executive Lt. Gen. (Retd) Ali Kuli Khan Khattak

Mr. Ahmed Kuli Khan Khattak
Mr. Ikram Ul-Majeed Sehgal
Mr. Irfan Siddiqui
Mr. Istaqbal Mehdi
Mr. Manzoor Ahmed
Mr. Muhammad Nawaz Tishna
Mr. Rana Ahmed Humayun
Mr. Raza Kuli Khan Khattak
Mr. Tasnim-ul-Haq Farooqui
Mr. Umer Latif

Company Secretary

Mr. S. Ehtesham Taqi

Board Audit Committee

Chairman Mr. Ahmed Kuli Khan Khattak
Mr. Manzoor Ahmed
Mr. Tasnim-ul-Haq Farooqui

Major Bankers

Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank Pakistan Limited
United Bank Limited

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Hameed Chaudhri & Co.
Chartered Accountants

Legal Advisor

Syed Iqbal Ahmed & Co.

Registered Office & Factory

H-23/2, Landhi Industrial Trading Estate,
Landhi, Karachi.

Phone : 5080172-81

UAN : 111 487 487

Fax : 5081212, 5080171, 5084121

Website : www.generaltyre.com.pk

Branch Offices

Lahore

Plot No. 20,
Shahrah-e-Fatima
Jinnah, Lahore.

Phone : 6308605-6

Fax : 6300108

Islamabad

Plot No. 176, 1-10/3,
Kurang Road,
Islamabad.

Phone : 4449955-6

Fax : 4440916

Customer Care & Service Centres

Karachi

Plot No. St-10,
Ceasars Tower,
Sharah-e-Faisal,
Karachi.

Phone : 2791134-5

Fax : 2791348

Toll Free : 0800-11487

Lahore

Plot No. 20,
Shahrah-e-Fatima
Jinnah, Lahore.

Phone : 6308605-6

Fax : 6308607

Warehouse

Multan

Plot No. 758-759/21, Khanewal Road,
Multan

Phone : 774407

Fax : 774408

Liaison Office

House No. 221, Street No. 39,
Sector F-11/3, Islamabad.

Phone : 2112792 & 94 Fax : 2112795



Chairman's Review

OPERATING RESULTS

I have pleasure in presenting to the shareholders of the Company, Accounts for the year ending June 30, 2008.

Your Company achieved the milestone of recording sales of 1,627,531 tyres as compared to 1,555,680 of last year; i.e. an increase of 5%; had the Original Equipment Manufacturers (OEMs) lifted tyres in accordance with their forecast at the beginning of the year, the sales of tyres would have been even higher by another 50,000 tyres.

There was an increase of 17% in Net Sales of the Company from Rs.3,951.2 million to Rs.4,614.7 million. This was partly due to higher volumes and partly on account of increase in selling prices of Company's products during the year. Unfortunately, the input cost of production also registered an unprecedented rise during the period under review. Since most of the Raw Materials used by the Company have a direct relationship with the international prices of Crude Oil the average cost of raw material this year has increased by 12% over the previous year. This had a substantial effect on Company's cost of production as raw material constitutes over 70% of its cost of sales. There was also a massive devaluation of five rupees in the Pak Rupee/US Dollar parity rate in the last quarter of the year. These increases in input cost were so rapid and steep that the Company, despite increases in prices of its products, was not able to pass on the full impact to OEMs who account for 70% of the Company's sales. The Company's investment in essential BMR and capacity expansion equipment of previous years (made in accordance with its long term strategic plans) resulted in heavy depreciation and financial charges during the year. Resultantly, the Company made Profit Before Tax of Rs.7.3 million for the year ended June 30, 2008 compared to a Profit Before Tax of Rs.105.9 million of last year.

MANUFACTURING

The Company produced 1,601,044 tyres during the year compared to 1,626,152 tyres last year. However, the Company was not able to fully utilize its increased capacity due to production losses on account of power outages, political disturbances and general elections in Pakistan.

MARKETING & SALES

Overall sales have shown reasonable growth over last year. The sales performance would have been even better if the Company's production was not lost due to factors highlighted above and had the OEMs "lifted" tyres as per their forecast.

The sales to Replacement Market (RM) showed an overall growth of 24% from last year which is encouraging and more in the correct direction, notably, the growth of Farm Rear Tyres was over 100% and Passenger Tyres over 50% in RM.



The off-take by OEMs was low due to reductions in their production plans which affected sales of tyres and hence Company's sale volume in this segment was 2% lower than last year.

The Company continues to pursue its vision of shifting its emphasis on sales from OEMs to RM. In this regard the Company introduced five new sizes/designs for the RM during the year which have shown good acceptability and has performed well.

FUTURE OUTLOOK

The Technical Service Agreement ('TSA') which is the basis of our association with M/s Continental AG of Germany comes up for a seven year renewal in 2009. The relationship of our Company with Continental has improved greatly over the years and the TSA will, inshallah, be renewed on expiry without much ado.

With the investment in expansion/BMR equipment, like Triple Extruder, Tyre Uniformity Machine, Curing Presses, etc., and introduction of new designs for the RM, the Company is well poised to improve quality/increase capacity of its products which will help to implement its modified vision of a larger market share in the RM Segment.

INDUSTRY REVIEW

The local tyre industry allegedly continues to face competition from smuggled tyres and under invoicing by importers. Unfortunately the Government (despite our protestations) has excluded the Tyre Manufacturing Industry from the Tariff Based System (TBS) but our continuous follow up with the Government Authorities have not allowed the Trader's Lobby to take further unfair advantage in this year's National Budget; we hope this support of the Government will continue in the future also.

The OEMs also continue to put faith in the products of the Company by placing orders for new models vehicles being introduced by them.

BUSINESS PROCESS RE-ENGINEERING / R&D

During the year your Company brought about process changes along with capital expenditure to increase the capacity of the plant from 1,600,000 to 1,700,000 tyres.

TAXES / DUTIES PAID

Your Company has contributed Rs.817 million to the national exchequer as against Rs.698 million in the previous year. We continue with our policy of strict compliance with all tax and customs duty laws.



CODE OF CORPORATE GOVERNANCE

Your Company continues to work closely with the Karachi Stock Exchange and Securities & Exchange Commission of Pakistan and complies with the Code of Corporate Governance in letter and spirit.

BOARD CHANGES

NIT nominees Messrs Zahid Hussain and Firasat Ali resigned from the directorship of the Company on June 24, 2008 and July 11, 2008 respectively and in their place Board appointed Mr. Manzoor Ahmed and Mr. Muhammad Nawaz Tishna respectively.

The Board would like to record its appreciation for the valuable services rendered by Mr. Zahid Hussain and Mr. Firasat Ali to the Company and welcomes Mr. Manzoor Ahmed and Mr. Muhammad Nawaz Tishna on the Board.

EMPLOYEE / LABOUR RELATIONS

The relations with CBA during the year 2007-2008 have been normal.

In the end, on behalf of the Board I wish to acknowledge and appreciate the dedication and efforts of our employees/workers and Management for the achievements during the year. Loyalty of our dealers/customers and the support of our banks and financial institutions is also gratefully acknowledged and solicited for the future.

A handwritten signature in black ink, appearing to read 'W. Flamm'.

DR. WILLI FLAMM
Chairman, Board of Directors

Karachi
Dated : August 22, 2008



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, 2008.

	2008 (Rupees in Thousand)	2007
Financial Results		
(Loss)/Profit for the year after taxation	(16,505)	62,919
Unappropriated Profit brought forward	<u>640,960</u>	<u>697,584</u>
	624,455	760,503
Appropriation		
Dividend	<u>Nil</u>	<u>119,543</u>
Unappropriated profit carried forward	<u>624,455</u>	<u>640,960</u>
Basic earnings per share	Rs.(0.28)	Rs.1.05

The Board of Directors has recommended NIL dividend for the year ended June 30, 2008 due to loss made by the Company.

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 Accounting Standards, 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 significant 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:

	<u>Value of Investment</u>	<u>Year ended:</u>
Provident Fund	Rs. 168.9 Million	June 30, 2007
Gratuity Fund	Rs. 12.9 Million	June 30, 2007

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

Board Meetings

During the year four (4) meetings of the Board of Directors were held. Attendances by each Director are as follows:

<u>S. No.</u>	<u>Name of Director</u>	<u>Number of Meetings Attended</u>
1.	Lt. Gen. (Retd) Ali Kuli Khan Khattak	3
2.	Mr. Ahmed Kuli Khan Khattak	3
3.	Mr. Firasat Ali	3
4.	Mr. Ikram Ul-Majeed Sehgal	3
5.	Mr. Irfan Siddiqui	2
6.	Mr. Istaqbal Mehdi	3
7.	Mr. Manzoor Ahmed**	0
8.	Mr. Mushtaq Ahmed Khan	2
9.	Mr. Rana Ahmed Humayun	4
10.	Mr. Raza Kuli Khan Khattak	3
11.	Mr. Tasnim-ul-Haq Farooqui	4
12.	Dr. Willi Flamm	2
13.	Mr. Zahid Hussain*	4

* Resigned w.e.f. June 24, 2008

** Appointed w.e.f. June 24, 2008

Chairman's Review

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



Pattern of shareholding

A statement showing the pattern of holding of shares as at June 30, 2008 is attached.

Auditors

The present Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants and Hameed Chaudhri & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board of Directors has recommended their appointment as Auditors of the Company for the year ending June 30, 2009.

For and on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Ali Kuli Khan Khattak".

LT.GEN.(RETD) ALI KULI KHAN KHATTAK
Chief Executive

Karachi

Dated : August 22, 2008



NOTICE OF MEETING

Notice is hereby given that the Forty fifth Annual General Meeting of The General Tyre and Rubber Company of Pakistan Limited will be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on Monday, September 29, 2008 at 3.00 P.M. to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on August 21, 2008.
2. To receive and consider the audited accounts for the year ended June 30, 2008 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending June 30, 2009 and to fix their remuneration. The retiring auditors, Messrs A.F. Ferguson & Co. Chartered Accountants and Hameed Chaudhri & Co., Chartered Accountants, being eligible, offer themselves for reappointment.
4. Any other business with the permission of the Chair.

By Order of the Bo



S. Ehtesham Taqi

Karachi
Dated: August 22, 2008

NOTES:

1. The share transfer books of the Company shall remain closed from September 20, 2008 to September 29, 2008 (both days inclusive).
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 not later than 48 hours before the time for holding the meeting.
3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring his/her participant ID and account / sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/ power of attorney with specimen signature of the nominees shall be produced (unless provided earlier) at the time of meeting.
4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account / sub-account number together with attested copy of their CNIC or passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/ power of attorney with specimen signature shall be submitted (unless submitted earlier) along with the proxy form.
5. Members are requested to notify change in their address, if any, immediately.



Key Operating and Financial Data

	2008	2007	2006	2005	2004	2003	2002
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Rupees in million

Operating Results

Net sales	4,615	3,951	3,732	3,198	2,803	2,239	1,906
Gross profit	510	468	521	583	627	530	428
Profit before taxation	7	106	210	328	377	334	245
(Loss) / profit after taxation	(17)	63	127	204	236	197	175
Cash dividend *	-	20%	17.5%	-	-	20%	50%
Bonus issue	-	-	-	-	-	-	250%

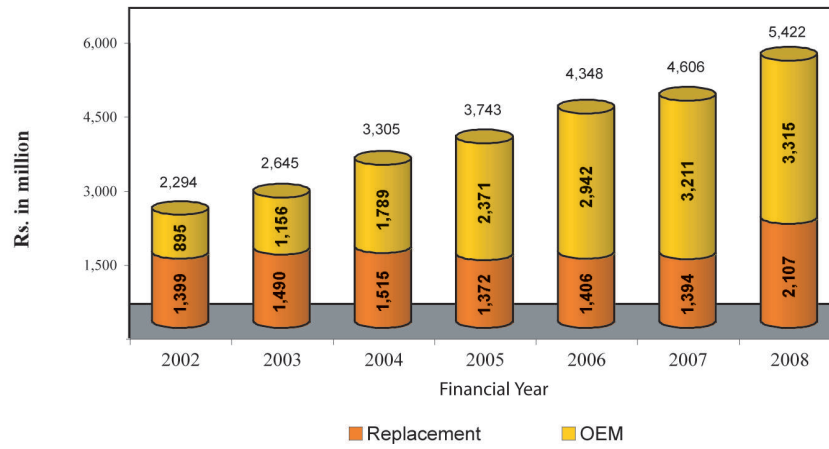
Financial Position

Operating fixed assets - at cost	2,960	2,852	2,109	1,890	1,433	1,324	1,255
Share capital	598	598	598	598	598	598	171
Reserve	624	641	697	675	472	237	587
Shareholders' equity	1,222	1,239	1,295	1,273	1,070	835	757
Long -term loans and liabilities against assets subject to finance leases	353	499	467	390	153	6	8

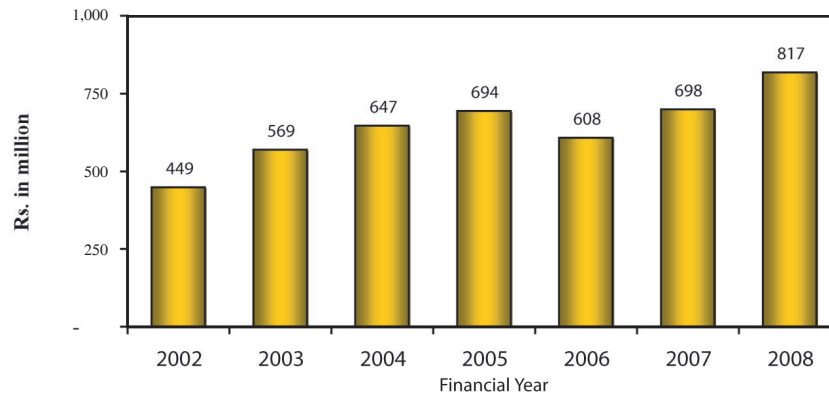
* The Board of directors has recommended NIL dividend for the year ended June 30, 2008.

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

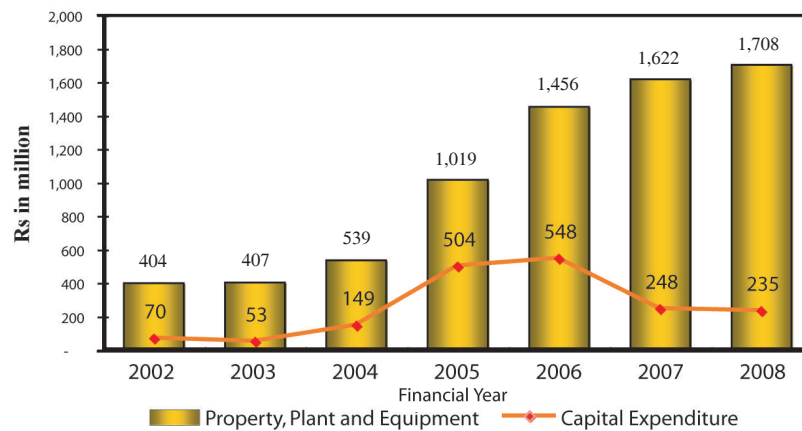
Sales Revenue



Contribution to Public Exchequer



Property, Plant and Equipment Vs Capital Expenditure





Statement of Compliance with the Code of Corporate Governance For the year ended June 30, 2008

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

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

1. The Company encourages representation of non-executive directors on its Board of Directors. At present, the Board includes eleven non - executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
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 Financial Institution or a Non - Banking Financial Institution. None of the resident Directors are a member of any of the stock exchanges on which the Company's shares are listed.
4. One vacancy occurring on the Board due to resignation was filled in by the Board of Directors within 30 days.
5. The Company has prepared "Statement of Ethics and Business Practices" which has been signed by all the Directors and management employees of the Company.
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 Chief Executive (CEO) have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. An orientation course was conducted during the year ended June 30, 2003 to apprise the directors of their duties and responsibilities.

10. The Board has approved appointment of Chief Financial Officer (CFO) and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the Chief Executive. The appointment of the Company Secretary had been made prior to the application of the Code.
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 the CEO and the CFO, before approval by 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 members, all of whom are non-executive Directors including the Chairman of the Committee.
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 as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
17. The Company has set up an effective Internal Audit Function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors



LT. GEN. (RETD) ALI KULI KHAN KHATTAK
Chief Executive

Karachi
Dated : August 22, 2008




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

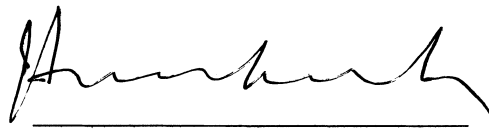
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of The General Tyre and Rubber Company of Pakistan Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2008.


A. F. FERGUSON & CO.
Chartered Accountants
Karachi, August 25, 2008


HAMEED CHAUDHRI & CO.
Chartered Accountants
Karachi, August 25, 2008




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, 2008 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

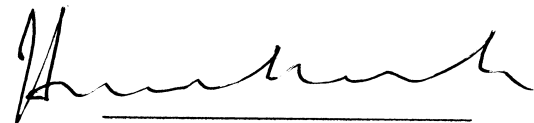

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of 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, statement of changes in equity and cash flow statement 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, 2008 and of the loss, its changes in equity and cash flows for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.


A. F. FERGUSON & CO.
Chartered Accountants
Karachi, August 25, 2008




HAMEED CHAUDHRI & CO.
Chartered Accountants
Karachi , August 25, 2008



Balance Sheet

As at June 30, 2008


	Note	2008 (Rupees in thousand)	2007
SHARE CAPITAL AND RESERVE			
Share capital			
Authorised			
75,000,000 (2007: 75,000,000) ordinary shares of Rs 10 each		750,000	750,000
Issued, subscribed and paid-up	6	597,713	597,713
Reserve		624,455	640,960
		1,222,168	1,238,673
LONG TERM MURABAHA FINANCING	7	-	100,000
LONG TERM LOAN	8	337,500	356,250
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	9	15,099	42,776
STAFF BENEFITS	10	130,669	124,308
DEFERRED CREDIT	11	136	283
DEFERRED TAXATION	12	44,352	43,911
LONG TERM DEPOSITS FROM DEALERS	13	9,740	9,340
CURRENT LIABILITIES AND PROVISIONS			
Current maturity of			
- long term murabaha financing	7	100,000	100,000
- long term loan	8	118,750	118,750
- liabilities against assets subject to finance leases	9	27,672	24,674
Short term finances	14	1,001,026	413,519
Running finances under mark-up arrangements	15	225,504	232,193
Trade and other payables	16	701,231	567,668
Accrued mark-up	17	20,520	14,103
Taxation		622	587
Provisions	18	54,227	129,300
		2,249,552	1,600,794
CONTINGENCIES AND COMMITMENTS	19		
		4,009,216	3,516,335

The annexed notes 1 to 49 form an integral part of these financial statements.



Balance Sheet
As at June 30, 2008

	Note	2008 (Rupees in thousand)	2007
PROPERTY, PLANT AND EQUIPMENT	20	1,707,791	1,622,245
INTANGIBLE ASSETS	21	130	266
INVESTMENTS	22	-	-
LONG TERM LOANS AND ADVANCES	23	3,688	3,725
LONG TERM DEPOSITS	24	7,209	6,899
CURRENT ASSETS			
Stores and spares	25	379,863	357,864
Stocks	26	1,051,835	907,208
Trade debts	27	639,921	467,470
Loans and advances	28	61,558	15,192
Deposits and prepayments	29	30,442	26,114
Other receivables	30	26,200	30,955
Cash and bank balances	31	100,579	78,397
		2,290,398	1,883,200
		<u>4,009,216</u>	<u>3,516,335</u>


Lt.Gen.(Retd) Ali Kuli Khan Khattak
Chief Executive


Tasnim-ul-Haq Farooqui
Director



Profit and Loss Account For the year ended June 30, 2008

	Note	2008 (Rupees in thousand)	2007
Net sales	32	4,614,728	3,951,145
Cost of sales	33	<u>4,104,409</u>	<u>3,483,227</u>
Gross profit		510,319	467,918
Administrative expenses	34	<u>73,925</u>	<u>91,489</u>
Distribution cost	35	<u>205,266</u>	<u>163,018</u>
		<u>279,191</u>	<u>254,507</u>
Operating profit		231,128	213,411
Other operating expenses	36	<u>102,501</u>	<u>13,201</u>
		<u>128,627</u>	<u>200,210</u>
Other operating income	37	<u>61,843</u>	<u>31,093</u>
		<u>190,470</u>	<u>231,303</u>
Finance cost	38	<u>183,130</u>	<u>125,378</u>
Profit before taxation		7,340	105,925
Taxation	39	<u>23,845</u>	<u>43,006</u>
(Loss) / profit after taxation		<u>(16,505)</u>	<u>62,919</u>
(Loss) / earnings per share	40	<u>Rs (0.28)</u>	<u>Rs 1.05</u>

Note: The appropriations from profits are set out in the statement of changes in equity.

The annexed notes 1 to 49 form an integral part of these financial statements.

Lt.Gen.(Retd) Ali Kuli Khan Khattak
Chief Executive

Tasnim-ul-Haq Farooqui
Director



Statement of Changes in Equity For the year ended June 30, 2008

	Share capital	Unappropriated profit	Total
	----- (Rupees in thousand) -----		
Balance as at July 1, 2006	597,713	697,584	1,295,297
Final dividend - 20% for the year ended June 30, 2006	-	(119,543)	(119,543)
Profit for the year ended June 30, 2007	-	62,919	62,919
Balance as at June 30, 2007	<u>597,713</u>	<u>640,960</u>	<u>1,238,673</u>
Loss for the year ended June 30, 2008	-	(16,505)	(16,505)
Balance as at June 30, 2008	<u><u>597,713</u></u>	<u><u>624,455</u></u>	<u><u>1,222,168</u></u>

The annexed notes 1 to 49 form an integral part of these financial statements.

Lt.Gen.(Retd) Ali Kuli Khan Khattak
Chief Executive

Tasnim-ul-Haq Farooqui
Director



Cash Flow Statement For the year ended June 30, 2008

	Note	2008	2007
(Rupees in thousand)			
Cash flow from operating activities			
Cash generated from operations	41	61,166	250,302
Staff retirement gratuity paid		(5,700)	(5,738)
Compensated absences paid		(1,184)	(3,750)
Long term deposits from dealers		400	(10)
Financial charges paid		(182,136)	(157,150)
Taxes paid		(23,369)	(12,918)
Long term loans and advances		37	509
Long term deposits		(310)	660
Net cash (outflow) / inflow from operating activities		(151,096)	71,905
Cash flow from investing activities			
Fixed capital expenditure		(235,810)	(247,811)
Proceeds on disposal of fixed assets		4,347	3,595
Profit on bank deposits received		330	333
Dividend received		-	290
Net cash outflow from investing activities		(231,133)	(243,593)
Cash flow from financing activities			
Long term murabaha financing		(100,000)	(100,000)
Long term loans		(18,750)	275,000
Liabilities against assets subject to finance leases		(24,679)	(22,346)
Short term finances		554,622	2,755
Dividends paid		(93)	(118,663)
Net cash inflow from financing activities		411,100	36,746
Increase / (decrease) in cash and cash equivalents		28,871	(134,942)
Cash and cash equivalents at the beginning of the year		(153,796)	(18,854)
Cash and cash equivalents at the end of the year	42	(124,925)	(153,796)

The annexed notes 1 to 49 form an integral part of these financial statements.

Lt.Gen.(Retd) Ali Kuli Khan Khattak
Chief Executive

Tasnim-ul-Haq Farooqui
Director



Notes to and Forming Part of the Financial Statements For the year ended June 30, 2008

1. STATUS AND NATURE OF BUSINESS

- 1.1 The company was incorporated in Pakistan on March 7, 1963 as a private limited company and was subsequently converted into a public limited company. The company's shares are quoted on the Karachi and Lahore stock exchanges. The registered office of the company is situated at H-23/2, Landhi Industrial Trading Estate, Landhi, Karachi. The company is engaged in the manufacture of tyres for automobiles.
- 1.2 The company had entered into a Royalty Technical Service Agreement dated September 1, 1984 (the 'TSA') with General Tire International Company (GTIC), USA, a subsidiary of Continental Tire North America Inc. (CTNAI), USA whereby the company was allowed to use the trademarks such as 'General', 'General Tire' and the logo big 'G'.

The company concluded a new Royalty Technical Service Agreement with CTNAI on May 29, 2002, which became effective from September 1, 2002. Under the new arrangement the company shall continue to be entitled to use the aforementioned trademarks and logo for a period of seven years from September 1, 2002.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted in Pakistan. However, the requirements of the Ordinance and the directives issued by the Securities and Exchange Commission of Pakistan have been followed where their requirements are not consistent with the requirements of the IFRSs.

Amendments to published standards and new interpretations effective in 2007-2008:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2007 or later periods:

Amendment to IAS 1, 'Presentation of financial statements - Capital disclosures' introduces new disclosures relating to capital risk management and does not have any impact on the classification and valuation of the company's financial statements.

Islamic Financial Accounting Standard 2 - 'Ijarah' is mandatory for the company's accounting period beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this date. It requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight line basis over the ijarah term. Presently, this standard does not have any affect on the company's financial statements.

Standards, amendments and interpretations effective in 2007-2008 but not relevant:

There are certain new standards and interpretations that were mandatory for accounting period beginning on or after July 1, 2007 but are considered not to be relevant or have any significant effect on the company's operations and are therefore not disclosed in these financial statements.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after July 1, 2008 or later periods:

IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IFRIC 14 - IAS 19 - 'The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the plan asset or liability may be affected by a statutory or contractual minimum funding requirement. The management is in the process of assessing the impact of its adoption on the company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the basis as stated in note 2 above requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- (a) Accounting for staff benefits (note 10).
- (b) Recognition of provision for current taxation (current and prior years) and deferred taxation (notes 39 and 12).
- (c) Calculation of provision for tyre replacements (note 18).
- (d) Recognition of provision for contingencies (notes 18 and 19).
- (e) Disclosure of contingencies (note 19).
- (f) Determining the recoverable amounts, useful lives and residual values of property, plant and equipment (note 20).
- (g) Provision for obsolete stores and spares (note 25).
- (h) Provision for obsolete and slow moving stocks (note 26).
- (i) Estimation of net realisable value (note 26).
- (j) Provision for doubtful debts and receivables (notes 27 and 30).
- (k) Measurement of derivative financial instruments (note 30).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the accounting policies below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Defined benefit plans

The company operates an approved funded gratuity scheme for its senior executive staff. The company also operates an unfunded gratuity scheme for employees not covered by the funded gratuity scheme. Contributions are made to these schemes on the basis of actuarial valuations.

The last actuarial valuations were conducted as at June 30, 2008 on the basis of the 'projected unit credit method'. Actuarial gains and losses arising from the actuarial valuation are recognised over the average remaining service lives of employees.

Defined contribution plan

The company operates a recognised provident fund for all of its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic salary.

5.2 Employee compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which these are earned in terms of basic salary earned upto the balance sheet date. The provision is recognised on the basis of actuarial valuation, which was conducted as at June 30, 2008.

5.3 Taxation

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits, tax rebates and exemptions available, if any, and taxes paid under the presumptive tax regime in respect of commercial imports or minimum tax at the rate of 0.5% of turnover, whichever is higher.

Deferred

The company accounts for deferred taxation on all temporary differences using the liability method.

Deferred tax assets are recognised on any deductible temporary differences, unused tax losses and available tax credits and are restricted to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and available tax credits can be utilised.

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

5.4 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

5.5 Property, plant and equipment

5.5.1 Owned operating fixed assets and related depreciation

Operating fixed assets other than leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Leasehold land are 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 (as explained in note 5.12 below).

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

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

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 20.1.2 below.

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.

Items of operating fixed assets costing Rs 5,000 or less are not capitalised and are charged off in the year of purchase.

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.

Profit or loss on disposal of fixed assets is recognised in profit and loss account.

5.5.2 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 21.1 below.

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 balance sheet date and adjusted if the impact of amortisation is significant.

5.5.3 Operating assets held under finance leases and related depreciation

The company accounts for operating assets held under finance lease by recording the asset and the related liability. Operating assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance lease obligation. The finance cost is charged to profit and loss account and is included under finance costs. Depreciation is charged to income applying the straight line method at rates stated in note 20.1.2 below.

5.5.4 Capital work-in-progress

Consistent with prior years, all expenditures 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.

5.6 Investments

The company accounts for its investment in associate using the equity method. Under this method the company's share of the post acquisition profits and / or losses of the associates are recognised in the profit and loss account and its share of post acquisition movements in reserve is recognised in reserves.

Where company's share of losses of an associate equals or exceeds its interest in the associate, the company discontinues recognising its share of further losses except to the extent that company has incurred legal or constructive obligation or made payment on behalf of the associate. If the associate subsequently reports profits, the company resumes recognising its share of those profit only after its share of the profit equals the share of losses not recognised.

5.7 Stores and spares

Stores and spares are valued at weighted average cost less provision for obsolescence. Items-in-transit are valued at cost accumulated upto the balance sheet date.

Consistent with prior years, provision for obsolete items, if any, is based on their condition as at the balance sheet date depending upon the management's judgement.

5.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost in relation to raw materials in hand has been calculated on a 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 warehouse and stock-in-transit are valued at cost accumulated upto the balance sheet date.

Claim tyres are valued at their estimated net realisable value.

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

5.9 Trade debts

Consistent with prior years, trade debts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less an estimate for doubtful receivables based on review of age analysis of outstanding debts. Bad debts are written off when identified.

5.10 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.

5.11 Revenue recognition

Sales are recorded on despatch of goods to customers.

5.12 Borrowing costs

Borrowing costs are included in income currently. However, costs which are directly attributable to capital expenditure are capitalised.

5.13 Foreign currencies

Transactions in foreign currencies are recorded in Pakistan rupees at the rates of exchange approximating those prevalent on the date of transaction.

Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rates of exchange approximating those prevalent on the balance sheet date.

Exchange differences are included in income currently.

Consistent with prior years, the financial statements are presented in Pakistan Rupees, which is the company's functional and presentation currency.

5.14 Financial assets and liabilities

All financial assets and liabilities are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be.

5.15 Off-setting of financial assets and financial liabilities

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

5.16 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, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

5.17 Warranty

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

5.18 Dividend

Dividend is recognised as a liability in the period in which it is approved by the directors / shareholders as appropriate.

5.19 Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at their fair value.

6. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2008 (Ordinary shares of Rs 10 each)	2007		2008 (Rupees in thousand)	2007 (Rupees in thousand)
7,133,320	7,133,320	shares fully paid in cash	71,333	71,333
186,680	186,680	shares issued as fully paid for consideration other than cash	1,867	1,867
52,451,250	52,451,250	shares 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>

6.1 Bibojee Services (Private) Limited, Pakistan Kuwait Investment Company (Private) Limited and Continental A.G. held 16,608,712 (2007: 16,608,712), 16,774,292 (2007: 16,774,292) and 5,844,300 (2007: 5,844,300) ordinary shares of the company respectively, as at June 30, 2008.

7. LONG TERM MURABAHA FINANCING

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
As at June 30 - note 7.1	100,000	200,000
Less: Current maturity of long term murabaha financing	100,000	100,000
	<u>-</u>	<u>100,000</u>

7.1 The company has arranged a financing facility of Rs 400 million on murabaha basis, from a syndicate of banks and development financial institutions, for its balancing, rehabilitation and expansion plan. The principal amount drawdown is repayable in eight six-monthly installments commencing eighteen months from the date of disbursement. The rate of mark-up is six months KIBOR plus 2.6%. The facility is secured by way of a first charge on the specific fixed assets of the company.

7.2 Included in long term murabaha financing is an aggregate amount of Rs 25 million (2007: Rs 50 million) which is payable to Pakistan Kuwait Investment Company (Private) Limited (a related party).

8. LONG TERM LOAN

	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Secured		
Finance 1 - note 8.1	356,250	475,000
Finance 2 - note 8.2	100,000	-
	<u>456,250</u>	<u>475,000</u>
Less: Current maturity of long term loan	118,750	118,750
	<u>337,500</u>	<u>356,250</u>

8.1 This represents a financing facility of Rs 500 million from a bank for its expansion plans. The principal amount drawdown is repayable in eight semi-annual installments commencing eighteen months from the date of disbursement (April 1, 2006). The rate of mark-up is three months KIBOR plus 1.85%. The facility is secured by way of a first charge on the specific fixed assets of the company.

8.2 During the year ended June 30, 2008, the company has arranged financing facility of Rs 500 million from a bank for its expansion plans. The principal amount drawdown is repayable in eight six-monthly installments commencing eighteen months from the date of disbursement (January 8, 2008). The rate of mark-up is six months KIBOR plus 1.30% per annum. The facility is secured by way of a first charge on the specific fixed assets of the company.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2008	2007	2008	2007	2008	2007
	Minimum lease payments		Finance cost		Present value of minimum lease payments	
	(Rupees in thousand)					
Year to June 30						
2008	-	32,436	-	7,762	-	24,674
2009	33,415	32,436	5,743	4,548	27,672	27,888
2010	16,922	16,312	1,823	1,424	15,099	14,888
Total	<u>50,337</u>	<u>81,184</u>	<u>7,566</u>	<u>13,734</u>	<u>42,771</u>	<u>67,450</u>
Less: Current maturity shown under current liabilities and provisions					<u>27,672</u>	<u>24,674</u>
					<u>15,099</u>	<u>42,776</u>

9.1 These represent finance leases entered into for plant and machinery. The periodic lease payments include built in rates of mark-up of 12.64% to 12.57% (2007: 6.8% to 13.2%) per annum.

9.2 Liabilities against assets subject to finance lease represents amount payable to Meezan Bank Limited (a related party).

10. STAFF BENEFITS

The projected unit credit method, as allowed under the International Accounting Standard 19 'Employee Benefits', was used for actuarial valuation based on the following significant assumptions:

- Discount rate - 11% (2007: 10%) per annum
- Expected long term rate - 10% (2007: 9%) increase in salary levels per annum
- Expected long term rate of interest - 11% (2007: 10%) per annum
- Normal retirement age - 60 years (2007: 60 years)
- Death rate is based on EFU 61-66 mortality table

	2008	2007
	(Rupees in thousand)	
Staff retirement gratuity - note 10.1	111,047	99,656
Employee compensated absences - note 10.2	19,622	24,652
	<u>130,669</u>	<u>124,308</u>

10.1 Staff retirement gratuity

The above mentioned actuarial assumptions and disclosures made in notes 10.1.1 to 10.1.11 are based on the information included in the actuarial valuation as at June 30, 2008.

	2008		2007	
	-----Rupees in thousand-----			
	Funded	Unfunded	Funded	Unfunded
10.1.1 Reconciliation of payable to defined benefit plan				
Present value of defined benefit obligations - note 10.1.4	41,599	113,934	40,533	117,480
Fair value of plan assets - note 10.1.5	(52,867)	-	(35,154)	-
Unrecognised net actuarial gain or (loss) - note 10.1.9	11,136	(2,887)	(844)	(17,824)
	<u>(132)</u>	<u>111,047</u>	<u>4,535</u>	<u>99,656</u>
10.1.2 Movement in payable to defined benefit plan				
Opening balance	4,535	99,656	9,650	92,167
Charge for the year - notes 33.2, 34.1 and 35.1	2,921	17,091	3,297	13,227
Transfer from unfunded to funded scheme	-	-	347	(347)
Benefits paid	-	(5,700)	(7,759)	(5,391)
Contributions by the company - note 10.1.5	(7,588)	-	(1,000)	-
Closing balance	<u>(132)</u>	<u>111,047</u>	<u>4,535</u>	<u>99,656</u>
10.1.3 Actual return on plan assets	<u>5,904</u>		<u>5,108</u>	
10.1.4 Reconciliation of present value of obligation				
Present value of obligation as at July 1	40,533	117,480	39,830	99,486
Current service cost	2,383	5,546	2,325	4,820
Interest cost	4,053	10,937	3,261	8,407
Benefits paid	(3,643)	(5,700)	(7,759)	(5,391)
Transfer from unfunded to funded scheme	-	-	347	(347)
Actuarial (gain) / loss on obligation	(1,727)	(14,329)	2,529	10,505
Present value of obligation as at June 30	<u>41,599</u>	<u>113,934</u>	<u>40,533</u>	<u>117,480</u>
10.1.5 Changes in the fair value of plan assets are as follows:				
Fair value as at July 1	35,154	-	29,046	-
Expected return on plan assets	3,515	-	2,289	-
Contributions by the company	7,588	-	1,000	-
Actuarial gain on assets	10,253	-	2,819	-
Benefits paid	(3,643)	-	-	-
Fair value as at June 30	<u>52,867</u>	<u>-</u>	<u>35,154</u>	<u>-</u>
10.1.6 Plan assets comprise as follows:				
Debt instruments	47,377	-	33,435	-
Equity instruments	925	-	1,160	-
Other	4,565	-	559	-
	<u>52,867</u>	<u>-</u>	<u>35,154</u>	<u>-</u>

10.1.7 The expected return on plan assets was determined by considering the available investment options and existing investment portfolio.

10.1.8 Actuarial loss to be recognised

	2008		2007	
	-----Rupees in thousand-----			
	Funded	Unfunded	Funded	Unfunded
Corridor Limit				
The limits of the corridor as at July 1				
- 10% of obligations	4,053	11,748	3,983	9,949
- 10% of plan assets	3,515	-	2,905	-
Which works out to	<u>4,053</u>	<u>11,748</u>	<u>3,983</u>	<u>9,949</u>
Unrecognised actuarial loss as at July 1	<u>844</u>	<u>17,824</u>	<u>1,134</u>	<u>7,319</u>
Excess	<u>-</u>	<u>6,076</u>	<u>-</u>	<u>-</u>
Average expected remaining working lives in year	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>
Actuarial loss recognised	<u>-</u>	<u>608</u>	<u>-</u>	<u>-</u>

10.1.9 Unrecognised actuarial losses

Unrecognised actuarial losses at July 1	844	17,824	1,134	7,319
Actuarial (gain) / loss on obligations - note 10.1.4	(1,727)	(14,329)	2,529	10,505
Actuarial gain on assets - note 10.1.5	(10,253)	-	(2,819)	-
Subtotal	<u>(11,136)</u>	<u>3,495</u>	<u>844</u>	<u>17,824</u>
Actuarial loss recognised - note 10.1.8	<u>-</u>	<u>608</u>	<u>-</u>	<u>-</u>
Unrecognised actuarial (gain) / loss as at June 30	<u>(11,136)</u>	<u>2,887</u>	<u>844</u>	<u>17,824</u>

10.1.10 Amount for the current year and previous four years of the present value of the defined benefit obligation, the fair value of plan assets, surplus / deficit and experience adjustments arising thereon are as follows:

	2008	2007	2006	2005	2004
	-----Rupees in thousand-----				
Funded:					
Present value of defined benefit obligation	41,599	40,533	39,830	31,628	27,269
Fair value of plan assets	<u>(52,867)</u>	<u>(35,154)</u>	<u>(29,046)</u>	<u>(24,899)</u>	<u>(21,477)</u>
(Surplus) / deficit	<u>(11,268)</u>	<u>5,379</u>	<u>10,784</u>	<u>6,729</u>	<u>5,792</u>
Actuarial (gain) / loss on obligation	<u>(1,727)</u>	<u>2,529</u>	<u>2,523</u>	<u>2,171</u>	<u>1,884</u>
Actuarial gain on assets	<u>(10,253)</u>	<u>(2,819)</u>	<u>(2,102)</u>	<u>(1,769)</u>	<u>(1,551)</u>
Unfunded:					
Present value of defined benefit obligation	113,934	117,480	99,846	89,411	80,081
Fair value of plan assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficit	<u>113,934</u>	<u>117,480</u>	<u>99,846</u>	<u>89,411</u>	<u>80,081</u>
Actuarial (gain) / loss on obligation	<u>(14,329)</u>	<u>10,505</u>	<u>2,865</u>	<u>2,040</u>	<u>1,884</u>

10.1.11 Expected gratuity expense for the next year

The expected gratuity expense for the year ending June 30, 2009 works out to Rs 0.027 million for funded plan and Rs 17.862 million for the unfunded scheme.

10.2 Employee compensated absences

	2008	2007
	(Rupees in thousand)	
Employee compensated absences	23,926	29,331
Less: Short term (included in accrued expenses - note 16)	4,304	4,679
	19,622	24,652

10.3 During the year the total charge against provident fund was Rs 9.396 million (2007: Rs 9.336 million).

11. DEFERRED CREDIT

The company had entered into a sale and leaseback transaction with Meezan Bank Limited (a related party) during the year ended June 30, 2004 resulting in a deferred income of Rs 0.736 million. Deferred income represents the excess of sale proceeds over the net book value of plant and machinery and laboratory equipment under a sale and leaseback arrangement which has resulted in a finance lease. The deferred income is being amortised over the period of the lease term. The amount amortised and credited to the profit and loss account (note 37) during the year amounted to Rs 0.147 million (2007: Rs 0.147 million).

12. DEFERRED TAXATION

	2008	2007
	(Rupees in thousand)	
Credit/(debit) balances arising from:		
Accelerated tax depreciation allowance	296,254	289,462
Finance lease arrangements	8,909	2,586
Provision for staff retirement gratuity	(38,866)	(34,880)
Provision for contingencies	-	(35,000)
Provision for sales tax refundable	(2,296)	-
Interest payable on custom duties	(19,018)	-
Provision for tyre replacement and dealer incentive	(18,979)	(8,680)
Provision for doubtful debts	(2,470)	(2,573)
Provision for doubtful custom duty rebates recoverable	(32,938)	(40,006)
Unabsorbed depreciation	(105,812)	(102,889)
Minimum tax - note 12.1	(35,010)	(20,036)
Others	(5,422)	(4,073)
	44,352	43,911

12.1 The company has recognised deferred tax aggregating Rs 14.974 million (2007: Rs 20.036 million) in respect of minimum tax charged. The management is confident that sufficient future taxable profits will be available against which minimum tax will be adjusted.

13. LONG TERM DEPOSITS FROM DEALERS

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

14. SHORT TERM FINANCES

	2008	2007
	(Rupees in thousand)	
Secured		
From banks	<u>1,001,026</u>	<u>413,519</u>

14.1 The company has arranged facilities aggregating Rs 2,143.689 million (note 15.3) (2007: Rs 650 million) under short term finance facilities from various banks. These facilities are secured against a pari passu charge on stocks and trade debts of the company. The rates of mark-up on these facilities range between 4.37% to 14.53% (2007: 6.74% to 11.57%) per annum. These liabilities are repayable between July 4, 2008 and December 27, 2008.

14.2 Included in short term finances is an aggregate amount of Rs 87.466 million (2007: Rs 67.509 million) which is payable to Meezan Bank Limited (a related party).

14.3 Included in short term finances is an aggregate amount of Rs 736.458 million (USD 10.779 million) [2007: Rs 338.519 million (USD 5.151 million)] representing foreign exchange loans obtained from various banks. The rates of mark-up on these facilities range between 4.37% to 7.26% (2007: 6.74% to 7.39%) per annum.

15. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS

	2008	2007
	(Rupees in thousand)	
Secured		
From banks	<u>225,504</u>	<u>232,193</u>

15.1 The company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs 1,300 million (2007: Rs 930 million). The mark-up on such arrangements range between 10.59% to 14.93% (2007: 10.02% to 13.06%) per annum. These facilities are available for various periods expiring between July 31, 2008 and May 31, 2009.

The arrangements are secured by a joint hypothecation of stocks, trade debts and moveable assets of the company.

15.2 The facilities for opening letters of credit and guarantee as at June 30, 2008 amount to Rs 2,135 million (2007: Rs 2,075 million) of which the amount remaining unutilised at the year end was Rs 1,381.743 million (2007: Rs 1,554.459 million).

15.3 The maximum available aggregate limit for utilisation of facilities for short term finances (note 14.1) and running finance facilities (note 15.1) is Rs 1,550 million.

16. TRADE AND OTHER PAYABLES

	2008	2007
	(Rupees in thousand)	
Creditors	60,275	46,313
Bills payable	374,799	343,051
Accrued expenses	130,098	98,391
Advances from customers	3,423	2,740
Staff provident fund	2,251	2,203
Staff gratuity fund	-	4,535
Short term deposits	2,638	2,512
Workers' welfare fund	2,266	2,119
Workers' profits participation fund - note 16.2	399	5,625
Sales tax	60,297	47,966
Payable to Waqf-e-Kuli Khan	-	1,573
Retention money payable	1,679	1,868
Dividend	4,332	4,425
Interest payable on custom duties - note 16.3	54,336	-
Others	4,438	4,347
	701,231	567,668
16.1 Trade and other payables include the following amounts due to related parties:		
Bibojee Services (Private) Limited	273	273
Continental Tire North America, Inc.	27,970	29,348
Continental A.G. Germany	29,711	14,222
Waqf-e-Kuli Khan	-	1,573
Key management personnel	4,179	4,719
	62,133	50,135
16.2 Workers' profits participation fund		
Balance at the beginning of the year	5,625	11,206
Allocation for the year	399	5,625
	6,024	16,831
Interest on funds utilised in the company's business - note 38	99	72
	6,123	16,903
Less: Payments during the year	5,724	11,278
Balance at the end of the year	399	5,625

- 16.3 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 that date such levies are paid.

During the year ended June 30, 2001 the Appraisalment Collectorate, Custom House, Karachi (ACCH) issued 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 (HC) to vacate the said charge of interest.

During the year ended June 30, 2005 the HC dismissed the petition filed by the company. The ACCH, however, issued final notice to the company to deposit all outstanding due amounting to Rs 294.907 million being interest on custom duties including surcharge and delayed surcharge calculated upto May 15, 2005. The company had filed an appeal with the Supreme Court of Pakistan (SC) against the decision of the HC.

During the year ended June 30, 2006 the company filed an application for alternate dispute resolution with the SC.

During the year ended June 30, 2007 the Alternate Dispute Resolution Committee (ADRC) made recommendations 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.

During the year ended June 30, 2008, the FBR accepted all the recommendations made by 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 have also been processed and adjusted by the ACCH. Further, the company has made a partial payment amounting to Rs 40 million in respect of FBR's demand.

- 16.4 During the year ended June 30, 2001 an amount of Rs 5 million was paid by the company under protest on account of interest on import levies. Further, amounts of Rs 4.923 million and Rs 4.070 million being refunds of custom duty rebates 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 16.3 above. Based on the consultant's opinion, 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 16.3, and is accordingly included in current account balances with statutory authorities (note 29) as a receivable.

17.	ACCRUED MARK-UP	2008	2007
		(Rupees in thousand)	
	Mark-up on murabaha financing	207	486
	Mark-up on long term loan	5,423	-
	Mark-up on short term and running finance facilities	14,890	13,617
		<u>20,520</u>	<u>14,103</u>
17.1	Accrued mark-up include the following amounts due to related parties:		
	Pakistan Kuwait Investment Company (Private) Limited	52	121
	Meezan Bank Limited	1,259	1,167
		<u>1,311</u>	<u>1,288</u>
18.	PROVISIONS		
	Provision for contingencies - notes 16.3 and 30.1	-	100,000
	Provision for tyre replacement allowance - note 18.1	30,900	24,800
	Provision for incentive to dealers	23,327	4,500
		<u>54,227</u>	<u>129,300</u>
18.1	Provision for tyre replacement allowance		
	Balance at the beginning of the year	24,800	21,300
	Charge during the year - note 18.1.1	28,872	23,224
		<u>53,672</u>	<u>44,524</u>
	Claims adjusted during the year	(22,772)	(19,724)
	Balance at the end of the year	<u>30,900</u>	<u>24,800</u>
18.1.1	This represents provision on account of tyre replacement claims expected to be received by the company during the coming years.		
19.	CONTINGENCIES AND COMMITMENTS		
19.1	The Central Excise and Taxation Department had issued a demand notice for payment of sales tax of Rs 16.77 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 July 1994 to September 1995. The company had 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. Subsequently, the company had furnished the indemnity bond dated March 18, 1998 for Rs 16.77 million.		

The company had also filed an application No. B&CA/2.020/01/97 dated November 25, 1997 with the Collector Sales Tax & Central Excise (East), Karachi for grant of exemption from sales tax in terms of section 65 of the Sales Tax Act, 1990. However, the 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-SIT/97 dated July 19, 2000. The company had 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 Sales Tax and Central Excise (East), Karachi had adjusted refund claims filed by the company aggregating Rs 12.82 million against the aforementioned demand notice upto the year ended June 30, 2002.

During the year ended June 30, 2004 the company had deposited the remaining balance aggregating Rs 3.95 million representing 'payment under protest'.

During the year ended June 30, 2006 the Customs, Excise and Sales Tax Tribunal had allowed the company's appeal and had set aside the order of the Collector of Customs, Sales tax and Central Excise.

During the year ended June 30, 2007 the Collector Sales Tax and Central Excise filed a request for rectification of error before the Custom, Excise and Sales Tax Appellate Tribunal.

The management continues to claim the adjusted refunds together with the payment made under protest aggregating Rs 16.77 million which is included in sales tax refundable (note 30).

The management is confident based on the advice of its legal counsel that the matter will be decided in the company's favour.

- 19.2 The Assistant Collectorate Recovery Division had issued a demand notice for payment of sales tax amounting to Rs 1.05 million which represents sales tax levied on processing charges for processing of Master Batches from an industrial unit with mixing capabilities. The company had filed an appeal with the Appellate Tribunal against the demand notice which was rejected. Subsequently the company filed an appeal in the High Court of Sindh, after paying the aforementioned amount and additional tax of Rs 0.694 million for delay in payment. The High Court of Sindh had rejected the company's appeal on the basis that the order of the Appellate Tribunal was not final. During the year ended June 30, 2004 the company received another notice from the Deputy Collector (Enforcement) LTU, demanding additional tax aggregating Rs 1.296 million which amount was paid under protest. The Appellate Tribunal then passed a detailed order against the company and the company filed an appeal there against in the High Court of Sindh.

During the year ended June 30, 2006 the High Court of Sindh dismissed the petition filed by the company. The company has filed an appeal with the Supreme Court of Pakistan in respect of that order. The management is confident based on the advice of its legal counsel that the matter will be decided in the company's favour.

- 19.3 Cases have been filed against the company in respect of employees' matters claiming approximately Rs 2.405 million (2007: 3.1 million) in aggregate. These cases are pending in labour courts. The management is confident that the outcome of these cases will be in the company's favour.

		2008	2007
		(Rupees in thousand)	
19.4	Contingencies		
	Guarantees issued by banks on behalf of the company	27,300	26,037
	Commitments in respect of :		
	- Letters of credit for capital expenditure	149,584	49,063
	- Letters of credit for purchase of raw materials and stores and spares	576,373	445,441
	- Sale contracts entered into by the company	29,679	61,146
	- Tentative schedules for supply of tyres	892,063	890,267
	- Indemnity bond	16,770	16,770



20. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
	(Rupees in thousand)	
Operating fixed assets - note 20.1	1,564,172	1,602,067
Capital work-in-progress - note 20.2	143,619	20,178
	1,707,791	1,622,245

20.1 Operating fixed assets

20.1.1 The following is a statement of operating fixed assets:

	Owned											Leased		Total	
	Leasehold land	Buildings on leasehold land	Electrical installation	Plant and machinery	Boilers and accessories	Laboratory equipment	Moulds	Vehicles	Furniture and fixtures	Office equipment	Computer equipment	Plant and machinery	Vehicles		Laboratory equipment
----- (Rupees in thousand) -----															
At June 30, 2006															
Cost	555	182,475	51,500	1,429,301	36,231	25,378	139,732	62,041	7,906	41,648	31,878	91,864	7,044	1,217	2,108,770
Accumulated depreciation	-	87,789	41,142	787,106	20,642	17,213	87,774	42,849	4,710	30,811	23,338	11,247	5,801	382	1,160,804
Net book value	555	94,686	10,358	642,195	15,589	8,165	51,958	19,192	3,196	10,837	8,540	80,617	1,243	835	947,966
Year ended June 30, 2007															
Additions	-	80,811	15,000	628,545	3,324	4,909	16,047	13,290	1,064	8,998	2,041	-	-	-	774,029
Disposals															
- Cost	-	-	-	2,423	-	170	19,878	4,385	544	2,102	144	-	1,434	-	31,080
- Depreciation	-	-	-	(2,305)	-	(169)	(18,867)	(4,011)	(402)	(1,505)	(144)	-	(1,312)	-	(28,715)
Transfer from lease															
- Cost	-	-	-	-	-	-	-	5,610	-	-	-	-	(5,610)	-	-
- Depreciation	-	-	-	-	-	-	-	(4,489)	-	-	-	-	4,489	-	-
Impairment loss	-	-	-	(691)	-	-	(363)	-	-	-	-	-	-	-	(1,054)
Depreciation charge	-	6,501	2,760	70,451	2,633	2,019	10,535	8,277	549	2,651	3,520	6,430	-	183	116,509
Net book value as at June 30, 2007	555	168,996	22,598	1,199,480	16,280	11,054	56,096	24,952	3,569	16,587	7,061	74,187	-	652	1,602,067
Year ended June 30, 2008															
Additions	-	30,079	17,362	48,570	4,738	-	2,710	1,757	1,219	10,646	639	-	-	-	117,720
Disposals															
- Cost	-	-	-	26	-	-	-	8,297	-	634	-	-	-	-	8,957
- Depreciation	-	-	-	(26)	-	-	-	(7,942)	-	(600)	-	-	-	-	(8,568)
Depreciation charge	-	10,473	3,916	103,516	3,039	2,728	9,052	8,444	578	3,954	2,913	6,430	-	183	155,226
Net book value as at June 30, 2008	555	188,602	36,044	1,144,534	17,979	8,326	49,754	17,910	4,210	23,245	4,787	67,757	-	469	1,564,172
At June 30, 2007															
Cost	555	263,286	66,500	2,055,423	39,555	30,117	135,901	76,556	8,426	48,544	33,775	91,864	-	1,217	2,851,719
Accumulated depreciation	-	94,290	43,902	855,252	23,275	19,063	79,442	51,604	4,857	31,957	26,714	17,677	-	565	1,248,598
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	-	-	-	1,054
Net book value	555	168,996	22,598	1,199,480	16,280	11,054	56,096	24,952	3,569	16,587	7,061	74,187	-	652	1,602,067
At June 30, 2008															
Cost	555	293,365	83,862	2,103,967	44,293	30,117	138,611	70,016	9,645	58,556	34,414	91,864	-	1,217	2,960,482
Accumulated depreciation	-	104,763	47,818	958,742	26,314	21,791	88,494	52,106	5,435	35,311	29,627	24,107	-	748	1,395,256
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	-	-	-	1,054
Net book value	555	188,602	36,044	1,144,534	17,979	8,326	49,754	17,910	4,210	23,245	4,787	67,757	-	469	1,564,172

20.1.2 Depreciation on operating fixed assets is charged at the following rates:

	Annual rate of depreciation	
	2008	2007
Owned	-----%-----	
Buildings on leasehold land	5	5
Electrical installation	10	10
Plant and machinery	7-20	7-20
Boilers and accessories	10	10
Laboratory equipment	15	15
Moulds	10	10
Vehicles	20	20
Furniture and fittings	10 and 20	10 and 20
Office equipment	15 and 25	15 and 25
Computer equipment	25	25
Assets held under finance leases		
Plant and machinery	7	7
Laboratory equipment	15	15

20.1.3 The following operating fixed assets having a net book value of more than Rs 50,000, either individually or in aggregate, were disposed off:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceed	Profit/ (loss)	Mode of disposal	Particulars
----- (Rupees in thousand) -----							
Vehicles							
- Suzuki Cultus	609	426	183	183	-	Company Policy	Mr. M. Sajjad Hussain (Employee)
- Suzuki Cultus	609	436	173	173	-	Company Policy	Maj. (Retd) A. Waseem Khan (Employee)
Total	1,218	862	356	356	-		

20.1.4 Depreciation charge for the year has been allocated as follows:

	2008	2007
	(Rupees in thousand)	
Cost of goods manufactured - note 33.1	149,287	110,399
Administrative expenses - note 34	3,051	2,869
Distribution cost - note 35	2,888	3,241
	<u>155,226</u>	<u>116,509</u>

20.2 Capital work-in-progress

	2008	2007
	(Rupees in thousand)	
Buildings	25,758	15,461
Plant and machinery	92,188	2,482
Electrical installation	1,694	849
Vehicles	8,181	-
Computer equipment	627	-
Boiler	2,138	3,661
Office equipment	15,308	-
	145,894	22,453
Less: Provision for doubtful advance	2,275	2,275
	143,619	20,178

20.2.1 Capital work-in-progress includes an amount of Rs 56.685 million (2007: Rs 6.983 million) representing advance payments to suppliers for procurements of fixed assets.

20.3 Finance cost aggregating Rs 5.423 million (2007: Rs 38.097 million) has been included in the cost of operating fixed assets.

21. INTANGIBLE ASSETS

21.1 The following is a statement of intangible assets:

	Cost as at July 1, 2007	Additions	Cost as at June 30, 2008	Accumulated amortisation as at July 1, 2007	Amortisation for the year	Accumulated amortisation as at June 30, 2008	Net book value as at June 30, 2008	Annual rate of amortisation
	(Rupees in thousand)							%
Computer software								
2008	3,308	72	3,380	3,042	208	3,250	130	33.33
2007	3,273	35	3,308	2,791	251	3,042	266	33.33

21.2 Movement of net book value:

	Year ended June 30, 2007			Year ended June 30, 2008			
	Net book value as at July 1, 2006	Addition	Amortisation charge for the year	Net book value as at June 30, 2007	Addition	Amortisation charge for the year	Net book value as at June 30, 2008
	(Rupees in thousand)						
Computer software	482	35	251	266	72	208	130

21.3 Amortisation for the year has been allocated as follows:

	2008	2007
	(Rupees in thousand)	
Cost of goods manufactured - note 33.1	79	101
Administrative expenses - note 34	77	90
Distribution cost - note 35	52	60
	208	251
	208	251

22. INVESTMENTS

Name of the investee company	2008	2007
	Carrying amount (Rupees in thousand)	
20 shares of Rs 100 each of Landhi Industrial Trading Estate Limited - (note 22.1)	-	-
100,700 shares of Rs 10 each of Ghandhara Industries Limited (GIL) - associated undertaking (quoted) - (notes 22.2 and 22.3)	-	-

22.1 During the year ended June 30, 1998 the company had written off its investment in 20 shares of Rs 100 each of Landhi Industrial Trading Estate Limited. The shares of this investee company are not in the custody of the company.

22.2 The company's holding in the investee company's shares as at June 30, 2008 was 0.473% (2007: 0.473%). The investee company is an associate of the company by virtue of common directorship.

The company's share in profit of associate for the nine months period ended March 31, 2008 amounted to Rs 0.164 million (2007: Rs 0.459 million) and the company's unrecognised share in accumulated losses of the associate amounts to Rs 0.108 million (2007: 0.430 million).

The share in net assets of associates has been determined on the basis of unaudited financial statements for the nine months period ended March 31, 2008.

22.3 The market value of the investment as at June 30, 2008 was Rs 2.865 million (2007: Rs 5.357 million).

23. LONG TERM LOANS AND ADVANCES	2008	2007
	(Rupees in thousand)	
Unsecured		
Considered good		
- due from executives - note 23.1	739	1,267
- due from other employees - note 23.2	6,285	4,757
	<u>7,024</u>	<u>6,024</u>
Less: Recoverable within next twelve months - (included in note 28)	3,336	2,299
	<u>3,688</u>	<u>3,725</u>
23.1 Loans and advances to executives:		
Balance at the beginning of the year	1,267	2,253
Add: Disbursements during the year	50	1,700
Less: Repayments during the year	578	2,686
Balance at the end of the year	<u>739</u>	<u>1,267</u>
23.1.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs 1.788 million (2007: Rs 3.452 million).		
23.2 Interest free loans to employees are provided for purchase of motor vehicles. This also includes advances to employees for furnishing. These are repayable in a lump sum or by way of monthly installments over a period of three to five years.		
23.3 The fair value adjustment in accordance with the requirements of IAS 39 arising in respect of staff loans is not considered material and hence not recognised.		
24. LONG TERM DEPOSITS	2008	2007
	(Rupees in thousand)	
Long term deposits	<u>7,209</u>	<u>6,899</u>
25. STORES AND SPARES		
In hand	381,853	357,669
In transit	3,945	6,564
	<u>385,798</u>	<u>364,233</u>
Less: Provision for obsolete stores and spares	5,935	6,369
	<u>379,863</u>	<u>357,864</u>

26. STOCKS

	2008	2007
	(Rupees in thousand)	
Raw materials - note 26.1		
- in hand	458,933	453,174
- in bonded warehouse	104,164	60,023
- in transit	232,505	122,074
- with third parties	61	3,900
	<u>795,663</u>	<u>639,171</u>
Work-in-process - note 26.2	60,331	56,118
Finished goods - note 26.3	196,951	213,090
	<u>1,052,945</u>	<u>908,379</u>
Less: Provision for obsolete and slow moving stocks - raw materials	1,110	1,171
	<u><u>1,051,835</u></u>	<u><u>907,208</u></u>

26.1 Raw materials include items costing Rs 6.414 million (2007: Rs 18.153 million) stated at their net realisable values aggregating Rs 5.288 million (2007: Rs 16.212 million). The amount charged in the profit and loss in respect of stocks written down to their net realisable value is Rs 1.126 million (2007: Rs 1.941 million).

26.2 Work-in-process includes items of a value of Rs Nil (2007: Rs 0.679 million) held by third parties.

26.3 Finished goods include items costing Rs 1.162 million (2007: Rs 11.800 million) stated at their net realisable values aggregating Rs 0.964 million (2007: Rs 10.359 million). The amount charged to the profit and loss in respect of stocks written down to their net realisable value is Rs 0.198 million (2007: Rs 1.441 million).

27. TRADE DEBTS

	2008	2007
	(Rupees in thousand)	
Unsecured		
Considered good		
- from related parties - note 27.1	11,234	28,983
- others	628,687	438,487
	<u>639,921</u>	<u>467,470</u>
Considered doubtful		
- others	7,056	7,352
	<u>646,977</u>	<u>474,822</u>
Less: Provision for doubtful debts	7,056	7,352
	<u>639,921</u>	<u>467,470</u>
27.1 Trade debts include the following amounts due from related parties:		
Gandhara Industries Limited	7,364	14,387
Gandhara Nissan Limited	3,870	12,045
Bibojee Services (Private) Limited	-	2,551
	<u>11,234</u>	<u>28,983</u>

28. LOANS AND ADVANCES

	2008	2007
	(Rupees in thousand)	
Unsecured		
Considered good		
Loans		
- due from executives	45	594
- due from other employees	7,576	5,714
	<u>7,621</u>	<u>6,308</u>
Advances		
- due from others - note 28.1	53,937	8,884
	<u>61,558</u>	<u>15,192</u>

28.1 This includes an amount of Rs 45.955 million (2007: Rs Nil) representing margin maintained with various banks against letters of credit including an amount of Rs 1.723 million (2007: Rs Nil) maintained with Meezan Bank Limited (a related party).

29. DEPOSITS AND PREPAYMENTS	2008	2007
	(Rupees in thousand)	
Short term prepayments	10,887	5,909
Current account balances with statutory authorities - note 16.4	15,785	17,575
Short term deposits	3,770	2,630
	30,442	26,114
30. OTHER RECEIVABLES		
Export benefit receivable (duty drawback)	691	691
Sales tax refundable - note 30.1	26,332	26,332
Less: Provision for a doubtful receivable	6,560	-
	19,772	26,332
Custom duty rebates recoverable - notes 30.2 and 30.3	94,109	114,304
Less: Provision for custom duty rebates recoverable - note 30.3	94,109	114,304
	-	-
Others	5,552	5,469
Less: Provision for a doubtful receivable	1,537	1,537
	4,015	3,932
Receivable from the gratuity fund	132	-
Derivative asset - note 30.4	1,590	-
	26,200	30,955

30.1 The Central Excise and Taxation Department had issued two demand notices for payment of sales tax for Rs 3.65 million and Rs 2.91 million respectively. These demands represented sales tax levied on tyres, tubes and flaps supplied to approved assembly plants during July 1985 to October 1986, which were otherwise exempted from the levy of sales tax under SRO 666 (1)/ 81 dated June 25, 1981. The appeal filed by the company with the Collector, Central Excise and Land Customs (Appeals) against the initial demand of Rs 3.65 million was dismissed.

The company's review petition filed with the Additional Secretary, FBR was also rejected following which the company had filed an appeal in the High Court of Sindh which was pending as of June 30, 2008. The appeal against the second demand of Rs 2.91 million, filed with the Collector, Central Excise and Land Customs (Appeals) was also decided against the company. The company had subsequently filed a review petition with the Additional Secretary, FBR which was also rejected. The company has paid Rs 3.65 million and Rs 2.91 million under protest which aggregates to Rs 6.560 million.

On grounds of prudence and as a matter of abundant caution, the company is carrying a provision against this sales tax refundable.

30.2 During the year company's claims amounting to Rs 20.195 million have been processed and adjusted by the Appraisement Collectorate Custom House, as more fully explained in note 16.3.

30.3 Claims for custom duty rebates which are over three years old have been classified as considered doubtful and fully provided for.

30.4 Included in the derivative asset is an amount of Rs 0.478 million representing fair value of forward contract obtained from Meezan Bank Limited (a related party).

31. CASH AND BANK BALANCES

	2008	2007
	(Rupees in thousand)	
With banks		
- In current accounts - note 31.1	30,894	37,936
- In deposit accounts - note 31.2	13,032	12,059
Remittances-in-transit	35,803	10,472
Cash and cheques in hand	20,850	17,930
	<u>100,579</u>	<u>78,397</u>

31.1 Included in current accounts is an amount of Rs 3.316 million (2007: Rs 3.129 million) which is held with Meezan Bank Limited (a related party).

31.2 Balances in deposit accounts include a separate account for deposits from dealers aggregating Rs 11.240 million (2007: Rs 10.840 million).



32. NET SALES

	2008	2007
	(Rupees in thousand)	
Gross sales	5,422,320	4,605,685
Less: Sales tax	695,510	596,381
Special excise duty	46,300	-
Discounts	36,910	34,935
Tyre replacement allowance	28,872	23,224
	807,592	654,540
	<u>4,614,728</u>	<u>3,951,145</u>

33. COST OF SALES

Opening stock of finished goods	213,090	141,548
Cost of goods manufactured - note 33.1	3,760,422	3,288,324
Finished goods purchased	192,296	149,128
Royalty technical service fee	135,552	117,317
	4,301,360	3,696,317
Less: Closing stock of finished goods	196,951	213,090
	<u>4,104,409</u>	<u>3,483,227</u>

33.1 Cost of goods manufactured

Opening stock of work-in-process	56,118	54,267
Raw materials consumed - note 33.1.1	2,833,780	2,411,102
Stores and spares consumed	124,583	120,113
Salaries, wages and benefits	373,692	373,368
Gratuity - note 33.2	16,003	12,357
Provident fund	7,036	6,868
Travelling, conveyance and vehicles maintenance	15,220	17,435
Legal and professional charges	1,905	2,105
Power and fuel	196,928	182,972
Rent, rates and taxes	6,296	5,758
Insurance	10,067	10,089
Repairs and maintenance	24,749	25,681
Depreciation - note 20.1.4	149,287	110,399
Amortisation - note 21.3	79	101
(Reversal) / provision for obsolete stores and spares	(434)	2,224
Loss on impairment of operating fixed assets	-	1,054
Printing and stationery	1,342	1,724
Postage and telephone	1,526	1,678
Other manufacturing expenses	2,576	5,147
	3,820,753	3,344,442
Less: Closing stock of work-in-process	60,331	56,118
	<u>3,760,422</u>	<u>3,288,324</u>

33.1.1 Raw materials consumed

	2008	2007
	(Rupees in thousand)	
Opening stock	639,171	818,035
Purchases	3,002,979	2,249,541
	<u>3,642,150</u>	<u>3,067,576</u>
Less: Indirect materials consumed	12,707	17,303
Closing stock	795,663	639,171
	<u>808,370</u>	<u>656,474</u>
	<u>2,833,780</u>	<u>2,411,102</u>

33.2 The following amounts have been charged to cost of goods manufactured during the current year in respect of the staff retirement gratuity schemes:

	2008			2007		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	----- (Rupees in thousand) -----					
Current service cost	1,248	4,697	5,945	981	3,996	4,977
Interest cost	2,123	9,261	11,384	1,376	6,970	8,346
Actuarial loss recognised	-	515	515	-	-	-
Expected return on plan assets	(1,841)	-	(1,841)	(966)	-	(966)
	<u>1,530</u>	<u>14,473</u>	<u>16,003</u>	<u>1,391</u>	<u>10,966</u>	<u>12,357</u>

34. ADMINISTRATIVE EXPENSES

	2008	2007
	(Rupees in thousand)	
Salaries and benefits	48,969	57,272
Gratuity - note 34.1	1,941	2,275
Provident fund	1,232	1,364
Travelling and conveyance	4,599	6,837
Legal and professional charges	1,281	4,195
Auditors' remuneration - note 34.2	2,802	2,745
Rent, rates and taxes	3,633	2,253
Provision for doubtful debts	5,365	3,538
Reversal of provision for doubtful debts	(5,661)	(1,239)
Insurance	508	623
Repairs and maintenance	113	237
Depreciation - note 20.1.4	3,051	2,869
Amortisation - note 21.3	77	90
Printing and stationery	414	613
Postage and telephone	683	951
Entertainment	489	721
Computer expenses	2,938	3,008
Provision for a doubtful receivable	-	949
Directors' fee	398	503
Other expenses	1,093	1,685
	<u>73,925</u>	<u>91,489</u>

- 34.1 The following amounts have been charged to administrative expenses during the current year in respect of the staff retirement gratuity schemes:

	2008			2007		
	Funded	Unfunded	Total	Funded	Unfunded	Total
----- (Rupees in thousand) -----						
Current service cost	749	332	1,081	940	343	1,283
Interest cost	1,275	654	1,929	1,318	599	1,917
Actuarial loss recognised	-	36	36	-	-	-
Expected return on plan assets	(1,105)	-	(1,105)	(925)	-	(925)
	919	1,022	1,941	1,333	942	2,275

- 34.2 Auditors' remuneration

	2008			2007		
	A.F. Ferguson & Co.	Hameed Chaudhri & Co.	Total	A.F. Ferguson & Co.	Hameed Chaudhri & Co.	Total
----- (Rupees in thousand) -----						
Audit fee	1,000	1,000	2,000	1,000	1,000	2,000
Audit of provident fund	-	41	41	-	41	41
Special certification	60	60	120	30	90	120
Tax services	-	-	-	205	-	205
Out of pocket expenses	341	300	641	175	204	379
	1,401	1,401	2,802	1,410	1,335	2,745

35. DISTRIBUTION COST

	2008	2007
(Rupees in thousand)		
Salaries and benefits	33,150	34,243
Gratuity - note 35.1	2,068	1,892
Provident fund	1,128	1,104
Travelling, conveyance and entertainment	6,619	7,969
Legal and professional charges	161	-
Sales promotion	36,624	10,680
Advertising	19,232	16,568
Rent, rates and taxes	6,300	4,812
Insurance	226	220
Repairs and maintenance	583	678
Depreciation - note 20.1.4	2,888	3,241
Amortisation - note 21.3	52	60
Printing and stationery	651	601
Postage and telephone	1,424	1,842
Freight and insurance	88,723	70,426
Others	5,437	8,682
	205,266	163,018

- 35.1 The following amounts have been charged to distribution cost during the current year in respect of the staff retirement gratuity schemes:

	2008			2007		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	----- (Rupees in thousand) -----					
Current service cost	385	518	903	404	481	885
Interest cost	655	1,021	1,676	567	838	1,405
Actuarial loss recognised	-	57	57	-	-	-
Expected return on plan assets	(568)	-	(568)	(398)	-	(398)
	<u>472</u>	<u>1,596</u>	<u>2,068</u>	<u>573</u>	<u>1,319</u>	<u>1,892</u>

36. OTHER OPERATING EXPENSES

	2008	2007
	(Rupees in thousand)	
Workers' profits participation fund - note 16.2	399	5,625
Workers' welfare fund		
- for the year	147	2,119
- for prior year	-	(1,248)
Exchange loss	101,955	4,132
Donation - note 36.1	-	2,573
	<u>102,501</u>	<u>13,201</u>

- 36.1 Donation of Rs Nil (2007: Rs 1.573 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gardee Trust Building, Napier Road, Lahore, a trust. Lt. Gen. (Retd) Ali Kuli Khan Khattak, Mr. Ahmed Kuli Khan Khattak, Mr. Raza Kuli Khan Khattak and Mr. Mushtaq Ahmad Khan, the directors of the company, are trustees of the trust.

37. OTHER OPERATING INCOME

	2008	2007
	(Rupees in thousand)	
Income from financial assets:		
Profit on bank deposits	330	333
Bad debts recovered	137	300
Unrealised gain on derivative	1,590	-
Income from other than financial assets:		
Sale of scrap	34,501	27,442
Profit on disposal of operating fixed assets	3,958	1,230
Amortisation of deferred income - note 11	147	147
Reversal of provision for custom duty rebate - note 16.3	20,195	-
Others	985	1,351
Income from investment in an associated undertaking:		
Dividend income from Ghandhara Industries Limited	-	290
	<u>61,843</u>	<u>31,093</u>

38. FINANCE COST

	2008	2007
	(Rupees in thousand)	
Interest on workers' profits participation fund - note 16.2	99	72
Mark-up on murabaha financing	21,869	34,767
Mark-up on long-term loan	48,651	10,721
Mark-up on finance leases	7,750	10,673
Mark-up on short term and running finances	80,569	66,471
Bank charges and guarantee commission	3,101	2,674
Interest on custom duties - note 16.3	21,091	-
	<u>183,130</u>	<u>125,378</u>

38.1 Finance cost include mark-up of Rs 22.745 million (2007: Rs 29.274 million) charged by the related parties.

39. TAXATION

	2008	2007
	(Rupees in thousand)	
Current - for the year	23,404	30,326
- prior year	-	2,067
Deferred - for the year	441	10,613
	<u>23,845</u>	<u>43,006</u>

39.1 The provision for taxation for the year ended June 30, 2008 has been made on the basis of minimum tax at the rate of 0.5 percent of turnover in these financial statements in accordance with section 113 of the Income Tax Ordinance, 2001. Therefore, no numeric tax rate reconciliation has been given in these financial statements.

40. (LOSS) / EARNINGS PER SHARE

	2008	2007
	(Rupees in thousand)	
(Loss) / profit after taxation (Rupees in thousand)	(16,505)	62,919
Number of ordinary shares (in thousand)	59,771	59,771
Basic (loss) / earnings per share	<u>Rs (0.28)</u>	<u>Rs 1.05</u>

40.1 There were no convertible dilutive potential ordinary shares outstanding on June 30, 2008 and 2007.

41. CASH GENERATED FROM OPERATIONS

	2008	2007
	(Rupees in thousand)	
Profit before taxation	7,340	105,925
Adjustments for non-cash charges and other items:		
Depreciation	155,226	116,509
Loss on impairment of operating fixed assets	-	1,054
Amortisation	208	251
Staff retirement gratuity	17,091	13,227
Employee compensated absences	(4,221)	4,990
(Reversal) / provision for obsolete stores and spares	(434)	2,224
Provision for doubtful debts	5,365	3,538
Reversal of provision for doubtful debts	(5,661)	(1,239)
Provision for a doubtful receivable	-	949
Profit on disposal of fixed assets	(3,958)	(1,230)
Profit on bank deposits	(330)	(333)
Amortisation of deferred income	(147)	(147)
Unrealised gain on derivative	(1,590)	-
Dividend income	-	(290)
Finance cost	183,130	125,378
Unrealised exchange loss	43,508	-
Working capital changes - note 41.1	(334,361)	(120,504)
	53,826	144,377
	<u>61,166</u>	<u>250,302</u>
41.1 Working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(21,565)	(58,861)
Stocks	(144,627)	105,471
Trade debts	(172,155)	(60,058)
Loans and advances	(46,366)	175
Deposits and prepayments	(4,328)	8,546
Other receivables	6,345	143
	(382,696)	(4,584)
Increase / (decrease) in current liabilities and provisions		
Trade and other payables	123,408	(119,934)
Provisions	(75,073)	4,014
	48,335	(115,920)
	<u>(334,361)</u>	<u>(120,504)</u>

42. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

	2008	2007
	(Rupees in thousand)	
Cash and bank balances - note 31	100,579	78,397
Running finances under mark-up arrangements - note 15	(225,504)	(232,193)
	<u>(124,925)</u>	<u>(153,796)</u>

43. FINANCIAL ASSETS AND LIABILITIES

(i) Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table provides information about the exposure of the company to interest / mark-up rate risk at the balance sheet date.

	Interest/mark-up bearing			Non-interest/mark-up bearing			Total 2008	Total 2007
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
	----- (Rupees in thousand) -----							
Financial assets								
Investments	-	-	-	-	-	-	-	-
Loans and advances	-	-	-	7,621	3,688	11,309	11,309	10,033
Deposits	-	-	-	3,770	7,209	10,979	10,979	9,529
Trade debts	-	-	-	639,921	-	639,921	639,921	467,470
Other receivables	-	-	-	5,605	-	5,605	5,605	3,932
Cash and bank balances	13,032	-	13,032	87,547	-	87,547	100,579	78,397
2008	<u>13,032</u>	<u>-</u>	<u>13,032</u>	<u>744,464</u>	<u>10,897</u>	<u>755,361</u>	<u>768,393</u>	<u>569,361</u>
2007	<u>12,059</u>	<u>-</u>	<u>12,059</u>	<u>546,678</u>	<u>10,624</u>	<u>557,302</u>	<u>569,361</u>	
Financial liabilities								
Long term loan	118,750	337,500	456,250	-	-	-	456,250	475,000
Murabaha financing	100,000	-	100,000	-	-	-	100,000	200,000
Liabilities against assets subject to finance leases	27,672	15,099	42,771	-	-	-	42,771	67,450
Deposits from dealers	-	-	-	-	9,740	9,740	9,740	9,340
Short term finances	1,001,026	-	1,001,026	-	-	-	1,001,026	413,519
Running finances under mark-up arrangements	225,504	-	225,504	-	-	-	225,504	232,193
Trade and other payables	-	-	-	573,955	-	573,955	573,955	496,228
Accrued mark-up	-	-	-	20,520	-	20,520	20,520	14,103
2008	<u>1,472,952</u>	<u>352,599</u>	<u>1,825,551</u>	<u>594,475</u>	<u>9,740</u>	<u>604,215</u>	<u>2,429,766</u>	<u>1,907,833</u>
2007	<u>889,136</u>	<u>499,026</u>	<u>1,388,162</u>	<u>510,331</u>	<u>9,340</u>	<u>519,671</u>	<u>1,907,833</u>	
Off-balance sheet items								
Letters of credit							725,957	494,504
Letters of guarantee							27,300	26,037
Indemnity bond							16,770	16,770

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

(ii) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

(iii) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risks relating to payables are covered through forward foreign exchange contracts if the company assesses that the exposure would have an unfavourable impact. As at the year end the company had liabilities in foreign currencies aggregating Rs 1,168.562 million (2007: Rs 1,034.311 million).

(iv) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its funding requirements. The company implies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines.

(v) Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except investment in associated undertaking which is valued under equity method of accounting. Further, staff loans are valued at their original cost less repayments.

44. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008		2007	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration and allowances	7,019	55,767	5,293	49,118
Bonus	-	-	198	1,478
Company's contribution to provident fund and gratuity	3	4,164	177	6,356
Medical	232	2,898	19	2,077
Leave passage	-	2,199	1,028	1,590
Ex gratia	-	-	3,500	2,500
Others	-	7,610	1,240	6,019
	<u>7,254</u>	<u>72,638</u>	<u>11,455</u>	<u>69,138</u>
Number of persons	<u>1</u>	<u>24</u>	<u>2</u>	<u>23</u>

44.1 The chief executive is provided with free use of car maintained by the company. Some executives are provided with free use of company's transport.

44.2 The amount charged in these financial statements in addition to those that are shown above is Rs 0.398 million (2007: Rs 0.503 million) in relation to fee for twelve (2007: twelve) non-executive directors.

45. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, companies in which directors are interested, staff retirement benefits, directors, key management personnel and close members of the family of all the aforementioned related parties. The company in the normal course of business carries out transactions with various related parties. Significant balances and transactions with related parties are as follows:

Name	Nature of relationship	Nature of transaction	2008	2007
(Rupees in thousand)				
Gandhara Industries Limited	Associated company	Sales	52,739	44,674
		Investment in right shares	-	3,021
		Dividend received	-	290
Gandhara Nissan Limited	Associated company	Sales	59,034	38,365
		Purchase of vehicle	-	11,939
Gammon Pakistan Limited	Associated company	Sales	-	410
National Refinery Limited	Associated company	Sales	226	-
Fauji Fertilizer Bin Qasim Limited	Related party	Sales	188	-
Security and Management Services (Private) Limited (SMS)	Associated company	Service charges	484	509
Research and Collections (Private) Limited	Associated company	Magazine subscription	-	101
Continental Tire North America, Inc.	Associated company	Purchase of machinery and spare parts	8,427	16,796
		Purchase of raw materials	39,438	71,034
		Royalty technical service fee	129,097	117,317
Continental A.G. Germany	Associated company	Purchase of machinery	7,108	3,198
		Purchase of raw materials	-	-
		Dividend paid	-	11,689



Name	Nature of relationship	Nature of transaction	2008	2007
(Rupees in thousand)				
Universal Insurance Company Limited	Associated company	Insurance premium	11,150	11,179
Pak Kuwait Takaful Company Limited	Related party	Insurance premium	822	836
Meezan Bank Limited	Related party	Mark up on short term finances and finance leases	17,278	20,582
Pakistan Kuwait Investment Company (Private) Limited	Related party	Return on murabaha financing	5,467	8,692
		Dividend paid	-	33,549
Bibojee Services (Private) Limited	Associated company	Sales	-	2,551
		Dividend paid	-	33,217
		Receipt of share subscription on right shares	-	3,021
		Mark-up on share subscription	-	53
Waqf-e-Kuli Khan	Associated undertaking	Donation	-	1,573
The General Tyre and Rubber Company of Pakistan Limited Staff Provident Fund	Employees fund	Contribution made	9,396	9,109
The General Tyre and Rubber Company of Pakistan Limited Staff Gratuity Fund	Employees fund		Refer note 10	

The status of outstanding balances as at June 30, 2008 are included in long term murabaha financing (note 7.2), liabilities against assets subject to finance leases (note 9.2), short term finances (note 14.2), trade and other payables (note 16.1), accrued mark-up (note 17.1), investments (note 22), trade debts (note 27.1), loans and advances (note 28) and cash and bank balances (note 31.1).

Key management compensation is disclosed in note 44.

46. CAPITAL RISK MANAGEMENT

The company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2008	2007
	(Rupees in thousand)	
Total borrowings	1,557,276	1,088,519
Less: Cash and bank balances	100,579	78,397
Net debt	<u>1,456,697</u>	<u>1,010,122</u>
Total equity	<u>1,222,168</u>	<u>1,238,673</u>
Total capital	<u><u>2,678,865</u></u>	<u><u>2,248,795</u></u>
Gearing ratio	<u>54%</u>	<u>45%</u>

47. PLANT CAPACITY AND ACTUAL PRODUCTION

	2008	2007
	(Number of units)	
Capacity: Tyre sets	<u>1,700,000</u>	<u>1,600,000</u>
Production: Tyre sets	<u>1,601,044</u>	<u>1,626,152</u>

47.1 Actual production was sufficient to meet the demand.

48. ASSOCIATES - KEY INFORMATION

Particulars	As at March	As at March
	31, 2008	31, 2007
	(Rupees in thousand)	
Assets	<u>2,467,121</u>	<u>2,103,658</u>
Liabilities	<u>1,156,212</u>	<u>856,692</u>
Accumulated losses	<u>(22,882)</u>	<u>(90,892)</u>



Nine months
period ended
March 31, 2008

Nine months
period ended
March 31, 2007

(Rupees in thousand)

Profit before taxation	<u>57,322</u>	<u>166,215</u>
Profit after taxation	<u>34,629</u>	<u>97,168</u>

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 22, 2008 by the board of directors of the company.

Lt.Gen.(Retd) Ali Kuli Khan Khattak
Chief Executive

Tasnim-ul-Haq Farooqui
Director



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 and after sales services to our customers at competitive prices.
- To improve performance in all operating areas, improve profitability 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 enhance productivity and continue discharging its obligation to society and environment by contributing to social welfare and adopting environmental friendly practices and processes to serve the society.

Pattern of Shareholding As at June 30, 2008

Number of Shareholders	Shareholding		Total No. of Shares Held	% age
	From	To		
306	1	100	10,924	0.02
577	101	500	186,585	0.31
364	501	1000	335,163	0.56
745	1001	5000	1,705,901	2.85
133	5001	10000	1,021,518	1.71
52	10001	15000	650,436	1.09
29	15001	20000	499,965	0.84
9	20001	25000	207,078	0.35
11	25001	30000	303,136	0.51
3	30001	35000	103,000	0.17
7	35001	40000	263,300	0.44
3	40001	45000	122,162	0.20
5	45001	50000	241,006	0.40
1	55001	60000	60,000	0.10
2	65001	70000	137,800	0.23
1	70001	75000	74,000	0.12
2	75001	80000	156,500	0.26
1	80001	85000	84,061	0.14
2	90001	95000	181,375	0.30
1	100001	105000	103,213	0.17
1	110001	115000	110,015	0.18
4	115001	120000	476,244	0.80
4	120001	125000	489,818	0.82
1	135001	140000	136,290	0.23
2	145001	150000	298,764	0.50
1	175001	180000	175,002	0.29
1	200001	205000	203,000	0.34
2	210001	215000	430,000	0.72
1	215001	220000	220,000	0.37
1	235001	240000	238,493	0.40
1	240001	245000	240,418	0.40
1	260001	265000	263,500	0.44
1	440001	445000	442,000	0.74
1	840001	845000	841,000	1.41
1	855001	860000	855,500	1.43
1	1030001	1035000	1,031,535	1.73
1	2205001	2210000	2,206,600	3.69
1	3765001	3770000	3,765,976	6.30
1	3875001	3880000	3,879,268	6.49
1	5840001	5845000	5,844,300	9.78
1	14400001	14405000	14,402,112	24.10
1	16770001	16775000	16,774,292	28.06
2284			59,771,250	100.00



Categories Of Shareholders As at June 30, 2008

<u>Category</u>	<u>Number</u>	<u>Shares Held</u>	<u>% age</u>
Individuals	2224	9,009,374	15.07
Joint Stock Companies	36	17,957,653	30.04
Financial Institutions	7	25,485,631	42.64
Insurance Companies	5	1,317,728	2.20
Investment Companies	4	5,732	0.01
Charitable Trusts	1	4,500	0.01
Foreign Companies	5	5,854,341	9.80
Others	2	136,291	0.23
	<u>2284</u>	<u>59,771,250</u>	<u>100.00</u>



Categories of Shareholders as at June 30, 2008

SHARES HELD BY:	No. of Shares
Associated Companies, Undertakings and Related Parties	
Bibojee Services (Pvt) Ltd.	16,608,712
Pakistan Kuwait Investment Company (Pvt) Ltd.	16,774,292
Continental A.G.	5,844,300
NIT	
National Bank of Pakistan, Trustee Department	7,645,244
Directors, CEO, Their Spouses & Minor Children	
Dr. Willi Flamm	
Lt. Gen. (Retd) Ali Kuli Khan Khattak	80
Mr. Raza Kuli Khan Khattak	238,493
Mr. Ahmed Kuli Khan Khattak	240,418
Mr. Ikram ul-Majeed Sehgal	121,442
Mr. Mushtaq Ahmed Khan	7
	35
Banks, Development Financial Institutions, Non-banking Financial Institutions, Companies, Modarabas & Mutual Funds	
AAG Securities (Pvt) Ltd.	16,600
ACE Securities (Pvt) Ltd.	10,000
Adhi Securities (Pvt) Limited	500
AL-ASAR Securities (Private) Ltd.	50
Asia Insurance Company Ltd.	693
AWJ Securities (SMC-Private) Ltd.	33,000
AZEE Securities (Private) Limited	1,000
Baba Securities (Pvt) Ltd.	10,000
Bawa Securities (Pvt) Ltd.	5,000
Capital Vision Securities (Pvt) Ltd.	1,500
Darson Securities (Pvt) Ltd.	10,000
DJM Securities (Pvt) Ltd.	1,875
EFU General Insurance Limited	215,000
EXCEL Insurance Co. Ltd.	30,000
FDM Capital Securities (Pvt) Ltd.	1,000
Freedom Enterprises (Pvt) Ltd.	4,620
Friendly Securities (Pvt) Ltd.	800
General Investment & Securities (Private) Ltd.	3,000



Categories of Shareholders as at June 30, 2008

Habib Bank AG Zurich, London	215,000
Habib Bank AG Zurich, Swirzerland	10,000
Ismail Abdul Shakoor Securities (Pvt) Ltd.	1,000
Jahangir Siddiqui & Company Ltd.	50
Javed Omer Vohra & Company Limited	855,500
KAI Securities (Pvt) Ltd.	2,500
Lahore Stock Exchange (G) Ltd.	250
Live Securities (Pvt) Ltd.	110,015
Lloyds Bank Plc	5,295
Loads Limited	1
MARS Securities (Private) Ltd.	2,500
Mercantile Co-operative Finance Corp. Ltd.	4,781
Moosa, Noor Mohammad, Shahzada & Co. (Pvt) Ltd.	15,500
Moosani Securities (Pvt) Ltd.	4,000
Morgan Stanely Trust Company	4,375
Muhammad Hussain Ismail Securities (Pvt) Ltd.	203,000
N.H. Securities (Pvt) Ltd.	1,190
National Commercial Enterprises Ltd.	26,565
National Development Leasing Corporation Ltd.	500
National Industrial Co-operative Finance Corp. Ltd.	111
NIB Bank Limited	841,000
ORA-TECH Systems (Pvt) Ltd.	1,000
Pasha Securities (Pvt) Ltd.	10,183
Ramada Investors Services Ltd.	95
SAT Securities (Pvt) Ltd.	1,500
Somers Nominees (Far East) Ltd.	350
State Life Insurance Corporation of Pakistan	1,031,535
The Crescent Star Insurance Co. Ltd.	40,500
The Pakistan Fund	21
Trustees Al-Badar Welfare Trust	4,500
Trustees Mohamad Amin Wakf Estate	136,290
United Capital Securities (Pvt) Ltd.	1,000
Y.S. Securities & Services (Pvt) Ltd.	2,500
ZHV Securities (Pvt) Ltd.	83
Other Individuals	8,420,899
TOTAL	59,771,250

Shareholders holding 10% or more voting interest in the Company

		%age
Bibojee Services (Pvt) Ltd.	16,608,712	27.79
Pakistan Kuwait Investment Company (Pvt) Ltd.	16,774,292	28.06
National Bank of Pakistan, Trustee Department	7,645,244	12.79

None of the Directors, CEO, CFO, Company Secretary and Executives and their spouses and minor children have traded in the shares of the Company during the year.



Form of Proxy

The Secretary
The General Tyre & 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 45th Annual General Meeting of the
Company to be held at the Institute of Chartered Accountants of Pakistan Auditorium,
Clifton, Karachi on September 29, 2008 at 3.00 P.M. and at any adjournment thereof.

Signature of Shareholder -----

Name of Shareholder -----

Signature on
Revenue Stamp
of Rs.5/=

Witnesses:

Signature----- Signature -----

Name ----- Name -----

NIC/Passport No. ----- NIC/Passport No. -----

AFFIX
POSTAGE

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