Annual Report 2012

GENERAL TYRE

Technology by:

Continental

TYRES - ENGINEERED IN GERMANY

Content

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.

Company Profile

Board of Directors

Chairman	Lt.Gen.(Retd) Ali Kuli Khan Khattak
Chief Executive	Mr. Mohammad Shahid Hussain
	Mr. Ahmed Kuli Khan Khattak
	Mr. Ikram Ul-Majeed Sehgal
	Mr. M. A. Faisal Khan
	Mr. Manzoor Ahmed
	Mr. Mazhar Sharif
	Mr. Raza Kuli Khan Khattak
	Mr. Umar Rasul Qureshi
	Dr. Willi Flamm

Company Secretary
Mr. Asif Jameel

Chief Financial Officer
Mr. Ashraf Teli

Board Audit Committee

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

HR & Remumeration Committee

Chairman	Mr. Raza Kuli Khan Khattak
	Mr. Mohammad Shahid Hussain
	Mr. Manzoor Ahmed
	Mr. M. A. Faisal Khan

Auditors
Hameed Chaudhri & Co.
Chartered Accountants

Legal Advisor
Syed Iqbal Ahmed & Co.

Share Registrar
Management & Registration Services (Pvt.) Ltd.
Business Executive Centre, F/17/3, Block-8,
Clifton, Karachi
Phone : 35375127 - 9

Major Bankers
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank Pakistan Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

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 : 36308605-6
Fax : 36300108

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

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

Customer Care & Service Centre
Lahore
Plot No. 20,
Shahrah-e-Fatima
Jinnah, Lahore.
Phone : 36308605-6
Fax : 36308607

Chairman's Review

I have pleasure to present to the members of The General Tyre and Rubber Company of Pakistan Limited review on the performance of the company for the financial year ended June 30, 2012.

Given that financial year under review was full of unpleasant surprises, crises and circumstances beyond control of the Company; the year end results show nevertheless satisfactory level of achievement keeping in view all odds that were unfavorable to the business. This in my opinion clearly depicts the power of 'General' Brand and the confidence our customers have shown on the brand irrespective of the business environment.

The power and gas crisis has become a regular phenomenon which has plagued our country for the last few years. Our Company's plant was no exception and was subjected to electricity and gas load shedding during the year under review. The electricity load shedding, in addition to hampering production, increases the cost of production due to increase in scrap and use of expensive alternate fuel to generate electricity. The gas load shedding has forced the company to shut the plant for one day every week which otherwise used to work on three shift seven days a week basis. Resultantly, the production during the period under review decreased to 1.54 million tyres compared to 1.64 million tyres produced in same period last year, a reduction of 6%.

We also faced challenges in Sales and Marketing because of the continuation of the uncertainty on the issue of Sales Tax on tractors for the first half of the year. Due to lingering doubts on of this issue, the tractor production was at standstill which affected our sales to the tractor OEMs for the first six months of the year under review. The farm tyres also took the beating in replacement market as the farmers faced problems in timely off-loading their crops at the support price. The Company, however, was able to register a modest gain of 3% in sales of total number of tyres, from 1.55 million tyres sold last year to 1.59 million tyres in the current period, by enhancing sales in non-farm tyre categories.

Net Sales revenues at Rs. 7.8 billion reflect a modest growth of 4% over Rs. 7.5 billion of the previous year mainly due to increase in prices of tyres to compensate for increase in raw material prices and depreciation of Pak Rupee. This increase was more than off-set by increase in production cost on account of increase in scrap due to load shedding and under absorption of overheads due to lower production on account of reasons highlighted above. The increase in Administrative, Selling & Distribution expenses, besides the inflationary effects, was on account of over-due advertisement campaigns run by the Company to allay misperceptions regarding the Company's product and introduces new designs. The Finance cost witnessed an increase due to additional borrowing in first two quarters to finance the stuck up inventory due to no off take of tyres by the tractor OEMs during that period. Due to the reason enumerated above, the Pre-Tax Profit for the year declined to Rs. 247 million compared to Rs. 395 million of last year.

Future Outlook

With the resolution of the issue of Sales Tax on tractors in the second half of the period under review, the Company received substantial orders from tractor OEMs and we expect similar trend to continue in the current year. The extensive advertising under taken by the Company is also bearing fruit full benefit of which will accrue in the coming years.

The Company continues to face the problem of under invoicing and smuggling by the importers. However, the Government now seems to be more receptive and alive to the situation and we are hopeful some measures would be put in place which will not only benefit the Company but the country as well.

It is a pleasure for me to inform the members that a fresh Technical Services Agreement for seven years, i.e. till June 2017, with our technology providers, Continental Tire The Americas, LLC has been signed and is effective.

Code of Corporate Governance

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

Board Changes

Due to the reduction in number of directors from twelve to nine, Mr. Muhammad Aurangzeb Amin a nominee of Pak Kuwait Investment Company Limited (PKIC) and Syed Zubair Ahmed Shah a nominee of the National Investment Trust (NIT) did not contest the election and Mr. Umer Latif did not manage to return as the director in the election held on August 23, 2011. Subsequent to the election, Mr. Nabil Daudur Rahman, a nominee of PKIC and Mr. Sher Muhammad Chaudhary resigned from the directorship and in their place Mr Umar Rasul Qureshi and Dr. Willi Flamm were co-opted respectively. The Board records its appreciation for the valuable services rendered by Mr. Aurangzeb Amin, Syed Zubair Ahmed Shah, Mr. Umer Latif, Mr. Nabil Daudur Rahman and Mr. Sher Muhammad Chaudhary and warmly welcomes Mr. Umar Rasul Qureshi and Dr. Willi Flamm.

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

The Board appreciates the dedicated services rendered by the employees and the management which is evidenced by the Company's performance and results achieved in the difficult operational conditions.

The new agreement with CBA effective January 2012 for two years was amicably agreed and signed and cordial relations prevailed with the work force of the Company.

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

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

Karachi
Dated: August 30, 2012

GENERAL TYRE

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, 2012.

	2012	2011
	------------ Rupees in '000	------------
Financial Results		
Profit for the year after taxation	202,735	258,600
Unappropriated Profit brought forward	872,014	732,957
	1,074,749	991,557
Appropriation		
Dividend	(149,428)	(119,543)
Unappropriated profit carried forward	925,321	872,014
Basic earnings per share	Rs. 3.39	Rs. 4.33

The Board of Directors has recommended 20% dividend for the year ended June 30, 2012.

Compliance with the Code of Corporate Governance

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

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

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

	Value of Investment	Year ended:
Provident Fund	Rs. 291.97 Million	June 30, 2011
Gratuity Fund	Rs. 54.48 Million	June 30, 2011

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

Corporate Social Responsibility

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

The Company regularly pays to Waqf-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. 5.07 million as donation to Waqf-e-Kuli Khan Trust. Additionally, the Company also paid during the year donations amounting to Rs. 1.20 million to various hospitals and charitable organizations.

During the Year the Company contributed Rs. 1,495 million towards national exchequer under various modes.

Board Meetings

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

S. No.	Name of Director		No. of Meetings Attended
1.	Lt. Gen. (Retd) Ali Kuli Khan Khattak		4
2.	Mr. Ahmed Kuli Khan Khattak		6
3.	Mr. Ikram Ul-Majeed Sehgal		4
4.	Mr. M.A. Faisal Khan		6
5.	Mr. Manzoor Ahmed		5
6.	Mr. Mazhar Sharif		6
7.	Mr. Muhammad Aurangzeb Amin*		1
8.	Mr. Nabil Daudur Rahman	(resigned on February 10 ,2012)	3
9.	Mr. Raza Kuli Khan Khattak		5
10.	Mr. Sher Muhammad Chaudhary	(resigned on October 5, 2011)	-
11.	Syed Zubair Ahmed Shah*		1
12.	Mr. Umar Rasul Qureshi	(appointed on March 7, 2012)	2
13.	Mr. Umer Latif**		1
14.	Dr. Willi Flamm	(appointed on October 5, 2011)	3

* Did not contest the elections held on August 23, 2011.
** Did not return as Director in the election held on August 23, 2011.

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, 2012 is attached.

Auditors

The present Auditors, Hameed Chaudhri & Co., Chartered Accountants retire and being eligible, offered themselves for re-appointment. On the recommendation of the Audit Committee, the Board of Directors has recommended to appoint Messrs Hameed Chaudhri & Co. Chartered Accountants as Auditors of the Company for the year ending June 30, 2013.

For and on behalf of the Board of Directors

Mohammad Shahid Hussain
Chief Executive

Karachi
Dated: August 30, 2012

Notice of Meeting

Notice is hereby given that the Forty Nineth Annual General Meeting of The General Tyre and Rubber Company of Pakistan Limited will be held at the factory premises of the Company at H-23/2, Landhi Industrial Trading Estate, Landhi, Karachi on Thursday, September 27, 2012, at 10.00 a.m. to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting and 48th Annual General Meeting held on August 18, 2011 & September 29, 2011, respectively.

2. To receive and consider the audited accounts for the year ended June 30, 2012, together with Directors' and Auditors' Reports thereon.

3. To consider and approve payment of final cash dividend @ 20%, i.e., Rs. 2.0 per share for the year ended June 30, 2012, as recommended by the Directors.

4. To appoint auditors for the year ending June 30, 2013 and to fix their remuneration. The retiring auditors, Messrs 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, 2013.

5. Any other business with the permission of the Chair.

By Order of the Board

Asif Jameel
Company Secretary

Karachi
Dated: August 30, 2012

NOTES:

1. The share transfer books of the Company shall remain closed from September 19, 2012 to September 27, 2012 (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

Arrangement has been made to transport the shareholders from the city to the Factory. Bus will leave from the Karachi Stock Exchange Building at 8:30 a.m. sharp and bring back the shareholders after the meeting.

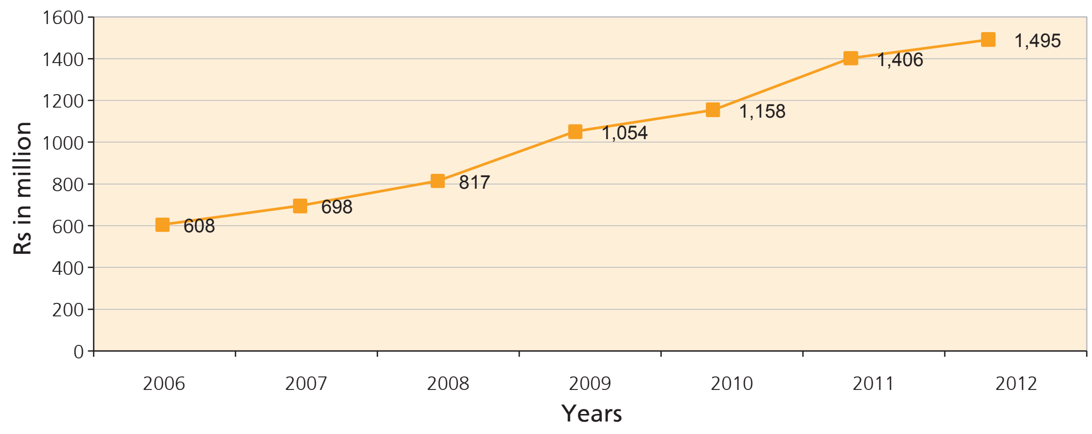
Key Operating and Financial Data

	2012	2011	2010	2009	2008	2007	2006
			Rupees in million				
Operating Results							
Net sales	7,806	7,478	6,355	5,351	4,615	3,951	3,732
Gross profit	998	998	965	541	510	468	521
Profit /(Loss) before taxation	247	395	409	(142)	7	106	210
Profit/(Loss) after taxation	203	259	218	(110)	(17)	63	127
Cash dividend *	25%	20%	-	-	-	20%	17.5%
Financial Position							
Operating Fixed assets - at cost	3,585	3,578	3,444	3,170	2,960	2,852	2,109
Share capital	598	598	598	598	598	598	598
Unappropriated profit	925	872	733	514	624	641	697
Shareholders' equity	1,523	1,470	1,331	1,112	1,222	1,239	1,295
Long -term loans	-	87	173	321	353	499	467

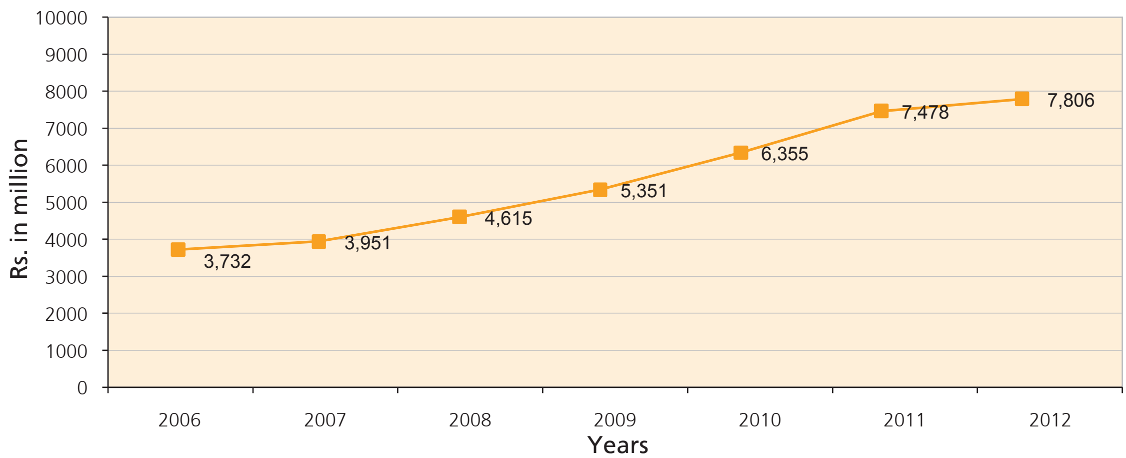
* The Board of directors has recommended 20% dividend for the year ended June 30, 2012

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

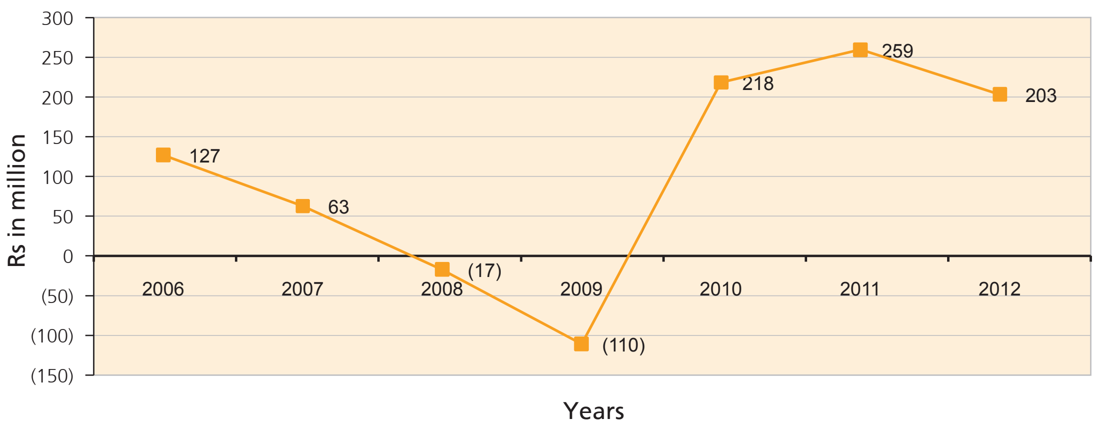
Contribution to National Exchequer



Net Sales Revenue



Profit after tax



GENERAL TYRE

Statement of Value Addition

For the year ended June 30, 2012

	2012	2011
	------------ Rupees in '000 ------------	
Value addition		
Gross sales	9,131,143	8,924,945
Other income	49,310	65,132
	9,180,453	8,990,077
Value distribution		
Materials and services	6,131,687	5,798,369
Distribution cost	155,979	131,837
Administrative expenses	24,281	17,428
Employees' cost		
Salaries, wages, benefits and staff welfare	835,523	779,709
Workers' profit participation fund	13,334	21,244
Government		
Income tax	40,581	136,758
Sales tax	1,239,860	1,369,990
Workers' welfare fund	6,034	8,282
To providers of Capital		
Dividend to shareholders	119,543	149,428
mark up/ interest on barrowed money	381,671	318,633
Retained for reinvestment & future growth		
Depreciation & retained profit	231,960	258,399
	9,180,453	8,990,077

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in the listing regulations of Karachi and Lahore Stock Exchanges 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 CCG in the following manner:

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

Category	Names
Executive Director (1)	Mr. Mohammad Shahid Hussain
Non Executive Directors (9)	Lt. Gen. (Retd.) Ali Kuli Khan Khattak Mr. Ahmed Kuli Khan Khattak Mr. Raza Kuli Khan Khattak Mr. Ikram-Ul -Majeed Sehgal Dr. Willi Flamm Mr. M. A. Faisal Khan Mr. Mazhar Sharif Mr. Umar Rasul Qureshi Mr. Manzoor Ahmed

2. The directors, except for the followings, have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

   Lt. Gen. (Retd.) Ali Kuli Khan Khattak
   Mr. Ahmed Kuli Khan Khattak
   Mr. Raza Kuli Khan Khattak
   Mr. Manzoor Ahmed

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. Two casual vacancies have occurred during the period under the review. These vacancies were filled up by the directors within 90 days.

5. The Company has prepared a Code of Conduct and have ensured that appropriate steps have been taken to disseminate it throughout the Company along with the supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non executive directors have been taken by the Board / Shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged one training program for its director during the year.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises three members and all of them are non-executive directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom three are non-executive directors and the chairman of the Committee is a non-executive director.

18. The Board has set -up an effective Internal Audit Function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'Closed Period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors

Mohammad Shahid Hussain
Chief Executive

Karachi
August 30, 2012.

HAMEED CHAUDHRI & CO.

CHARTERED ACCOUNTANTS

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **The General Tyre and Rubber Company of Pakistan Limited** to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the 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, 2012.

Hameed Chaudhri & Co.

KARACHI; 30 AUG 2012

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Muhammad Ali

LAHORE:
HM House, 7-Bank Square.
Tel : +92 42 37235084-87
Fax : +92 42 37235083
E-mail : lhr@hccpk.com

KARACHI :
Karachi Chambers, Hasrat Mohani Road.
Tel : +92 21 32411474, 32412754, 32424826
Fax : +92 21 32424835
E-mail : khi@hccpk.com

URL: www.hccpk.com

Praxity
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **The General Tyre and Rubber Company of Pakistan Limited** as at June 30, 2012 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Usher Ordinance, 1980, was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Hameed Chaudhri & Co.

KARACHI; 30 AUG 2012

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Muhammad Ali

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HM House, 7-Bank Square.
Tel : +92 42 37235084-87
Fax : +92 42 37235083
E-mail : lhr@hccpk.com

KARACHI :
Karachi Chambers, Hasrat Mohani Road.
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Fax : +92 21 32424835
E-mail : khi@hccpk.com

URL: www.hccpk.com

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GENERAL TYRE

Balance Sheet

As At June 30, 2012

	Note	2012	2011
		-------- Rupees in '000 -------	
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
75,000,000 (2011: 75,000,000) ordinary shares of Rs.10 each		750,000	750,000
Issued, subscribed and paid-up capital	5	597,713	597,713
Unappropriated profit		925,321	872,014
Total Equity		1,523,034	1,469,727
Non-Current Liabilities			
Long-term finance	6	-	86,643
Staff benefits	7	179,308	158,026
Deferred taxation	8	184,299	220,360
Long-term deposits from dealers	9	9,220	9,110
		372,827	474,139
Current Liabilities			
Current maturity of long-term finance	6	86,643	86,643
Short-term finances	10	720,145	709,899
Running finances under mark-up arrangements	11	1,179,312	1,521,902
Trade and other payables	12	1,445,412	1,345,845
Accrued mark-up	13	73,576	81,326
Provisions	14	71,965	75,703
		3,577,053	3,821,318
Contingencies and Commitments	15		
Total Equity and Liabilities		5,472,914	5,765,184

Balance Sheet
As At June 30, 2012

	Note	2012	2011
		-------- Rupees in '000 -------	
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	1,746,827	1,820,663
Intangible assets	17	476	291
Investment in an Associate	18	655	836
Long-term loans and advances	19	6,674	5,702
Long-term deposits	20	7,112	7,234
		1,761,744	1,834,726
Current Assets			
Stores and spares	21	385,806	372,207
Stocks	22	1,881,404	2,280,412
Trade debts	23	949,821	848,001
Loans and advances	24	23,243	30,380
Deposits and prepayments	25	26,444	21,846
Other receivables	26	24,860	31,328
Taxation - net		271,170	223,878
Cash and bank balances	27	148,422	122,406
		3,711,170	3,930,458
Total Assets		5,472,914	5,765,184

The annexed notes 1 to 47 form an integral part of these financial statements.

Mohammad Shahid Hussain
Chief Executive

Mazhar Sharif
Director

Profit and Loss Account

For the year ended June 30, 2012

	Note	2012	2011
		-------- Rupees in '000 -------	
Sales - net	28	7,806,470	7,477,695
Cost of sales	29	(6,808,073)	(6,479,592)
Gross profit		998,397	998,103
Administrative expenses	30	(116,373)	(101,755)
Distribution cost	31	(230,711)	(198,931)
Other operating expenses	32	(71,455)	(49,394)
Other operating income	33	49,310	65,132
Profit from operations		629,168	713,155
Finance cost	34	(381,671)	(318,633)
		247,497	394,522
Share of (loss) / profit from an Associated Company		(181)	836
Profit before taxation		247,316	395,358
Taxation	35	(44,581)	(136,758)
Profit after taxation		202,735	258,600
Other comprehensive income		-	-
Total comprehensive income		202,735	258,600
		------------- Rupees -------------	
Earnings per share - basic and diluted	36	3.39	4.33

The annexed notes 1 to 47 form an integral part of these financial statements.

Mohammad Shahid Hussain
Chief Executive

Mazhar Sharif
Director

Cash Flow Statement

For the year ended June 30, 2012

	Note	2012	2011
		Rupees in '000	
Cash flows from operating activities			
Cash generated from operations	37	1,217,724	312,818
Staff retirement gratuity paid		(31,385)	(6,128)
Compensated absences paid		(2,446)	(1,491)
Long-term deposits from dealers		110	470
Finance cost paid		(389,421)	(319,886)
Taxes paid		(127,934)	(144,263)
Long-term loans and advances		(972)	(102)
Long-term deposits		122	-
Net cash generated from / (used in) operating activities		665,798	(158,582)
Cash flows from investing activities			
Fixed capital expenditure		(75,450)	(93,819)
Proceeds from disposal of operating fixed assets		496	1,835
Profit on bank deposits received		442	447
Net cash used in investing activities		(74,512)	(91,537)
Cash flows from financing activities			
Repayment of long term loans		(86,643)	(205,393)
Short-term and running finances - net		10,246	256,855
Dividend paid		(146,283)	(119,833)
Net cash used in financing activities		(222,680)	(68,371)
Net increase / (decrease) in cash and cash equivalents		368,606	(318,490)
Cash and cash equivalents - at beginning of the year		(1,399,496)	(1,081,006)
Cash and cash equivalents - at end of the year	38	(1,030,890)	(1,399,496)

The annexed notes 1 to 47 form an integral part of these financial statements.

Mohammad Shahid Hussain
Chief Executive

Mazhar Sharif
Director

Statement of Changes in Equity

For the year ended June 30, 2012

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	Rupees in '000		
Balance as at July 1, 2010	597,713	732,957	1,330,670
Transaction with owners			
Final dividend for the year ended June 30, 2010 at the rate of Rs.2.00 per share	-	(119,543)	(119,543)
Total comprehensive income for the year	-	258,600	258,600
Balance as at June 30, 2011	597,713	872,014	1,469,727
Transaction with owners			
Final dividend for the year ended June 30, 2011 at the rate of Rs.2.50 per share	-	(149,428)	(149,428)
Total comprehensive income for the year	-	202,735	202,735
Balance as at June 30, 2012	597,713	925,321	1,523,034

The annexed notes 1 to 47 form an integral part of these financial statements.

Mohammad Shahid Hussain
Chief Executive

Mazhar Sharif
Director

Notes to the Financial Statements

For the year ended June 30, 2012

1. LEGAL STATUS AND OPERATIONS

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

1.2 The Company, on July 1, 2011, has concluded a Royalty Technical Service Agreement with Continental Tire The Americas, LLC which became effective from July 1, 2010. Under this arrangement the Company shall be entitled to use the trademarks such as 'General', 'General Tire' and the logo big 'G' for a period of seven years from July 1, 2010 and shall pay royalty in U.S. Dollars equal to 2% of annual net sales provided that royalty shall not be more than U.S.$.3.00 million and not less than U.S.$.1.70 million in any calendar year.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as are notified by the provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ from the requirements of the approved accounting standards, the Ordinance and the said directives have been followed.

2.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupee has been rounded-off to the nearest thousand except stated otherwise.

2.3 Standards, amendments to approved accounting standards and interpretations that are effective in the current year

There are certain new standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011, but are considered not to be relevant or did not have any significant impact on the Company's financial statements and are, therefore, not detailed in these financial statements.

2.4 Standards, amendments to approved accounting standards and interpretations that are published and considered relevant but not yet effective

Following new standards and amendments to existing standards have been published that are mandatory for accounting periods beginning on the dates mentioned below.

(a) IFRS 9, 'Financial Instruments' (effective for the periods beginning on or after January 1, 2015). This is the first standard issued as part of a wider project to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets at (a) amortised cost and (b) fair value. The basis of classification depends on entity's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of IFRS 9, however, initial indications are that it may not significantly affect the Company's financial assets.

(b) IAS 1 (Amendments), 'Presentation of Financial Statements' (effective for the periods beginning on or after July 1, 2012). The main change resulting from these amendments is a requirement for the entities to group items presented in 'other comprehensive income' on the basis of whether they can be potentially reclassified to profit and loss subsequently (reclassification adjustments). Since, the Company currently does not have any items of other comprehensive income, the amendments are not expected to have a significant impact on the Company's financial statements.

(c) IAS 19 (Revised), 'Employee benefits' (effective for the periods beginning on or after January 1, 2013). It eliminates the 'corridor method' for recognising actuarial gains and losses and make it mandatory for all the actuarial gains and losses to be recognised immediately and replaces interest cost & expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The Company shall apply this from July 1, 2013 and its impact on unappropriated profit shall be Rs.2.255 million due to recognition of current unrecognised actuarial loss on its defined benefit plans.

2.5 Standards, amendments to approved accounting standards and interpretations that are not yet effective and are not considered relevant

There are other new accounting standards, amendments to approved accounting standards and interpretations that are mandatory for future years. However these are not expected to affect materially the financial statements of the Company for accounting periods on the dates prescribed therein.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for liabilities towards defined benefit plans which are carried at present value.

3.2 The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates / judgments and associated assumptions are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects the both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are:

- provision for staff retirement benefits (note 4.1 and 7.1.9);

- provision for taxation (note 4.2);

- residual values and useful lives of depreciable and intangible assets (note 4.4 & 4.5);

- net realizable values of stores & spares and stocks (note 4.8); and

- provisions (note 4.17 and 4.18).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits

4.1.1 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 valuations of both schemes are carried-out annually by an independent expert, using the 'Projected Unit Credit Method' with the latest valuation being carried-out as on June 30, 2012.

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 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.

4.1.2 Defined contribution plan

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

4.1.3 Employee compensated absences

The liability in respect of compensated absences of employees is accounted for in period in which these are earned in terms of basic salary upto the reporting date. The provision is recognised on the basis of an actuarial valuation, which was conducted as at June 30, 2012.

4.2 Taxation

Current and prior year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantially enacted by the reporting date and is based on current rates of taxation being applied on the taxable income for the year, after taking into account, tax credits and rebates available. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognised for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the reporting date.

4.3 Trade and other payables

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

4.4 Property, plant and equipment

4.4.1 Operating fixed assets and depreciation thereon

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

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

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

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 16.1.

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

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

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

Gain or loss on disposal of operating fixed assets is recognised in the profit and loss account.

4.4.2 Capital work-in-progress

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

4.5 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 17.

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

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

4.6 Investment in an Associate

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are Associates and are accounted for by using equity method of accounting.

This investment is initially recognised at cost, thereafter the carrying amount is increased or decreased to recognise the Company's share of profit or loss of an Associate. Share of post acquisition profit and loss of an Associate is accounted for in the Company's profit and loss account. Distribution received from investee reduces the carrying amount of investment. The changes in Associate's equity which are not to be recognised in the Associate's profit and loss account, are recognised directly in the equity of the Company.

4.7 Stores and spares

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

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

4.8 Stocks

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

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

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

Claim tyre are valued at their estimated net realisable value.

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

4.9 Trade debts

Trade debts are initially recognised at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts. Carrying amounts of trade and other receivables are assessed at each reporting date and a provision is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written-off.

4.10 Cash and cash equivalents

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

4.11 Revenue recognition

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

- Sales are recorded on despatch of goods to customers; and

- Interest income is accrued on the time proportion basis by reference to the principal outstanding and applicable rate of return.

4.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are added to the cost of that asset until such time the asset is substantially ready for its intended use.

A qualifying asset is a non current asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

4.13 Foreign currency transactions and translations

Transactions in foreign currencies are translated into Pak Rupee using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the exchange rates prevailing at the reporting date. Exchange gains and losses are taken to profit and loss account.

4.14 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.

4.15 Derivative financial instruments

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

4.16 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

4.17 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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.

4.18 Warranty - tyre replacement allowance

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

4.19 Dividend and appropriation to reserves

Dividend and other appropriations to reserves are recognised in the period in which they are approved.

4.20 Earnings per share

The Company present basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit after taxation attributable to ordinary shareholders of the Company by weighted average numbers of ordinary shares outstanding during the period.

4.21 Segment Reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standards, is presented in note 41 to these financial statements.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
--- Number of shares ---			-------- Rupees in '000 --------	
7,133,320	7,133,320	Ordinary shares of Rs.10 each fully paid in cash	71,333	71,333
186,680	186,680	Ordinary shares of Rs.10 each issued for consideration other than cash	1,867	1,867
52,451,250	52,451,250	Ordinary shares of Rs.10 each issued as fully paid bonus shares	524,513	524,513
59,771,250	59,771,250		597,713	597,713

5.1 Ordinary shares held by the related parties at the reporting date are as follows:

	2012	2011
	-- Number of shares --	
Bibojee Services (Private) Limited	16,608,712	16,608,712
Pakistan Kuwait Investment Co. (Private) Limited	16,774,292	16,774,292
Continental Global Holding Netherlands B.V.	5,844,300	5,844,300
	39,227,304	39,227,304

		Note	2012	2011
			-------- Rupees in '000 --------	
6.	LONG-TERM FINANCE - Secured			
	Term finance	6.1	86,643	173,286
	Less: current maturity grouped under current liabilities		86,643	86,643
			-	86,643

6.1 This represents a finance facility of Rs.500 million arranged from National Bank of Pakistan for planned expansion of the Company. The principal amount drawn down is repayable in eight half yearly instalments commenced from eighteen months from date of disbursement (i.e. January 8, 2008). This finance facility carries mark-up at the rate of six months KIBOR plus 1.30% per annum and is secured by way of first charge on the specific fixed assets of the Company.

The instalments of interest amounting Rs.12.846 million and Rs.11.827 million which were due on July 08, 2011 and January 08, 2012 were paid on October 26, 2011 and March 02, 2012 respectively i.e. 110 and 53 days after the due date.

The instalment of principal amounting Rs.43.321 million, due on July 08, 2011, was paid on October 20, 2011 and October 26, 2011 i.e. 104 and 110 days after the due date. The instalment of principal amounting Rs.43.321 million, due on January 08, 2011, was paid on January 30, 2012 i.e. 22 days after the due date.

		Note	2012	2011
			-------- Rupees in '000 --------	
7.	STAFF BENEFITS			
	Staff retirement gratuity	7.1	154,979	136,440
	Employee compensated absences	7.2	24,329	21,586
			179,308	158,026

7.1 The Company's obligation as per the latest actuarial valuation and other related details in respect of defined benefit gratuity plans are as follows:

		Funded		Unfunded		Total	
		2012	2011	2012	2011	2012	2011
		Rupees in '000					
7.1.1	**Reconciliation of obligation as at year end**						
	Present value of defined benefit obligation	87,013	66,811	149,207	139,269	236,220	206,080
	Fair value of plan assets	(75,015)	(57,052)	-	-	(75,015)	(57,052)
	Unrecognized actuarial (gain) / loss	(408)	8,817	2,663	4,637	2,255	13,454
	Liability at end of the year	11,590	18,576	151,870	143,906	163,460	162,482
	Less: payable within next twelve months	602	18,576	7,879	7,466	8,481	26,042
		10,988	-	143,991	136,440	154,979	136,440
7.1.2	**Movement in liability**						
	Balance at beginning of the year	18,576	7,463	143,906	130,587	162,482	138,050
	Charge for the year (note 7.1.7)	10,933	12,663	21,430	17,897	32,363	30,560
	Benefits paid during the year	(2,919)	-	(13,466)	(4,578)	(16,385)	(4,578)
	Contributions made during the year	(15,000)	(1,550)	-	-	(15,000)	(1,550)
	Balance at end of the year	11,590	18,576	151,870	143,906	163,460	162,482
7.1.3	**Movement in the present value of defined benefit obligation**						
	Balance at beginning of the year	66,811	56,716	139,269	132,511	206,080	189,227
	Current service cost	4,777	3,591	6,998	7,314	11,775	10,905
	Interest cost	9,402	7,665	18,285	18,231	27,687	25,896
	Benefits paid during the year	(234)	(3,926)	(13,466)	(4,578)	(13,700)	(8,504)
	Benefits paid on behalf on the fund	(2,919)	-	-	-	(2,919)	-
	Actuarial loss / (gain)	5,323	(4,727)	1,974	(6,561)	7,297	(11,288)
	Transferred to managerial cadre	3,853	7,492	(3,853)	(7,648)	-	(156)
	Balance at end of the year	87,013	66,811	149,207	139,269	236,220	206,080
7.1.4	**Movement in the fair value of plan assets**						
	Balance at beginning of the year	57,052	51,895	-	-	57,052	51,895
	Expected return on plan assets	6,832	6,085	-	-	6,832	6,085
	Contributions made during the year	15,000	1,550	-	-	15,000	1,550
	Benefits paid during the year	(234)	(3,926)	-	-	(234)	(3,926)
	Actuarial (loss) / gain	(3,635)	1,448	-	-	(3,635)	1,448
	Balance at end of the year	75,015	57,052	-	-	75,015	57,052
7.1.5	**Plan assets**						
	Debt instruments	70,462	32,541	-	-	70,462	32,541
	Equity instruments	-	15,000	-	-	-	15,000
	Mutual funds	4,073	8,905	-	-	4,073	8,905
	Others	480	606	-	-	480	606
		75,015	57,052	-	-	75,015	57,052

	2012	2011	2010	2009	2008
	Rupees in '000				
7.1.6 Comparison of historical information of five years					
Present value of defined benefit obligation	236,220	206,080	189,227	169,918	155,533
Fair value of plan assets	75,015	57,052	51,895	50,718	52,867
Deficit	161,205	149,028	137,332	119,200	102,666
Experience adjustment on obligation loss / (gain)	7,297	(11,288)	2,692	6,856	(16,056)
Experience adjustment on plan assets (loss) / gain	(3,635)	1,448	(779)	(1,851)	(10,253)

	Funded		Unfunded		Total	
	2012	2011	2012	2011	2012	2011
	Rupees in '000					
7.1.7 Charge / (income) for the year						
Current service cost	4,777	3,591	6,998	7,314	11,775	10,905
Interest cost	9,402	7,665	18,285	18,231	27,687	25,896
Expected return on plan assets	(6,832)	(6,085)	-	-	(6,832)	(6,085)
Actuarial gain recognised	(267)	-	-	-	(267)	-
Transferred to managerial cadre	3,853	7,492	(3,853)	(7,648)	-	(156)
	10,933	12,663	21,430	17,897	32,363	30,560
7.1.8 Actual return on plan assets	3,198	7,533	-	-	3,198	7,533
7.1.9 Principal actuarial assumptions used in valuation						
Discount rate (per annum)	12.50%	14.00%	12.50%	14.00%		
Future salary increase (per annum)	11.50%	13.00%	11.50%	13.00%		
Return on plan assets (per annum)	12.00%	12.00%	-	-		
Retirement age (years)	60	60	60	60		

7.1.10 The expected contribution to the funded and unfunded gratuity schemes for the year ending June 30, 2013 works out to Rs.5.673 million and Rs.25.970 million respectively.

	Note	2012	2011
		Rupees in '000	
7.2 Employee compensated absences			
Balance as at June 30,	7.2.1	25,660	22,767
Less: payable within next twelve months		1,331	1,181
		24,329	21,586

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

	2012	2011
Balance at beginning of the year	22,767	21,076
Add: Provision for the year	5,339	3,182
	28,106	24,258
Less: Payments made during the year	2,446	1,491
Balance at end of the year	25,660	22,767

	2012	2011
	-------- Rupees in '000 --------	
8. DEFERRED TAXATION - Net		
This is composed of the following:		
Taxable difference arising in respect of accelerated tax depreciation allowance	390,683	398,868
Deductible differences arising in respect of:		
Provision for staff retirement gratuity	(57,211)	(56,871)
Interest payable on custom duties	(10,477)	(10,477)
Provisions for tyre replacement allowance and incentive to dealers	(25,188)	(26,496)
Provision for doubtful debts	(4,007)	(3,414)
Provision for doubtful custom duty rebates recoverable	(31,397)	(31,397)
Minimum tax recoverable against normal tax charge In future years	(76,770)	(48,519)
Others	(1,334)	(1,334)
	184,299	220,360

9. LONG-TERM DEPOSITS FROM DEALERS

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

	2012	2011
	-------- Rupees in '000 --------	
10. SHORT-TERM FINANCES - Secured		
Balance as at June 30,	720,145	709,899

10.1 Short-term finance facilities available from various commercial banks aggregate to Rs.1,400 million (2011: Rs.1,000 million). These finance facilities carry mark-up at the rates ranging from 13.03% to 15.56% (2011:14.00% to 15.56%) per annum and are secured against pari passu charge over fixed assets, stocks and trade debts of the Company. These facilities are expiring on various dates upto December, 2012.

10.2 The year-end balance includes Rs.118.148 million (2011: Rs.117.031 million) payable to Meezan Bank Limited - an Associated Company.

	2012	2011
11. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured	-------- Rupees in '000 --------	
Balance as at June 30,	1,179,312	1,521,902

11.1 The Company has arranged short-term running finance facilities from various banks on mark-up basis to the extent of Rs.2,330 million (2011: Rs.1,525 million). The rates of mark-up on these arrangements range from 12.90% to 15.54% (2011: 13.50% to 15.52%) per annum. These finance facilities are secured against pari passu charge over fixed assets, stocks and trade debts of the Company and are expiring on various dates upto May, 2013.

11.2 The facilities for opening letters of credit and guarantee as at June 30, 2012 aggregate to Rs.3,350 million (2011: Rs.2,540 million) of which the amount remained unutilised at the year-end was Rs.1,382 million (2011: Rs.1,493 million).

11.3 The year-end balance includes Rs.196.329 million (2011: Rs.Nil) payable to Bank Alfalah Limited - an Associated Company.

11.4 The maximum available aggregate limit for utilisation of facilities for short-term finances (note 10.1) and running finance facilities (note 11.1) is Rs 3,730 million (2011: Rs 2,525 million).

	Note	2012	2011
		-------- Rupees in '000 --------	
12. TRADE AND OTHER PAYABLES			
Trade creditors		53,706	120,750
Bills payable		932,287	721,171
Accrued expenses	12.1	332,246	323,285
Advances from customers		11,061	10,956
Staff provident fund payable		3,359	2,742
Staff retirement gratuity	7.1.1	8,481	26,042
Short-term deposits		3,726	3,883
Workers' welfare fund		12,410	8,282
Workers' (profit) participation fund	12.2	13,334	21,244
Sales tax payable		19,955	60,588
Payable to Waqf-e-Kuli Khan		5,068	6,465
Retention money		3,387	381
Dividend payable		7,128	3,983
Interest payable on custom duties	12.3	29,933	29,933
Others		9,331	6,140
		1,445,412	1,345,845

12.1 Accrued expenses includes the following amounts due to related parties:

	2012	2011
Bibojee Services (Pvt.) Ltd.	-	273
Continental Reifen Deutschland GmbH	36,641	38,830
Continental Tire The Americas, LLC	148,049	143,090
Pak Kuwait Takaful Co. Ltd.	-	69
Universal Insurance Co. Ltd.	24	460
Wackenhut Pakistan (Pvt.) Ltd.	27	23
Key management personnel	15,689	8,323
	200,430	191,068

	Note	2012	2011
		-------- Rupees in '000 --------	
12.2 Workers' (profit) participation fund			
Balance at the beginning of the year		21,244	21,972
Interest on funds utilised in the Company's business	34	1,833	1,100
		23,077	23,072
Less: Payments made during the year		23,077	23,072
		-	-
Add: Allocation for the year	32	13,334	21,244
Balance at the end of the year		13,334	21,244

12.3 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 Appraisement 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 had 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 had further made a partial payment amounting to Rs.20 million in respect of FBR's demand.

During the preceding year the FBR had adjusted an amount of Rs.4.403 million against outstanding interest and customs duties resulting in the reduction of liability towards FBR from Rs.34.336 million to Rs.29.933 million.

12.4 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 12.3 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 12.3 above, and is accordingly included in the current account balances with statutory authorities (note 25) as a receivable.

	Note	2012	2011
		-------- Rupees in '000 --------	
13. ACCRUED MARK-UP			
Mark-up accrued on:			
- long-term finance		5,843	12,350
- short-term finances	13.1	16,517	15,600
- running finances	13.2	51,216	53,376
		73,576	81,326

13.1 Includes mark-up amounting Rs.4.920 million (2011: Rs.4.739 million) due to Meezan Bank Ltd. - an Associated Company.

13.2 Includes mark-up amounting Rs.4.695 million (2011: Rs.Nil) due to Bank Alfalah Limited - an Associated Company.

	Note	2012	2011
		-------- Rupees in '000 --------	
14. PROVISIONS			
Tyre replacement allowance	14.1	42,600	47,525
Incentive to dealers	14.2	29,365	28,178
		71,965	75,703

14.1 Provision for tyre replacement allowance

	Note	2012	2011
Balance at beginning of the year		47,525	43,048
Add: Charge during the year	29.1	20,933	28,698
		68,458	71,746
Less: Claims adjusted during the year		25,858	24,221
Balance at end of the year		42,600	47,525

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

		Note	2012	2011
			-------- Rupees in '000 --------	
14.2	Provision for incentive to dealers			
	Balance at beginning of the year		28,178	10,756
	Add: Charge during the year	28	46,554	54,515
			74,732	65,271
	Less: Incentives paid during the year		45,367	37,093
	Balance at end of the year		29,365	28,178

14.2.1 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.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 The Central Excise and Taxation Department had issued a demand notice for payment of sales tax of Rs.16.775 million. This represents sales tax levied on agricultural tyres supplied to approved assembly plants which were otherwise exempt under SRO.553(I)/94 dated June 9, 1994 as amended vide SRO.555(I)/94 dated June 9, 1994 during the period 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 of Sales Tax (East), Karachi for grant of exemption from sales tax in terms of section 65 of the Sales Tax Act, 1990. However, the 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 of Sales Tax and Central Excise (East), Karachi had adjusted refund claims filed by the Company aggregating Rs.12.823 million against the aforementioned demand notice 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 26).

15.1.2 During the year ended June 30, 2010, the Company's records were inspected by an officer of the Board of Revenue, Government of Sindh and as a result thereof, the Inspector of Stamps has (i) claimed an amount of Rs.6.549 million on account of non payment of stamp duty on various documents; (ii) asked to handover the aforementioned documents; and (iii) asked to depute an authorised officer or advocate to appear before the Chief Inspector of Stamps for a hearing on the aforementioned matters, through a notice dated October 21, 2009. The Company has filed an appeal before the Chief Inspector of Stamps, Board of Revenue on April 7, 2010, that since a true and correct interpretation of various provisions of the Stamp Act, 1899 is involved in the matter, the Chief Revenue Authority may make a reference to the Honourable High Court of Sindh, Karachi, for adjudication thereon, and further, as similar cases are pending before the Supreme Court of Pakistan, therefore this matter be considered according to their final decision, when made. 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.

15.1.3 Certain other claims have been filed against the Company in respect of employees' matters for an aggregate amount of approximately Rs.3.890 million (2011: Rs.3.500 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.

		Note	2012	2011
			-------- Rupees in '000 --------	
15.1.4	Guarantees issued by a bank on behalf of the Company		115,978	78,228
15.1.5	Post dated cheques issued to the Collector of Customs against duty on imported plant & machinery, raw materials and stores & spares		26,671	42,089
15.2	Commitments			
15.2.1	Commitments in respect of :			
	- letters of credit for capital expenditure		280,179	16,624
	- letters of credit for purchase of raw materials and stores & spares		1,572,085	1,046,648
	- purchase orders issued to local suppliers for capital expenditure		22,561	19,830
	- sales contracts entered into by the Company		38,558	-
	- tentative schedules for supply of tyres		1,456,553	1,233,712
	- indemnity bond	15.1.1	16,775	16,775

16. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
Operating fixed assets	16.1	1,688,852	1,792,831
Capital work-in-progress	16.4	57,975	27,832
		1,746,827	1,820,663

16.1 Operating fixed assets

	Leasehold land	Building on leasehold land	Electrical installation	Plant & machinery	Boilers & accessories	Laboratory equipment	Moulds	Vehicles	Furniture & fixtures	Office equipment	Computer equipment	Total
	Rupees in '000											
At July 1, 2010												
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
Year ended June 30, 2011												
Opening 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
Additions	-	1,375	1,766	91,806	-	-	7,985	19,252	2,093	6,930	10,197	141,404
Disposals												
- cost	-	-	-	-	-	-	451	6,224	-	1,023	460	8,158
- accumulated depreciation	-	-	-	-	-	-	(451)	(5,441)	-	(1,023)	(427)	(7,342)
	-	-	-	-	-	-	-	783	-	-	33	816
Depreciation for the year	-	13,372	4,464	97,482	4,403	1,418	11,338	9,200	732	5,645	1,093	149,147
Closing net book value	555	182,513	28,403	1,431,336	16,405	1,932	65,175	28,696	4,736	21,581	11,499	1,792,831
As at June 30, 2011												
Cost	555	326,409	89,637	2,676,806	54,377	31,334	177,607	91,496	12,138	71,053	46,227	3,577,639
Accumulated depreciation	-	143,896	61,234	1,244,779	37,972	29,402	112,069	62,800	7,402	49,472	34,728	1,783,754
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	1,054
Net book value	555	182,513	28,403	1,431,336	16,405	1,932	65,175	28,696	4,736	21,581	11,499	1,792,831
Year ended June 30, 2012												
Opening net book value	555	182,513	28,403	1,431,336	16,405	1,932	65,175	28,696	4,736	21,581	11,499	1,792,831
Additions	-	3,190	152	17,555	3,788	68	4,778	4,575	4,192	3,586	2,768	44,652
Written-off												
- cost	-	-	-	19,503	1,594	998	14,482	-	-	-	-	36,577
- accumulated depreciation	-	-	-	(19,465)	(1,594)	(998)	(14,482)	-	-	-	-	(36,539)
	-	-	-	38	-	-	-	-	-	-	-	38
Disposals												
- cost	-	-	-	186	-	-	-	165	-	170	-	521
- accumulated depreciation	-	-	-	(186)	-	-	-	(165)	-	(170)	-	(521)
	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	13,483	4,589	93,428	4,624	740	12,031	9,504	994	5,695	3,505	148,593
Closing net book value	555	172,220	23,966	1,355,425	15,569	1,260	57,922	23,767	7,934	19,472	10,762	1,688,852
As at June 30, 2012												
Cost	555	329,599	89,789	2,674,672	56,571	30,404	167,903	95,906	16,330	74,469	48,995	3,585,193
Accumulated depreciation	-	157,379	65,823	1,318,556	41,002	29,144	109,618	72,139	8,396	54,997	38,233	1,895,287
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	1,054
Net book value	555	172,220	23,966	1,355,425	15,569	1,260	57,922	23,767	7,934	19,472	10,762	1,688,852
Depreciation rate (%)	-	5	10	5	10	15	10	20	10	15	25	

16.2 Depreciation for the year has been allocated as follows:

	Note	2012	2011
		-------- Rupees in '000 --------	
Cost of goods manufactured	29.1	140,473	140,417
Administrative expenses	30	4,819	5,009
Distribution cost	31	3,301	3,721
		148,593	149,147

16.3 No operating fixed assets having net book value of Rs 50,000 or more were disposed-off during the year.

		Note	2012	2011
			-------- Rupees in '000 --------	
16.4	Capital work-in-progress			
	Buildings		31,701	28,095
	Electrical installation		1,747	1,279
	Plant and machinery		1,009	696
	Vehicles		20,971	-
	Furniture & fixtures		57	-
	Office equipment		4,715	-
	Computer equipment		50	37
		16.4.1	60,250	30,107
	Less: provision for a doubtful advance		2,275	2,275
			57,975	27,832

16.4.1 Capital work-in-progress includes Rs.40.224 million (2011: Rs.11.022 million) representing advance payments made to suppliers for procurement of operating fixed assets.

		Note	2012	2011
			-------- Rupees in '000 --------	
17.	INTANGIBLE ASSETS			
	These represent computer softwares.			
	Cost			
	As at July 1,		3,730	3,380
	Additions		360	350
	As at June 30,		4,090	3,730
	Accumulated amortisation			
	As at July 1,		3,439	3,359
	Amortisation for the year		175	80
	As at June 30,		3,614	3,439
	Net book value		476	291
	Amortisation rate (%)		33.33	33.33
17.1	Amortisation for the year has been allocated as follows:			
	Cost of goods manufactured	29.1	87	40
	Administrative expenses	30	53	24
	Distribution cost	31	35	16
			175	80

	2012	2011
	-------- Rupees in '000 --------	

18. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted

	2012	2011
Ghandhara Industries Limited - Equity basis		
100,700 (2011: 100,700) ordinary shares of Rs.10 each - cost	2,447	2,447
Share of post acquisition (loss) / profit	(13)	242
	2,434	2,689
Less: dividends received to date	335	335
	2,099	2,354
Less: impairment allowance	1,444	1,518
	655	836

18.1 The Company's holding in the investee company's shares as at June 30, 2012 was 0.473% (2011: 0.473%). The investee company is an Associate of the Company by virtue of common directorship.

18.2 Key information about an Associate

The following information is from unaudited financial statements of the investee company for the nine months period ended March 31, 2012.

	As at March 31, 2012	As at March 31, 2011
	-------- Rupees in '000 --------	
Assets	4,218,271	3,005,475
Liabilities	2,605,371	1,307,849
Accumulated (loss) / profit	(51,983)	27,180

	Nine months period ended	
	March 31, 2012	March 31, 2011
(Loss) / profit before taxation	(84,011)	10,813
(Loss) / profit after taxation	(53,905)	13,410

18.3 The market value of the investment as at June 30, 2012 was Rs.0.655 million (2011: Rs.0.836 million).

	Note	2012	2011
		-------- Rupees in '000 --------	
19. LONG-TERM LOANS AND ADVANCES			
- Considered good			
Due from:			
- executives	19.1 & 19.2	1,471	1,132
- other employees		9,742	10,037
	19.4	11,213	11,169
Less: recoverable within one year and grouped under current assets		4,539	5,467
		6,674	5,702

19.1 Reconciliation of carrying amount of loans to executives

	2012	2011
Balance at the beginning of the year	1,132	1,248
Add: Disbursements	1,300	800
Less: Repayments	961	916
Balance at the end of the year	1,471	1,132

19.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs.1.551 million (2011: Rs.2.038 million).

19.3 Advances to executives include an amount of Rs.0.444 million (2011 Rs.0.111 million) provided to the Chief Executive Officer of the Company as furniture advance in accordance with his terms of employment.

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

20. LONG-TERM DEPOSITS

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

	Note	2012	2011
		-------- Rupees in '000 --------	
21. STORES AND SPARES			
In hand		382,478	369,000
In transit		3,328	3,207
		385,806	372,207

		Note	2012	2011
			-------- Rupees in '000 --------	
22.	STOCKS			
	Raw materials			
	- in hand		861,704	927,276
	- in bonded warehouse		-	50,452
	- in transit		349,896	393,171
	- with third parties		1,126	396
			1,212,726	1,371,295
	Work-in-process		176,008	156,314
	Finished goods including in-transit valuing Rs.11.886 million (2011: Rs.Nil)	22.1	492,670	752,803
			1,881,404	2,280,412

22.1 Finished goods include items costing Rs.142.926 million (2011: Rs.64.834 million) are stated at their net realisable values aggregating Rs.132.078 million (2011: Rs.55.482 million). The aggregate amount charged to profit and loss account in respect of stocks written down to their net realisable values is Rs.10.848 million (2011: Rs.9.352 million).

22.2 Stocks and trade debts upto a maximum amount of Rs.3,237 million (2011: Rs.3,360 million) are under hypothecation as security for short term and running finance facilities (Note 10 and 11).

		Note	2012	2011
23.	TRADE DEBTS - Unsecured		-------- Rupees in '000 --------	
	Considered good:			
	- from related parties	23.1	21,491	30,483
	- others		928,330	817,518
			949,821	848,001
	Considered doubtful - others		11,451	9,755
			961,272	857,756
	Less: Provision for doubtful trade debts	23.2	11,451	9,755
			949,821	848,001

23.1 Trade debts includes following amounts due from Associated Companies

	2012	2011
Ghandhara Industries Limited	12,291	19,985
Ghandhara Nissan Limited	7,623	10,498
Bibojee Services (Private) Limited	1,577	-
	21,491	30,483

		Note	2012	2011
			-------- Rupees in '000 --------	
23.2	Provision for doubtful trade debts			
	Balance at beginning of the year		9,755	9,388
	Add: Charge for the year	30	1,696	367
	Balance at end of the year		11,451	9,755
24.	LOANS AND ADVANCES - Considered good			
	Loans due from:			
	- executives		883	1,021
	- other employees		7,054	7,431
			7,937	8,452
	Advances due from:			
	- executives		177	93
	- other employees		2,177	3,631
	- others		12,952	18,204
			15,306	21,928
			23,243	30,380
25.	DEPOSITS AND PREPAYMENTS			
	Short-term prepayments		6,238	3,843
	Current account balances with statutory authorities	12.4	14,976	15,133
	Short-term deposits		5,230	2,870
			26,444	21,846
26.	OTHER RECEIVABLES			
	Export benefit receivable (duty drawback)		648	658
	Sales tax refundable		17,775	17,775
	Custom duty rebates recoverable	26.1	89,705	89,705
	Less: Provision for custom duty rebates recoverable		89,705	89,705
			-	-
	Others	26.2	7,974	14,432
	Less: Provision for a doubtful receivable		1,537	1,537
			6,437	12,895
			24,860	31,328

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

26.2 Includes Rs.2.052 million receivable from Continental Reifen Deutschland GmbH on account of product liability insurance premium.

		Note	2012	2011
			-------- Rupees in '000 --------	
27.	CASH AND BANK BALANCES			
	Balances with banks on:			
	- current accounts	27.1	78,626	100,490
	- deposit accounts	27.2 & 27.3	5,012	4,640
	Remittances-in-transit		12,162	6,811
	Cash and cheques in-hand		52,622	10,465
			148,422	122,406

27.1 These include an amount of Rs.1.098 million (2011: Rs.0.794 million) which is held with Meezan Bank Limited - an Associated Company.

27.2 These carry mark-up at the rate of 6% (2011: at the rates ranged from 4.25% to 4.75%) per annum.

27.3 Balances in deposit accounts include a separate account for deposits from dealers aggregating Rs.5.012 million (2011: Rs.4.387 million).

		Note	2012	2011
			-------- Rupees in '000 --------	
28.	SALES - Net			
	Own manufactured			
	- local		8,857,031	8,594,102
	- export		121,493	126,515
	Trading goods - local		152,619	204,328
			9,131,143	8,924,945
	Less:			
	- sales tax		1,239,816	1,261,683
	- special excise duty		44	108,307
	- discounts		38,259	22,745
	- incentives to dealers	14.2	46,554	54,515
			1,324,673	1,447,250
			7,806,470	7,477,695
29.	COST OF SALES			
	Finished goods at beginning of the year		752,803	308,352
	Cost of goods manufactured	29.1	6,247,680	6,659,340
	Finished goods purchased		114,269	107,420
	Royalty technical service fee	29.2	185,991	157,283
			6,547,940	6,924,043
.	Finished goods at end of the year		(492,670)	(752,803)
			6,808,073	6,479,592

29.1 Cost of goods manufactured

	Note	2012	2011
		-------- Rupees in '000 --------	
Opening stock of work-in-process		156,314	108,882
Raw materials consumed	29.3	4,738,094	5,186,319
Stores and spares consumed		206,689	220,009
Salaries, wages and benefits	29.4	676,907	637,058
Travelling, conveyance and vehicles maintenance		20,550	17,340
Legal and professional charges		1,643	1,775
Power and fuel		363,481	372,638
Rent, rates and taxes		2,875	2,794
Insurance		15,517	13,411
Repairs and maintenance		34,668	31,980
Tyre replacement allowance	14.1	20,933	28,698
Depreciation	16.2	140,473	140,417
Amortisation	17.1	87	40
Printing and stationery		3,552	3,071
Postage and telephone		1,909	2,103
Freight and insurance		35,786	45,416
Other manufacturing expenses		4,210	3,703
		6,423,688	6,815,654
Work-in-process at end of the year		(176,008)	(156,314)
Cost of goods manufactured		6,247,680	6,659,340

29.2 The royalty technical service fee include federal excise duty amounting Rs.16.908 million (2011: Rs.14.298 million).

29.3 Raw materials consumed

	2012	2011
	-------- Rupees in '000 --------	
Stock at beginning of the year	1,371,295	954,916
Purchases	4,592,172	5,620,251
	5,963,467	6,575,167
Less:		
Indirect materials consumed	12,647	17,553
Stock at end of the year	1,212,726	1,371,295
	1,225,373	1,388,848
	4,738,094	5,186,319

29.4 Salaries and benefits include Rs.23.092 million (2011: Rs.22.207 million) and Rs.9.847 million (2011:Rs.8.714 million) in respect of staff retirement gratuity and staff provident fund respectively.

30. ADMINISTRATIVE EXPENSES

	Note	2012	2011
		-------- Rupees in '000 --------	
Salaries and benefits	30.1	87,220	79,294
Travelling and conveyance		7,812	5,769
Legal and professional charges		3,325	2,368
Auditors’ remuneration	30.2	1,871	1,618
Rent, rates and taxes		1,308	512
Provision for doubtful debts	23.2	1,696	367
Insurance		552	214
Repairs and maintenance		404	402
Depreciation	16.2	4,819	5,009
Amortisation	17.1	53	24
Printing and stationery		666	688
Postage and telephone		697	779
Entertainment		260	421
Computer expenses		2,976	2,832
Directors’ fee		1,595	840
Other expenses		1,119	618
		116,373	101,755

30.1 Salaries and benefits include Rs.5.317 million (2011: Rs.4.159 million) and Rs.2.727 million (2011: Rs.2.870 million) in respect of staff retirement gratuity and staff provident fund respectively.

30.2 Auditors’ remuneration

	2012	2011
	-------- Rupees in '000 --------	
Annual audit	1,500	1,200
Audit of provident fund	41	41
Special certification	35	110
Out-of-pocket expenses	295	267
	1,871	1,618

	Note	2012	2011
		-------- Rupees in '000 --------	
31. DISTRIBUTION COST			
Salaries and benefits	31.1	71,396	63,357
Travelling, conveyance and entertainment		11,561	8,845
Vehicle running and maintenance		5,991	5,616
Legal and professional charges		227	16
Sales promotion		10,124	7,290
Advertising		38,452	5,047
Rent, rates and taxes		10,881	9,592
Insurance		339	343
Repairs and maintenance		1,636	1,814
Depreciation	16.2	3,301	3,721
Amortisation	17.1	35	16
Printing and stationery		473	820
Postage and telephone		2,227	1,653
Freight and insurance		70,812	86,456
Gas and electricity		1,383	1,204
Others		1,873	3,141
		230,711	198,931

31.1 Salaries and benefits include Rs.3.954 million (2011: Rs.4.350 million) and Rs.1.764 million (2011: Rs.1.650 million) in respect of staff retirement gratuity and staff provident fund respectively.

	Note	2012	2011
		-------- Rupees in '000 --------	
32. OTHER OPERATING EXPENSES			
Workers' (profit) participation fund	12.2	13,334	21,244
Workers' welfare fund		6,034	8,282
Exchange loss - net		45,486	12,478
Operating fixed assets written-off	16.1	38	-
Balances written-off		295	-
Donation	32.1	6,268	7,390
		71,455	49,394

32.1 Donation of Rs.5.068 million (2011: Rs.6.465 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gardee Trust Building, Napier Road, Lahore (the Trust). Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Chairman of the Company, Mr. Ahmed Kuli Khan Khattak and Mr. Raza Kuli Khan Khattak, Directors of the Company, are trustees of the Trust.

	Note	2012	2011
		-------- Rupees in '000 --------	

33. OTHER OPERATING INCOME

	Note	2012	2011
Income from financial assets			
Profit on bank deposits		442	447
Income from other than financial assets			
Sale of scrap		46,609	58,768
Gain on disposal of operating fixed assets		496	1,019
Claims of custom duty		-	4,403
Balances written-back		1,240	-
Others		523	495
		49,310	65,132

34. FINANCE COST

	Note	2012	2011
Interest on workers' (profit) participation fund	12.2	1,833	1,100
Mark-up on:			
- long-term finance		18,167	38,545
- short-term finances		124,367	77,494
- running finances		232,409	195,298
Bank charges and guarantees commission		4,895	6,196
		381,671	318,633

35. TAXATION

	Note	2012	2011
Current		80,642	79,091
Deferred		(36,061)	57,667
		44,581	136,758

35.1 Relationship between income tax expense and accounting profit

	2012 Rupees in '000
Profit before taxation	247,316
Tax at the applicable income tax rate of 35%	86,561
Tax effect of expenses, which are not deductible for tax purposes and are taken to profit and loss account	130,076
Tax effect of expenses, which are deductible for tax purposes but are not taken to profit and loss account	(113,238)
Tax effect of loss of profit from Associated Company	63
Tax effect of minimum tax paid under section 113 of the Ordinance in prior years	(23,790)
Tax effect of income subject to final tax regime	970
Deferred taxation	(36,061)
	44,581

35.2 No numeric tax rate reconciliation for the preceding year is given in these financial statements as provision made during the preceding year mainly represents minimum tax payable under section 113 and final tax deducted under section 154 of the Income Tax Ordinance, 2001.

	2012	2011
	-------- Rupees in '000 --------	
36. EARNINGS PER SHARE		
Profit for the year after taxation	202,735	258,600
	-------Number of shares ------	
Number of ordinary shares	59,771,250	59,771,250
	------------- Rupees -------------	
Basic earnings per share	3.39	4.33

36.1 There is no dilutive effect on the basic earnings per share of the Company.

	Note	2012	2011
		-------- Rupees in '000 --------	
37. CASH GENERATED FROM OPERATIONS			
Profit before taxation		247,316	395,358
Adjustments for non-cash charges and other items:			
Depreciation		148,593	149,147
Amortisation		175	80
Staff retirement gratuity		32,363	30,560
Charge of employee compensated absences		5,339	3,182
Provision for doubtful debts		1,696	367
Gain on disposal of operating fixed assets		(496)	(1,019)
Operating fixed assets written-off		38	-
Profit on bank deposits		(442)	(447)
Balances written-off		295	-
Balances written-back		(1,240)	-
Finance cost		381,671	318,633
Share of loss / (profit) from an Associated Company		181	(836)
Unrealized exchange loss - net		23,671	5,767
Working capital changes	37.1	378,564	(587,974)
		970,408	(82,540)
		1,217,724	312,818

		2012	2011
		-------- Rupees in '000 --------	
37.1	**Working capital changes**		
	(Increase) / decrease in current assets		
	Stores and spares	(13,599)	(15,959)
	Stocks	399,008	(908,262)
	Trade debts	(103,516)	8,209
	Loans and advances	7,137	(9,726)
	Deposits and prepayments	(4,598)	12,014
	Other receivables	6,468	(5,977)
		290,900	(919,701)
	Increase / (decrease) in current liabilities		
	Trade and other payables	91,402	309,828
	Provisions	(3,738)	21,899
		87,664	331,727
		378,564	(587,974)

38. CASH AND CASH EQUIVALENTS

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

	Note	2012	2011
		-------- Rupees in '000 --------	
Running finances under mark-up arrangements	11	(1,179,312)	(1,521,902)
Cash and bank balances	27	148,422	122,406
		(1,030,890)	(1,399,496)

39. FINANCIAL RISK MANAGEMENT

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

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

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

39.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company.

Credit risk mainly arises from cash and cash equivalents, as well as credit exposure to Original Equipment Manufacturers, Replacement Market dealers and Government Institutions, including outstanding receivables and committed transactions. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an evaluation of customers profile and payment history. Outstanding customer receivables are regularly monitored.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The bank balances aggregating Rs.95.799 million placed with banks have a short term credit rating of at least A-1. The carrying values of financial assets which are subject to credit risk are as follows:

	2012	2011
	-------- Rupees in '000 --------	
Long-term loans and advances	6,674	5,702
Long-term deposits	7,112	7,234
Trade debts	949,821	848,001
Loans and advances	10,291	12,176
Short-term deposits	5,230	2,870
Other receivables	6,437	12,895
Cash and bank balances	148,422	122,406
	1,133,987	1,011,284

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

	2012	2011
	-------- Rupees in '000 --------	
Original equipment manufacturer	493,831	467,436
Government Institutions	11,825	25,900
Replacement market	455,616	364,420
	961,272	857,756
Less: provision for doubtful debts	11,451	9,755
	949,821	848,001

	2012	2011
The ageing of trade debts at the reporting date is as follows:		
0 to 30 days	855,987	732,521
31 to 180 days	92,870	109,632
181 to 360 days	1,929	11,898
Over one year	10,486	3,705
	961,272	857,756
Less: provision for doubtful debts	11,451	9,755
	949,821	848,001

The management estimates the recoverability of trade debts on the basis of financial position and past history of its customers based on the objective evidence that it will not receive the amount due from particular customer. The provision is written-off by the Company when it expects that it cannot recover the balance due. Any subsequent receipts in relation to amounts written-off, are credited directly to profit and loss account.

39.2 Liquidity risk

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

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

	2012				
	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 2 years	3 years and above
	Rupees in '000				
Long-term finance	86,643	89,765	89,765	-	-
Long-term deposits from dealers	9,220	9,220	-	-	9,220
Short-term finances	720,145	737,022	737,022	-	-
Running finances	1,179,312	1,179,312	1,179,312	-	-
Trade and other payables	1,358,719	1,358,719	1,358,719	-	-
Accrued mark-up	73,576	73,576	73,576	-	-
Provisions	71,965	71,965	71,965	-	-
	3,499,580	3,519,579	3,510,359	-	9,220

	2011				
	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 to 2 years	3 years and above
	Rupees in '000				
Long-term finance	173,286	205,651	109,284	96,367	-
Long-term deposits from dealers	9,110	9,110	-	-	9,110
Short-term finances	709,899	721,058	721,058	-	-
Running finances	1,521,902	1,521,902	1,521,902	-	-
Trade and other payables	1,214,842	1,214,842	1,214,842	-	-
Accrued mark-up	81,326	81,326	81,326	-	-
Provisions	75,703	75,703	75,703	-	-
	3,786,068	3,829,592	3,724,115	96,367	9,110

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at June 30, 2012.

39.3 Market risk

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

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on import of raw materials, stores & spares and export of goods denominated in U.S. Dollar and Euro. The Company's exposure to foreign currency risk at the reporting date is as follows:

	2012			2011		
	Rupees	U.S.$	Euro	Rupees	U.S.$	Euro
	------------- in '000 -------------			------------- in '000 -------------		
Bills payable	932,287	9,897	-	721,171	8,381	-
Accrued expenses	90,334	610	278	34,607	-	278
	1,022,621	10,507	278	755,778	8,381	278

The following significant exchange rates have been applied:

	Balance sheet date rate	
	2012	2011
U.S. $ to Rupee	94.20	86.05
Euro to Rupee	118.50	124.60

Sensitivity Analysis

At the reporting date, if Rupee had weakened by 10% against U.S. Dollar and Euro with all other variables held constant, profit after taxation for the year would have been lower by the amount shown below mainly as a result of foreign exchange loss on translation of financial liabilities.

	2012	2011
	-------- Rupees in '000 --------	
Effect on profit for the year:		
U.S. $ to Rupee	98,976	72,119
Euro to Rupee	3,294	3,464

(b) Interest rate risk

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

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and deposits with banks. At the reporting date the profile of the Company's interest bearing financial instruments is as follows:

	2012	2011
	-------- Rupees in '000 --------	
Fixed rate instruments		
Financial assets - note 27	5,012	4,640
Variable rate instruments		
Financial liabilities	1,986,100	2,405,087

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect materially profit for the year.

Sensitivity analysis for variable rate instruments

A change of 100 basis point in interest rates at the reporting date would have (decreased) / increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Increase	Decrease
	-------- Rupees in '000 --------	
Cash flow sensitivity - variable rate instruments		
As at June 30, 2012	19,861	(19,861)
As at June 30, 2011	24,051	(24,051)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

(c) Other 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, 2012 / 2011 the Company did not have any financial instruments dependent on market prices.

39.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

As at June 30, 2012 the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except investment in an Associated Company which is valued under equity method of accounting. Further, staff loans are valued at their original cost less repayments.

40. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares. There was no change to the Company's approach to capital management during the year.

41. ENTITY - WIDE INFORMATION

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

41.2 Information about customers

The principal classes of customers of the Company are Original Equipment Manufacturers, Replacement Market, Government Institutions and Exports. The Company's principal classes of products accounted for the following percentages of sales:

	2012	2011
	%	
Original equipment manufacturers (OEM)	57.89	57.10
Replacement market	39.72	39.00
Government institutions	1.06	2.50
Exports	1.33	1.40
	100	100

41.3 Information about geographical areas

All non-current assets of the Company as at 30 June, 2012 are located in Pakistan. Revenues from external customers attributed to foreign countries in aggregate are not material.

41.4 Information about major customers

The Company has earned revenues from three (2011: two) customers, classified as OEM, aggregating Rs.4,211.813 million (2011: Rs.3,084.905 million) during the year ended June 30, 2012 which constituted 46.13% (2011: 34.74%) of the total revenues.

42. REMUNERATION OF THE CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	2012	2011	2012	2011
	Rupees in '000			
Managerial remuneration and allowances	13,509	13,470	99,318	81,645
Bonus	3,726	1,458	11,963	6,865
Company's contribution to provident fund and gratuity	1,656	1,579	10,359	8,161
Medical	126	67	7,405	6,593
Leave passage	527	305	3,717	2,940
Others	1,212	886	16,677	13,199
	20,756	17,765	149,439	119,403
Number of persons	1	1	44	38

42.1 The Chief Executive is provided with free use of a Company maintained car. Some of the executives are also provided with free use of Company's maintained cars.

42.2 Remuneration to other directors

Aggregate amount charged in these financial statements for meeting fee to fourteen (2011: twelve) non-executive directors was Rs.1.360 million (2011: Rs.0.840 million).

43. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Associated Companies, directors of the Company, companies in which directors are interested, staff retirement benefits, 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. There were no transactions with key management personnel other than under the terms of employment and remuneration of key management personnel is disclosed in note 42. Amounts due from and to related parties are shown under receivables and payables. Significant transactions with related parties are as follows:

Name	Nature of relationship	Nature of transaction	2012	2011
			Rupees in '000	
Ghandhara Industries Limited	Associated company	Sales	45,960	43,380
		Purchase of vehicle	-	1,900
Ghandhara Nissan Limited	Associated company	Sales	35,590	53,197
		Purchase of vehicle	-	7,910

Name	Nature of relationship	Nature of transaction	2012	2011
			Rupees in '000	
Bibojee Services (Private) Limited	Associated company	Sales	3,011	-
		Dividend paid	41,522	33,217
Babri Cotton Mills Limited	Associated company	Sales	-	34
Continental Reifen Deutschland GmbH	Related party	Purchase of machinery	-	6,307
		Purchase of spare parts / bladders	358	1,126
Continental Tire The Americas, LLC	Related party	Purchase of machinery and spare parts / bladders	13,520	14,226
		Purchase of raw materials	42,099	55,998
		Royalty technical service fee	169,083	143,090
Continental Global Holding Netherlands, B.V.	Related party	Dividend paid	14,611	11,689
Universal Insurance Co. Limited	Associated company	Insurance premium	12,233	17,568
Pak Kuwait Takaful Co. Limited	Associated company	Insurance premium	1,687	1,541
Wackenhut Pakistan (Private) Limited	Associated company	Service charges	576	923
Meezan Bank Limited	Associated company	Mark-up on short-term finances	21,781	17,792
Pak Kuwait Investment Co. (Pvt.) Ltd.	Associated company	Dividend paid	41,936	33,549
Bank Alfalah Limited	Associated company	Mark-up on running finance	4,667	-
Waqf-e-Kuli Khan Trust	Associated undertaking	Donation	5,068	6,465
Staff provident fund	Employees fund	Contributions made	14,338	13,243
Staff gratuity fund	Employees fund			Refer note 7

	2012	2011
	Number of units	

44. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
Capacity: Tyre sets	2,032,875	2,032,875
Production: Tyre sets	1,535,551	1,636,442

Actual production was sufficient to meet the demand.

Actual production comprises of:

	2012	2011
Passenger car	903,783	879,085
Light truck	320,018	296,604
Truck bus	20,582	21,791
Farm front	179,229	255,420
Farm rear	111,939	183,542
	1,535,551	1,636,442

45. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The board of directors have proposed a dividend of Rs.2.00 (2011: Rs.2.50) per share, amounting to Rs.119.543 million (2011: Rs.149.428 million), for the year ended June 30, 2012 after their meeting held on August 30, 2012 subject to approval of the members at the annual general meeting to be held on September 27, 2012. These financial statements do not recognise this appropriation to dividend as a liability as it has been proposed subsequent to the balance sheet date.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 30, 2012 by the board of directors of the Company.

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison and better presentation, the effect of which is not material.

Mohammad Shahid Hussain
Chief Executive

Mazhar Sharif
Director

GENERAL TYRE

Pattern of Shareholding

As At June 30, 2012

Number of Shareholders	Shareholding From	Shareholding To	Total No. of Shares Held
432	1	100	12,873
477	101	500	139,903
282	501	1000	251,937
632	1001	5000	1,441,581
114	5001	10000	866,780
46	10001	15000	584,583
22	15001	20000	380,246
9	20001	25000	217,687
9	25001	30000	248,981
3	30001	35000	102,500
7	35001	40000	257,581
4	40001	45000	171,219
7	45001	50000	341,006
1	50001	55000	52,000
1	65001	70000	66,210
2	70001	75000	145,800
1	75001	80000	78,003
1	80001	85000	84,061
1	85001	90000	90,000
1	90001	95000	91,399
1	95001	100000	96,981
1	105001	110000	110,000
4	115001	120000	477,744
1	120001	125000	121,442
2	145001	150000	298,764
1	150001	155000	152,892
1	195001	200000	200,000
1	200001	205000	203,000
2	210001	215000	428,500
2	215001	220000	435,100
1	230001	235000	231,382
1	235001	240000	238,493
1	240001	245000	240,418
1	285001	290000	286,000
1	355001	360000	358,497
1	520001	525000	522,000
1	665001	670000	668,500
1	740001	745000	743,000
1	745001	750000	750,000
1	830001	835000	830,839
1	995001	1000000	1,000,000
1	1160001	1165000	1,160,068
1	1595001	1600000	1,600,000
1	2200001	2250000	2,206,600
1	3765001	3770000	3,765,976
1	5800001	5850000	5,844,300
1	14400001	14405000	14,402,112
1	16770001	16775000	16,774,292
2086			59,771,250

Categories of Shareholders
As at June 30, 2012

NUMBER	CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
8	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN	600,590	1.00
3	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	39,227,304	65.63
2	NIT	3,862,957	6.46
5	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS	3,290,586	5.51
4	INSURANCE COMPANIES	243,582	0.41
2	MUTUAL FUNDS	152,913	0.26
2041	GENERAL PUBLIC/ INDIVIDUALS	10,780,072	18.04
19	JOINT STOCK COMPANIES	1,542,536	2.58
2	OTHERS	70,710	0.12
2086		59,771,250	100.00

ADDITIONAL INFORMATION

CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
BIBOJEE SERVICES (PRIVATE) LIMITED	1	16,608,712
PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED	1	16,774,292
CONTINENTAL GLOBAL HOLDING NETHERLANDS B.V.	1	5,844,300
	3	39,227,304

CATEGORY	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		
LT. GEN. (RETD) ALI KULI KHAN KHATTAK	1	238,493
MR. RAZA KULI KHAN KHATTTAK	1	240,418
MR. AHMED KULI KHAN KHATTAK	1	121,442
MR. IKRAM UL MAJEED SEHGAL	1	7
DR. WILLI FLAMM	1	80
MR. UMAR RASOOL QURESHI	1	50
MR. MAZHAR SHARIF	1	50
MR. M. A. FAISAL KHAN	1	50
	8	600,590
Bank, Development Financial Institutions, Non-banking Financial Institution, Companies, Modarabas & Mutual Funds	11	3,687,081
SHAREHOLDERS HOLDING 10% OR MORE		
BIBOJEE SERVICES (PRIVATE) LIMITED	1	16,608,712
PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED	1	16,774,292
OTHERS		
TRUSTEES AL-BADER WELFARE TRUST	1	4,500
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	66,210

None of the Directors, CEO, CFO and Company Secretary and their spouses and minor children have traded in the shares of the Company except Mr. M.A. Faisal Khan, Mr. Mazhar Sharif and Mr. Umar Rasul Qureshi, all nominee Directors of Pakistan Kuwait Investment Company Ltd., who purchased 50 shares each @ Rs. 17.50/- from the open market.

Form of Proxy

Please quote:
No. of Shares held ------------------

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

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 49th Annual General Meeting of the Company to be held at the Factory Premises of the Company at H-23/2, Landhi Industrial Trading Estate, Landhi, Karachi on Thursday, September 27, 2012 at 10.00 a.m., and at any adjournment thereof.

Signature on
Revenue Stamp
of Rs. 5/=

Signature of Shareholder---------------------------------

Name of Shareholder -------------------------------------

Witnesses:

Signature -- Signature ---

Name --- Name --

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

AFFIX
POSTAGE

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

GENERAL TYRE

www.gentipak.com

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