

Annual Report
2009



GENTIPAK

Technology by:





C o n t e n t s

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Company Profile

Board of Directors

Chairman Lt.Gen.(Retd) Ali Kuli Khan Khattak

Chief Executive Mohammad Shahid Hussain

Mr. Ahmed Kuli Khan Khattak
Mr. Firasat Ali
Mr. Ikram Ul-Majeed Sehgal
Mr. Irfan Siddiqui
Mr. Manzoor Ahmed
Mr. Mazhar Sharif
Mr. Raza Kuli Khan Khattak
Syed Hasan Irtiza Kazmi
Mr. Tasnim-ul-Haq Farooqui
Mr. Umer Latif
Dr. Willi Flamm

Company Secretary

Mr. Asif Jameel

Board Audit Committee

Chairman Mr. Ahmed Kuli Khan Khattak
Mr. Manzoor Ahmed
Mr. Mazhar Sharif

Major Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
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, 8020207-13
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

Share Registrar

Management & Registration Services (Pvt.) Ltd.
Business Executive Centre, F/17/3, Block-8,
Clifton, Karachi
Phone : 5375127 - 9



Chairman's Review

OPERATING RESULTS

I have pleasure in presenting to the shareholders of the Company, Accounts for the year ending June 30, 2009.

Your Company recorded sales of 1,341,609 tyres as compared to 1,627,531 of last year; i.e. a decrease of 18%. The main reason for the shortfall was reduced sales to Original Equipment Manufacturers (OEMs) by 35% due to much lower demand for Cars/Light Commercial Vehicles. However, there was an encouraging growth of 22% in Replacement Market (RM) segment. In value terms the net sales showed a growth of 16%.

The international price of crude oil peaked in July 2008 and remained high in the first half of the Company's financial year which kept the cost of our raw materials high for the first nine months of the year. The Company also had to incur heavy financial cost on account of increase in interest rates and higher borrowings due to inventory built up. The depreciation of Pak Rupee also affected negatively on the profitability of the Company. The irony was that in spite of increase of cost and expenses, the Company could not obtain timely price increases from its OEM customers since OEM were also undergoing a similar situation and hence reluctant to accept any price increases. The result was a Pre-Tax Loss of Rs. 142 million for the year under review compared to Pre-Tax Profit of Rs. 7 million in the previous year.

However, the most encouraging thing to note is that the Company reduced the Pre-Tax Loss of Rs. 263 million from the first nine months of the year to a Pre-Tax Loss of Rs. 142 million due to better performance and profitability in the last quarter of the year which is very reassuring for the financial year 2009/10.

MANUFACTURING

The Company produced 1,329,839 tyres during the year compared to 1,601,044 tyres last year due to lower sales as highlighted above. However, the equipments acquired and installed in the current year under the BMR programme will be able to produce higher number and better quality of tyres to satisfy future needs of Sales.

MARKETING & SALES

As the Company caters to 98% of OEM market, its sales to this segment of the market depend on the number of vehicles produced by the OEMs and there is not much the Company can do to control its sales in this segment. However, there is ample room for growth in the RM segment as your Company has a small share of this segment. Your Company has done well in this area and has been able to penetrate and recapture its share in the RM segment in a planned manner. Your Company showed a growth of 22% in this segment.

FUTURE OUTLOOK

The Company is already in negotiation with M/s Continental AG of Germany for the renewal of The Technical Service Agreement ('TSA'), which expires in September 2009, for a further period of seven years. The association with M/s Continental AG over the last seven years has been mutually beneficial and rewarding and I do not see any problem in the TSA being renewed.



With the additions of Curing Presses, Tyre Building Machines and increased mixing capacities, much of the bottlenecks in the production have been removed and the Company is in a position to meet the growth in the RM segment, the foundation of which has been laid in the year under review, and OEM segment which is expected to turn around in 2011.

The Company's performance in the last quarter of the year under review gives me reason for optimism for the future.

INDUSTRY REVIEW

We are pleased and thankful to the Government for including tyres in the Tariff Based System (TBS) which was the Industry's long awaited demand. However, the menace of smuggling and under invoicing continues to plague the Industry. The Afghan Transit Trade (ATT) is not only hurting the industrial sectors of the country but is also robbing the Exchequer of billions of rupees and needs rationalization by the government.

The OEMs are hopeful of the revival of their industry and projecting a modest growth for the current year on the back of government support.

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 1,700,000 to 1,726,000 tyres.

TAXES / DUTIES PAID

Your Company has contributed Rs. 1,054 million to the national exchequer as against Rs. 817 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

Mr. Mushtaq Ahmed Khan did not opt for election and Mr. Umer Latif was elected in the election held on August 21, 2008.

The nominees of Pak Kuwait Investment Company Ltd., Mr. Istaqbal Mehdi and Mr. Rana Ahmed Humayun resigned from the directorship of the Company on December 23, 2008 and in their place Board appointed Mr. Karim Hatim and Mr. Mazhar Sharif. Subsequently, Mr. Karim Hatim resigned on April 7, 2009 and in his place the Board appointed Syed Hasan Irtiza Kazmi.

NIT's nominee Mr. Muhammad Nawaz Tishna resigned from the directorship of the Company on September 17, 2008 and in his place Board appointed Mr. Firasat Ali.



The Board would like to record its appreciation for the valuable services rendered by Mr. Istaqbal Mehdi, Mr. Karim Hatim, Mr. Mushtaq Ahmed Khan and Mr. Rana Ahmed Humayun to the Company and welcomes Mr. Firasat Ali, Mr. Mazhar Sharif, Syed Hasan Irtiza Kazmi and Mr. Umer Latif on the Board.

EMPLOYEE / LABOUR RELATIONS

The relations with CBA during the year 2008-2009 have been normal and cordial.

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 under the very difficult circumstances. 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 blue ink, appearing to read "Ali Kuli Khan Khattak".

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

Karachi

Dated: August 27, 2009



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, 2009.

	2009	2008
	(Rupees in thousand)	
Financial Results		
Loss for the year after taxation	(109,824)	(16,505)
Unappropriated Profit brought forward	<u>624,455</u>	<u>640,960</u>
	514,631	624,455
Appropriation		
Dividend	<u>Nil</u>	<u>Nil</u>
Unappropriated profit carried forward	<u>514,631</u>	<u>624,455</u>
Basic loss per share	Rs.(1.84)	Rs.(0.28)

The Board of Directors has recommended NIL dividend for the year ended June 30, 2009 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.241.7 Million	June 30, 2008
Gratuity Fund	Rs. 12.6 Million	June 30, 2008

- 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 Six (6) 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	6
2.	Mr. Ahmed Kuli Khan Khattak	5
3.	Mr. Firasat Ali*	3
4.	Mr. Ikram Ul-Majeed Sehgal	5
5.	Mr. Irfan Siddiqui	1
6.	Mr. Istaqbal Mehdi**	2
7.	Mr. Karim Hatim****	0
8.	Mr. Manzoor Ahmed	2
9.	Mr. Mazhar Sharif*****	3
10.	Mr. Muhammad Nawaz Tishna***	2
11.	Mr. Mushtaq Ahmed Khan*****	0
12.	Mr. Rana Ahmed Humayun**	3
13.	Mr. Raza Kuli Khan Khattak	5
14.	Syed Hasan Irtiza Kazmi*****	1
15.	Mr. Tasnimul Haq Farooqui	6
16.	Mr. Umer Latif*****	5
17.	Dr. Willi Flamm	4

* Resigned w.e.f. July 7, 2008 and re-appointed w.e.f. September 17, 2008.

** Resigned w.e.f. December 23, 2008.

*** Appointed w.e.f. July 7, 2008 and resigned w.e.f. September 17, 2008.

**** Appointed w.e.f. December 23, 2008 and resigned w.e.f. April 7, 2009.

***** Appointed w.e.f. December 23, 2008.

***** Appointed w.e.f. April 7, 2009

***** Did not opt for election held on August 21, 2008

***** Elected on August 21, 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, 2009 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, 2010.

For and on behalf of the Board of Directors

A handwritten signature in blue ink, appearing to be "MSH", written over a blue scribble.

Mohammad Shahid Hussain
Chief Executive

Karachi

Dated : August 27, 2009



Notice of Meeting

Notice is hereby given that the Forty Sixth Annual General Meeting of The General Tyre & Rubber Company of Pakistan Limited will be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on Tuesday, September 29, 2009 at 12.00 noon to transact the following business:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on September 29, 2008.
2. To receive and consider the audited accounts for the year ended June 30, 2009 together with Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending June 30, 2010 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 Board

A blue ink signature of Asif Jameel.

Asif Jameel
Company Secretary

Karachi
Dated: August 27, 2009

NOTES:

1. The share transfer books of the Company shall remain closed from September 20, 2009 to September 29, 2009 (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

	2009	2008	2007	2006	2005	2004	2003
(Rupees in million)							
Operating Results							
Net sales	5,349	4,615	3,951	3,732	3,198	2,803	2,239
Gross profit	602	510	468	521	583	627	530
(Loss) / profit before tax	(142)	7	106	210	328	377	334
(Loss) / profit after tax	(110)	(17)	63	127	204	236	197
Cash dividend *	-	-	20%	17.5%	-	-	20%

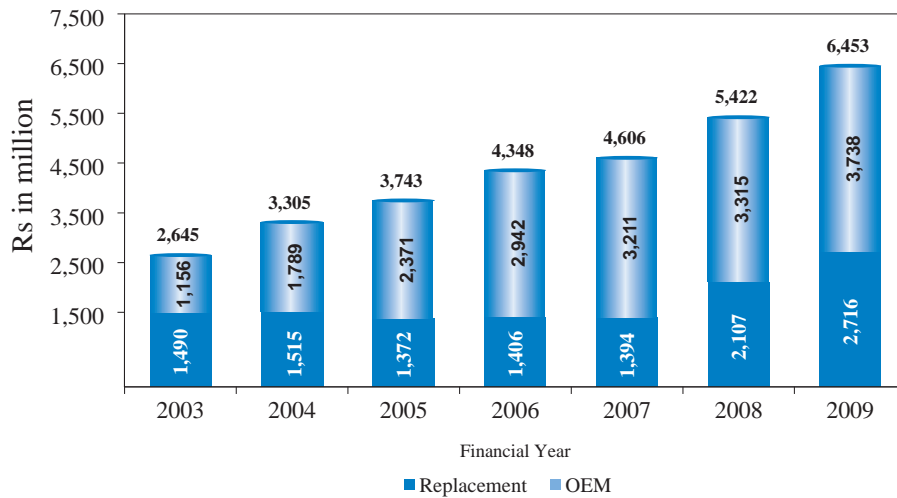
Financial Position

Operating fixed assets - at cost	3,170	2,960	2,852	2,109	1,890	1,433	1,324
Share capital	598	598	598	598	598	598	598
Reserve	514	624	641	697	675	472	237
Shareholders' equity	1,112	1,222	1,239	1,295	1,273	1,070	835
Long-term loans and liabilities against assets subject to finance leases	321	353	499	467	390	153	6

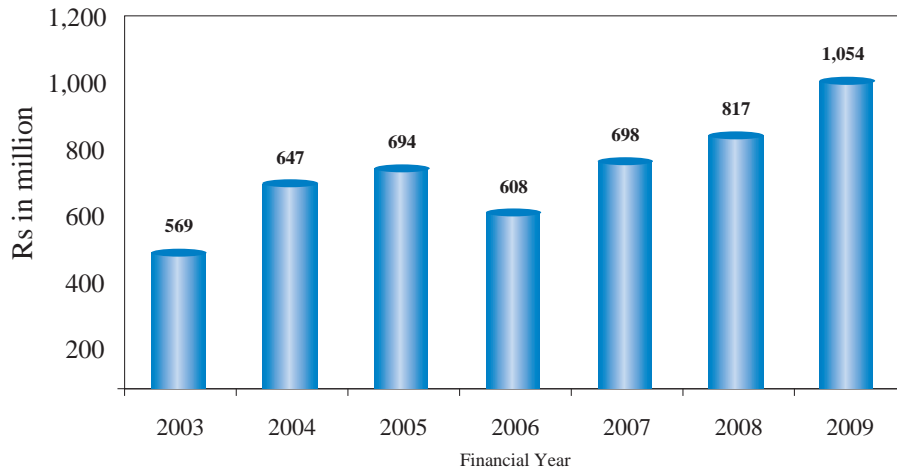
* The Board of directors has recommended NIL dividend for the year ended June 30, 2009.

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

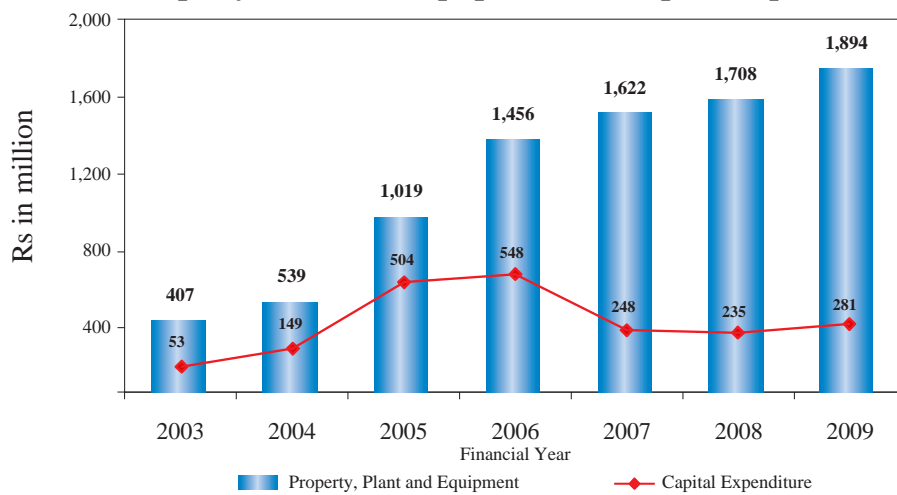
Sales Revenue



Contribution to National Exchequer



Property, Plant and Equipment Vs Capital Expenditure



Statement of Compliance with the Code of Corporate Governance For the year ended June 30, 2009

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 twelve 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. Five vacancies 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 Officer (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), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

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. The related party transactions were placed before the Audit Committee and approved by the Board of Directors.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors



Mohammad Shahid Hussain
Chief Executive

Karachi
Dated : August 27, 2009

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. 35 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.

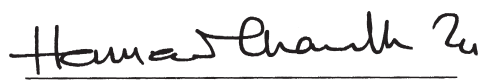
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express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

Further, Sub - Regulation (xiii) of Listing Regulations 37 (now 35) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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, 2009.



A. F. FERGUSON & CO.
Chartered Accountants
Karachi, August 31, 2009



HAMEED CHAUDHRI & CO.
Chartered Accountants
Karachi, August 31, 2009



AUDITORS' REPORT TO THE MEMBERS

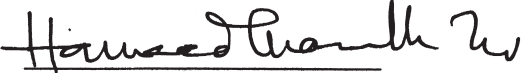

We have audited the annexed balance sheet of The General Tyre and Rubber Company of Pakistan Limited as at June 30, 2009 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that 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, 2009 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 31, 2009

Audit Engagement Partner: Saad Kaliya


HAMEED CHAUDHRI & CO.
Chartered Accountants
Karachi, August 31, 2009

Audit Engagement Partner: Abdul Majeed Chaudhri



Balance Sheet As at June 30, 2009

	Note	2009 (Rupees in thousand)	2008
SHARE CAPITAL AND RESERVE			
Share capital			
Authorised			
75,000,000 (2008: 75,000,000) ordinary shares of Rs 10 each		750,000	750,000
Issued, subscribed and paid-up	6	597,713	597,713
Reserve		514,631	624,455
		1,112,344	1,222,168
LONG TERM LOANS	8	321,250	337,500
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	9	-	15,099
STAFF BENEFITS	10	136,736	130,669
DEFERRED CREDIT	11	-	136
DEFERRED TAXATION	12	8,998	44,352
LONG TERM DEPOSITS FROM DEALERS	13	9,720	9,740
CURRENT LIABILITIES AND PROVISIONS			
Current maturity of			
- long term murabaha financing	7	-	100,000
- long term loans	8	240,625	118,750
- liabilities against assets subject to finance leases	9	15,176	27,672
Short term finances	14	328,425	1,001,026
Running finances under mark-up arrangements	15	905,201	225,504
Trade and other payables	16	748,224	701,231
Accrued mark-up	17	73,454	20,520
Taxation		-	622
Provisions	18	66,086	54,227
		2,377,191	2,249,552
		3,966,239	4,009,216
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 50 form an integral part of these financial statements.



Balance Sheet As at June 30, 2009

	Note	2009 (Rupees in thousand)	2008
PROPERTY, PLANT AND EQUIPMENT	20	1,894,228	1,707,791
INTANGIBLE ASSETS	21	50	130
INVESTMENTS	22	-	-
LONG TERM LOANS AND ADVANCES	23	2,394	3,688
LONG TERM DEPOSITS	24	7,067	7,209
CURRENT ASSETS			
Stores and spares	25	370,458	379,863
Stocks	26	725,690	1,051,835
Trade debts	27	680,286	639,921
Loans and advances	28	21,346	15,603
Deposits and prepayments	29	30,419	76,397
Other receivables	30	29,200	26,200
Taxation		58,809	-
Cash and bank balances	31	146,292	100,579
		2,062,500	2,290,398
		<u>3,966,239</u>	<u>4,009,216</u>

Mohammad Shahid Hussain
Chief Executive


Firasat Ali
Director



Profit and Loss Account For the year ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008
Net sales	32	5,349,480	4,614,728
Cost of sales	33	4,747,525	4,104,409
Gross profit		601,955	510,319
Administrative expenses	34	79,928	73,925
Distribution cost	35	234,480	205,266
		314,408	279,191
Operating profit		287,547	231,128
Other operating expenses	36	173,293	102,501
		114,254	128,627
Other operating income	37	44,306	61,843
		158,560	190,470
Finance cost	38	300,830	183,130
(Loss)/profit before taxation		(142,270)	7,340
Taxation	39	(32,446)	23,845
Loss after taxation		(109,824)	(16,505)
Loss per share	40	Rs (1.84)	Rs (0.28)

The annexed notes 1 to 50 form an integral part of these financial statements.


Mohammad Shahid Hussain
Chief Executive



Firasat Ali
Director



Statement of changes in Equity For the year ended June 30, 2009

	Issued, subscribed and paid-up share capital	Unappropriated profit	Total
	----- (Rupees in thousand) -----		
Balance as at July 1, 2007	597,713	640,960	1,238,673
Loss for the year ended June 30, 2008	-	(16,505)	(16,505)
Balance as at June 30, 2008	<u>597,713</u>	<u>624,455</u>	<u>1,222,168</u>
Loss for the year ended June 30, 2009	-	(109,824)	(109,824)
Balance as at June 30, 2009	<u><u>597,713</u></u>	<u><u>514,631</u></u>	<u><u>1,112,344</u></u>

The annexed notes 1 to 50 form an integral part of these financial statements.


Mohammad Shahid Hussain
Chief Executive


Firasat Ali
Director

Cash Flow Statement For the year ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008
Cash flows from operating activities			
Cash generated from operations	41	688,000	61,166
Staff retirement gratuity paid		(10,594)	(5,700)
Compensated absences paid		(1,905)	(1,184)
Long term deposits from dealers		(20)	400
Financial charges paid		(279,481)	(182,136)
Taxes paid		(62,339)	(23,369)
Long term loans and advances		1,294	37
Long term deposits		142	(310)
Net cash inflows/(outflows) from operating activities		335,097	(151,096)
Cash flows from investing activities			
Fixed capital expenditure		(281,412)	(235,810)
Proceeds from disposal of operating fixed assets		6,559	4,347
Profit on bank deposits received		637	330
Net cash outflows from investing activities		(274,216)	(231,133)
Cash flows from financing activities			
Repayment of long term murabaha financing		(100,000)	(100,000)
Long term loans		105,625	(18,750)
Payment of lease rentals under finance lease obligations		(27,595)	(24,679)
Short term finances		(672,852)	554,622
Dividends paid		(43)	(93)
Net cash (outflows)/inflows from financing activities		(694,865)	411,100
(Decrease)/increase in cash and cash equivalents		(633,984)	28,871
Cash and cash equivalents at the beginning of the year		(124,925)	(153,796)
Cash and cash equivalents at the end of the year	42	(758,909)	(124,925)

The annexed notes 1 to 50 form an integral part of these financial statements.



Mohammad Shahid Hussain
Chief Executive



Firasat Ali
Director



Notes to and Forming Part of the Financial Statements For the year ended June 30, 2009

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 and tubes 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. The management is at present in the process of discussing the contents of the new draft agreement with CTNAI and is confident that the subject agreement shall be concluded shortly and by virtue of that agreement the company shall continue to use the trade marks and logo referred to above.

In view of the above the management of the company believes that the status of the company as a 'going concern' will not be affected.

2. BASIS OF PREPARATION

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

Amendments to published standards and new interpretations effective in 2008-2009:

The following 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', notified by SECP through its S.R.O 411(I)/2008 dated April 28, 2008 effective for the annual periods beginning on or after July 1, 2008 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments.

International Financial Reporting Interpretation Committee (IFRIC) Interpretation 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. The interpretation provides guidance on assessing the limit in International Accounting Standard (IAS) 19 - 'Employee benefits' on the amount of surplus that can be recognised as an asset. It also explains how the gratuity/defined benefit asset or liability may be affected by a statutory or contractual minimum funding requirement. The funded and unfunded gratuity schemes of the company are not subject to any minimum funding requirements and the requirements of this interpretation have only been applied to assess the surplus arising in the company's books under the funded gratuity scheme.

Standards, amendments to published standards and interpretations effective in 2008-2009 but not relevant:

There are certain new standards, amendments to published standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2008 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, 2009 or later periods:

IAS 1 (Revised) 'Presentation of financial statements', (effective from January 1, 2009) was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statements of comprehensive income) or two statements (the income statement and statement of comprehensive income). Further, where the company restates or reclassifies comparative information, it will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of this standard will only impact the presentation of the financial statements.

IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the company's financial statements.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. Adoption of this amendment will only impact the presentation of the financial statements.
- IAS 37, Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed and not to be recognised. IAS 19 has been amended to be consistent with IAS 37.

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. This amendment is not expected to have a significant effect on the company's financial statements.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The company shall apply the amendment to impairment tests related to investments in associates and any related impairment losses from July 1, 2009.

IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Addition of the amendment is not expected to have significant effect on the company's financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amendment states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Adoption of the amendment is not expected to have any significant effect on the company's financial statements.

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

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) Disclosure of contingencies (note 19).
- (e) Determining the recoverable amounts, useful lives and residual values of property, plant and equipment (note 20).
- (f) Provision for doubtful advances (note 20).
- (g) Determining the useful lives of intangible assets (note 21).
- (h) Provision for obsolete stores and spares (note 25).
- (i) Provision for obsolete and slow moving stocks (note 26).
- (j) Estimation of net realisable value (note 26).
- (k) Provision for doubtful debts and other receivables (notes 27 and 30).
- (l) 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, 2009 on the basis of the 'projected unit credit method'.

Consistent with prior years, the obligations in respect of defined benefit plans recognised in the balance sheet represents the present value of the defined benefit obligations as adjusted for unrecognised actuarial gains and losses as reduced by the fair value of plan assets, if any. Any asset resulting from this calculation is limited to unrecognised actuarial losses plus the present value of available refunds and reductions in future contributions to the plan.

Consistent with prior years, actuarial gains and losses that exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, if any, as at the end of the prior year are amortised over the average expected remaining working 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 up to the balance sheet date. The provision is recognised on the basis of actuarial valuation, which was conducted as at June 30, 2009.

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 final tax regime in respect of commercial imports.

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 is stated at cost. Cost of certain assets consists of historical cost and the related borrowing cost on loans utilised for the acquisition of those assets (as explained in note 5.13 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 owned 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 loss is charged to 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. Effective July 1, 2008, the company has revised the useful lives of its owned plant and machinery and consequently the rate of depreciation has been decreased from 7% to 5%. Had this revision not been made, loss after taxation for the current year would have been higher by Rs 23.418 million, the aggregate net book value of owned plant and machinery as at June 30, 2009 would have been lower by Rs 36.027 million, and the loss after taxation for future period would have been higher by Rs 23.418 million.

Depreciation on additions is charged from the month following in which an asset is put to use and on deletions up to 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 operating fixed assets is recognised in profit and loss account.

5.5.2 Operating fixed assets held under finance lease and related depreciation

The company accounts for operating fixed assets held under finance lease by recording the asset and the related liability. Operating fixed 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.

Effective July 1, 2008, the company has revised the useful lives of its leased plant and machinery and consequently the rate of depreciation has been decreased from 7% to 5%. Had this revision not been made, loss after taxation for the current year would have been higher by Rs 1.333 million, the aggregate net book value of leased plant and machinery as at June 30, 2009 would have been lower by Rs 2.051 million, and the loss after taxation for future period would have been higher by Rs 1.333 million.

Consistent with prior years, the company assesses at each balance sheet date whether there is any indication that the leased 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 loss is charged to income currently.

5.5.3 Capital work-in-progress

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

5.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method over their estimated useful lives. Amortisation is charged at the rate stated in note 21.1 below.

Amortisation on additions is charged from the month following in which an asset is put to use and on deletions up to 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.

5.7 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.

5.8 Stores and spares

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

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

5.9 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 up to 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.

5.10 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 provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

5.11 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.

5.12 Revenue recognition

Sales are recorded on despatch of goods to customers.

5.13 Borrowing costs

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

5.14 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.

The financial statements are presented in Pakistan Rupees, which is the company's functional and presentation currency.

5.15 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.

5.16 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.

5.17 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.

5.18 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.

5.19 Dividend

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

5.20 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

2009 (Ordinary Shares of Rs 10 each)			2009 (Rupees in thousand)	
2009	2008		2009	2008
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. Germany held 16,608,712 (2008: 16,608,712), 16,774,292 (2008: 16,774,292) and 5,844,300 (2008: 5,844,300) ordinary shares of the company respectively, as at June 30, 2009.

7. LONG TERM MURABAHA FINANCING

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Secured		
As at June 30 - notes 7.1 and 7.2	-	100,000
Less: Current maturity of long term murabaha financing	-	100,000
	<u>-</u>	<u>-</u>

7.1 The company had 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 drawn down was repayable in eight six-monthly instalments commencing eighteen months from the date of disbursement, which was fully repaid by June 19, 2009. The rate of mark-up was six months KIBOR plus 2.6% per annum. The facility was secured by way of a first charge on the specific fixed assets of the company, which has not been vacated as yet.

- 7.2 Included in long term murabaha financing was an aggregate amount of Rs Nil (2008: Rs 25 million) which was payable to Pakistan Kuwait Investment Company (Private) Limited (a related party) and an aggregate amount of Rs Nil (2008: Rs 6.250 million) which was payable to Orix Investment Bank Limited (a related party).

8. LONG TERM LOANS

2009 2008
(Rupees in thousand)

Secured		
Finance 1 - notes 8.1 and 8.2	291,875	356,250
Finance 2 - note 8.3	270,000	100,000
	<u>561,875</u>	<u>456,250</u>
Less: Current maturity of long term loans	240,625	118,750
	<u>321,250</u>	<u>337,500</u>

- 8.1 This represents a financing facility of Rs 500 million arranged from a bank for expansion plans of the company. The principal amount drawn down is repayable in eight semi-annual instalments commencing eighteen months from the date of disbursement (April 1, 2006). The rate of mark-up is three months KIBOR plus 1.85% per annum. The facility is secured by way of a first charge on the specific fixed assets of the company.
- 8.2 During the year the company made an arrangement with the bank for deferment of two semi-annual principal repayments amounting to Rs 59.375 million each due on March 31 and September 30, 2009 for a period of six (6) and three (3) months respectively. Under the terms of the deferment, a down payment of Rs 5 million was made by the company and the aforementioned deferred instalments are now due on September 30 and December 31, 2009 respectively. Mark-up payments and subsequent instalments are not affected by the deferment.
- 8.3 This represents a financing facility of Rs 500 million arranged from a bank for expansion plans of the company. The principal amount drawn down is repayable in eight six-monthly instalments 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

	2009	2008	2009	2008	2009	2008
	Minimum lease payments		Finance cost		Present value of minimum lease payments	
----- (Rupees in thousand) -----						

Year to June 30						
2009	-	33,415	-	5,743	-	27,672
2010	17,157	16,922	1,981	1,823	15,176	15,099
Total	<u>17,157</u>	<u>50,337</u>	<u>1,981</u>	<u>7,566</u>	<u>15,176</u>	<u>42,771</u>
Less: Current maturity shown under current liabilities and provisions					15,176	27,672
					<u>-</u>	<u>15,099</u>

- 9.1 These represent finance leases entered into for plant and machinery and laboratory equipment. The periodic lease payments include built in rates of mark-up of 15.91% to 18.27% (2008: 12.57% to 12.64%) per annum.

9.2 Liabilities against assets subject to finance leases represent amounts payable to Meezan Bank Limited (a related party).

10. STAFF BENEFITS

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

- Discount rate - 11% (2008: 10%) per annum
- Expected long term rate - 10% (2008: 9%) increase in salary levels per annum
- Expected long term rate of interest - 11% (2008: 10%) per annum
- Normal retirement age - 60 years (2008: 60 years)
- Death rate is based on EFU 61-66 mortality table

	2009	2008
	(Rupees in thousand)	
Staff retirement gratuity - note 10.1	118,315	111,047
Employee compensated absences - note 10.2	18,421	19,622
	<u>136,736</u>	<u>130,669</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, 2009.

10.1.1 Reconciliation of (receivable from)/payable to defined benefit plans

	2009		2008	
	(Rupees in thousand)			
	Funded	Unfunded	Funded	Unfunded
Present value of defined benefit obligations - note 10.1.4	43,489	126,429	41,599	113,934
Fair value of plan assets - note 10.1.5	(50,718)	-	(52,867)	-
Unrecognised net actuarial gains/(losses) - note 10.1.9	7,124	(8,114)	11,136	(2,887)
	<u>(105)</u>	<u>118,315</u>	<u>(132)</u>	<u>111,047</u>
10.1.2 Movement in (receivable from)/payable to defined benefit plans				
Opening balance	(132)	111,047	4,535	99,656
Charge for the year - notes 33.3, 34.1 and 35.1	27	17,862	2,921	17,091
Benefits paid	-	(10,594)	-	(5,700)
Contributions by the company - note 10.1.5	-	-	(7,588)	-
Closing balance	<u>(105)</u>	<u>118,315</u>	<u>(132)</u>	<u>111,047</u>
10.1.3 Actual return on plan assets	<u>3,964</u>		<u>5,904</u>	

	2009		2008	
	(Rupees in thousand)			
	Funded	Unfunded	Funded	Unfunded
10.1.4 Reconciliation of present value of defined benefit obligations				
Present value of obligations as at July 1	41,599	113,934	40,533	117,480
Current service cost	1,798	5,329	2,383	5,546
Interest cost	4,576	12,533	4,053	10,937
Benefits paid	(6,113)	(10,594)	(3,643)	(5,700)
Actuarial loss/(gain) on obligations	1,629	5,227	(1,727)	(14,329)
Present value of obligations as at June 30	43,489	126,429	41,599	113,934
10.1.5 Changes in the fair value of plan assets are as follows:				
Fair value as at July 1	52,867	-	35,154	-
Expected return on plan assets	5,815	-	3,515	-
Contributions by the company	-	-	7,588	-
Actuarial (loss)/gain on plan assets	(1,851)	-	10,253	-
Benefits paid	(6,113)	-	(3,643)	-
Fair value as at June 30	50,718	-	52,867	-
10.1.6 Plan assets comprise of:				
Debt instruments	42,643	-	47,377	-
Equity instruments	7,935	-	925	-
Other	140	-	4,565	-
	50,718	-	52,867	-
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 (gain)/loss to be recognised				
Corridor limit				
The limits of the corridor as at July 1				
- 10% of present value of obligations	4,160	11,393	4,053	11,748
- 10% of fair value of plan assets	5,287	-	3,515	-
Which works out to	5,287	11,393	4,053	11,748
Unrecognised net actuarial (gains)/losses as at July 1	(11,136)	2,887	844	17,824
Excess	(5,849)	-	-	6,076
Average expected remaining working lives in years	11	9	-	10
Actuarial (gain)/loss recognised	(532)	-	-	608
10.1.9 Unrecognised net actuarial (gains)/losses				
Unrecognised net actuarial (gains)/losses at July 1	(11,136)	2,887	844	17,824
Actuarial loss/(gain) on obligations - note 10.1.4	1,629	5,227	(1,727)	(14,329)
Actuarial loss/(gain) on plan assets - note 10.1.5	1,851	-	(10,253)	-
Subtotal	(7,656)	8,114	(11,136)	3,495
Actuarial (gain)/loss recognised - note 10.1.8	(532)	-	-	608
Unrecognised net actuarial (gains)/losses as at June 30	(7,124)	8,114	(11,136)	2,887

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

	2009	2008	2007	2006	2005
	-----Rupees in thousand-----				
Funded:					
Present value of defined benefit obligation	43,489	41,599	40,533	39,830	31,628
Fair value of plan assets	(50,718)	(52,867)	(35,154)	(29,046)	(24,899)
(Surplus)/deficit	<u>(7,229)</u>	<u>(11,268)</u>	<u>5,379</u>	<u>10,784</u>	<u>6,729</u>
Actuarial loss/(gain) on obligation	1,629	(1,727)	2,529	2,523	2,171
Actuarial loss/(gain) on plan assets	<u>1,851</u>	<u>(10,253)</u>	<u>(2,819)</u>	<u>(2,102)</u>	<u>(1,769)</u>
Unfunded:					
Present value of defined benefit obligation	126,429	113,934	117,480	99,846	89,411
Fair value of plan assets	-	-	-	-	-
Deficit	<u>126,429</u>	<u>113,934</u>	<u>117,480</u>	<u>99,846</u>	<u>89,411</u>
Actuarial loss/(gain) on obligation	<u>5,227</u>	<u>(14,329)</u>	<u>10,505</u>	<u>2,865</u>	<u>2,040</u>

10.1.11 Expected contribution for the next year

The expected contribution to the funded gratuity scheme for the year ending June 30, 2010 works out to Rs 1.202 million.

10.2 Employee compensated absences

2009 **2008**
(Rupees in thousand)

Employee compensated absences	20,017	23,926
Less: Short term (included in accrued expenses - note 16)	<u>1,596</u>	<u>4,304</u>
	<u>18,421</u>	<u>19,622</u>

10.3 The total charge against provident fund for the year was Rs 9.529 million (2008: Rs 9.396 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 had resulted in a finance lease. The deferred credit was 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 0.136 million (2008: Rs 0.147 million).

12. DEFERRED TAXATION

Credit / (debit) balances arising from:	2009	2008
	(Rupees in thousand)	
Accelerated tax depreciation allowance	332,058	296,254
Finance lease arrangements	16,970	8,909
Provision for staff retirement gratuity	(41,410)	(38,866)
Provision for sales tax refundable	(2,296)	(2,296)
Interest payable on custom duties	(12,018)	(19,018)
Provision for tyre replacement and dealer incentives	(23,130)	(18,979)
Provision for doubtful debts	(2,957)	(2,470)
Provision for doubtful custom duty rebates recoverable	(32,938)	(32,938)
Taxable loss - note 12.1	(8,591)	-
Unabsorbed depreciation - note 12.1	(180,987)	(105,812)
Minimum tax	(32,102)	(35,010)
Others	(3,601)	(5,422)
	<u>8,998</u>	<u>44,352</u>

- 12.1 The company has recognised deferred tax asset on taxable loss and unabsorbed depreciation for the year and on brought forward unabsorbed depreciation, as the company is expected to have sufficient taxable income in the foreseeable future against which the above deferred tax asset (debit balances) may be utilised.

13. LONG TERM DEPOSITS FROM DEALERS

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

14. SHORT TERM FINANCES

	2009	2008
	(Rupees in thousand)	
Secured		
From banks	<u>328,425</u>	<u>1,001,026</u>

- 14.1 The company has arranged facilities aggregating Rs 1,575 million (note 15.3) (2008: Rs 2,143.689 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 4.32 % to 18.39% (2008: 4.37 % to 14.53%) per annum. These liabilities were/are repayable between June 9, 2009 and December 21, 2009.

- 14.2 Included in short term finances is an aggregate amount of Rs 61.109 million (2008: Rs 87.466 million) payable to Meezan Bank Limited (a related party) which was due for repayment on June 9, 2009. This balance was, however, repaid subsequent to the year end by August 11, 2009.

- 14.3 Included in short term finances is an aggregate amount of Rs 36.647 million (USD 0.451 million) [2008: Rs 736.458 million (USD 10.779 million)] representing foreign exchange loans obtained from various banks. The rates of mark-up on these facilities range between 4.32% to 5% (2008: 4.37% to 7.26%) per annum.

15. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS

	2009	2008
	(Rupees in thousand)	
Secured		
From banks	<u>905,201</u>	<u>225,504</u>

- 15.1 The company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs 1,050 million (2008: Rs 1,300 million). The rates of mark-up on these arrangements range between 13.12% to 17.60% (2008: 10.59% to 14.93%) per annum. These facilities are available for various periods expiring between July 31, 2009 and March 31, 2010. 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, 2009 amount to Rs 1,920 million (2008: Rs 2,135 million) of which the amount remaining unutilised at the year end was Rs 1,222.214 million (2008: Rs 1,385.298 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 1,575 million (2008: Rs 1,550 million).

16. TRADE AND OTHER PAYABLES

	2009	2008
	(Rupees in thousand)	
Creditors	56,444	60,275
Bills payable	384,251	374,799
Accrued expenses	155,473	130,098
Advances from customers	15,953	3,423
Staff provident fund	2,365	2,251
Short term deposits	3,097	2,638
Workers' welfare fund	2,266	2,266
Workers' profits participation fund - note 16.2	-	399
Sales tax	83,851	60,297
Retention money payable	511	1,679
Dividend	4,289	4,332
Interest payable on custom duties - note 16.3	34,336	54,336
Others	5,388	4,438
	748,224	701,231
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.	37,462	27,970
Continental A.G. Germany	35,379	29,711
Key management personnel	6,026	4,179
The General Tyre and Rubber Company of Pakistan Limited		
Staff Provident Fund	2,365	2,251
	81,505	64,384
16.2 Workers' profits participation fund		
Balance at the beginning of the year	399	5,625
Allocation for the year - note 36	-	399
	399	6,024
Interest on funds utilised in the company's business - note 38	17	99
	416	6,123
Less: Payments during the year	416	5,724
Balance at the end of the year	-	399

- 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 Appraisal 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 up to March 31, 2001. In reply the company had filed an application with the High Court of Sindh to vacate the said charge of interest.

During the year ended June 30, 2005 the High Court of Sindh 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 up to May 15, 2005. The company had filed an appeal with the Supreme Court of Pakistan against the decision of the High Court Sindh.

During the year ended June 30, 2006 the company filed an application for alternate dispute resolution with the Supreme Court of Pakistan.

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 had also been processed and adjusted by the ACCH. Further, the company had made a partial payment amounting to Rs 40 million in respect of FBR's demand.

During the year ended June 30, 2009, the company has further made a partial payment amounting to Rs 20 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

	2009	2008
	(Rupees in thousand)	
Mark-up on long term murabaha financing	-	207
Mark-up on long term loans	19,478	5,423
Mark-up on short term and running finances	53,976	14,890
	<u>73,454</u>	<u>20,520</u>

	2009	2008
	(Rupees in thousand)	
17.1	Accrued mark-up includes the following amounts due to related parties:	
	-	52
	Pakistan Kuwait Investment Company (Private) Limited	1,259
	Meezan Bank Limited	13
	Orix Investment Bank Limited	-
	<u>10,094</u>	<u>1,324</u>
18.	PROVISIONS	
	34,875	30,900
	Provision for tyre replacement allowance - note 18.1	23,327
	Provision for incentive to dealers	<u>54,227</u>
	<u>66,086</u>	<u>54,227</u>
18.1	Provision for tyre replacement allowance	
	30,900	24,800
	Balance at the beginning of the year	28,872
	Charge during the year - notes 18.1.1 and 32	53,672
	64,286	(22,772)
	Claims adjusted during the year	(22,772)
	(29,411)	30,900
	Balance at the end of the year	<u>30,900</u>
	<u>34,875</u>	<u>30,900</u>
18.1.1	This represents provision on account of tyre replacement claims expected to be received by the company in 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-STT/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 up to 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 5.350 million (2008: Rs 2.405 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.

	2009	2008
	(Rupees in thousand)	
19.4 Contingencies		
- Guarantees issued by a bank on behalf of the company	44,875	27,300
Commitments in respect of :		
- Letters of credit for capital expenditure	105	146,029
- Letters of credit for purchase of raw materials and stores and spares	652,806	576,373
- Purchase orders issued to local suppliers for capital expenditure	6,647	3,555
- Sale contracts entered into by the company	22,711	29,679
- Tentative schedules for supply of tyres	1,192,312	892,063
- Indemnity bond - note 19.1	16,770	16,770
- Post dated cheques issued to the Collector of Customs against duty on imported plant and machinery, raw materials and stores and spares	15,145	37,903

20. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	(Rupees in thousand)	
Operating fixed assets - note 20.1	1,667,662	1,564,172
Capital work-in-progress - note 20.2	226,566	143,619
	1,894,228	1,707,791

20.1 Operating fixed assets

20.1.1 The following is a statement of operating fixed assets:

	Owned											Learned		Total
	Leasehold land	Buildings on leasehold land	Electrical installation	Plant & machinery	Boilers & accessories	Laboratory equipment	Moulds	Vehicles	Furniture & fixture	Office equipment	Computer equipment	Plant and machinery	Laboratory equipment	
----- (Rupees in thousands) -----														
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
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
Year ended June 30, 2009														
Additions	-	31,498	1,715	140,143	3,201	-	33,313	13,021	420	6,060	679	-	-	230,050
Disposals														
- Cost	-	-	-	2,477	-	-	7,904	8,422	44	1,397	101	-	-	20,345
- Depreciation	-	-	-	(2,477)	-	-	(7,899)	(8,422)	(44)	(1,397)	(101)	-	-	(20,340)
Depreciation charge	-	12,396	4,733	71,191	3,540	2,728	10,135	8,627	634	5,385	2,623	4,380	183	126,555
Net book value as at June 30, 2009	555	207,704	33,026	1,213,486	17,640	5,598	72,927	22,304	3,996	23,920	2,843	63,377	286	1,667,662
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
At June 30, 2009														
Cost	555	324,863	85,577	2,241,633	47,494	30,117	164,020	74,615	10,021	63,219	34,992	91,864	1,217	3,170,187
Accumulated depreciation	-	117,159	52,551	1,027,456	29,854	24,519	90,730	52,311	6,025	39,299	32,149	28,487	931	1,501,471
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	-	-	1,054
Net book value	555	207,704	33,026	1,213,486	17,640	5,598	72,927	22,304	3,996	23,920	2,843	63,377	286	1,667,662

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

	Annual rate of depreciation	
	2009	2008
Owned	-----%-----	
Buildings on leasehold land	5	5
Electrical installation	10	10
Plant and machinery	5	7-20
Boilers and accessories	10	10
Laboratory equipment	15	15
Moulds	10	10
Vehicles	20	20
Furniture and fixtures	10	10 and 20
Office equipment	15	15 and 25
Computer equipment	25	25
Assets held under finance leases		
Plant and machinery	5	7
Laboratory equipment	15	15

20.1.3 No operating fixed assets having a net book value of more than Rs 50,000 either, individually or in aggregate, were disposed off during the year.

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

	2009	2008
	(Rupees in thousand)	
Cost of goods manufactured - note 33.1	121,116	149,287
Administrative expenses - note 34	2,967	3,051
Distribution cost - note 35	2,472	2,888
	<u>126,555</u>	<u>155,226</u>
20.2 Capital work-in-progress		
Buildings	1,380	25,758
Plant and machinery	227,260	92,188
Electrical installation	127	1,694
Vehicles	-	8,181
Computer equipment	-	627
Boiler	-	2,138
Office equipment	74	15,308
Sub total - note 20.2.1	<u>228,841</u>	<u>145,894</u>
Less: Provision for doubtful advance	2,275	2,275
	<u>226,566</u>	<u>143,619</u>

20.2.1 Capital work-in-progress includes an amount of Rs 2.581 million (2008: Rs 56.685 million) representing advance payments made to suppliers for procurement of operating fixed assets.

20.3 Finance cost aggregating Rs 31.585 million (2008: Rs 5.423 million) has been included in the cost of property, plant and equipment at the rate which ranged between 15.38% to 16.98% (2008: 11.31%).

21. INTANGIBLE ASSETS

21.1 The following is a statement of intangible assets:

	Cost as at July 1, 2008	Additions	Cost as at June 30, 2009	Accumulated amortisation as at July 1, 2008	Amortisation for the year	Accumulated amortisation as at June 30, 2009	Net book value as at June 30, 2009	Annual rate of amortisation %
----- (Rupees in thousands) -----								
Computer software								
2009	3,380	-	3,380	3,250	80	3,330	50	33.33
2008	3,308	72	3,380	3,042	208	3,250	130	33.33

21.2 Movement in net book value:

	Year ended June 30, 2008			Year ended June 30, 2009			
	Net book value as at July 1, 2007	Additions	Amortisation charge for the year	Net book value as at June 30, 2008	Additions	Amortisation charge for the year	Net book value as at June 30, 2009
----- (Rupees in thousands) -----							
Computer software	266	72	208	130	-	80	50

21.3 Amortisation for the year has been allocated as follows:

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Cost of goods manufactured - note 33.1	40	79
Administrative expenses - note 34	24	77
Distribution cost - note 35	16	52
	<u>80</u>	<u>208</u>

22. INVESTMENTS

Name of the investee company	2009 (Rupees in thousand)	2008 (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, 2009 was 0.473% (2008: 0.473%). The investee company is an associate of the company by virtue of common directorship.

The company's share in (loss)/profit of associate for the twelve months period ended March 31, 2009 amounted to Rs (0.685) million (2008: Rs 0.322 million) and the company's unrecognised share in accumulated losses of the associate amounts to Rs 0.793 million (2008: Rs 0.108 million).

The share in net assets of associate has been determined on the basis of unaudited financial statements for the nine months period ended March 31, 2009.

22.3 The market value of the investment as at June 30, 2009 was Rs 0.745 million (2008: Rs 2.865 million).

23. LONG TERM LOANS AND ADVANCES

	2009	2008
	(Rupees in thousand)	
Unsecured		
Considered good		
- due from executives - note 23.1	858	739
- due from other employees - note 23.2	5,477	6,285
	<u>6,335</u>	<u>7,024</u>
Less: Recoverable within next twelve months - (included in note 28)	3,941	3,336
	<u>2,394</u>	<u>3,688</u>
23.1 Loans and advances to executives:		
Balance at the beginning of the year	739	1,267
Add: Disbursements during the year	800	50
Less: Repayments during the year	681	578
Balance at the end of the year	<u>858</u>	<u>739</u>
23.1.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 2.049 million (2008: Rs 1.788 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 instalments 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

	2009	2008
	(Rupees in thousand)	
Long term deposits	<u>7,067</u>	<u>7,209</u>

25. STORES AND SPARES

	2009	2008
	(Rupees in thousand)	
In hand	375,775	381,853
In transit	618	3,945
	<u>376,393</u>	<u>385,798</u>
Less: Provision for obsolete stores and spares	5,935	5,935
	<u>370,458</u>	<u>379,863</u>

26. STOCKS

Raw materials		
- in hand	182,205	458,933
- in bonded warehouse	6,736	104,164
- in transit	192,495	232,505
- with third parties	-	61
	<u>381,436</u>	<u>795,663</u>
Work-in-process	105,773	60,331
Finished goods - note 26.1	239,022	196,951
	<u>726,231</u>	<u>1,052,945</u>
Less: Provision for obsolete and slow moving stocks - raw materials	541	1,110
	<u>725,690</u>	<u>1,051,835</u>

- 26.1 Finished goods include items costing Rs 35.367 million (2008: Rs 1.162 million) stated at their net realisable values aggregating Rs 32.646 million (2008: Rs 0.964 million). The amount charged to the profit and loss account in respect of stocks written down to their net realisable values is Rs 2.721 million (2008: Rs 0.198 million).

27. TRADE DEBTS

	2009	2008
	(Rupees in thousand)	
Unsecured		
Considered good		
- from related parties - note 27.1	51,188	11,234
- others	629,098	628,687
	<u>680,286</u>	<u>639,921</u>
Considered doubtful		
- others	8,449	7,056
	<u>688,735</u>	<u>646,977</u>
Less: Provision for doubtful debts	8,449	7,056
	<u>680,286</u>	<u>639,921</u>

- 27.1 Trade debts include the following amounts due from related parties:

Gandhara Industries Limited	19,564	7,364
Gandhara Nissan Limited	23,716	3,870
Bibojee Services (Private) Limited	7,908	-
	<u>51,188</u>	<u>11,234</u>

28. LOANS AND ADVANCES

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Unsecured Considered good Loans		
- due from executives	676	-
- due from other employees	5,646	5,691
	<u>6,322</u>	<u>5,691</u>
Advances		
- due from executives - note 28.1	1,549	45
- due from other employees	2,826	1,885
- due from others	10,649	7,982
	<u>21,346</u>	<u>15,603</u>

28.1 This includes an amount of Rs 1.182 million (2008: Rs Nil) representing outstanding balance of advance house rent paid for a period of eleven (11) months on behalf of the chief executive of the company.

29. DEPOSITS AND PREPAYMENTS

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Short term prepayments	8,801	10,887
Current account balances with statutory authorities - note 16.4	17,782	15,785
Short term deposits - note 29.1	3,836	49,725
	<u>30,419</u>	<u>76,397</u>

29.1 This includes an amount of Rs 2.115 million (2008: Rs 45.955 million) representing margin maintained with various banks against letters of credit including an amount of Rs Nil (2008: Rs 1.723 million) maintained with Meezan Bank Limited (a related party).

30. OTHER RECEIVABLES

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Export benefit receivable (duty drawback)	658	691
Sales tax refundable - notes 19.1 and 30.1	26,332	26,332
Less: Provision for a doubtful receivable	6,560	6,560
	<u>19,772</u>	<u>19,772</u>
Custom duty rebates recoverable - note 30.2	94,109	94,109
Less: Provision for custom duty rebates recoverable	94,109	94,109
	<u>-</u>	<u>-</u>
Others	10,202	5,552
Less: Provision for a doubtful receivable	1,537	1,537
	<u>8,665</u>	<u>4,015</u>
Receivable from the gratuity fund - note 10.1.1	105	132
Derivative asset - note 30.3	-	1,590
	<u>29,200</u>	<u>26,200</u>

- 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, 2009. 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 Claims for custom duty rebates which are over three years old have been classified as considered doubtful and fully provided for.
- 30.3 Included in the derivative asset is an amount of Rs Nil (2008: Rs 0.478 million) representing fair value of forward contract obtained from Meezan Bank Limited (a related party).

31. CASH AND BANK BALANCES

	2009	2008
	(Rupees in thousand)	
With banks		
- In current accounts - note 31.1	60,809	30,894
- In deposit accounts - note 31.2	11,723	13,032
Remittances-in-transit	1,400	35,803
Cash and cheques in hand	72,360	20,850
	<u>146,292</u>	<u>100,579</u>

- 31.1 Included in current accounts is an amount of Rs 0.242 million (2008: Rs 3.316 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 11.720 million (2008: Rs 11.240 million).

32. NET SALES

	2009	2008
	(Rupees in thousand)	
Gross sales	6,453,424	5,422,320
Less: Sales tax	857,751	695,510
Special excise duty	53,609	46,300
Discounts	159,198	36,910
Tyre replacement allowance - note 18.1	33,386	28,872
	<u>1,103,944</u>	<u>807,592</u>
	<u>5,349,480</u>	<u>4,614,728</u>

	2009	2008
	(Rupees in thousand)	
33. COST OF SALES		
Opening stock of finished goods	196,951	213,090
Cost of goods manufactured - note 33.1	4,429,953	3,760,422
Finished goods purchased	194,151	192,296
Royalty technical service fee - note 33.2	165,492	135,552
	<u>4,986,547</u>	<u>4,301,360</u>
Less: Closing stock of finished goods	239,022	196,951
	<u>4,747,525</u>	<u>4,104,409</u>

33.1 Cost of goods manufactured		
Opening stock of work-in-process	60,331	56,118
Raw materials consumed - note 33.1.1	3,467,591	2,833,780
Stores and spares consumed	130,373	124,583
Salaries, wages and benefits	409,518	373,692
Gratuity - note 33.3	14,273	16,003
Provident fund	6,935	7,036
Travelling, conveyance and vehicles maintenance	18,405	15,220
Legal and professional charges	1,388	1,905
Power and fuel	244,319	196,928
Rent, rates and taxes	4,251	6,296
Insurance	13,389	10,067
Repairs and maintenance	32,753	24,749
Depreciation - note 20.1.4	121,116	149,287
Amortisation - note 21.3	40	79
Stores and spares written off	3,784	-
Reversal of provision for obsolete stores and spares	-	(434)
Reversal of provision for obsolete and slow moving stocks - raw materials	(569)	-
Printing and stationery	1,526	1,342
Postage and telephone	1,843	1,526
Other manufacturing expenses	4,460	2,576
	<u>4,535,726</u>	<u>3,820,753</u>
Less: Closing stock of work-in-process	105,773	60,331
	<u>4,429,953</u>	<u>3,760,422</u>

	2009	2008
	(Rupees in thousand)	
33.1.1 Raw materials consumed		
Opening stock	795,663	639,171
Purchases	3,068,424	3,002,979
	<u>3,864,087</u>	<u>3,642,150</u>
Less: Indirect materials consumed	15,060	12,707
Closing stock	381,436	795,663
	<u>396,496</u>	<u>808,370</u>
	<u>3,467,591</u>	<u>2,833,780</u>

33.2 The royalty technical service fee includes federal excise duty amounting to Rs 15.745 million (2008: Rs 6.455 million).

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

2009			2008		
Funded	Unfunded	Total	Funded	Unfunded	Total

----- (Rupees in thousand) -----

Current service cost	942	4,254	5,196	1,248	4,697	5,945	
Interest cost	2,397	10,005	12,402	2,123	9,261	11,384	
Actuarial (gain)/loss recognised	(279)	-	(279)	-	515	(1,841)	515
Expected return on plan assets	(3,046)	-	(3,046)	(1,841)	-	(1,841)	
	14	14,259	14,273	1,530	14,473	16,003	

34. ADMINISTRATIVE EXPENSES

	2009	2008
	(Rupees in thousand)	
Salaries and benefits	48,282	48,969
Gratuity - note 34.1	1,933	1,941
Provident fund	1,414	1,232
Travelling and conveyance	7,102	4,599
Legal and professional charges	2,260	1,281
Auditors' remuneration - note 34.2	3,383	2,802
Rent, rates and taxes	2,613	3,633
Provision for doubtful debts	1,393	5,365
Reversal of provision for doubtful debts	-	(5,661)
Insurance	314	508
Repairs and maintenance	135	113
Depreciation - note 20.1.4	2,967	3,051
Amortisation - note 21.3	24	77
Printing and stationery	722	414
Postage and telephone	871	683
Entertainment	693	489
Computer expenses	3,906	2,938
Directors' fee	203	398
Other expenses	1,713	1,093
	<u>79,928</u>	<u>73,925</u>

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

2009			2008		
Funded	Unfunded	Total	Funded	Unfunded	Total

----- (Rupees in thousand) -----

Current service cost	291	575	866	749	332	1,081
Interest cost	740	1,353	2,093	1,275	654	1,929
Actuarial (gain)/loss recognised	(86)	-	(86)	-	36	36
Expected return on plan assets	(940)	-	(940)	(1,105)	-	(1,105)
	5	1,928	1,933	919	1,022	1,941

34.2 Auditors' remuneration

2009			2008		
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	30	60	90	60	60	120
Tax services	825	-	825	120	-	120
Out of pocket expenses	257	170	427	221	300	521
	<u>2,112</u>	<u>1,271</u>	<u>3,383</u>	<u>1,401</u>	<u>1,401</u>	<u>2,802</u>

35. DISTRIBUTION COST

2009 2008
(Rupees in thousand)

Salaries and benefits	37,370	33,150
Gratuity - note 35.1	1,683	2,068
Provident fund	1,180	1,128
Travelling, conveyance and entertainment	6,528	6,619
Legal and professional charges	467	161
Sales promotion	32,407	36,624
Advertising	27,774	19,232
Rent, rates and taxes	9,257	6,300
Insurance	220	226
Repairs and maintenance	768	583
Depreciation - note 20.1.4	2,472	2,888
Amortisation - note 21.3	16	52
Printing and stationery	721	651
Postage and telephone	1,572	1,424
Freight and insurance	104,130	88,723
Others	7,915	5,437
	<u>234,480</u>	<u>205,266</u>

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

2009			2008		
Funded	Unfunded	Total	Funded	Unfunded	Total

----- (Rupees in thousand) -----

Current service cost	565	500	1,065	385	518	903
Interest cost	1,439	1,175	2,614	655	1,021	1,676
Actuarial (gain)/loss recognised	(167)	-	(167)	-	57	57
Expected return on plan assets	(1,829)	-	(1,829)	(568)	-	(568)
	<u>8</u>	<u>1,675</u>	<u>1,683</u>	<u>472</u>	<u>1,596</u>	<u>2,068</u>

36. OTHER OPERATING EXPENSES

	2009 (Rupees in thousand)	2008
Workers' profits participation fund - note 16.2	-	399
Workers' welfare fund - for the year	-	147
Exchange loss	172,793	101,955
Donation	500	-
	<u>173,293</u>	<u>102,501</u>

37. OTHER OPERATING INCOME

Income from financial assets:

Profit on bank deposits	637	330
Bad debts recovered	-	137
Unrealised gain on derivative	-	1,590

Income from other than financial assets:

Sale of scrap	35,444	34,501
Profit on disposal of operating fixed assets	6,554	3,958
Amortisation of deferred credit - note 11	136	147
Reversal of provision for custom duty rebate - note 16.3	-	20,195
Others	1,535	985
	<u>44,306</u>	<u>61,843</u>

38. FINANCE COST

Interest on workers' profits participation fund - note 16.2	17	99
Mark-up on long term murabaha financing	12,257	21,869
Mark-up on long term loans	49,057	48,651
Mark-up on finance lease obligations	6,093	7,750
Mark-up on short term and running finances	228,588	80,569
Bank charges and guarantee commission	4,818	3,101
Interest on custom duties - note 16.3	-	21,091
	<u>300,830</u>	<u>183,130</u>

38.1 Finance cost includes mark-up aggregating Rs 32.475 million (2008: Rs 24.112 million) charged by related parties.

2009 **2008**
(Rupees in thousand)

39. TAXATION

Current - for the year	2,908	23,404
Deferred - for the year	(35,354)	441
	<u>(32,446)</u>	<u>23,845</u>

39.1 The company has incurred a taxable loss for the current year and accordingly the tax charge for the year is limited to amounts subject to the final tax regime. Therefore, no numeric tax rate reconciliation has been given in these financial statements.

40. LOSS PER SHARE

	2009	2008
<u>Loss after taxation (Rupees in thousand)</u>	(109,824)	(16,505)
<u>Number of ordinary shares (in thousand)</u>	59,771	59,771
Basic loss per share	<u>Rs (1.84)</u>	<u>Rs (0.28)</u>

40.1 There were no convertible dilutive potential ordinary shares outstanding on June 30, 2009 and 2008.

41. CASH GENERATED FROM OPERATIONS

	2009	2008
	(Rupees in thousand)	
(Loss) / profit before taxation	(142,270)	7,340
Adjustments for non-cash charges and other items:		
Depreciation	126,555	155,226
Amortisation	80	208
Staff retirement gratuity	17,862	17,091
Reversal of charge for employee compensated absences	(2,004)	(4,221)
Reversal of provision for obsolete stores and spares	-	(434)
Reversal of provision for obsolete and slow moving stocks	(569)	-
Provision for doubtful debts	1,393	5,365
Reversal of provision for doubtful debts	-	(5,661)
Profit on disposal of operating fixed assets	(6,554)	(3,958)
Profit on bank deposits	(637)	(330)
Amortisation of deferred income	(136)	(147)
Unrealised gain on derivative	-	(1,590)
Finance cost	300,830	183,130
Unrealised exchange loss	3,842	43,508
Working capital changes - note 41.1	389,608	(334,361)
	<u>830,270</u>	<u>53,826</u>
	<u>688,000</u>	<u>61,166</u>
41.1 Working capital changes		
Decrease/(increase) in current assets		
Stores and spares	9,405	(21,565)
Stocks	326,714	(144,627)
Trade debts	(41,758)	(172,155)
Loans and advances	(5,743)	(46,366)
Deposits and prepayments	45,978	(4,328)
Other receivables	(3,000)	6,345
	<u>331,596</u>	<u>(382,696)</u>
Increase/(decrease) in current liabilities and provisions		
Trade and other payables	46,153	123,408
Provisions	11,859	(75,073)
	<u>58,012</u>	<u>48,335</u>
	<u>389,608</u>	<u>(334,361)</u>

42. CASH AND CASH EQUIVALENTS

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

	2009	2008
	(Rupees in thousand)	
Cash and bank balances - note 31	146,292	100,579
Running finances under mark-up arrangements - note 15	(905,201)	(225,504)
	<u>(758,909)</u>	<u>(124,925)</u>

43. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

43.1 Financial risk management

43.1.1 The company's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risks managed and measured by the company are explained below:

43.2 Market risk

43.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates.

The company's interest rate risk arises from borrowings which include long term murabaha financing, long term loans, liabilities against assets subject to finance leases, short term finances and running finances under mark-up arrangements.

At June 30, 2009, if interest rates on borrowings had been 500 basis points higher/lower with all other variables held constant, loss after taxation for the year would have been higher/lower by Rs 9.777 million (2008: Rs 5.952 million).

43.2.2 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company primarily has foreign currency exposures in US Dollars and Euros, on short term finances (note 14) and bills payables (note 16) in respect of import of raw materials, stores and spares and plant and machinery.

At June 30, 2009, if the company's functional currency (note 5.14) had weakened/strengthened by 5% against the US Dollar with all other variables held constant, loss after taxation for the year would have been higher/lower by Rs 13.519 million (2008: Rs 35.999 million), mainly as a result of foreign exchange losses/gains on translation of financial liabilities denominated in US Dollars.

At June 30, 2009, if the company's functional currency (note 5.14) had weakened/strengthened by 5% against the Euro with all other variables held constant, loss after taxation for the year would have been higher/lower Rs 1.189 million (2008: Rs 1.040 million), mainly as a result of foreign exchange losses/gains on translation of financial liabilities denominated in Euros.

43.2.3 Price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company does not have financial instruments dependent on market prices.

43.3 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents, deposits with banks, as well as credit exposures to customers and other counterparties which include trade debts and other receivables. Out of the total financial assets, those that are subject to credit risk amounted to Rs 853.977 million (2008: Rs 811.574 million).

Total bank balance of Rs 72.532 million placed with banks have a short term credit rating of at least A-2.

For trade debts, credit risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the company also believes that it is not exposed to major concentration of credit risk.

In respect of other counter parties, due to the company's long standing business relationship with them, management does not expect non-performance by these counter parties on their obligations to the company.

The maximum exposure to credit risk as at June 30, 2009, along with comparative is tabulated below:

	2009	2008
	(Rupees in thousand)	
Financial assets		
Investments	-	-
Loans and advances	8,716	9,379
Deposits	10,903	56,934
Trade debts	680,286	639,921
Other receivables	8,665	5,605
Cash and bank balances	145,407	99,735
	<u>853,977</u>	<u>811,574</u>

The management does not expect any losses from non-performance by these counterparties

The maximum exposure to credit risk for trade debts as at the balance sheet date by type of counterparties was:

Original Equipment Manufacturers (OEMs)	330,261	278,108
Government institutions	92,895	25,303
Replacement market	265,579	343,566
	<u>688,735</u>	<u>646,977</u>
Less: Provision for doubtful debts	(8,449)	(7,056)
	<u>680,286</u>	<u>639,921</u>

Based on past experience, the company believes that no provision for doubtful debts (impairment allowance) is necessary as 48% (2008: 43%) of the amount is due from OEMs, 13% (2008: 4%) is due from the Government institutions and remaining 39% (2008: 53%) is due from customers having good track record with the company.

43.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Financial liabilities in accordance with their contractual maturities are presented below:

	Carrying amount / contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years
----- (Rupees in thousand) -----				
Long term loans	561,875	240,625	186,250	135,000
Liabilities against assets subject to finance leases	15,176	15,176	-	-
Deposits from dealers	9,720	-	-	9,720
Short term finances	328,425	328,425	-	-
Running finances under mark-up arrangements	905,201	905,201	-	-
Trade and other payables	607,857	607,857	-	-
Accrued mark-up	73,454	73,454	-	-
	<u>2,501,708</u>	<u>2,170,738</u>	<u>186,250</u>	<u>144,720</u>

43.5 Fair values of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2009 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

	2009		2008	
	Chief Executives	Executives	Chief Executive	Executives
----- (Rupees in thousand) -----				
Managerial remuneration and allowances	7,394	58,265	7,019	55,767
Company's contribution to provident fund and gratuity	182	2,774	3	4,164
Medical	11	4,224	232	2,898
Leave passage	-	3,007	-	2,199
Others	151	8,203	-	7,610
	<u>7,738</u>	<u>76,473</u>	<u>7,254</u>	<u>72,638</u>
Number of persons	<u>2</u>	<u>31</u>	<u>1</u>	<u>24</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 0.203 million (2008: Rs 0.398 million) in relation to fee for twelve (2008: twelve) non-executive directors.

45. TRANSACTIONS WITH RELATED PARTIES

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

Name	Nature of relationship	Nature of transaction	2009 (Rupees in thousand)	2008
Gandhara Industries Limited	Associated company	Sales	42,062	52,739
Gandhara Nissan Limited	Associated company	Sales	38,824	59,034
		Purchase of vehicle	1,380	-
National Refinery Limited	Associated company	Sales	115	226
Fauji Fertilizer Bin Qasim Limited	Related party	Sales	-	188
Wackenhut Pakistan [Formerly Security and Management Services (Private) Limited]	Associated company	Service charges	721	484
Pakistan State Oil Company Limited	Related party	Purchase of petroleum products	37,160	-
Continental Tire North America, Inc.	Associated company	Purchase of machinery and spare parts	51,599	8,427
		Purchase of raw materials	24,521	39,438
		Royalty technical service fee	149,747	129,097
Continental A.G. Germany	Associated company	Purchase of machinery	27,791	7,108
Universal Insurance Company Limited	Associated company	Insurance premium	12,261	11,150
Pak Kuwait Takaful Company Limited	Related party	Insurance premium	943	822
Meezan Bank Limited	Associated company	Mark-up on short term finances and finance leases	28,645	17,278

Name	Nature of relationship	Nature of transaction	2009 (Rupees in thousand)	2008
Orix Investment Bank Limited	Related party	Return on murabaha financing	766	1,367
Pakistan Kuwait Investment Company (Private) Limited	Associated company	Return on murabaha financing	3,064	5,467
Bibojee Services (Private) Limited	Associated company	Sales	7,908	-
The General Tyre and Rubber Company of Pakistan Limited Staff Provident Fund	Employees fund	Contributions made	9,529	9,396
The General Tyre and Rubber Company of Pakistan Limited Staff Gratuity Fund	Employees fund	Refer note 10		

Outstanding balances as at June 30, 2009 are included in long term murabaha financing (note 7.2), liabilities against assets subject to finance leases (note 9.2), deferred credit (note 11), 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 28.1), deposits and prepayments (note 29.1), other receivables (note 30.3) and cash and bank balances (note 31.1).

Compensation of key management personnel 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.

	2009	2008
	(Rupees in thousand)	
Total borrowings	1,810,677	1,825,551
Less: Cash and bank balances	146,292	100,579
Net debt	1,664,385	1,724,972
Total equity	1,112,344	1,222,168
Total capital	2,776,729	2,947,140
Gearing ratio	60%	59%

For the purpose of calculating the gearing ratio, the amount of total borrowings has been determined by including the effect of liabilities against assets subject to finance leases and running finances under mark-up arrangements. Previously, these were excluded from total borrowings.

47. PLANT CAPACITY AND ACTUAL PRODUCTION

	2009	2008
	(Rupees in thousand)	
Capacity: Tyre sets	1,726,063	1,700,000
Production: Tyre sets	1,329,839	1,601,044

47.1 Actual production was sufficient to meet the demand.

48. ASSOCIATES - KEY INFORMATION

	As at March 31, 2009	As at March 31, 2008
	(Rupees in thousand)	
Particulars		
Assets	2,273,116	2,467,121
Liabilities	1,110,595	1,156,212
Accumulated losses	(167,635)	(22,882)

	Nine months period ended March 31, 2009	Nine months period ended March 31, 2008
	(Rupees in thousand)	
(Loss) / profit before taxation	<u>(134,408)</u>	<u>57,322</u>
(Loss) / profit after taxation	<u>(131,891)</u>	<u>34,629</u>

49. CORRESPONDING FIGURES

For the purpose of better presentation margin maintained with various banks against letters of credit aggregating Rs 45.955 million have been included in deposits and prepayments (note 29). Previously, this was included in loans and advances (note 28).

Certain other corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation, the impact of which is not considered material.

50. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2009 by the board of directors of the company.



Mohammad Shahid Hussain
Chief Executive



Firasat Ali
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 sale 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, 2009

Number of Shareholders	Shareholding		Total No. of Shares Held	%age
	From	To		
333	1	100	11,115	0.02
578	101	500	186,469	0.31
347	501	1000	319,580	0.53
745	1001	5000	1,723,725	2.88
137	5001	10000	1,053,565	1.76
50	10001	15000	634,615	1.06
24	15001	20000	414,228	0.69
8	20001	25000	183,643	0.31
12	25001	30000	337,238	0.56
7	30001	35000	245,254	0.41
5	35001	40000	194,708	0.33
4	40001	45000	191,800	0.32
6	45001	50000	429,502	0.72
2	55001	60000	177,442	0.30
2	70001	75000	222,764	0.37
2	75001	80000	314,993	0.53
3	80001	85000	408,979	0.68
2	90001	95000	181,375	0.30
3	100001	105000	305,002	0.51
1	105001	110000	110,000	0.18
1	110001	115000	115,000	0.19
1	115001	120000	119,248	0.20
1	120001	125000	124,750	0.21
1	135001	140000	136,290	0.23
1	155001	160000	160,000	0.27
1	175001	180000	178,500	0.30
1	200001	205000	203,000	0.34
3	210001	215000	644,000	1.08
1	230001	235000	231,382	0.39
1	260001	265000	263,500	0.44
1	265001	270000	270,000	0.45
1	295001	300000	296,000	0.50
1	635001	640000	638,500	1.07
1	840001	845000	841,000	1.41
1	1030001	1035000	1,031,535	1.73
1	3765001	3770000	3,765,976	6.30
2	3875001	3880000	6,085,868	10.18
2	14400001	14405000	20,246,412	33.87
1	16770001	16775000	16,774,292	28.06
2294			59,771,250	100.00



Categories of Shareholders As at June 30, 2009

<u>Category</u>	<u>Number</u>	<u>Shares Held</u>	<u>%age</u>
Individuals	2231	11,806,247	19.75
Joint Stock Companies	40	15,158,962	25.36
Financial Institutions	7	25,485,631	42.64
Insurance Companies	5	1,317,728	2.20
Investment Companies	1	250	0.00
Charitable Trusts	1	4,500	0.01
Foreign Companies	5	5,854,341	9.79
Others	4	143,591	0.24
	2294	59,771,250	100.00



Categories of Shareholders As at June 30, 2009

SHARES HELD BY:	No. of Shares
Associated Companies, Undertakings & 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 & ICP	
National Bank of Pakistan, Trustee Department	7,645,244
Investment Corporation of Pakistan	11,274
Directors, CEO, their Spouses & Minor Children	
Lt. Gen. (Retd) Ali Kuli Khan Khattak	238,493
Mr. Raza Kuli Khan Khattak	240,418
Mr. Ahmed Kuli Khan Khattak	121,442
Mr. Ikram ul-Majeed Sehgal	7
Mr. Umar Latif	4,000
Dr. Willi Flamm	80
Banks, Development Financial Institutions, Non-banking Financial Institutions, Modarabas & Mutual Funds etc.	
Ihsan Sons (Pvt) Ltd.	8,500
Taurus Securities Ltd.	39
Salman Services (Pvt) Ltd.	50,000
ORA-Technical Systems (Pvt) Ltd.	10,000
Prime Commercial Bank Limited	1,000
PICIC Ltd.	841,000
Universal Brushware (Pvt) Ltd.	6,500
State Life Insurance Corporation of Pakistan	1,031,535
Moosani Securities (Pvt) Ltd.	4,000
Y.S. Securities (Pvt) Ltd.	1,200
Zafar Securities (Pvt) Ltd.	42,000
Molasses Export Co. (Pvt) Ltd.	55,500
Freedom Enterprises (Pvt) Ltd.	4,620
Trustees Mohamad Amin Wakf Estate	132,750
Trustees Al-Abbas Sugar Mills Employees G.F.	2,000
The Crescent Star Insurance Company Ltd.	21,000
Loads Limited	1
Trustees Al-Badar Welfare Trust	4,500
Lahore Stock Exchange	250
Habib Bank A.G. Zurich, Switzerland	22,000
Habib Bank A.G. Zurich, London	201,000

Categories of Shareholders As at June 30, 2009

Ace Securities (Pvt) Ltd.	1,000
Mumtaz Enterprises (Pvt) Ltd.	500
Azee Securities (Pvt) Ltd.	2,500
N.H. Securities (Pvt) Ltd.	6,545
Dalal Securities (Pvt) Ltd.	3,000
Capital Vision Securities (Pvt) Ltd.	1,500
DJM Securities (Pvt) Ltd.	5,000
Jahangir Siddiqui Capital Markets Ltd.	25,000
General Invest. & Securities (Pvt) Ltd.	3,000
B&B Securities (Pvt) Ltd.	1,000
CDC- Trustees Pakistan Capital Market Fund	17,000
General Invest. & Serv. (Pvt) Ltd.	1,000
Invest Forum (Pvt) Ltd.	4,000
CDC- Trustees PICIC Investment Fund	558,500
Live Securities (Pvt) Ltd.	1,000
Time Securities (Pvt) Ltd.	14,000
Darson Securities (Pvt) Ltd.	500
Bagasara Securities (Pvt) Ltd.	9,000
KAI Securities (Pvt) Ltd.	18,500
Wisdom Securities (Pvt) Ltd.	1,000
N.H. Securities Pvt. Ltd.	1,190
National Development Leasing Corporation Ltd.	1,750
Asia Insurance Company Limited	693
State Life Insurance Corporation of Pakistan	208,510
National Industrial Co-operative Finance Corporation Ltd.	111
Mercantile Co-operative Finance Corporation Ltd.	4,781
HBL A/c Mohd Amin Wakf Estate	3,540
Other Foreign Companies	10,041
Other Individuals	8,939,432
TOTAL	<u>59,771,250</u>

Shareholders holding 10% or more Voting interest in the Company

		%age
Bibojee Services (Pvt) Ltd.	16,608,712	27.78
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 and Company Secretary and their spouses and minor children have traded in the shares of the Company during the year except that Dr. Willi Flamm has acquired 80 shares as qualification shares for appointment as director.



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 46th Annual General Meeting of the
Company to be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on
September 29, 2009 at 12:00 noon and at any adjournment thereof.

Signature on
Revenue Stamp
of Rs. 5/=

Signature of Shareholder -----

Name of Shareholder -----

Witness:

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

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

CNIC/Passport No. ----- CNIC/Passport No. -----

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

AFFIX
POSTAGE



GENTIPAK

www.generaltyre.com.pk