

Technology by  
**Continental**  
TYRES - ENGINEERED IN GERMANY

# ANNUAL REPORT 2010

## 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.

# Content

Company Profile	02
Chairman's Review	03
Directors' Report to the Shareholders	06
Notice of Meeting	09
Key Operating and Financial Data	10
Statement of Compliance with the Code of Corporate Governance	12
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	14
Auditors' Report to the Members	15
Balance Sheet	16
Profit and Loss Account	18
Statement of Changes in Equity	19
Cash Flow Statement	20
Notes to and Forming Part of the Financial Statements	21
Pattern of Shareholding	64
Categories of Shareholders	65
Form of Proxy	

## 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. M. A. Faisal Khan  
Mr. Manzoor Ahmed  
Mr. Mazhar Sharif  
Mr. Muhammad Aurangzeb Amin  
Mr. Nabil Daudur Rahman  
Mr. Raza Kuli Khan Khattak  
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  
Arif Habib Bank Limited  
Askari Bank 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 : 35080172-81, 38020207-13  
UAN : 111 487 487  
Fax : 35081212, 35080171, 35084121  
Website : www.generaltyre.com.pk

### Branch Offices

#### Lahore

Plot No. 20,  
Shahrah-e-Fatima  
Jinnah, Lahore.  
Phone : 6308605-6  
Fax : 6300108

#### Islamabad

Plot No. 189-A,  
Korang Road,  
Sectoer 1-10/3,  
Islamabad.  
Phone : 4449955-6  
Fax : 4440916

### Customer Care & Service Centre

#### 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 : 35375127 - 9

# Chairman's Review

## Operating Results

By the grace of Allah, I am pleased to inform shareholders of the pleasant turn around of the company to its profitable position during the accounting year ended June 30, 2010. The positive change as evident from the attached audited accounts is testimony to a fairly smooth functioning of the company. The management is committed to maintain similar standards of performance so that efficiency and improvement becomes a phenomenon in practice.

To reach this milestone, it was important to keep a focus and realize the strategic importance of overall output as well as costs containment in manufacturing, marketing and financial management. Integrated functioning of the trio is prerequisite and was always kept in mind.

## Sales and it's Promotion

Distinct marketing activities kept the wheel of manufacturing going steadily. Sales of tyres during the review year recorded a fairly good rise, being 1.526 million that is 14% above the previous year's bench mark at 1.342 million tyres. Your company attached priority in meeting higher demand of tyres emanating from the Original Equipment Manufactures (OEMs), since demand for their automobiles registered rise. The company management also fully recognizes the significance of strengthening its market share in the replacement market. In the replacement market, problems were on the rise and so were the challenges to us. Light truck tyres segment was, as usual, more troublesome. Our domestic market was flooded with Light truck tyres, with the scourge of smuggled and under-invoiced tyres.

Besides making various representations, your company management arranged a study carrying high light about adverse impact of smuggling and under-invoicing on the company, the industry and the national economy to get the government policy be mended for putting a stop to this menace.

## Manufacturing

Production of tyres during the year geared up by better alignment of activities on the factory floor, including motivation of the manpower. Tyre output rollout was on 1.533 million, making an improvement of 15% over the previous year's at 1.330 million. However, it could not be at its best, as was originally planned by the management. Had there been no labour stubbornness putting undue demands and in its pursuit cessation of work for 26 days, the company could have performed better than the results represent in this report. Management relationship with manpower otherwise has been traditionally cordial.

During the year new presses and tyre building machines were brought on stream. This shall ensure better quality and keep us fairly poised to meet market demand.

## Finance

Financial position reflects the overall performance of the company, carried by its management. Sales revenues i.e. top line of the company improved to Rs. 6,355 million up by 19 % compared to the previous year at Rs.5,351 million. Cost of sales registered 12% increase, enabling gross profit of Rs. 965 million, as against Rs. 541 million of the preceding year.

Part of this success was possible owing to the economies of scale achieved by virtue of spread of fixed costs on larger number of production units and sales as well as controlled expenses.

Emphasis however was placed on sales promotion and marketing, while keeping a fine balance between promotional expenditure vis-à-vis financial resources. Potential of replacement market deserve effective and enhanced exploration. Some increase in marketing expense is attributable to distribution cost surge of transportation.

Normalcy in interest and rupee parity value became helpful in containing aggregate financial cost. Taking all the operational aspects in view, it is gratifying to note that the year despite more problems, closed on a happy note, earning pretax profit of Rs. 409 million as against loss of Rs.142 million suffered for the previous year.

### **Future**

I foresee an optimistic future for our company and am pleased to inform the shareholders that your management achieved better terms for renewal of the **Technical Service Agreement** with Continental Tire the Americas, LLC (formerly Continental North America Inc.). The New Agreement shall soon be finalized and will better support, timely accomplishment of balanced production, modernization, training of manpower and quality and support for steady expansion which will remain an ongoing pursuit.

The ravaging floods which recently hit Pakistan will inevitably have a serious negative impact on the national economy and result in severe setback to the social welfare and well being of people. It may also create a recessional spell with suppressed sales for most industries including ours. These unprecedented flood ravages have caused immense damage to the road and bridges infrastructure of the country, which after a while, may also provide an impetus to the Industry.

### **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 1,726,000 to 1,889,000 tyres.

### **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**

The nominees of Pak Kuwait Investment Company Ltd., Mr. Irfan Siddiqui resigned on January 26, 2010, Mr. Tasnimul Haq Farooqui and Syed Hasan Irtiza Kazmi resigned on January 29, 2010. In their place PKICL nominated Mr. M .A. Faisal Khan, Mr. Nabil Daudur Rahman and Mr. M. Aurangzeb Amin on the board of directors of GTR.

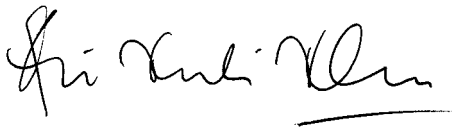
The BOD would like to record its appreciation for the valuable services rendered by Mr. Irfan Siddiqui, Mr. Tasnimul Haq Farooqui and Syed Hasan Irtiza Kazmi to the Company and welcomes Mr. M .A. Faisal Khan, Mr. Nabil Daudur Rahman and Mr. M. Aurangzeb Amin on the Board.

### **Employee/Labour Relations**

Agreement with labour ended on December 31, 2009. The CBA presented its charter of demand far beyond being reasonable. It led to ignoring generous offer by the management. In consequence work was ceased for twenty six days during the year. However, the CBA eventually agreed to the offer and a two year agreement was concluded. Cordial relations have reemerged and with it normal working conditions prevail.

We acknowledge the loyalty of our dealers and patronage of customers and are grateful to the banks and financial institutions for their support during this year and hope the relationship shall strengthen mutual interest.

To conclude, on behalf of the BOD I appreciate the dedication by the management and efforts made by employees and workers in achieving better end results for this review year. I hope the present trend will be further improved with the supportive elements of manpower at work and technological support on line.



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

Karachi  
Dated: August 26, 2010

## 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, 2010.

	<b>2010</b>	<b>2009</b>
	<b>(Rupees in Thousand)</b>	
<b>Financial Results</b>		
Profit/(Loss) for the year after taxation	218,326	(109,824)
Unappropriated Profit brought forward	514,631	624,455
	<u>732,957</u>	<u>514,631</u>
<b>Appropriation</b>		
Dividend	Nil	Nil
Unappropriated profit carried forward	732,957	514,631
	<u>732,957</u>	<u>514,631</u>
<b>Basic earnings / (loss) per share</b>	Rs. 3.65	Rs. (1.84)

The Board of Directors has recommended 20% dividend for the year ended June 30, 2010.

### Compliance with the Code of Corporate Governance

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

- The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, 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. 249.3 Million	June 30, 2009
Gratuity Fund	Rs. 17.9 Million	June 30, 2009

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

### Corporate Social Responsibility

The General Tyre and Rubber Company of Pakistan has a culture and history of undertaking social and philanthropic activities which reflects the commitment of its sponsors towards the social uplift of the downtrodden.

The Company regularly pays to Wakf-e-Kuli Khan Trust, a trust engaged in spreading of education in the under privileged class. During the current year the Company has provided for Rs. 5.458 million as donation to Wakf-e-Kuli Khan. Additionally, the Company also paid donations amounting to Rs. 0.655 million to various hospital and welfare organizations including Rs.0.150 million for the affectees of the Boulton Market fire.

During the year the Company contributed Rs. 1.158 billion towards the national exchequer under various modes.

### Board Meetings

During the year five (5) 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	5
2.	Mr. Ahmed Kuli Khan Khattak	4
3.	Mr. Firasat Ali	4
4.	Mr. Ikram Ul-Majeed Sehgal	2
5.	Mr. Irfan Siddique *	0
6.	Mr. M.A. Faisal Khan ***	3
7.	Mr. Manzoor Ahmed	3
8.	Mr. Mazhar Sharif	3
9.	Mr. Mohammad Shahid Hussain	5
10.	Mr. Muhammad Aurangzeb Amin ***	2
11.	Mr. Nabil Daudur Rahman ***	2
12.	Mr. Raza Kuli Khan Khattak	4
13.	Syed Hasan Irtiza Kazmi **	1
14.	Mr. Tasnimul Haq Farooqui **	1
15.	Mr. Umer Latif	5
16.	Dr. Willi Flamm	5

\* Resigned w.e.f. January 26, 2010.

\*\* Resigned w.e.f. January 29, 2010.

\*\*\* Appointed w.e.f. January 30, 2010

## **Chairman's Review**

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

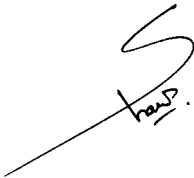
## **Pattern of shareholding**

A statement showing the pattern of holding of shares as at June 30, 2010 is attached.

## **Auditors**

The present Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants and Hameed Chaudhri & Co., Chartered Accountants retire and being eligible, offered themselves for re-appointment. On the recommendation of the Audit Committee, the Board of Directors has recommended to appoint single auditor Messrs Hameed Chaudhri & Co., Chartered Accountants as Auditors of the Company for the year ending June 30, 2011.

For and on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Mohammad Shahid Hussain', written over a horizontal line.

**Mohammad Shahid Hussain**

Chief Executive

Karachi

Dated : August 26, 2010

## Notice of Meeting

Notice is hereby given that the Forty Seventh Annual General Meeting of The General Tyre and Rubber Company of Pakistan Limited will be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on Wednesday, September 29, 2010, at 11.00 a.m. to transact the following business:

### Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on September 29, 2009.
2. To receive and consider the audited accounts for the year ended June 30, 2010 together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of final cash dividend @ 20%, i.e., Rs. 2.00 per share as recommended by the Directors.
4. To appoint auditors for the year ending June 30, 2011 and to fix their remuneration. The retiring auditors, Messrs A.F. Ferguson & Co. Chartered Accountants and Hameed Chaudhri & Co., Chartered Accountants, being eligible, offered themselves for reappointment. The Board recommends appointment of Messrs Hameed Chaudhri & Co. Chartered Accountants, as the Auditors for the year ending June 30, 2011.
5. Any other business with the permission of the Chair.

By Order of the Board



Asif Jameel  
Company Secretary

Karachi  
Dated: August 26, 2010

### NOTES:

1. The share transfer books of the Company shall remain closed from September 20, 2010 to September 29, 2010 (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

	2010	2009	2008	2007	2006	2005	2004
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Rupees in million

### Operating Results

Net sales	6,355	5,351	4,615	3,951	3,732	3,198	2,803
Gross profit	965	541	510	468	521	583	627
Profit /(Loss) before taxation	409	(142)	7	106	210	328	377
Profit/(Loss) after taxation	218	(110)	(17)	63	127	204	236
Cash dividend *	-	-	-	20%	17.5%	-	-

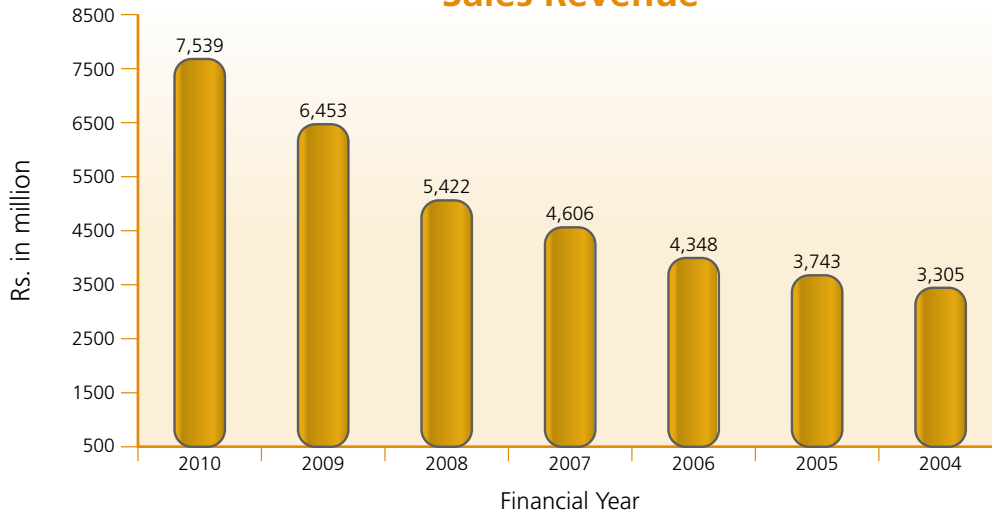
### Financial Position

Operating fixed assets - at cost	3,444	3,170	2,960	2,852	2,109	1,890	1,433
Share capital	598	598	598	598	598	598	598
Unappropriated profit	733	514	624	641	697	675	472
Shareholders' equity	1,331	1,112	1,222	1,239	1,295	1,273	1,070
Long -term loans and liabilities against assets subject to finance leases	173	321	353	499	467	390	153

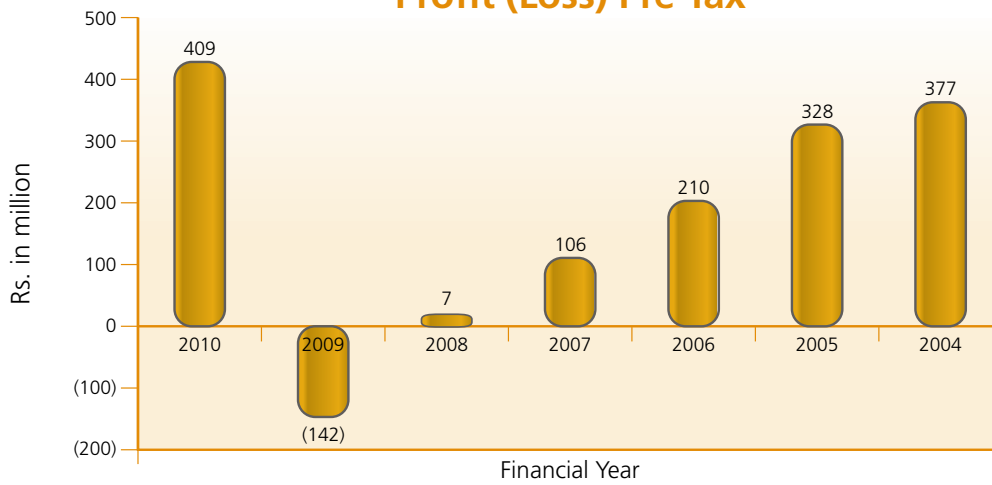
\* The Board of directors has recommended 20% dividend for the year ended June 30,2010

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

### Sales Revenue



### Profit (Loss) Pre Tax



### Shareholders' Equity



# Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2010

**This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulation No. 35 of the Karachi Stock Exchange and 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 (the Board). 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. Three vacancies occurring on the Board due to resignation was filled in by the Board of Directors within 30 days.
5. The Company has prepared a 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 and the 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 calendar 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 had, in earlier years, approved the appointment of the Chief Financial Officer (CFO), the company Secretary and the Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO. Further, revision in the terms and conditions of their employment during the year were also approved by the Board.
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, the 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 calendar quarter prior to approval of the 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 26, 2010

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

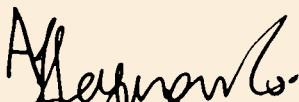
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of The General Tyre and Rubber Company of Pakistan Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and 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's personnel and review of various documents prepared by the company to comply with the Code.

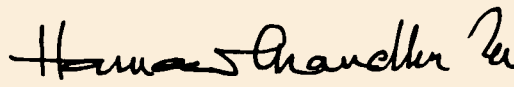
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to 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 a) of the Listing Regulations No. 35 of The Karachi and Lahore Stock Exchanges require the company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail on arm's length and those which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are required to be separately placed before the audit committee. We are only required and have ensured compliance of the subject 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 prices 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, 2010.



**A. F. FERGUSON & CO.**  
Chartered Accountants  
Karachi, August 30, 2010



**HAMEED CHAUDHRI & CO.**  
Chartered Accountants  
Karachi, August 30, 2010



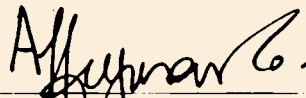
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of The General Tyre and Rubber Company of Pakistan Limited as at June 30, 2010 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.

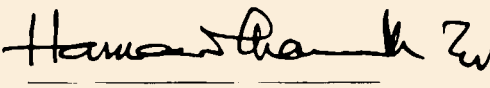
It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Our responsibility 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 except for the changes as stated in note 2.1 with which we concur;
  - (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, 2010 and of the profit, 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 30, 2010

Audit Engagement Partner: Zahid. I. Bhatti

  
HAMEED CHAUDHRI & CO.  
Chartered Accountants  
Karachi, August 30, 2010

Audit Engagement Partner: Abdul Majeed Chaudhri

# Balance Sheet

As At June 30, 2010

	Note	2010	2009
(Rupees in thousand)			
<b>SHARE CAPITAL AND RESERVE</b>			
Share capital			
Authorised			
75,000,000 (2009: 75,000,000) ordinary shares of Rs 10 each		750,000	750,000
Issued, subscribed and paid-up	6	597,713	597,713
Unappropriated profit		732,957	514,631
		1,330,670	1,112,344
<b>LONG TERM LOANS</b>	7	173,286	321,250
<b>STAFF BENEFITS</b>	8	141,827	130,595
<b>DEFERRED TAXATION</b>	9	162,693	8,998
<b>LONG TERM DEPOSITS FROM DEALERS</b>	10	8,640	9,720
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current maturity of			
- long term loans	7	205,393	240,625
- liabilities against assets subject to finance leases	11	-	15,176
Short term finances	12	453,044	328,425
Running finances under mark-up arrangements	13	1,180,716	905,201
Trade and other payables	14	1,020,721	754,365
Accrued mark-up	15	82,579	73,454
Provisions	16	53,804	66,086
		2,996,257	2,383,332
		4,813,373	3,966,239
<b>CONTINGENCIES AND COMMITMENTS</b>	17		

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

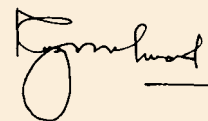
# Balance Sheet

As At June 30, 2010

	Note	2010 (Rupees in thousand)	2009
<b>PROPERTY, PLANT AND EQUIPMENT</b>	18	1,877,157	1,894,228
<b>INTANGIBLE ASSETS</b>	19	21	50
<b>INVESTMENTS</b>	20	-	-
<b>LONG TERM LOANS AND ADVANCES</b>	21	5,600	2,394
<b>LONG TERM DEPOSITS</b>	22	7,234	7,067
<b>CURRENT ASSETS</b>			
Stores and spares	23	356,248	370,458
Stocks	24	1,372,150	725,690
Trade debts	25	856,577	680,286
Loans and advances	26	20,654	21,346
Deposits and prepayments	27	33,860	30,419
Other receivables	28	25,456	29,200
Taxation		158,706	58,809
Cash and bank balances	29	99,710	146,292
		<u>2,923,361</u>	<u>2,062,500</u>
		<u>4,813,373</u>	<u>3,966,239</u>



Mohammad Shahid Hussain  
Chief Executive



Manzoor Ahmed  
Director

## Profit and Loss Account

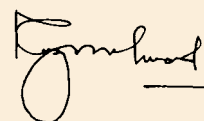
For the year ended June 30, 2010

	Note	2010 (Rupees in thousand)	2009
Net sales	30	6,355,293	5,351,341
Cost of sales	31	5,389,956	4,810,589
Gross profit		965,337	540,752
Administrative expenses	32	87,950	79,928
Distribution cost	33	206,641	173,277
Operating profit		294,591	253,205
Other operating expenses	34	51,259	173,293
Other operating income	35	49,715	44,306
Finance charges	36	259,916	300,830
Profit / (loss) before taxation		669,202	158,560
Taxation	37	190,960	(32,446)
Profit / (loss) after taxation		218,326	(109,824)
Earnings / (loss) per share	38	Rs 3.65	Rs (1.84)

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



Mohammad Shahid Hussain  
Chief Executive



Manzoor Ahmed  
Director

## Statement of Changes in Equity

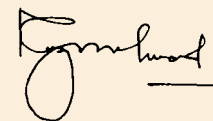
For the year ended June 30, 2010

	Issued, subscribed and paid-up share capital	Unappropriated profit	Total
	(Rupees in thousand)		
Balance as at July 1, 2008	597,713	624,455	1,222,168
<b>Comprehensive loss for the year</b>			
Loss for the year ended June 30, 2009	-	(109,824)	(109,824)
<b>Total comprehensive loss for the year</b>	-	(109,824)	(109,824)
Balance as at June 30, 2009	597,713	514,631	1,112,344
<b>Comprehensive income for the year</b>			
Profit for the year ended June 30, 2010	-	218,326	218,326
<b>Total comprehensive income for the year</b>	-	218,326	218,326
Balance as at June 30, 2010	597,713	732,957	1,330,670

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



Mohammad Shahid Hussain  
Chief Executive



Manzoor Ahmed  
Director

# Cash Flow Statement

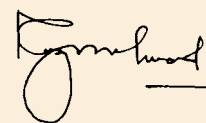
For the year ended June 30, 2010

	Note	2010	2009
(Rupees in thousand)			
<b>Cash flows from operating activities</b>			
Cash generated from operations	39	276,331	688,000
Staff retirement gratuity paid		(5,110)	(10,594)
Compensated absences paid		(1,445)	(1,905)
Long term deposits from dealers		(1,080)	(20)
Financial charges paid		(263,911)	(279,481)
Taxes paid		(137,162)	(62,339)
Long term loans and advances		(3,206)	1,294
Long term deposits		(167)	142
Net cash (outflows) / inflows from operating activities		(135,750)	335,097
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(114,587)	(281,412)
Proceeds from disposal of operating fixed assets		1,035	6,559
Profit on bank deposits received		974	637
Net cash outflows from investing activities		(112,578)	(274,216)
<b>Cash flows from financing activities</b>			
Repayment of long term murabaha financing		-	(100,000)
Long term loans		(183,196)	105,625
Payment of lease rentals under finance lease obligations		(15,176)	(27,595)
Short term finances		124,619	(672,852)
Dividends paid		(16)	(43)
Net cash outflows from financing activities		(73,769)	(694,865)
Decrease in cash and cash equivalents		(322,097)	(633,984)
Cash and cash equivalents at the beginning of the year		(758,909)	(124,925)
Cash and cash equivalents at the end of the year	40	<u>(1,081,006)</u>	<u>(758,909)</u>

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



Mohammad Shahid Hussain  
Chief Executive



Manzoor Ahmed  
Director

# Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2010

## 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 the Americas, LLC (CTTA) formerly known as 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 (TSA) with CTNAI on May 29, 2002, which became effective from September 1, 2002. Under the new arrangement the company continued to be entitled to use the aforementioned trademarks and logo for a period of seven years from September 1, 2002 and which arrangement was extended upto February 28, 2010 through an Amendment and Extension Agreement dated August 31, 2009 between the company and CTTA. That arrangement was last extended upto June 30, 2010 through a mutual consent between the two parties on April 29, 2010. The company and CTTA are in the process of concluding a fresh TSA and both the parties are in agreement on the significant contents to be contained therein. The management is sanguine that the draft TSA will be concluded shortly and under that new agreement the company shall continue to be entitled to use the aforementioned trademark and logo.

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) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

### **Amendments to published standards and new interpretations effective in 2009-2010:**

The following standards, amendments and interpretations to existing standards by the International Financial Reporting Interpretations Committee (IFRIC) have been published and are mandatory for accounting periods beginning on or after January 1, 2009:

(i) IAS 1 (Revised), 'Presentation of Financial Statements' (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The company has applied IAS 1 (Revised) from July 1, 2009 and elected to present one performance statement (the profit and loss account) as more fully explained in note 2.1.1 below.

(ii) 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. The amendment does not 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 does not 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. The adoption of this amendment only impacts the presentation of the financial statements. The company has applied IAS 19 (Amendment) from July 1, 2009 as more fully explained in note 2.1.2 below.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed and not recognised. IAS 19 has been amended to be consistent with IAS 37.

(iii) IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009)

In accordance with 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. The amendment does not have any effect on the company's financial statements.



(iv) 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. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition & Measurement'. The company has applied IAS 23 (amended) from July 1, 2009, however, there has been no impact as the company was already following the policy of capitalising borrowing cost.

(v) 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 does not have any impact on the company's financial statements.

(vi) IFRS 7 'Financial instruments – Disclosures' (Amendment) (effective from January 1, 2009)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This amendment only results in additional disclosures, however, it does not have any effect on the company's financial statements.

(vii) IFRS 8, 'Operating Segments' (effective from January 1, 2009)

This standard replaces IAS 14, 'Segment Reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management has determined the company's operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. its Chief Executive) of the company. The company considers the business from a customer wise perspective. However, these operating segments meet the aggregation criteria set forth in IFRS 8, therefore, the company is not required to make segment wise disclosures. However, the entity wide disclosure requirements as required by IFRS 8 are applicable on the company and are presented in note 43. The company has applied IFRS 8 from July 1, 2009 as more fully explained in note 2.1.3 below.

**Standards, amendments to published standards and interpretations effective in 2009-2010 but not relevant:**

There are certain new standards, amendments and interpretations to existing standards by the International Financial Reporting Interpretations Committee (IFRIC) that became effective during the year and are mandatory for accounting periods beginning on or before July 1, 2009 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 by the International Financial Reporting Interpretations Committee (IFRIC) have been published and are mandatory for accounting periods beginning on or after January 1, 2010 or later periods:

- (i) IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'

The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the company's financial statements.

- (ii) IAS 1 (Amendment), 'Presentation of financial statements'

The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of 'current liability', the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least twelve months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1 (amendment) from July 1, 2010. However, its application is not expected to have an impact on the company's financial statements.

- (iii) There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2010 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.

## **2.1 Changes in accounting policies**

- 2.1.1 The company has applied IAS 1 (revised) from July 1, 2009, and has elected to present one performance statement (i.e. the profit and loss account). As a result the 'non-owner changes in equity' which were previously credited directly in the statement of changes in equity are now shown as other comprehensive income in the profit and loss account in these financial statements. This change in accounting policy has not had any effect on the assets and liabilities of the company for either the current or prior periods and hence a restated balance sheet has not been presented.

- 2.1.2 The company has applied IAS 19 from July 1, 2009, and has elected to present the short term and long term employee benefits based on whether benefits are due to be settled within or after twelve months of employee service being rendered. This change in accounting policy has not had any effect on the assets and liabilities of the company for either the current or prior periods and hence a restated balance sheet has not been presented.
- 2.1.3 The company has applied IFRS 8, 'Operating Segments', from July 1, 2009. The application of the standard only results in additional disclosures in these financial statements. This change in accounting policy has not had any effect on the assets and liabilities of the company for either the current or prior periods and hence a restated balance sheet has not been presented.

### 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 8).
- (b) Recognition of provision for current taxation (current and prior years) and deferred taxation (notes 37 and 9).
- (c) Calculation of provision for tyre replacement allowance (note 16).
- (d) Disclosure of contingencies (note 17).
- (e) Determining the recoverable amounts, useful lives and residual values of property, plant and equipment (note 18).
- (f) Provision for a doubtful advance (note 18.2).
- (g) Determining the useful lives of intangible assets (note 19).
- (h) Provision for obsolete stores and spares (note 23).
- (i) Provision for obsolete and slow moving stocks (note 24).
- (j) Estimation of net realisable values (note 24).
- (k) Provision for doubtful debts and other receivables (notes 25 and 28).

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 as stated in note 5.

## 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, 2010 on the basis of the 'projected unit credit method'.

The obligations in respect of defined benefit plans recognised in the balance sheet represent 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.

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 upto the balance sheet date. The provision is recognised on the basis of an actuarial valuation, which was conducted as at June 30, 2010.

### 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 or minimum tax at the rate of 0.5 % of turnover, whichever is higher.

#### Deferred

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

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

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

#### 5.4 Trade and other payables

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

#### 5.5 Property, plant and equipment

##### 5.5.1 Owned operating fixed assets and related depreciation

Operating fixed assets other than leasehold land are stated at cost less accumulated depreciation and any identified impairment loss. Leasehold land 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 an indication exists, the carrying amounts of the related assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is charged to 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 18.1.2 below.

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

Effective July 1, 2009, the company has revised the threshold for capitalisation of property, plant and equipment from Rs 5,000 to Rs 10,000. This change in accounting estimate does not have a material impact on these financial statements.

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 the 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 its present value 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 charges. Depreciation is charged to income applying the straight line method at rates stated in note 18.1.2 below.

The company assesses at each balance sheet date whether there is any indication that the leased operating fixed assets may be impaired. If such an indication exists, the carrying amounts of the related assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable 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 19.1 below.

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

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

#### 5.7 Investments

The company accounts for its investment in an associate using the equity method. Under this method the company's share of the post acquisition profits and / or losses of the associate 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 it (the company) has incurred legal or constructive obligation or made payments on behalf of the associate. If the associate subsequently reports profits, the company resumes recognising its share of those profits 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 upto 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 is calculated on a weighted average basis.

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

Raw materials held in custom bonded warehouse and stock-in-transit are valued at cost accumulated upto the balance sheet date.

Claim tyres are valued at their estimated net realisable value.

Net realisable value is determined on the basis of the 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

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 recognised as an expense in the period in which these are incurred, except to the extent that these are directly attributable to the acquisition, construction or production of the related qualifying asset. Further, borrowing costs incurred prior to an asset becoming operational are capitalised as part of the cost of that asset.

#### 5.14 Foreign currency transactions

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

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

Exchange gains and losses 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

Consistent with prior years, all financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provision of the instrument. Financial assets are derecognised when the rights to the cash flows from the financial assets expire or where the company transfers the financial assets and the transfer qualifies for derecognition. Financial liabilities are derecognised when the obligation specified in the contract is discharged.

#### 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 and 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

2010 (Ordinary Shares of Rs. 10 each)	2009		2010 (Rupees in thousand)	2009 (Rupees in thousand)
7,133,320	7,133,320	shares fully paid in cash	71,333	71,333
186,680	186,680	shares issued as fully paid for consideration other than cash	1,867	1,867
52,451,250	52,451,250	shares issued as fully paid bonus shares	524,513	524,513
<u>59,771,250</u>	<u>59,771,250</u>		<u>597,713</u>	<u>597,713</u>

6.1 Bibojee Services (Private) Limited, Pakistan Kuwait Investment Company (Private) Limited, Continental Global Holdings Netherlands B.V. and Continental A.G. Germany held 16,608,712 (2009: 16,608,712), 16,774,292 (2009: 16,774,292), 5,844,300 (2009: Nil) and Nil (2009: 5,844,300) ordinary shares of the company respectively, as at June 30, 2010.

## 7. LONG TERM LOANS

	2010 (Rupees in thousand)	2009 (Rupees in thousand)
Secured		
Finance 1 - notes 7.1 and 7.2	118,750	291,875
Finance 2 - note 7.3 and 7.4	259,929	270,000
	<u>378,679</u>	<u>561,875</u>
Less: Current maturity of long term loans	205,393	240,625
	<u>173,286</u>	<u>321,250</u>

7.1 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 installments 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.

7.2 During the year the company has made an arrangement with the bank for deferment of a part of a semi-annual repayment amounting to Rs 29.375 million due on December 30, 2009 for a period of fifteen (15) days. The deferred installment was paid on January 15, 2010, under the terms of the deferment. Mark-up payments and subsequent installments are not affected by the deferment.

7.3 This represents a financing facility of Rs 500 million arranged from a bank for the planned expansion of the company. The principal amount drawn down is repayable in eight six-monthly installments commencing eighteen months from the date of disbursement (i.e. 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.

- 7.4 The installments of interest and principal amounting to Rs 19.940 million and Rs 43.321 million which were due to a financial institution on January 4, 2010 were paid on February 12, 2010 and April 7, 2010 respectively i.e. 39 and 93 days after the due date.

## 8. 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 - 14% (2009: 11%) per annum
- Expected long term rate - 13% (2009: 10%) increase in salary levels per annum
- Expected long term rate of interest - 12% (2009: 11%) per annum
- Normal retirement age - 60 years (2009: 60 years)
- Death rate is based on EFU 61-66 mortality table

	<b>2010</b>	<b>2009</b>
	(Rupees in thousand)	
Staff retirement gratuity - note 8.1.1	123,812	112,174
Employee compensated absences - note 8.2	18,015	18,421
	<u>141,827</u>	<u>130,595</u>

### 8.1 Staff retirement gratuity

The aforementioned actuarial assumptions and disclosures made in notes 8.1.1 to 8.1.11 are based on the information included in the actuarial valuation as at June 30, 2010.

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

	<b>2010</b>		<b>2009</b>	
	(Rupees in thousand)			
	<b>Funded</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Unfunded</b>
Present value of defined benefit obligations - note 8.1.4	56,716	132,511	43,489	126,429
Fair value of plan assets - note 8.1.5	(51,895)	-	(50,718)	-
Unrecognised net actuarial gains / (losses) - note 8.1.9	2,642	(1,924)	7,124	(8,114)
	<u>7,463</u>	<u>130,587</u>	<u>(105)</u>	<u>118,315</u>
Less: Short term - notes 14 and 28	7,463	6,775	(105)	6,141
	<u>-</u>	<u>123,812</u>	<u>-</u>	<u>112,174</u>

**8.1.2 Movement in payable to / (receivable from) defined benefit plans**

	<b>2010</b>		<b>2009</b>	
	(Rupees in thousand)			
	<b>Funded</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Unfunded</b>
Opening balance	(105)	118,315	(132)	111,047
Charge for the year				
- notes 31.3, 32.1 and 33.1	8,168	16,782	27	17,862
Benefits paid	-	(4,510)	-	(10,594)
Contributions by the company				
- note 8.1.5	(600)	-	-	-
Closing balance	<u>7,463</u>	<u>130,587</u>	<u>(105)</u>	<u>118,315</u>
<b>8.1.3 Actual return on plan assets</b>	<u>5,985</u>		<u>3,964</u>	

**8.1.4 Reconciliation of present value of defined benefit obligations**

Present value of obligations				
as at July 1, 2009 / 2008	43,489	126,429	41,599	113,934
Current service cost	2,523	5,949	1,798	5,329
Interest cost	6,063	17,384	4,576	12,533
Benefits paid	(5,408)	(4,510)	(6,113)	(10,594)
Employees transferred to managerial cadre	6,551	(6,551)	-	-
Actuarial loss / (gain) on obligations	3,498	(6,190)	1,629	5,227
Present value of obligations as at June 30	<u>56,716</u>	<u>132,511</u>	<u>43,489</u>	<u>126,429</u>

**8.1.5 Changes in the fair value of plan assets are as follows:**

Fair value as at July 1, 2009 / 2008	50,718	-	52,867	-
Expected return on plan assets	6,764	-	5,815	-
Contributions by the company	600	-	-	-
Actuarial loss on plan assets	(779)	-	(1,851)	-
Benefits paid	(5,408)	-	(6,113)	-
Fair value as at June 30	<u>51,895</u>	<u>-</u>	<u>50,718</u>	<u>-</u>

**8.1.6 Plan assets comprise of:**

Debt instruments	43,714	-	42,643	-
Equity instruments	8,050	-	7,935	-
Other	131	-	140	-
	<u>51,895</u>	<u>-</u>	<u>50,718</u>	<u>-</u>

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

**8.1.8 Actuarial (gain) / loss to be recognised**

	<b>2010</b>		<b>2009</b>	
	(Rupees in thousand)			
	<b>Funded</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Unfunded</b>
Corridor limit				
The limits of the corridor as at July 1				
- 10% of present value of obligations	4,349	12,643	4,160	11,393
- 10% of fair value of plan assets	5,072	-	5,287	-
Which works out to	5,072	12,643	5,287	11,393
Unrecognised net actuarial (gains) / losses as at July 1, 2009 / 2008	(7,124)	8,114	(11,136)	2,887
Excess	(2,052)	-	(5,849)	-
Average expected remaining working lives in years	10	8	11	9
Actuarial gain recognised	(205)	-	(532)	-

**8.1.9 Unrecognised net actuarial (gains) / losses**

Unrecognised net actuarial (gains) / losses as at July 1, 2009 / 2008	(7,124)	8,114	(11,136)	2,887
Actuarial loss / (gain) on obligations - note 8.1.4	3,498	(6,190)	1,629	5,227
Actuarial loss on plan assets - note 8.1.5	779	-	1,851	-
Subtotal	(2,847)	1,924	(7,656)	8,114
Actuarial gain recognised - note 8.1.8	205	-	532	-
Unrecognised net actuarial (gains) / losses as at June 30	(2,642)	1,924	(7,124)	8,114

**8.1.10 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:**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	(Rupees in thousand)				
Funded:					
Present value of defined benefit obligation	56,716	43,489	41,599	40,533	39,830
Fair value of plan assets	(51,895)	(50,718)	(52,867)	(35,154)	(29,046)
Deficit / (surplus)	4,821	(7,229)	(11,268)	5,379	10,784
Actuarial loss / (gain) on obligation	3,498	1,629	(1,727)	2,529	2,523
Actuarial loss / (gain) on plan assets	779	1,851	10,253	(2,819)	(2,102)

	2010	2009	2008	2007	2006
	(Rupees in thousand)				
Unfunded:					
Present value of defined benefit obligation	132,511	126,429	113,934	117,480	99,846
Fair value of plan assets	-	-	-	-	-
Deficit	132,511	126,429	113,934	117,480	99,846
Actuarial (gain) / loss on obligation	(6,190)	5,227	(14,329)	10,505	2,865

#### 8.1.11 Expected contribution for the next year

The expected contribution to the funded gratuity scheme for the year ending June 30, 2011 works out to Rs 5.193 million and Rs 25.390 million for the unfunded scheme.

#### 8.2 Employee compensated absences

	2010	2009
	(Rupees in thousand)	
Employee compensated absences	21,076	20,017
Less: Short term (included in accrued expenses - note 14)	3,061	1,596
	18,015	18,421

8.3 The total provident fund charge for the year was Rs 11.951 million (2009: Rs 9.529 million).

### 9. DEFERRED TAXATION

	2010	2009
	(Rupees in thousand)	
Credit/(debit) balances arising from:		
Accelerated tax depreciation allowance	393,021	332,058
Finance lease arrangements	-	16,970
Provision for staff retirement gratuity	(48,318)	(41,410)
Provision for sales tax refundable	-	(2,296)
Interest payable on custom duties	(12,018)	(12,018)
Provisions for tyre replacement allowance and incentive to dealers	(18,831)	(23,130)
Provision for doubtful debts	(3,286)	(2,957)
Provision for doubtful custom duty rebates recoverable	(32,938)	(32,938)
Taxable loss	-	(8,591)
Unabsorbed depreciation - note 9.1	(87,114)	(180,987)
Minimum tax on turnover	(26,489)	(32,102)
Others	(1,334)	(3,601)
	162,693	8,998

9.1 The company has included brought forward unabsorbed depreciation in calculating its deferred tax asset as it (the company) is expected to have sufficient taxable income in the foreseeable future against which the above deferred tax asset (debit balance) may be utilised.

### 10. LONG TERM DEPOSITS FROM DEALERS

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

## 11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	2010	2009	2010	2009	2010	2009
	Minimum lease payments		Finance Cost		Present value of minimum lease payments	
Year to June 30	(Rupees in thousand)					
2009	-	-	-	-	-	-
2010	-	17,157	-	1,981	-	15,176
Total	-	17,157	-	1,981	-	15,176
Less: Current maturity shown under current liabilities and provisions					-	15,176
					-	-

11.1 These represented finance leases entered into for plant and machinery and laboratory equipment. The periodic lease payments included built in rates of mark-up of 15.01% to 15.86% (2009: 15.91% to 18.27%) per annum.

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

## 12. SHORT TERM FINANCES

	2010	2009
	(Rupees in thousand)	
Secured		
From banks	453,044	328,425

12.1 The company has arranged facilities aggregating Rs 1,750 million (note 13.3) (2009: Rs 1,575 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 14% to 14.93% (2009: 4.32% to 18.39%) per annum. These liabilities are repayable between July 5 and December 24, 2010.

12.2 Included in short term finances is an aggregate amount of Rs 141.421 million (2009: Rs 61.109 million) payable to Meezan Bank Limited (a related party).

## 13. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS

	2010	2009
	(Rupees in thousand)	
Secured		
From banks	1,180,716	905,201

13.1 The company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs 1,500 million (2009: Rs 1,050 million). The rates of mark-up on these arrangements range between 13.53% to 14.60% (2009: 13.12% to 17.60%) per annum. These facilities are available for various periods expiring between August 31, 2010 and March 31, 2011. The arrangements are secured by a joint hypothecation of stocks, trade debts and moveable assets of the company.

13.2 The facilities for opening letters of credit and guarantee as at June 30, 2010 amount to Rs 2,090 million (2009: Rs 1,920 million) of which the amount remaining unutilised at the year end was Rs 1,137.180 million (2009: Rs 1,222.214 million).

13.3 The maximum available aggregate limit for utilisation of facilities for short term finances (note 12.1) and running finance facilities (note 13.1) is Rs 1,750 million (2009: Rs 1,575 million).

#### 14. TRADE AND OTHER PAYABLES

2010                      2009  
(Rupees in thousand)

Creditors	64,605	56,444
Bills payable	534,594	384,251
Accrued expenses	248,529	155,473
Advances from customers	3,512	15,953
Staff provident fund	2,244	2,365
Staff retirement gratuity - 8.1.1	14,238	6,141
Short term deposits	2,252	3,097
Workers' welfare fund	8,183	2,266
Workers' profits participation fund - note 14.2	21,972	-
Sales tax payable	70,571	83,851
Payable to Waqf-e-Kuli Khan	5,458	-
Retention money payable	381	511
Dividend payable	4,273	4,289
Interest payable on custom duties - note 14.3	34,336	34,336
Others	5,573	5,388
	<u>1,020,721</u>	<u>754,365</u>

14.1 Trade and other payables include the following amounts due to related parties:

Bibojee Services (Private) Limited	273	273
Continental Tire The Americas, LLC	70,742	37,462
Continental Reifen Deutschland GmbH	28,143	35,379
Ghandhara Nissan Limited	8	-
Waqf-e-Kuli Khan	5,458	-
Key management personnel	11,264	6,026
The General Tyre and Rubber Company of Pakistan Limited		
Staff Provident Fund	2,244	2,365
	<u>118,132</u>	<u>81,505</u>

14.2 Workers' profits participation fund

Balance at the beginning of the year	-	399
Allocation for the year - note 34	21,972	-
	<u>21,972</u>	<u>399</u>
Interest on funds utilised in the company's business - note 36	-	17
	<u>21,972</u>	<u>416</u>
Less: Payments during the year	-	416
Balance at the end of the year	<u>21,972</u>	<u>-</u>

- 14.3 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 the date such levies are paid.

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

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

However, 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) recommended that the company shall be liable to interest on late payment of principal amounting to Rs 111.547 million and surcharge on late payment of principal amounting to Rs 2.983 million, however, the company shall not be liable to surcharge on late payment of interest. The FBR accepted the recommendations of the ADRC except for the waiver of surcharge on the late payment of interest.

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

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.

- 14.4 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 14.3 above. Based on its consultant's opinion, the management is of the view that the above adjustments aggregating Rs 13.993 million will be made against the amount of interest payable on custom duties, as more fully explained in note 14.3 above, and is accordingly included in the current account balances with statutory authorities (note 27) as a receivable.



<b>15. ACCRUED MARK-UP</b>	<b>2010</b>	<b>2009</b>
	(Rupees in thousand)	
Mark-up on long term loans	22,520	19,478
Mark-up on short term and running finances	60,059	53,976
	<u>82,579</u>	<u>73,454</u>
15.1 Accrued mark-up includes the following amount due to a related party: Meezan Bank Limited	<u>9,349</u>	<u>10,094</u>
<b>16. PROVISIONS</b>		
Tyre replacement allowance - note 16.1	43,048	34,875
Incentive to dealers - note 16.2	10,756	31,211
	<u>53,804</u>	<u>66,086</u>
16.1 Provision for tyre replacement allowance		
Balance at the beginning of the year	34,875	30,900
Charge during the year - notes 16.1.1 and 31.1	34,010	33,386
	<u>68,885</u>	<u>64,286</u>
Less: Claims adjusted during the year	25,837	29,411
Balance at the end of the year	<u>43,048</u>	<u>34,875</u>
16.1.1 This represents provision on account of tyre replacement claims expected to be received by the company in the coming years.		
16.2 Provision for incentive to dealers		
Balance at the beginning of the year	31,211	23,327
Charge during the year - notes 16.2.1 and 30	29,186	31,525
	<u>60,397</u>	<u>54,852</u>
Less: Incentives paid during the year	49,641	23,641
Balance at the end of the year	<u>10,756</u>	<u>31,211</u>
16.2.1 This represents provision on incentive to dealers, related to the year's turnover, which is expected to be borne by the company in the coming years.		
<b>17 CONTINGENCIES AND COMMITMENTS</b>		
17.1 The Central Excise and Taxation Department had issued a demand notice for payment of sales tax of Rs 16.775 million. This represents sales tax levied on agricultural tyres supplied to approved assembly plants which were otherwise exempt under SRO 553(I)/94 dated June 9, 1994 as amended vide SRO 555(I)/94 dated June 9, 1994 during the period 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 16.775 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 12.823 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 3.952 million representing 'payment under protest'.

However, during the year ended June 30, 2006 the Customs, Excise and Sales Tax Appellate Tribunal allowed the company's appeal and had set aside the order of the Collector of Customs, Sales Tax and Central Excise (Appeals).

During the year ended June 30, 2007 the Collector of Customs, Sales Tax and Central Excise (Appeals) 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 16.775 million which is included in sales tax refundable (note 28).

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

- 17.2 The Sales Tax Department (STD) conducted a sales tax audit of the company's sales tax records for the period July 1, 2004 to June 30, 2007 and presented its findings before the Additional Commissioner Inland Revenue (ACIR). The ACIR through an order 04/2010 dated February 26, 2010, disallowed certain discounts allowed by the company to its customers on account of these being higher than the business practice and directed the STD to recover sales tax on the excess discount allowed, alongwith surcharge (to be calculated at the time of payment) and a penalty of five (5) percent thereon.

The ACIR further imposed a penalty of Rs 0.025 million on the company for not maintaining proper inventory records under section 22 of the Sales Tax Act, 1990.

The company has filed an appeal dated March 22, 2010 with the Commissioner Inland Revenue (CIR) which is pending for hearing. The Federal Board of Revenue (FBR) through its letter UNIT-2/EC-ILTU/KHI/2009/43 dated April 5, 2010 raised a demand of Rs 11.123 million upto March 2010 in pursuance of the order of the ACIR. The FBR raised a notice Unit-2/ST&FE/LTU/Recovery/2010 dated June 4, 2010 to Customs, Federal Excise, Sales Tax and Income Tax Authorities to deduct the aforementioned amount from any amount refundable to the company. The company has filed an appeal dated June 14, 2010 with the CIR for stay of the aforementioned order. The CIR through a letter dated June 17, 2010 granted stay to the company subject to a payment of Rs 1 million by June 18, 2010 which was paid under protest by it (the company) and that payment is included in sales tax refundable (note 28).

Based on the advices of the legal counsel handling the case, the management is confident that the ultimate decision in respect of the aforementioned matter shall be in the company's favour, therefore no provision in this respect has been made in these financial statements.

- 17.3 During the year ended June 30, 2010, the company's records were inspected by an officer of the Board of Revenue, Government of Sindh and as a result thereof, the Inspector of Stamps has (i) claimed an amount of Rs 6.549 million on account of non payment of stamp duty on various documents; (ii) asked to handover the aforementioned documents; and (iii) asked to depute an authorised officer or advocate to appear before the Chief Inspector of Stamps for a hearing on the aforementioned matters, through a notice dated October 21, 2009. The company has filed an appeal before the Chief Inspector of Stamps, Board of Revenue on April 17, 2010, that since a true and correct interpretation of various provisions of the Stamp Act, 1899 is involved in the matter, the Chief Revenue Authority may make a reference to the Honorable High Court of Sindh, Karachi, for adjudication thereon, and further, as similar cases are pending before the Supreme Court of Pakistan, therefore this matter be considered according to their final decision, when made. A hearing was fixed on June 29, 2010, which was adjourned.

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

- 17.4 Certain other claims have been filed against the company in respect of employees' matters for an aggregate amount of approximately Rs 1.750 million (2009: Rs 5.350 million). These cases are pending in labour courts. The management is confident that the outcome of those cases will be in the company's favour.

	2010	2009
	(Rupees in thousand)	
17.5 Contingencies		
- Guarantees issued by a bank on behalf of the company	45,782	44,875
Commitments in respect of :		
- Letters of credit for capital expenditure	12,160	105
- Letters of credit for purchase of raw materials and stores and spares	894,878	652,806
- Purchase orders issued to local suppliers for capital expenditure	9,253	6,647
- Sale contracts entered into by the company	21,199	22,711
- Tentative schedules for supply of tyres	1,146,411	1,192,312
- Indemnity bond - note 17.1	16,775	16,775
- Post dated cheques issued to the Collector of Customs against duty on imported plant and machinery, raw materials and stores and spares	54,683	15,145

## 18. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - note 18.1	1,801,390	1,667,662
Capital work-in-progress - note 18.2	75,767	226,566
	<u>1,877,157</u>	<u>1,894,228</u>

## 18.1 Operating fixed assets

18.1.1 The following is a statement of operating fixed assets:

	Owned											Leased		Total
	Leasehold land	Building on leasehold land	Electrical installation	Plant & machinery	Boilers & accessories	Laboratory equipment	Moulds	Vehicles	Furniture & fixtures	Office equipment	Computer equipment	Plant & machinery	Laboratory equipment	
(Rupees in thousand)														
<b>At June 30, 2008</b>														
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
<b>Year ended June 30, 2009</b>														
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
<b>Year ended June 30, 2010</b>														
Additions	-	171	2,294	253,869	6,883	-	6,770	4,868	24	1,981	1,646	-	-	278,506
Disposals														
- Cost	-	-	-	2,366	-	-	717	1,015	-	54	148	-	-	4,300
- Depreciation	-	-	-	(1,798)	-	-	(717)	(1,015)	-	(54)	(148)	-	-	(3,732)
Transfer of leased assets														
- Cost	-	-	-	91,864	-	1,217	-	-	-	-	-	(91,864)	(1,217)	-
- Depreciation	-	-	-	(30,692)	-	(931)	-	-	-	-	-	30,692	931	-
Depreciation charge	-	13,365	4,219	90,947	3,715	2,534	11,169	7,745	645	5,605	2,061	2,205	-	144,210
Net book value as at June 30, 2010	555	194,510	31,101	1,437,012	20,808	3,350	68,528	19,427	3,375	20,296	2,428	-	-	1,801,390
<b>At June 30, 2009</b>														
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
<b>At June 30, 2010</b>														
Cost	555	325,034	87,871	2,585,000	54,377	31,334	170,073	78,468	10,045	65,146	36,490	-	-	3,444,393
Accumulated depreciation	-	130,524	56,770	1,147,297	33,569	27,984	101,182	59,041	6,670	44,850	34,062	-	-	1,641,949
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	-	-	1,054
Net book value	555	194,510	31,101	1,437,012	20,808	3,350	68,528	19,427	3,375	20,296	2,428	-	-	1,801,390

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

	Annual rate of depreciation	
	2010	2009
	----- % -----	
<b>Owned</b>		
Buildings on leasehold land	5	5
Electrical installation	10	10
Plant and machinery	5	5
Boilers and accessories	10	10
Laboratory equipment	15	15
Moulds	10	10
Vehicles	20	20
Furniture and fixtures	10	10
Office equipment	15	15
Computer equipment	25	25
<b>Assets held under finance leases</b>		
Plant and machinery	5	5
Laboratory equipment	15	15

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

	Cost	Accumulated depreciation	Net book value	Proceed on disposal	Mode of disposal	Particular of buyer
	(Rupees in thousand)					
Tyre Building Drums	900	616	284	6	Tender	Mr. Aziz ur Rehman
	900	616	284	6	Tender	Mr. Aziz ur Rehman
	<u>1,800</u>	<u>1,232</u>	<u>568</u>	<u>12</u>		

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

	2010	2009
	(Rupees in thousand)	
Cost of goods manufactured - note 31.1	136,805	121,116
Administrative expenses - note 32	4,148	2,967
Distribution cost - note 33	3,257	2,472
	<u>144,210</u>	<u>126,555</u>
18.2 Capital work-in-progress		
Buildings	1,380	1,380
Plant and machinery	69,872	227,260
Vehicles	6,790	-
Electrical installation	-	127
Office equipment	-	74
Subtotal - note 18.2.1	<u>78,042</u>	<u>228,841</u>
Less: Provision for a doubtful advance	<u>2,275</u>	<u>2,275</u>
	<u>75,767</u>	<u>226,566</u>

- 18.2.1 Capital work-in-progress includes an amount of Rs 11.802 million (2009: Rs 2.581 million) representing advance payments made to suppliers for procurement of operating fixed assets.
- 18.3 Finance charges, aggregating Rs 13.120 million (2009: Rs 31.585 million) have been included in the cost of property, plant and equipment which was charged at rates ranging between 13.59% to 13.65% (2009: 15.38% to 16.98%).

## 19. INTANGIBLE ASSETS

- 19.1 The following is a statement of intangible assets:

	Cost as at July 1, 2009	Additions	Cost as at June 30, 2010	Accumulated amortisation as at June 30, 2009	Amortisation for the year	Accumulated amortisation as at June 30, 2010	Net book value as at June 30, 2010	Annual rate of amortisation
	(Rupees in thousand)							%
Computer software								
2010	3,380	-	3,380	3,330	29	3,359	21	33.33
2009	3,380	-	3,380	3,250	80	3,330	50	33.33

- 19.2 Movement in net book value:

	Year ended June 30, 2009			Year ended June 30, 2010			
	Year ended June 30, 2009	Additions	Amortisation charge for the year	Net book value as at June 30, 2009	Additions	Amortisation charge for the year	Net book value as at June 30, 2010
	(Rupees in thousand)						
Computer software	130	-	80	50	-	29	21

- 19.3 Amortisation for the year has been allocated as follows:

	2010	2009
	(Rupees in thousand)	
Cost of goods manufactured - note 31.1	14	40
Administrative expenses - note 32	9	24
Distribution cost - note 33	6	16
	29	80

## 20. INVESTMENTS

	2010	2009
	Carrying amount	
	(Rupees in thousand)	
<b>Name of the investee company</b>		
20 shares of Rs 100 each of Landhi Industrial Trading Estate Limited - (note 20.1)	-	-
100,700 shares of Rs 10 each of Ghandhara Industries Limited (GIL) - associated undertaking (quoted) - (notes 20.2 and 20.3)	-	-

- 20.1 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.
- 20.2 The company's holding in the investee company's shares as at June 30, 2010 was 0.473% (2009: 0.473%). The investee company is an associate of the company by virtue of common directorship.

The company's share in the profit / (loss) of the associate for the twelve months period ended March 31, 2010 amounted to Rs 0.527 million [2009: Rs (0.685) million] and the company's unrecognised share in accumulated losses of that associate amount to Rs 0.266 million (2009: Rs 0.793 million) as of that date.

The share in net assets of the associate has been determined on the basis of the unaudited financial statements for the nine months period ended March 31, 2010. Key information about that associate is disclosed in note 48.

- 20.3 The market value of the investment as at June 30, 2010 was Rs 1.745 million (2009: Rs 0.745 million).

## 21. LONG TERM LOANS AND ADVANCES

	2010	2009
	(Rupees in thousand)	
Unsecured		
Considered good		
- due from executives - note 21.1 and 21.2	1,248	858
- due from other employees - note 21.3	7,573	5,477
	<u>8,821</u>	<u>6,335</u>
Less: Recoverable within next twelve months - (included in note 26)	3,221	3,941
	<u>5,600</u>	<u>2,394</u>
21.1 Loans and advances to executives:		
Balance at the beginning of the year	858	739
Add: Disbursements during the year	1,100	800
Less: Repayments during the year	710	681
Balance at the end of the year	<u>1,248</u>	<u>858</u>

- 21.1.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs 3.246 million (2009: Rs 2.049 million).
- 21.2 This includes an amount of Rs 0.278 million provided to the chief executive of company as furniture advance in accordance with the terms of employment.
- 21.3 Interest free loans to employees are provided for purchase of motor vehicles. This also includes advances to employees for furnishing. These are repayable in a lump sum or by way of monthly installments over a period of three to five years.
- 21.4 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.

## 22. LONG TERM DEPOSITS

Long term deposits are kept with various suppliers and are not expected to be refundable within the next twelve months.

## 23. STORES AND SPARES

**2010**      **2009**  
(Rupees in thousand)

In hand	353,801	375,775
In transit	2,447	618
	<u>356,248</u>	<u>376,393</u>
Less: Provision for obsolete stores and spares	-	5,935
	<u>356,248</u>	<u>370,458</u>

## 24. STOCKS

Raw materials		
- in hand	533,099	182,205
- in bonded warehouse	50,302	6,736
- in transit	371,478	192,495
- with third parties	37	-
	<u>954,916</u>	<u>381,436</u>
Work-in-process	108,882	105,773
Finished goods - note 24.1	308,352	239,022
	<u>1,372,150</u>	<u>726,231</u>
Less: Provision for obsolete and slow moving stocks - raw materials	-	541
	<u>1,372,150</u>	<u>725,690</u>

24.1 Finished goods include items costing Rs 55.050 million (2009: Rs 35.367 million) stated at their net realisable values aggregating Rs 52.184 million (2009: Rs 32.646 million). The amount charged to the profit and loss account in respect of stocks written down to their net realisable values is Rs 2.866 million (2009: Rs 2.721 million).

## 25. TRADE DEBTS

**2010**      **2009**  
(Rupees in thousand)

Unsecured		
Considered good		
- from related parties - note 25.1	45,431	51,188
- others	811,146	629,098
	<u>856,577</u>	<u>680,286</u>
Considered doubtful		
- others	9,388	8,449
	<u>865,965</u>	<u>688,735</u>
Less: Provision for doubtful debts - note 25.2	9,388	8,449
	<u>856,577</u>	<u>680,286</u>



25.1 Trade debts include the following amounts due from related parties:

**2010**                      **2009**  
(Rupees in thousand)

Gandhara Industries Limited	21,900	19,564
Gandhara Nissan Limited	20,540	23,716
Bibojee Services (Private) Limited	2,991	7,908
	<u>45,431</u>	<u>51,188</u>

25.2 Provision for doubtful debts

Balance at the beginning of the year	8,449	7,056
Charge during the year - note 32	939	1,393
	<u>9,388</u>	<u>8,449</u>
Reversals during the year	-	-
Balance at the end of the year	<u>9,388</u>	<u>8,449</u>

## 26. LOANS AND ADVANCES

Unsecured Considered good Loans		
- due from executives	992	676
- due from other employees	4,620	5,646
	<u>5,612</u>	<u>6,322</u>
Advances		
- due from executives	87	1,549
- due from other employees	2,493	2,826
- due from others	12,462	10,649
	<u>20,654</u>	<u>21,346</u>

## 27. DEPOSITS AND PREPAYMENTS

Short term prepayments	13,733	8,801
Current account balances with statutory authorities - note 14.4	17,337	17,782
Short term deposits	2,790	3,836
	<u>33,860</u>	<u>30,419</u>

27.1 This includes an amount of Rs Nil (2009: Rs 2.115 million) representing margin maintained with various banks against letters of credit.

**28. OTHER RECEIVABLES**
**2010**      **2009**  
(Rupees in thousand)

Export benefit receivable (duty drawback)	658	658
Sales tax refundable - notes 17.1 and 17.2	17,775	26,332
Less: Provision for a doubtful receivable	-	6,560
	17,775	19,772
Custom duty rebates recoverable - note 28.1	94,109	94,109
Less: Provision for custom duty rebates recoverable	94,109	94,109
	-	-
Others	8,560	10,202
Less: Provision for a doubtful receivable	1,537	1,537
	7,023	8,665
Receivable from the gratuity fund - note 8.1.1	-	105
	25,456	29,200

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

**29. CASH AND BANK BALANCES**
**2010**      **2009**  
(Rupees in thousand)

With banks		
- In current accounts - note 29.1	62,617	60,809
- In deposit accounts - note 29.2	12,249	11,723
Remittances-in-transit	17,575	1,400
Cash and cheques in hand	7,269	72,360
	99,710	146,292

29.1 Included in current accounts is an amount of Rs 0.626 million (2009: Rs 0.242 million) which is held with Meezan Bank Limited (a related party).

29.2 Balances in deposit accounts include a separate account for deposits from dealers aggregating Rs 12.007 million (2009: Rs 11.720 million).

**30. NET SALES**
**2010**      **2009**  
(Rupees in thousand)

Gross sales	7,539,108	6,453,424
Less: Sales tax	1,017,492	857,751
Special excise duty	63,593	53,609
Discounts	73,544	159,198
Dealer's incentive - note 16.2	29,186	31,525
	1,183,815	1,102,083
	6,355,293	5,351,341

**31. COST OF SALES**
**2010**      **2009**  
(Rupees in thousand)

Opening stock of finished goods	239,022	196,951
Cost of goods manufactured - note 31.1	5,104,283	4,493,017
Finished goods purchased	154,824	194,151
Royalty technical service fee - note 31.2	200,179	165,492
	<u>5,698,308</u>	<u>5,049,611</u>
Less: Closing stock of finished goods	308,352	239,022
	<u>5,389,956</u>	<u>4,810,589</u>
<b>31.1 Cost of goods manufactured</b>		
Opening stock of work-in-process	105,773	60,331
Raw materials consumed - note 31.1.1	3,826,115	3,467,591
Stores and spares consumed	172,188	130,373
Salaries, wages and benefits	497,031	409,518
Gratuity - note 31.3	17,516	14,273
Provident fund	8,279	6,935
Travelling, conveyance and vehicles maintenance	17,108	18,405
Legal and professional charges	2,509	1,388
Power and fuel	296,752	244,319
Rent, rates and taxes	2,867	4,251
Insurance	14,337	13,389
Repairs and maintenance	25,279	32,753
Tyre replacement allowance - note 16.1	34,010	33,386
Depreciation - note 18.1.4	136,805	121,116
Amortisation - note 19.3	14	40
Stores and spares written off	15,936	3,784
Reversal of provision for obsolete and slow moving stocks - raw materials	(541)	(569)
Printing and stationery	1,180	1,526
Postage and telephone	2,272	1,843
Freight and insurance	33,932	29,678
Other manufacturing expenses	3,803	4,460
	<u>5,213,165</u>	<u>4,598,790</u>
Less: Closing stock of work-in-process	108,882	105,773
	<u>5,104,283</u>	<u>4,493,017</u>
<b>31.1.1 Raw materials consumed</b>		
Opening stock	381,436	795,663
Purchases	4,426,506	3,068,424
	<u>4,807,942</u>	<u>3,864,087</u>
Less: Indirect materials consumed	26,911	15,060
Closing stock	954,916	381,436
	<u>981,827</u>	<u>396,496</u>
	<u>3,826,115</u>	<u>3,467,591</u>

31.2 The royalty technical service fee includes federal excise duty amounting to Rs 18.198 million (2009: Rs 15.745 million).

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

	2010			2009		
	Funded	Unfunded	Total	Funded	Unfunded	Total
(Rupees in thousand)						
Current service cost	1,093	4,953	6,046	942	4,254	5,196
Interest cost	2,630	14,474	17,104	2,397	10,005	12,402
Actuarial gain recognised	(89)	-	(89)	(279)	-	(279)
Expected return on plan assets	(2,932)	-	(2,932)	(3,046)	-	(3,046)
Employees transferred	2,841	(5,454)	(2,613)	-	-	-
	<b>3,543</b>	<b>13,973</b>	<b>17,516</b>	<b>14</b>	<b>14,259</b>	<b>14,273</b>

## 32. ADMINISTRATIVE EXPENSES

	2010	2009
(Rupees in thousand)		
Salaries and benefits	52,959	48,282
Gratuity - note 32.1	4,500	1,933
Provident fund	2,224	1,414
Travelling and conveyance	8,684	7,102
Legal and professional charges	1,606	2,260
Auditors' remuneration - note 32.2	2,748	3,383
Rent, rates and taxes	1,099	2,613
Provision for doubtful debts	939	1,393
Insurance	380	314
Repairs and maintenance	306	135
Depreciation - note 18.1.4	4,148	2,967
Amortisation - note 19.3	9	24
Printing and stationery	673	722
Postage and telephone	957	871
Entertainment	757	693
Computer expenses	3,393	3,906
Directors' fee	428	203
Other expenses	2,140	1,713
	<b>87,950</b>	<b>79,928</b>

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

	2010			2009		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	(Rupees in thousand)					
Current service cost	1,018	428	1,446	291	575	866
Interest cost	2,445	1,250	3,695	740	1,353	2,093
Actuarial gain recognised	(83)	-	(83)	(86)	-	(86)
Expected return on plan assets	(2,728)	-	(2,728)	(940)	-	(940)
Employees transferred	2,641	(471)	2,170	-	-	-
	<b>3,293</b>	<b>1,207</b>	<b>4,500</b>	<b>5</b>	<b>1,928</b>	<b>1,933</b>

- 32.2 Auditors' remuneration

	2010			2009		
	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	30	60	90
Tax services	213	-	213	825	-	825
Out of pocket expenses	254	150	404	257	170	427
	<b>1,497</b>	<b>1,251</b>	<b>2,748</b>	<b>2,112</b>	<b>1,271</b>	<b>3,383</b>

### 33. DISTRIBUTION COST

**2010**      **2009**  
(Rupees in thousand)

Salaries and benefits	45,980	37,370
Gratuity - note 33.1	2,934	1,683
Provident fund	1,448	1,180
Travelling, conveyance and entertainment	7,229	6,528
Legal and professional charges	13	467
Sales promotion	4,591	882
Advertising	34,884	27,774
Rent, rates and taxes	8,099	9,257
Insurance	210	220
Repairs and maintenance	2,040	768
Depreciation - note 18.1.4	3,257	2,472
Amortisation - note 19.3	6	16
Printing and stationery	528	721
Postage and telephone	1,778	1,572
Freight and insurance	84,945	74,452
Others	8,699	7,915
	<b>206,641</b>	<b>173,277</b>

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

	2010			2009		
	Funded	Unfunded	Total	Funded	Unfunded	Total
(Rupees in thousand)						
Current service cost	412	568	980	565	500	1,065
Interest cost	988	1,660	2,648	1,439	1,175	2,614
Actuarial gain recognised	(33)	-	(33)	(167)	-	(167)
Expected return on plan assets	(1,104)	-	(1,104)	(1,829)	-	(1,829)
Employees transferred	1,069	(626)	443	-	-	-
	<u>1,332</u>	<u>1,602</u>	<u>2,934</u>	<u>8</u>	<u>1,675</u>	<u>1,683</u>

**34. OTHER OPERATING EXPENSES**

	2010	2009
(Rupees in thousand)		
Workers' profits participation fund - note 14.2	21,972	-
Workers' welfare fund	8,183	-
Exchange loss	14,991	172,793
Donation - note 34.1	6,113	500
	<u>51,259</u>	<u>173,293</u>

- 34.1 This includes an amount of Rs 5.458 million (2009: Rs Nil) payable to Waqf-e-Kuli Khan, 2nd Floor, Gardee Trust Building, Napier Road, Lahore, a trust. Lt. Gen. (Retd) Ali Kuli Khan Khattak, Mr. Ahmed Kuli Khan Khattak and Mr. Raza Kuli Khan Khattak, the directors of the company, are trustees of the trust.

**35. OTHER OPERATING INCOME**

	2010	2009
(Rupees in thousand)		
Income from financial assets:		
Profit on bank deposits	974	637
Income from other than financial assets:		
Sale of scrap	46,066	35,444
Profit on disposal of operating fixed assets	467	6,554
Amortisation of deferred credit	-	136
Others	2,208	1,535
	<u>49,715</u>	<u>44,306</u>

**36. FINANCE CHARGES**
**2010**      **2009**  
(Rupees in thousand)

Interest on workers' profits participation fund - note 14.2	-	17
Mark-up on long term murabaha financing	-	12,257
Mark-up on long term loans	55,965	49,057
Mark-up on finance lease obligations	1,797	6,093
Mark-up on short term and running finances	198,948	228,588
Bank charges and guarantee commission	3,206	4,818
	<u>259,916</u>	<u>300,830</u>

36.1 Finance charges include mark-up aggregating Rs 17.7 million (2009: Rs 32.475 million) charged by related parties.

**37. TAXATION**
**2010**      **2009**  
(Rupees in thousand)

Current - for the year	37,265	2,908
Deferred - for the year	153,695	(35,354)
	<u>190,960</u>	<u>(32,446)</u>

37.1 The provision for taxation for the year ended June 30, 2010 has been made on the basis of the minimum tax at the rate of 0.5 percent of turnover in these financial statements in accordance with section 113 of the Income Tax Ordinance, 2001. Therefore, a numeric tax rate reconciliation has not been included in these financial statements.

**38. EARNINGS / (LOSS) PER SHARE**
**2010**      **2009**  
(Rupees in thousand)

Earnings / (loss) after taxation (Rupees in thousand)	218,326	(109,824)
Number of ordinary shares (in thousand)	59,771	59,771
Basic earnings / (loss) per share	<u>Rs. 3.65</u>	<u>Rs (1.84)</u>

38.1 There were no convertible dilutive potential ordinary shares outstanding on June 30, 2010 and 2009.

**39. CASH GENERATED FROM OPERATIONS**
**2010**      **2009**  
(Rupees in thousand)

Profit / (loss) before taxation	409,286	(142,270)
Adjustments for non-cash charges and other items:		
Depreciation	144,210	126,555
Amortisation	29	80
Staff retirement gratuity	24,950	17,889
Charge / (reversal) of employee compensated absences	2,504	(2,004)
Reversal of provision for obsolete and slow moving stocks	(541)	(569)
Provision for doubtful debts	939	1,393
Profit on disposal of operating fixed assets	(467)	(6,554)
Profit on bank deposits	(974)	(637)
Amortisation of deferred income	-	(136)
Finance cost	259,916	300,830
Unrealised exchange (gain) / loss	(1,866)	3,842
Working capital changes - note 39.1	(561,655)	389,581
	<u>(132,955)</u>	<u>830,270</u>
	<u>276,331</u>	<u>688,000</u>

**39.1 Working capital changes**
**2010**      **2009**  
(Rupees in thousand)

Decrease / (increase) in current assets		
Stores and spares	14,210	9,405
Stocks	(645,919)	326,714
Trade debts	(177,230)	(41,758)
Loans and advances	692	(5,743)
Deposits and prepayments	(3,441)	45,978
Other receivables	3,639	(3,027)
	<u>(808,049)</u>	<u>331,569</u>
Increase / (decrease) in current liabilities and provisions		
Trade and other payables	258,676	46,153
Provisions	(12,282)	11,859
	<u>246,394</u>	<u>58,012</u>
	<u>(561,655)</u>	<u>389,581</u>

**40. CASH AND CASH EQUIVALENTS**

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

**2010**      **2009**  
(Rupees in thousand)

Cash and bank balances - note 29	99,710	146,292
Running finances under mark-up arrangements - note 13	(1,180,716)	(905,201)
	<u>(1,081,006)</u>	<u>(758,909)</u>



#### 41. FINANCIAL INSTRUMENTS BY CATEGORY

2010 2009

(Rupees in thousand)

##### FINANCIAL ASSETS

##### Loans and receivables

Long term loans and advances	5,600	2,394
Long term deposits	7,234	7,067
Trade debts	856,577	680,286
Loans and advances	20,654	21,346
Deposits	2,790	3,836
Other receivables	7,023	8,665
Cash and bank balances	99,710	146,292
	<u>999,588</u>	<u>869,886</u>

##### FINANCIAL LIABILITIES

Financial liabilities at amortised cost		
Long term loans	378,679	561,875
Liabilities against assets subject to finance leases	-	15,176
Long term deposits from dealers	8,640	9,720
Short term finances	453,044	328,425
Running finances under mark-up arrangements	1,180,716	905,201
Trade and other payables	748,141	523,431
Accrued mark-up	82,579	73,454
Provisions	53,804	66,086
	<u>2,905,603</u>	<u>2,483,368</u>

#### 42. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

##### 42.1 Financial risk management

42.1.1 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:

##### 42.2 Market risk

##### 42.2.1 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 loans, short term finances and running finances under mark-up arrangements.

At June 30, 2010, if interest rates on borrowings had been 500 basis points higher / lower with all the other variables held constant, the profit after taxation for the year would have been higher / lower by Rs 2.463 million (2009: Rs 9.777 million).

#### 42.2.2 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 12) and bills payables (note 14) in respect of import of raw materials, stores and spares and plant and machinery.

At June 30, 2010, if the company's functional currency (note 5.14) had weakened / strengthened by 5% against the US Dollar with all the other variables held constant, the profit after taxation for the year would have been higher / lower by Rs 15.931 million (2009: Rs 13.519 million), mainly as a result of foreign exchange gains / losses on translation of financial liabilities denominated in US Dollars.

At June 30, 2010, if the company's functional currency (note 5.14) had weakened / strengthened by 5% against the Euro with all the other variables held constant, the profit after taxation for the year would have been higher / lower Rs 0.009 million (2009: Rs 1.189 million), mainly as a result of foreign exchange gains / losses on translation of financial liabilities denominated in Euros.

#### 42.2.3 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. As at June 30, 2010 / 2009 the company did not have any financial instruments dependent on market prices.

#### 42.3 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 all financial assets as mentioned in note 41 except cash in hand. Out of the total financial assets, those that are subject to credit risk amounted to Rs 998.375 million (2009: Rs 853.977 million).

The bank balances aggregating Rs 92.441 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, the management does not expect non-performance by those counter parties on their obligations to the company.

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

	<b>2010</b>	<b>2009</b>
	(Rupees in thousand)	
Original equipment manufacturers	408,190	330,261
Government institutions	5,058	92,895
Replacement market	452,717	265,579
	<u>865,965</u>	<u>688,735</u>
Less: Provision for doubtful debts	9,388	8,449
	<u>856,577</u>	<u>680,286</u>

As at June 30, 2010, trade receivables of Rs 43.280 million (2009: Rs 108.532 million) were past due but not impaired. These relate to a number of independent customers for whom a recent history of default does not exist. These trade receivables are outstanding for 30 - 180 days.

As at June 30, 2010, trade receivables aggregating Rs 10.178 million (2009: Rs 8.732 million) were past due and impaired. The ageing analysis of these trade receivables is as follows:

	<b>2010</b>	<b>2009</b>
	(Rupees in thousand)	
181-365	1,581	566
Over 365 days	8,597	8,166
	<u>10,178</u>	<u>8,732</u>

#### 42.4 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:

	<b>Year ended June 30, 2010</b>			
	<b>Carrying amount / contractual cash flows</b>	<b>Less than 1 year</b>	<b>Between 1 to 2 years</b>	<b>Between 2 to 5 years</b>
	(Rupees in thousand)			
Long term loans	450,513	247,660	107,340	95,513
Long term deposits from dealers	8,640	-	-	8,640
Short term finances	453,044	453,044	-	-
Running finances under mark-up arrangements	1,180,716	1,180,716	-	-
Trade and other payables	748,141	748,141	-	-
Accrued mark-up	82,579	82,579	-	-
Provisions	53,804	34,064	12,787	6,953
	<u>2,977,437</u>	<u>2,746,204</u>	<u>120,127</u>	<u>111,106</u>

**Year ended June 30, 2009**

	<b>Carrying amount / contractual cash flows</b>	<b>Less than 1 year</b>	<b>Between 1 to 2 years</b>	<b>Between 2 to 5 years</b>
	(Rupees in thousand)			
Long term loans	701,247	311,143	226,450	163,654
Liabilities against assets subject to finance leases	15,176	15,176	-	-
Long term 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	523,431	523,431	-	-
Accrued mark-up	73,454	73,454	-	-
Provisions	66,086	50,467	10,078	5,541
	<u>2,622,740</u>	<u>2,207,297</u>	<u>236,528</u>	<u>178,915</u>

**42.5 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, 2010 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.

**43. ENTITY-WIDE INFORMATION**

43.1 The company constitutes of a single reportable segment, the principal classes of customers to which products are provided are original equipment manufacturers, replacement market, government institutions, purchase production and exports.

**43.2 Information about customers**

The company's principal classes of products accounted for the following percentages of sales:

	<b>2010</b>	<b>2009</b>
Original equipment manufacturers (OEM)	59.4%	38.2%
Replacement market	34.9%	54.1%
Government institutions	3.1%	2.8%
Purchase production	2.1%	4.2%
Exports	0.5%	0.7%
	<u>100%</u>	<u>100%</u>

**43.3 Information about geographical areas**

The company does not hold non-current assets in any foreign country. Revenues from external customers attributed to foreign countries in aggregate are not material.

#### 43.4 Information about major customers

The company has earned revenues from a customer, classified as an OEM, aggregating Rs 1,731.164 million (2009: Rs 1,120.911 million) during the year ended June 30, 2010 which constituted 22.96% (2009: 17.37%) of the total revenues.

#### 44. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010		2009	
	Chief Executive	Executives	Chief Executives	Executives
————— (Rupees in thousand) —————				
Managerial remuneration and allowances	8,857	69,655	7,394	58,265
Bonus	675	5,833	-	-
Company's contribution to provident fund and gratuity	647	4,467	182	2,774
Medical	47	4,634	11	4,224
Leave passage	100	2,184	-	3,007
Others	526	11,140	151	8,203
	<u>10,852</u>	<u>97,913</u>	<u>7,738</u>	<u>76,473</u>
Number of persons	1	37	2	31

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

44.2 Another amount charged in these financial statements, in addition to those that are shown above, is Rs 0.428 million (2009: Rs 0.203 million) which is in relation to fee for twelve (2009: 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	2010	2009
(Rupees in thousand)				
Gandhara Industries Limited	Associated company	Sales	27,462	42,062
		Purchase of vehicle	1,750	-
Gandhara Nissan Limited	Associated company	Sales	52,743	38,824
		Purchase of vehicle	2,940	1,380

<b>Name</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	<b>2010</b> (Rupees in thousand)	<b>2009</b>
National Refinery Limited	Associated company	Sales	-	115
Wackenhut Pakistan [Formerly Security and Management Services (Privates) Limited]	Associated company	Service charges	758	721
Pakistan State Oil Company Limited	Associated company	Purchase of petroleum products	-	37,160
Continental Tire The Americas, LLC	Related party	Purchase of machinery and spare parts	16,573	51,599
		Purchase of raw materials	45,971	24,521
		Royalty technical service fee	181,981	149,747
Continental Reifen Deutschland GmbH	Related party	Purchase of machinery	2,600	27,791
		Spare parts / bladders	489	-
Universal Insurance Company Limited	Associated company	Insurance premium	12,325	12,261
Pak Kuwait Takaful Company Limited	Associated company	Insurance premium	417	943
Meezan Bank Limited	Associated company	Mark-up on short term finances and finance leases	17,700	28,645
Orix Investment Bank Limited	Associated company	Return on murabaha financing	-	766
Pakistan Kuwait Investment Company (Private) Limited	Associated company	Return on murabaha financing	-	3,064
Bibojee Services (Private) Limited	Associated company	Sales	4,362	7,908
The General Tyre and Rubber Company of Pakistan Limited	Employees fund			
Staff Provident Fund		Contributions made	11,951	9,529

Name	Nature of relationship	Nature of transaction	2010	2009
------	------------------------	-----------------------	------	------

The General Tyre and Rubber Company of Pakistan Limited Staff Gratuity Fund	Employees fund			(Rupees in thousand)
				Refer note 8

Outstanding balances as at June 30, 2010 are included in liabilities against assets subject to finance leases (note 11.2), short term finances (note 12.2), trade and other payables (note 14.1), accrued mark-up (note 15.1), investments (note 20), trade debts (note 25.1) and cash and bank balances (note 29.1).

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.

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.

	2010	2009
	(Rupees in thousand)	
Total borrowings	2,012,439	1,810,677
Less: Cash and bank balances	99,710	146,292
Net debt	1,912,729	1,664,385
Total equity	1,330,670	1,112,344
Total capital	3,243,399	2,776,729
Gearing ratio	59%	60%

#### 47. PLANT CAPACITY AND ACTUAL PRODUCTION

	2010	2009
	(Number of Units)	
Capacity: Tyre sets	1,888,793	1,726,063
Production: Tyre sets	1,533,425	1,329,839

47.1 Actual production was sufficient to meet the demand.

47.2 Actual production comprises of:

	<b>2010</b>	<b>2009</b>
	(Rupees in thousand)	
Passenger car	813,696	622,861
Light truck	243,031	252,329
Truck bus	41,173	39,684
Farm front	270,277	258,952
Farm rear	165,248	156,013
	<u>1,533,425</u>	<u>1,329,839</u>

#### 48. KEY INFORMATION ABOUT AN ASSOCIATE (note 20.2)

The following information is from the unaudited financial statements for the nine months period ended March 31, 2010.

<b>Particulars</b>	<b>As at March</b>	<b>As at March</b>
	<b>31, 2010</b>	<b>31, 2009</b>
	(Rupees in thousand)	
Assets	<u>2,211,695</u>	<u>2,273,116</u>
Liabilities	<u>941,095</u>	<u>1,110,595</u>
Accumulated losses	<u>(56,328)</u>	<u>(167,635)</u>
	<b>Nine months</b>	<b>Nine months</b>
	<b>period ended</b>	<b>period ended</b>
	<b>March 31,</b>	<b>March 31,</b>
	<b>2010</b>	<b>2009</b>
	(Rupees in thousand)	
Profit / (loss) before taxation	<u>118,549</u>	<u>(134,408)</u>
Profit / (loss) after taxation	<u>113,674</u>	<u>(131,891)</u>

#### 49. CORRESPONDING FIGURES

For the purpose of better presentation, the following reclassifications have been made:

- Incentive to dealers aggregating Rs 31.525 million has been netted off with sales (note 30). Previously, this was included in sales promotion under distribution cost (note 35).
- Tyre replacement allowance aggregating Rs 33.386 million has been included in cost of goods manufactured (note 31.1). Previously, this was netted off with sales (note 32). The charge represents cost of warranty by nature.
- Freight and insurance relating to transfer of goods between warehouses of the company, aggregating Rs 29.678 million has been included in cost of goods manufactured (note 31.1). Previously, this was included in freight and insurance under distribution cost (note 35).

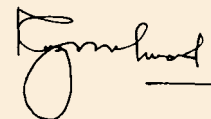


**50. DATE OF AUTHORISATION FOR ISSUE AND NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE.**

- 50.1 These financial statements were authorised for issue on August 26, 2010 by the board of directors of the company.
- 50.2 The board of directors have proposed a dividend of Rs. 2.00 (2009: Nil) per share, amounting to Rs. 119.543 million (2009: Nil), for the year ended June 30, 2010 at their meeting held on August 26, 2010 subject to the approval of the members at the annual general meeting to be held on September 29, 2010. These financial statements do not recognise the appropriation to dividend as a liability as it has been proposed subsequent to the balance sheet date.



Mohammad Shahid Hussain  
Chief Executive



Manzoor Ahmed  
Director

## Pattern of Shareholding

As At June 30, 2010

Number of Shareholders	Shareholding		Total No. of Shares Held	%age
	From	To		
363	1	100	12,038	0.02
532	101	500	164,519	0.28
287	501	1000	257,187	0.43
660	1001	5000	1,508,844	2.52
113	5001	10000	872,974	1.46
46	10001	15000	581,002	0.97
21	15001	20000	362,166	0.61
8	20001	25000	186,078	0.31
12	25001	30000	329,538	0.55
4	30001	35000	133,635	0.22
6	35001	40000	225,802	0.38
3	40001	45000	122,362	0.20
6	45001	50000	291,006	0.49
2	50001	55000	104,500	0.17
4	55001	60000	228,990	0.38
1	65001	70000	66,210	0.11
1	70001	75000	71,800	0.12
2	80001	85000	165,061	0.28
2	90001	95000	181,375	0.30
1	95001	100000	96,981	0.16
2	105001	110000	216,980	0.36
3	115001	120000	357,744	0.60
2	120001	125000	241,887	0.40
2	145001	150000	298,764	0.50
1	195001	200000	200,000	0.33
1	200001	205000	203,000	0.34
3	210001	215000	643,500	1.08
1	215001	220000	220,000	0.37
1	230001	235000	231,382	0.39
1	235001	240000	238,493	0.40
1	240001	245000	240,418	0.40
1	355001	360000	357,679	0.60
1	395001	400000	395,124	0.66
1	520001	525000	523,344	0.88
1	590001	595000	591,699	0.99
1	740001	745000	743,000	1.24
1	805001	810000	805,839	1.35
1	995001	1000000	997,896	1.67
1	1030001	1035000	1,031,535	1.73
1	2205001	2210000	2,206,600	3.69
1	2275001	2280000	2,277,618	3.81
1	3765001	3770000	3,765,976	6.30
1	5840001	5845000	5,844,300	9.78
1	14400001	14405000	14,402,112	24.10
1	16770001	16775000	16,774,292	28.06
<u>2106</u>			<u>59,771,250</u>	<u>100</u>

## Categories of Shareholders

As At June 30, 2010

<u>CATEGORY</u>	<u>NUMBER</u>	<u>SHARES HELD</u>	<u>%AGE</u>
INDIVIDUALS	2039	9,679,815	16.19%
JOINT STOCK COMPANIES	35	18,455,282	30.88%
INSURANCE COMPANIES	5	1,317,728	2.20%
FINANCIAL INSTITUTIONS	10	24,307,385	40.67%
CHARITABLE TRUST	2	70,710	0.12%
INVESTMENT COMPANIES	2	345	0.00%
FOREIGN COMPANIES	5	5,849,126	9.79%
OTHERS	8	90,859	0.15%
	<u>2106</u>	<u>59,771,250</u>	<u>100.00%</u>

## Categories of Shareholders

As At June 30, 2010

<b>SHARES HELD BY:</b>	<b>No. of Shares</b>
<b>Associated Companies, Undertakings and Related Parties</b>	
Bibojee Services (Private) Limited	16,608,712
Pakistan Kuwait Investment Company (Private) Limited	16,774,292
Continental Global Holding Netherlands B.V.	5,844,300
	<b>39,227,304</b>
<b>NIT</b>	
National Investment Trust	<b>96,981</b>
<b>Directors, CEO, Their Spouses &amp; Minor Children</b>	
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
Dr. Willi Flamm	80
	<b>600,440</b>
<b>Bank, Development Financial Institutions, Non-banking Financial Institution, Companies, Modarabas &amp; Mutual Funds</b>	
Al-asar Securities (Private) Limited.	50
Ample Securities (Private) Limited	1,800
Capital Vision Securities (Pvt) Ltd.	1,000
Darson Securities (Pvt) Limited	2,500
Darson Securities (Private) Limited	500
Ace Securities (Pvt) Limited	364
Durvesh Securities (Pvt) Ltd	65
Efu General Insurance Limited	215,000
Escorts Investment Bank Limited	250
Excel Insurance Co.Ltd.	30,000
Haji Abdul Sattar Securities (Pvt.) Limited	99
Habib Bank Ag Zurich, Zurich,Switzerland	10,000
Habib Bank Ag Zurich, London	215,000
Highlink Capital (Pvt) Ltd	7,000
Ismail Abdul Shakoore Securities (Private) Limited	1,000
Jahangir Siddiqui & Co. Ltd.	50
Kai Securities (Pvt) Limited	2,500
Loads Limited	1
Mercantile Co-operative Finance	4,781
Moosani Securities (Pvt) Ltd.	3,500
Morgan Stanley Trust Co.	4,375
M.R. Securities (Smc-pvt) Ltd.	500
Muhammad Hussain Ismail Securities (Pvt) Ltd	203,000
National Commercial Enterprises Ltd	26,565
National Development Leasing	500

## Categories of Shareholders

As At June 30, 2010

<b>SHARES HELD BY:</b>	<b>No. of Shares</b>
National Industrial Co-operative	111
Nh Securities (Pvt) Limited.	850
N. H. Securities (Pvt) Ltd.	340
Pasha Securities (Pvt) Ltd.	5,000
Ramada Investors Services Ltd.	95
Sakarwala Capital Securities (Pvt)Ltd.	3,000
Somers Nominees (Far East) Ltd	350
State Life Insurance Corp. Of Pakistan	1,031,535
National Bank Of Pakistan	2,277,618
The Crescent Star Insurance Co.Ltd.	40,500
Time Securities (Pvt.) Ltd.	300
Golden Attor Selected Stock Fund Limited	55,190
Trustees Al-bader Welfare Trust	4,500
The Pakistan Fund,Cayman Islands	21
Trustees Mohamad Amin Wakf Estate	66,210
Amin Tai Securities (Pvt) Limited	395,124
United Capital Securities Pvt. Ltd.	1,000
Faisal Bank Limited	357,679
National Bank Of Pakistan - Trustee Department Niut Fund	3,765,976
Pace Investment & Securities (Pvt) Limited	600
Excel Securities (Pvt) Limited	500
Asian Securities Limited	523,344
The Bank Of Punjab	805,839
Asian Insurance Co. Limited	693
Ancap Securities (Pvt) Limited	500
Ahmer Securities (Pvt) Limited	1,000
Zhv Securities (Pvt) Limited	60
Quetta Textile Mills Ltd	10,000
Ali Hussain Rajabali Limited	40,000
Aba Ali Habib Securities (Pvt) Limited	10,000
Freedom Enterprises (Pvt) Limited	4,620
Eleven Stars Securities (Pvt) Limited	591,699
First Capital Mutual Fund Limited	31,135
Amj Securities (Smc-pvt) Limited	1,500
Y.S. Securities & Services (Pvt) Ltd.	1,500
Other Individuals	9,087,736
	<b>19,846,525</b>
	<b><u>59,771,250</u></b>

### Shareholders holding 10% or more Voting interest in the Company

Bibojee Services (Private) Limited	16,608,712	27.79%
Pakistan Kuwait Investment Company (Private) Limited	16,774,292	28.06%
Continental Global Holding Netherlands B.V.	5,844,300	9.78%

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



## Form of Proxy

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

Please quote:  
No. of Shares held -----  
Folio No. -----  
CDC Part. ID-----  
A/C/Sub A/C No. -----

I/We -----  
of ----- Member(s) of The General Tyre and Rubber Company of Pakistan Limited  
do hereby appoint -----  
of ----- or failing him -----  
of ----- as proxy in my/our behalf at the 47th Annual General Meeting of the  
Company to be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi  
on Wednesday, September 29, 2010 at 11:00 a.m., and at any adjournment thereof.

Signature of Shareholder-----

Name of Shareholder -----

Witness:

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

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

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

Signature on  
Revenue Stamp  
of Rs. 5/=

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

AFFIX  
POSTAGE



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