



DRIVING THE FUTURE

Annual Report **2014**



Manufacturer of Pakistan's
Largest Selling Tyre

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Company's Vision & Mission Statement

Vision

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

Mission

- To endeavor to be the market leader by enhancing market share, consistently improving efficiency and the quality of our products.
- To offer quality products 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

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

Chairman
Chief Executive

Company Secretary

Mr. Asif Jameel

Chief Financial Officer

Mr. Ashraf Teli

Board Audit Committee

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

Chairman

HR & Remuneration Committee

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

Chairman

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
 Al-Baraka Bank Pakistan 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	Islamabad
Plot No. 20,	Plot No. 189-A,
Shahrah-e-Fatima	Korang Road,
Jinnah, Lahore.	Sector 1-10/3,
Phone : 36308605-6	Islamabad.
Fax : 36300108	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 take pleasure in presenting to the members of The General Tyre and Rubber Company of Pakistan Limited, (GTR) review on the performance of the Company for the financial year ended June 30, 2014.

The Team GTR has done it again and deserves to be commended for yet again breaking previous records of performance by achieving the results of 2014.

The Company made a record Pre-tax Profit of Rs. 748.2 million for the current year compared to Rs. 579.9 million made in the previous year, an increase of 29%.

In the year under review Company consolidated its Motor Cycle Tyres business which was launched in the last quarter of the previous year. Sales (excluding Motor Cycle Tyres) to Original Equipment Manufacturers (OEMs) declined by 5% mainly on account of lower sales of tractors by OEMs due to higher sales tax fixed on sales of tractors. Replacement Market sales (excluding Motor Cycle Tyres) were also marginally down (0.6%) mainly due to lower Passenger Car Tyres sales as our tyres are facing tough price competition from the smuggled/under-invoiced tyres available in the market. However, sales of truck/bus tyres as well as those of Farm Tyres showed improvement over last year.

The Company produced 2.16 million tyres during the year compared to 1.63 million tyres produced last year, an increase of 33%. The Company is still forced to work six days a week due to gas load shedding.

Net Sales revenues at Rs. 8.6 billion reflect a growth of 5% over Rs. 8.2 billion of the previous year mainly due to increase in Motor Cycle Tyres and sales mix. The Pak Rupee parity versus US Dollar weakened to the extent of approximately 6% compared to last year. This, together with the increased labour cost, due to signing of the new two year agreement with CBA, and increase in energy cost had a negative impact on the margins. However, better planning in procurement, production, finance and improved replacement market sales coupled with lower material prices during the year more than off-set these negative impact resulting in improved Gross Profit as a percentage of Net Sales; from 16.3% to 18.5%, and also resulted in better Pre-Tax Profits.

Future Outlook

The Government has reduced the sales tax on tractors from 17% to 10% effective July 2014. This will hopefully have a positive impact on tractors sales thereby resulting in increased sales of tyres to tractor OEMs in coming months.

The Motor Cycle Tyres sales are showing positive signs. We are also in the initial stages of dialogue with a large Motor Cycle OEM which if and when concluded will bring extra volumes for the Company. GTR at that point would be willing to invest further to enhance its Motor Cycle Tyre capacity, which will be necessary to cater to OEM business.

The Company's effort to convince the Government of the negative impact of under invoiced and smuggled tyres to the economy have had some impact and the Government has taken some actions (though extremely limited) in this regard.

The Company has also made some investments for alternate arrangement of gas supply to overcome the gas load shedding and will be able to run production on the days when gas supply is not available.

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/Lahore Stock Exchanges and complies with the Code of Good Corporate Governance in letter and spirit.

Board Changes

During the year Mr. Shaharyar Ahmed, a nominee of Pakistan Kuwait Investment Company Limited (PKIC) resigned from the directorship and in his place Mr. Mansur Khan was co-opted. The Board records its appreciation for the valuable services rendered by Mr. Shaharyar Ahmed and warmly welcomes Mr. Mansur Khan on Board.

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 record performance and results achieved for the period under review.

The new agreement with workers union's Collective Bargaining Agent ("CBA") for two years effective January 2014 was amicably agreed and signed. The relations with CBA remained cordial and they are contributing positively towards the goals and objectives 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

Bangkok, Thailand
August 28, 2014

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, 2014.

	2014	Re-stated 2013
Financial Results	----- Rupees in '000 -----	
Profit for the year after taxation	506,451	388,530
Unappropriated Profit brought forward	<u>1,195,797</u>	<u>926,810</u>
	1,702,248	1,315,340
Appropriation		
Dividend	<u>(268,971)</u>	<u>(119,543)</u>
Unappropriated profit carried forward	<u>1,433,277</u>	<u>1,195,797</u>
Basic earnings per share	Rs. 8.60	Rs. 6.62

The Board of Directors has recommended 65% dividend for the year ended June 30, 2014.

Compliance with the Code of Corporate Governance

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

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

	<u>Value of Investment</u>	<u>Year ended</u>
Provident Fund	Rs. 312.65 Million	June 30, 2013
Gratuity Fund	Rs. 78.61 Million	June 30, 2013

- 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 Limited 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. 12.8 million as donation to Waqf-e-Kuli Khan. Additionally, the Company also paid during the year donations amounting to Rs. 1.01 million to various hospitals and charitable organizations.

During the year the Company contributed Rs. 1,560.43 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:

<u>S. No.</u>	<u>Name of Director</u>	<u>No. of Meetings Attended</u>
1.	Lt. Gen. (Retd) Ali Kuli Khan Khattak	6
2.	Mr. Ahmed Kuli Khan Khattak	5
3.	Mr. Ikram Ul-Majeed Sehgal	4
4.	Mr. Mansur Khan*	2
5.	Mr. Manzoor Ahmed	5
6.	Mr. Mazhar Sharif	6
7.	Mr. M.A. Faisal Khan	6
8.	Mr. Raza Kuli Khan Khattak	5
9.	Mr. Shaharyar Ahmed**	4
10.	Dr. Willi Flamm	5

* Appointed on February 25, 2014.

** Resigned on February 17, 2014.

All the above directors, except Mr. Shaharyar Ahmed, have been re-elected for another three year period on August 21, 2014.

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, 2014 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 Hameed Chaudhri & Co. Chartered Accountants as Auditors of the Company for the year ending June 30, 2015.

For and on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Shahid Hussain'.

Mohammad Shahid Hussain
Chief Executive

Bangkok, Thailand
August 28, 2014

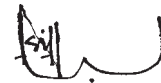
Notice of Fifty First (51st) Annual General Meeting

Notice is hereby given that the Fifty First (51st) Annual General Meeting of The General Tyre and Rubber Company of Pakistan Limited will be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on Tuesday, September 30th, 2014, at 11.00 a.m.

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on Thursday, August 21st, 2014.
2. To receive and consider the Audited Financial Statements for the year ended June 30th, 2014., together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of final cash dividend @ 65%, i.e., Rs. 6.50 per share, as recommended by the Directors.
4. To appoint auditors for the year ending June 30th, 2015 and to fix their remuneration. The retiring auditors Hameed Chaudhri & Co., Chartered Accountants, being eligible, offered themselves for reappointment. The Board recommends appointment of Hameed Chaudhri & Co. Chartered Accountants, as the Auditors for the year ending June 30th, 2015.
5. Any other business with the permission of the Chair.

By Order of the Board



Asif Jameel
Company Secretary

Karachi

Dated: August 28th, 2014

NOTES:

1. The share transfer books of the Company shall remain closed from September 22nd, 2014 to September 30th, 2014 (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.
6. Members are requested to provide by mail or fax, photocopy of their CNIC, and in case of foreigner, copy of Passport, unless it has already been provided and e-mail address to enable the Company to comply with the relevant laws.
7. For the convenience of the members a Proxy Application Form is attached with this report.
8. As per the directions to all Listed Companies by SECP vide Letter No. SM/ CDC 2008 dated: April 5th, 2013., all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (e-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandates including Name, Bank Account Number, Bank and Respective Branch Address to the Company in order to adhere the envisaged guidelines.

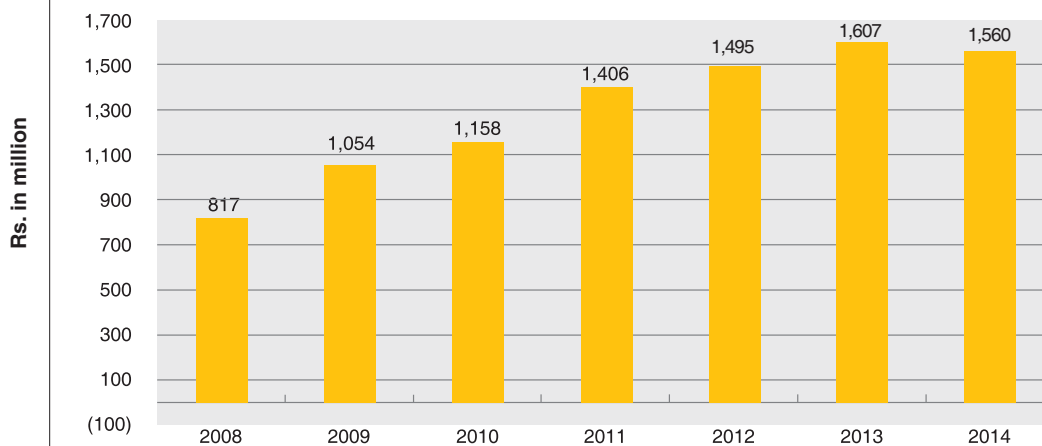
Key Operating and Financial Data

	2014	2013	2012	2011	2010	2009	2008
Rupees in million							
Operating Results							
Net sales	8,607	8,167	7,806	7,478	6,355	5,351	4,615
Gross profit	1,595	1,329	998	998	965	541	510
Profit /(Loss) before taxation	748	580	247	395	409	(142)	7
Profit/(Loss) after taxation	514	396	203	259	218	(110)	(17)
Cash dividend *	45%	20%	25%	20%	-	-	-
Financial Position							
Operating Fixed assets - at cost	4,003	3,894	3,585	3,578	3,444	3,170	2,960
Share capital	598	598	598	598	598	598	598
Unappropriated profit	1,433	1,196	926	872	733	514	624
Shareholders' equity	2,031	1,794	1,524	1,470	1,331	1,112	1,222
Long -term loans	100	167	-	87	173	321	353

* The Board of directors has recommended 65% dividend for the year ended June 30, 2014

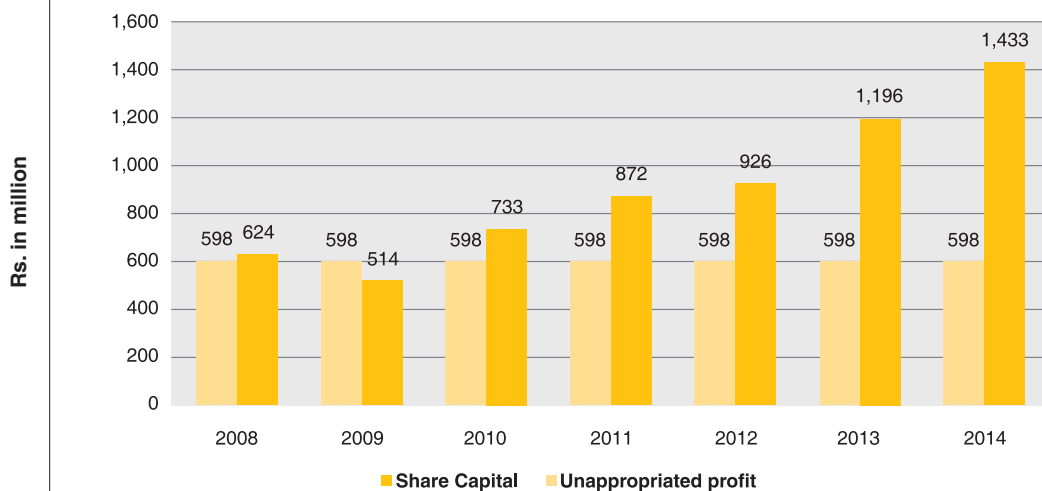
As per accounting policy, dividend is recognised as a liability in the period in which it is approved by the shareholders.

CONTRIBUTION TO NATIONAL EXCHEQUER

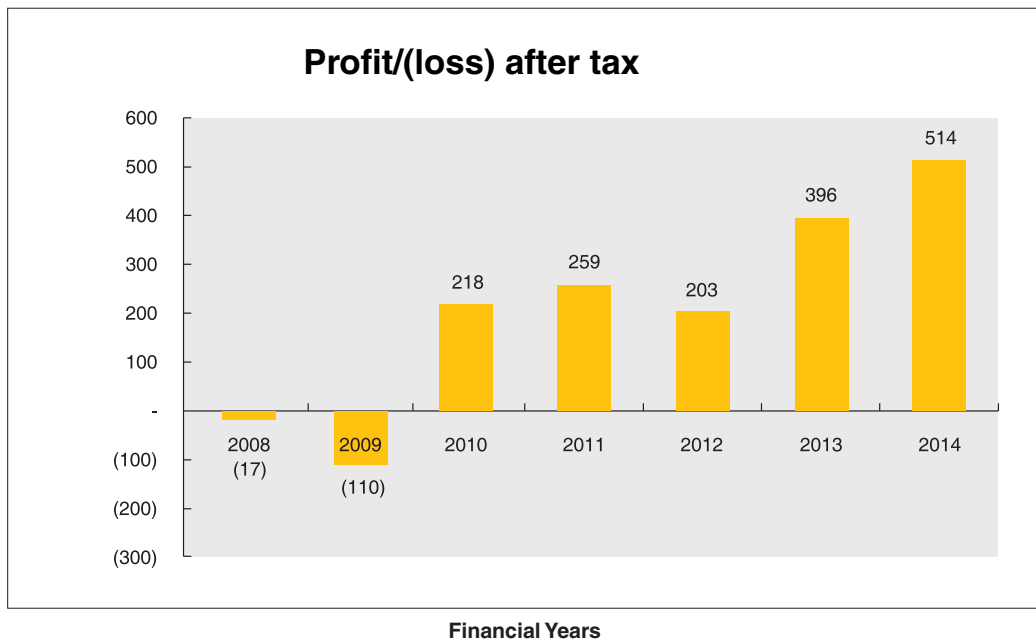
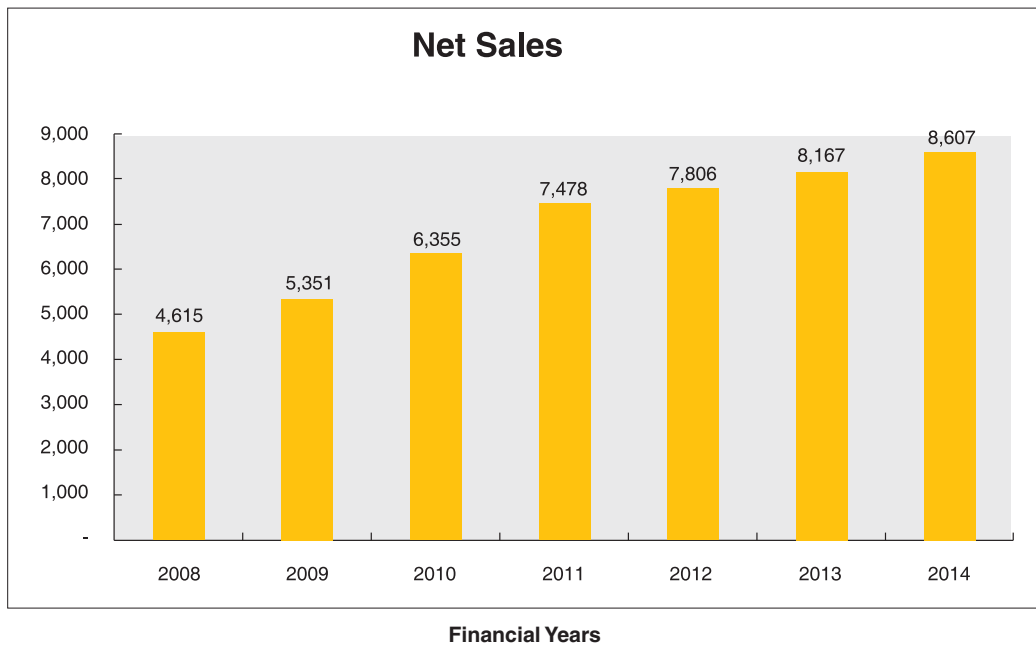


Financial Years

Unappropriated Profit and Share Capital



Financial Years



Statement of Value Addition

For the year ended June 30, 2014

	2014	2013
	----- Rupees in '000 -----	
Value addition		
Net sales including sales tax	10,180,802	9,490,183
Other income	119,380	69,550
Cost of material and services	<u>(6,260,053)</u>	<u>(6,207,759)</u>
	<u>4,040,129</u>	<u>3,351,974</u>
Value distribution		
To Employees		
Salaries, wages, benefits and staff welfare	1,158,701	953,760
Worker's profit participation fund	40,253	31,124
To Government		
Income tax	234,475	184,374
Sales tax	1,574,153	1,323,097
Worker's welfare fund	16,460	11,745
To providers of Capital		
Dividend to shareholders	268,971	119,543
Mark up/ interest on borrowed money	326,251	289,217
To Society		
Donations	13,851	11,084
Retained for reinvestment & future growth		
Depreciation & retained profit	407,014	428,030
	<u>4,040,129</u>	<u>3,351,974</u>
Distribution		
Employees	29.68%	29.38%
Government	45.17%	45.32%
Providers of capital	14.73%	12.19%
Society	0.35%	0.34%
Retained for reinvestment & future growth	10.07%	12.77%
	<u>100.00%</u>	<u>100.00%</u>

Statement of Compliance with Code of Corporate Governance

For the year ended June 30, 2014

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:

Executive Director	1.	Mr. Mohammad Shahid Hussain
Non Executive Directors	1.	Lt. Gen. (Retd.) Ali Kuli Khan Khattak
	2.	Mr. Ahmed Kuli Khan Khattak
	3.	Mr. Raza Kuli Khan Khattak
	4.	Mr. Ikram-ul -Majeed Sehgal
	5.	Dr. Willi Flamm
	6.	Mr. M. A. Faisal Khan
	7.	Mr. Mazhar Sharif
	8.	Mr. Mansur Khan
Independent Director	1.	Mr. Manzoor Ahmed

2. The Directors have confirmed that none of them is serving as a Director on the Board of more than seven listed companies, including this company.
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. One casual vacancy has occurred during the period under the review. This vacancy was filled up by the director 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. Out of nine (9), Five Board members have completed the Directors' Training Programme through PICG as on date.
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 Officer

Bangkok- Thailand.
August 28, 2014.



HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **The General Tyre and Rubber Company of Pakistan Limited** for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the Company is listed.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Hameed Chaudhri & Co.
HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

KARACHI; 28 AUG 2014

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

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URL : www.hccpk.com

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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, 2014 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 except for the change as stated in note 4 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

KARACHI; **28 AUG 2014**
Engagement Partner: Muhammad Ali

Hameed Chaudhri & Co.
HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

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

LAHORE :
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PraxityTM
GLOBAL ALLIANCE OF
INDEPENDENT FIRMS

Balance Sheet

As at June 30, 2014

	Note	2014	Re-stated 2013	Re-stated July 1, 2012
----- Rupees in '000 -----				
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized capital 75,000,000 (2013: 75,000,000) ordinary shares of Rs.10 each		<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital	5	597,713	597,713	597,713
Unappropriated profit		1,433,277	1,195,797	926,810
Total equity		<u>2,030,990</u>	<u>1,793,510</u>	<u>1,524,523</u>
Liabilities				
Non current liabilities				
Long term finance	6	100,001	166,667	-
Staff benefits	7	197,673	201,409	177,053
Deferred taxation	8	242,018	281,255	185,065
Long term deposits from dealers	9	11,170	9,320	9,220
		<u>550,862</u>	<u>658,651</u>	<u>371,338</u>
Current liabilities				
Current maturity of long term finance	6	66,666	33,333	86,643
Short term finances	10	714,413	904,241	720,145
Running finances under mark-up arrangements	11	2,180,130	1,198,569	1,179,312
Trade and other payables	12	838,429	1,282,552	1,445,412
Accrued mark-up	13	78,317	62,811	73,576
Provisions	14	103,357	72,075	71,965
		<u>3,981,312</u>	<u>3,553,581</u>	<u>3,577,053</u>
Total liabilities		<u>4,532,174</u>	<u>4,212,232</u>	<u>3,948,391</u>
Contingencies and commitments	15			
Total equity and liabilities		<u>6,563,164</u>	<u>6,005,742</u>	<u>5,472,914</u>

Balance Sheet

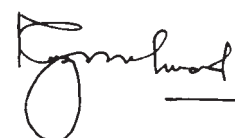
As at June 30, 2014

	Note	2014	Re-stated 2013	Re-stated July 1, 2012
----- Rupees in '000 -----				
ASSETS				
Non current assets				
Property, plant and equipment	16	1,913,568	1,938,491	1,746,827
Intangible assets	17	2,422	1,342	476
Investment in an Associated Company	18	2,924	1,848	655
Long term loans and advances	19	10,009	5,837	6,674
Long term deposits	20	31,012	22,294	7,112
		<u>1,959,935</u>	<u>1,969,812</u>	<u>1,761,744</u>
Current assets				
Stores and spares	21	462,164	408,060	385,806
Stocks	22	1,999,156	1,788,330	1,881,404
Trade debts	23	1,390,553	1,186,976	949,821
Loans and advances	24	36,182	31,422	23,243
Deposits and prepayments	25	246,248	33,132	26,444
Other receivables	26	33,742	26,565	24,860
Taxation - net		215,025	373,765	271,170
Cash and bank balances	27	220,159	187,680	148,422
		<u>4,603,229</u>	<u>4,035,930</u>	<u>3,711,170</u>
Total assets		<u>6,563,164</u>	<u>6,005,742</u>	<u>5,472,914</u>

The annexed notes 1 to 48 form an integral part of these financial statements.



Mohammad Shahid Hussain
Chief Executive Officer



Manzoor Ahmed
Director

Profit and Loss Account

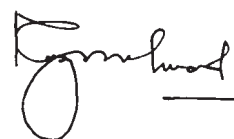
For the year ended June 30, 2014

	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
Sales	28	8,606,649	8,167,086
Cost of sales	29	<u>(7,011,584)</u>	<u>(6,838,301)</u>
Gross profit		1,595,065	1,328,785
Administrative expenses	30	(188,307)	(138,019)
Distribution cost	31	(357,994)	(306,967)
Other income	32	118,304	68,357
Other expenses	33	<u>(93,677)</u>	<u>(84,157)</u>
Profit from operations		1,073,391	867,999
Finance cost	34	<u>(326,251)</u>	<u>(289,217)</u>
		747,140	578,782
Share of profit of an Associated Company		<u>1,076</u>	<u>1,193</u>
Profit before taxation		748,216	579,975
Taxation	35	<u>(234,475)</u>	<u>(184,374)</u>
Profit after taxation		513,741	395,601
Other comprehensive income			
Items that will not be reclassified to Profit or Loss			
Loss on re-measurement of staff retirement benefit obligation		<u>(10,880)</u>	<u>(10,713)</u>
Impact of deferred tax		<u>3,590</u>	<u>3,642</u>
		<u>(7,290)</u>	<u>(7,071)</u>
Total comprehensive income		<u>506,451</u>	<u>388,530</u>
		----- Rupees -----	
Earnings per share - basic and diluted	36	<u>8.60</u>	<u>6.62</u>

The annexed notes 1 to 48 form an integral part of these financial statements.



Mohammad Shahid Hussain
Chief Executive Officer



Manzoor Ahmed
Director

Cash Flow Statement

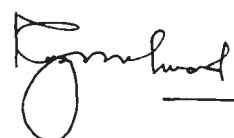
For the year ended June 30, 2014

	Note	2014	2013
----- Rupees in '000 -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	130,531	712,621
Staff retirement gratuity paid		(22,160)	(25,125)
Compensated absences paid		(2,019)	(3,289)
Long term deposits from dealers		1,850	100
Finance cost paid		(310,745)	(299,982)
Taxes paid		(111,382)	(187,137)
Long term loans and advances		(4,172)	837
Long term deposits		(8,718)	(15,182)
Net cash (used in) / generated from operating activities		(326,815)	182,843
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(138,065)	(348,622)
Purchase of intangible assets		(2,028)	(1,402)
Proceeds from sale of operating fixed assets		7,666	7,886
Profit on bank deposits received		421	348
Net cash used in investing activities		(132,006)	(341,790)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance - repaid		(33,333)	(86,643)
Long term finance - obtained		-	200,000
Short term finances - net		(189,828)	184,096
Dividend paid		(267,100)	(118,505)
Net cash (used in) / generated from financing activities		(490,261)	178,948
Net (decrease) / increase in cash and cash equivalents		(949,082)	20,001
Cash and cash equivalents - at beginning of the year		(1,010,889)	(1,030,890)
Cash and cash equivalents - at end of the year	38	<u>(1,959,971)</u>	<u>(1,010,889)</u>

The annexed notes 1 to 48 form an integral part of these financial statements.



Mohammad Shahid Hussain
Chief Executive Officer



Manzoor Ahmed
Director

Statement of Changes in Equity

For the year ended June 30, 2014

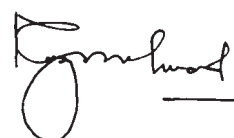
	Issued, subscribed and paid-up capital	Unappro- priated profit	Total
	----- Rupees in '000-----		
Balance as at July 1, 2012 (as previously reported)	597,713	925,321	1,523,034
Effect of change in accounting policy with respect to accounting for recognition of actuarial gain on defined benefit plan - net of tax [note 4]	-	1,489	1,489
Balance as at July 1, 2012 (re-stated)	597,713	926,810	1,524,523
Transaction with owners, recognised directly in equity			
Final dividend for the year ended June 30, 2012 at the rate of Rs.2.00 per share	-	(119,543)	(119,543)
Total comprehensive income for the year ended June 30, 2013			
Profit for the year	-	395,601	395,601
Other comprehensive loss	-	(7,071)	(7,071)
	-	388,530	388,530
Balance as at June 30, 2013 (re-stated)	597,713	1,195,797	1,793,510
Transaction with owners, recognised directly in equity			
Final dividend for the year ended June 30, 2013 at the rate of Rs.4.50 per share	-	(268,971)	(268,971)
Total comprehensive income for the year ended June 30, 2014			
Profit for the year	-	513,741	513,741
Other comprehensive loss	-	(7,290)	(7,290)
	-	506,451	506,451
Balance as at June 30, 2014	<u>597,713</u>	<u>1,433,277</u>	<u>2,030,990</u>

The annexed notes 1 to 48 form an integral part of these financial statements.



Mohammad Shahid Hussain

Chief Executive Officer



Manzoor Ahmed

Director

Notes to the Financial Statements

For the year ended June 30, 2014

1. LEGAL STATUS AND OPERATIONS

The General Tyre and Rubber Company of Pakistan Limited (the Company) was incorporated in Pakistan on March 7, 1963 as a private limited company and was subsequently converted into a public limited company. Its shares are quoted on 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 and trading of tyres and tubes for automobiles and motorcycles.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for staff retirement benefit - gratuity which is carried at present value of defined benefit obligation net of fair value of plan assets.

2.3 Functional and presentation currency

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

2.4 New and amended standards and interpretations

2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments to the following standards have been adopted by the Company for the first time for the financial year beginning on July 1, 2013:

- (a) Amendment to IAS 1, 'Financial statement presentation' regarding disclosure requirements for comparative information. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as at the beginning of the preceding period if it applies an accounting policy retrospectively, and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet.
- (b) IAS 19, 'Employee benefits' was revised in June 2011. Revised standard eliminates the corridor approach and calculates finance costs on a net funding basis. IAS 19 (Revised) amends the accounting for the Company's defined benefit plans. The Company has applied this standard retrospectively and its impact on the Company's financial statements has been explained in note 4.

Notes to the Financial Statements

For the year ended June 30, 2014

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

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the accounting periods beginning on July 1, 2013 are considered not to be relevant or to have any significant effect on the Company's financial reporting and are, therefore, not detailed in these financial statements.

2.4.3 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments to published standards are not effective (although available for early adoption) for the financial year beginning on July 1, 2013 and have not been early adopted by the Company:

- (a) Annual improvements 2012 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2010-2012 cycle of annual improvements project that affect seven standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment', IAS 24, 'Related party disclosures' and IAS 38, 'Intangible assets'. The Company does not expect to have material impact on its financial statements due to application of these amendments.
- (b) Annual improvements 2013 applicable for annual periods beginning on or after July 1, 2014. These amendments include changes from the 2011-2013 cycle of annual improvements project that affect four standards: IFRS 1, 'First time adoption of International Financial Reporting Standards', IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'. These amendments do not have any impact on Company' financial statements.
- (c) IAS 19 (Amendment), 'Employee benefits', is applicable on accounting periods beginning on or after July 1, 2014. This amendment apply to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Company is yet to assess the full impact of the amendment, however the initial indications are that the amendment is unlikely to have any significant impact on the Company's financial statements.
- (d) IAS 32 (Amendment), 'Financial instruments: presentation', is applicable on accounting periods beginning on or after January 1, 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: presentations', to clarify some of the requirements for offsetting financial assets and financial liabilities on the reporting date. The Company shall apply this amendment from July 1, 2014 and does not expect to have a material impact on its financial statements.
- (e) IAS 36 (Amendment), 'Impairment of assets', is applicable on accounting periods beginning on or after January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Company shall apply this amendment from July 1, 2014 and this will only affect the disclosures in the Company's financial statements in the event of impairment.

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

Notes to the Financial Statements

For the year ended June 30, 2014

2.5 Use of estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, such differences are estimated to be insignificant and hence will not affect the true and fair presentation of the financial statements.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 4.

3.1 Staff retirement benefits

3.1.1 Defined benefit plans

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

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

Notes to the Financial Statements

For the year ended June 30, 2014

The actuarial valuations of both schemes are carried-out by an independent expert, using the 'Projected Unit Credit Method' with the latest valuation being carried-out as on June 30, 2014.

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

3.1.2 Defined contribution plan

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

3.1.3 Employee compensated absences

The liability in respect of compensated absences of employees is accounted for in period in which these are earned in terms of basic salary upto the reporting date. The provision is recognised on the basis of an actuarial valuation, which was conducted as at June 30, 2014.

3.2 Taxation

Income tax expense represents the sum of current tax payable, adjustments, if any, to provision for tax made in previous years arising from assessments framed during the year for such years and deferred tax.

Current

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

Deferred

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

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

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

3.3 Trade and other payables

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

Notes to the Financial Statements

For the year ended June 30, 2014

3.4 Mark-up bearing loans and borrowings

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

3.5 Property, plant and equipment

3.5.1 Operating fixed assets and depreciation thereon

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

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

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

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

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

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

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

3.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

3.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method over their estimated useful lives. Amortisation is charged at the rate stated in note 17.

Notes to the Financial Statements

For the year ended June 30, 2014

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

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

3.7 Investment in an Associated Company

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 company 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.

3.8 Stores and spares

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

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

3.9 Stocks

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

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

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

Claim tyres are valued at their estimated net realisable value.

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

Notes to the Financial Statements

For the year ended June 30, 2014

3.10 Trade debts and other receivables

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

3.11 Financial assets and liabilities

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

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

3.12 Off-setting of financial assets and financial liabilities

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

3.13 Cash and cash equivalents

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

3.14 Revenue recognition

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

Notes to the Financial Statements

For the year ended June 30, 2014

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

3.15 Borrowing costs

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

3.16 Foreign currency transactions and translation

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

3.17 Warranty - tyre replacement allowance

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

3.18 Provisions, contingent assets and contingent liabilities

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

Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable and contingent liabilities are not recognised and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

3.19 Operating leases / Ijarah

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

3.20 Earnings per share

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

Notes to the Financial Statements

For the year ended June 30, 2014

3.21 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standards, is presented in note 44 to the financial statements.

3.22 Dividend and appropriation to reserves

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

4. CHANGE IN ACCOUNTING POLICY

IAS 19 (Revised) - 'Employee benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for Company's defined benefit plans. The revised standard requires past service cost to be recognised immediately in the profit or loss and replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. Further, a new term "re-measurements" has been introduced which is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The revised standard eliminates the corridor approach and requires "re-measurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Following the application of IAS 19 (Revised), the Company's policy for 'Staff retirement benefits - defined benefit plans' stands amended as follows:

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

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors' and comparative figures have been restated. The effects have been summarised below:

	As at June 30, 2013	As at July 1, 2012
	--- Rupees in '000 ---	
Impact on Balance Sheet		
Increase / (decrease) in staff benefits	8,092	(2,255)
(Decrease) / increase in deferred taxation	(2,751)	766
Decrease / (increase) in unappropriated profit	<u>5,341</u>	<u>(1,489)</u>

Notes to the Financial Statements

For the year ended June 30, 2014

	For the year ended June 30, 2013 Rupees in '000
Impact on Profit and Loss Account	
Decrease in cost of sales	187
Decrease in administrative expenses	118
Decrease in distribution cost	60
(Increase) in taxation	(124)
Increase in profit after taxation	<u>241</u>
Other Comprehensive Income	
Increase in re-measurement loss of staff retirement benefit obligation	<u>10,713</u>
(Decrease) in deferred tax charge relating to re-measurement of staff retirement benefit obligation	<u>(3,642)</u>
Increase in other comprehensive loss - net of tax	<u>7,071</u>
	<u>(6,830)</u>
Impact on Statement of Changes in Equity	
Decrease in unappropriated profit	<u>5,341</u>
Decrease in total comprehensive income	<u>6,830</u>

The effect of change in accounting policy, due to application of IAS 19 (Revised) on 'earnings per share' is immaterial in the overall context of these financial statements. There is no cash flow impact as a result of the retrospective application of change in accounting policy.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
--- 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
<u>59,771,250</u>	<u>59,771,250</u>		<u>597,713</u>	<u>597,713</u>

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
		--- Number of shares ---	
5.1 Ordinary shares of the Company held by the related parties as at June 30,			
Bibojee Services (Private) Limited		16,608,712	16,608,712
Pakistan Kuwait Investment Company (Private) Limited		17,931,292	16,774,292
Continental Global Holding Netherlands B.V.		<u>5,844,300</u>	<u>5,844,300</u>
		<u>40,384,304</u>	<u>39,227,304</u>
6. LONG TERM FINANCE - Secured		----- Rupees in '000 -----	
Balance of term finance as at June 30,	6.1	166,667	200,000
Less: current maturity grouped under current liabilities		<u>66,666</u>	<u>33,333</u>
		<u>100,001</u>	<u>166,667</u>
6.1 This represents a term finance facility of Rs.200 million availed from Habib Bank Limited to finance the import, installation and capex of motorcycle tyre plant & machinery, equipment and accessories. The principal amount draw down is repayable in twelve equal quarterly instalments commencing from fifteen months from date of disbursement (i.e. October 23, 2012). This finance facility carries mark-up at the rate of three months KIBOR plus 3.25% per annum, however, rebate of 1.00% per annum on the spread will be available to the Company subject to specified leverage for each year of finance. This term finance is secured by way of first pari passu charge over all the present and future plant & machinery of the Company to the extent of Rs.267 million.			
7. STAFF BENEFITS	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
Staff retirement gratuity	7.1	177,588	175,640
Employee compensated absences	7.2	20,085	25,769
		<u>197,673</u>	<u>201,409</u>
7.1 Staff retirement gratuity			
7.1.1 As stated in note 3.1.1, the Company operates an approved funded gratuity scheme for its senior executive staff and an unfunded gratuity scheme for employees not covered by the funded gratuity scheme. The schemes define the amount of benefit that an employee will receive on death, retirement and resignation subject to a minimum qualifying period of service under the schemes. Actuarial valuation of these schemes is carried out every year and the latest actuarial valuation was carried out as at June 30, 2014.			
7.1.2 Plan assets held in trust are governed by the local regulations which mainly includes Trust Act, 1882, the Companies Ordinance, 1984, the Income Tax Rules, 2002 and Notification issued by the Federal Board of Revenue and Securities and Exchange Commission of Pakistan. Responsibility for governance of the scheme, including investment decisions and contribution schedules, lies with the Board of Trustees.			

Notes to the Financial Statements

For the year ended June 30, 2014

7.1.3 The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plans is as follows:

	Funded		Unfunded		Total	
	2014	Re-stated 2013	2014	Re-stated 2013	2014	Re-stated 2013
----- Rupees in '000 -----						
7.1.4 Balance sheet reconciliation						
Present value of defined benefit obligation	117,914	92,849	191,417	167,191	309,331	260,040
Fair value of plan assets	(99,821)	(75,232)	-	-	(99,821)	(75,232)
Liability at end of the year	18,093	17,617	191,417	167,191	209,510	184,808
Payable within next twelve months	(5,133)	(599)	(26,789)	(8,569)	(31,922)	(9,168)
	<u>12,960</u>	<u>17,018</u>	<u>164,628</u>	<u>158,622</u>	<u>177,588</u>	<u>175,640</u>
7.1.5 Movement in the present value of defined benefit obligation						
Balance as at July 1,	92,849	87,013	167,191	149,207	260,040	236,220
Current service cost	5,447	8,882	10,557	10,803	16,004	19,685
Interest expenses	10,842	9,766	18,183	17,701	29,025	27,467
Benefits paid during the year	(5,929)	(22,097)	(9,364)	(10,881)	(15,293)	(32,978)
Re-measurement on obligation	5,910	4,962	13,645	4,684	19,555	9,646
Transferred to managerial cadre	8,795	4,323	(8,795)	(4,323)	-	-
Balance as at June 30,	<u>117,914</u>	<u>92,849</u>	<u>191,417</u>	<u>167,191</u>	<u>309,331</u>	<u>260,040</u>
7.1.6 Movement in the fair value of plan assets						
Balance as at July 1,	75,232	75,016	-	-	75,232	75,016
Interest income	9,047	9,136	-	-	9,047	9,136
Contributions made during the year	10,606	1,002	-	-	10,606	1,002
Benefits paid during the year	(5,929)	(22,097)	-	-	(5,929)	(22,097)
Benefits paid on behalf of the fund	2,190	13,242	-	-	2,190	13,242
Re-measurement	8,675	(1,067)	-	-	8,675	(1,067)
Balance as at June 30,	<u>99,821</u>	<u>75,232</u>	<u>-</u>	<u>-</u>	<u>99,821</u>	<u>75,232</u>
7.1.7 Expense recognised in profit and loss account						
Current service cost	5,447	8,882	10,557	10,803	16,004	19,685
Net interest expense	1,795	630	18,183	17,701	19,978	18,331
	<u>7,242</u>	<u>9,512</u>	<u>28,740</u>	<u>28,504</u>	<u>35,982</u>	<u>38,016</u>
7.1.8 Re-measurement recognised in other comprehensive income						
Actuarial loss on obligation	5,910	4,962	13,645	4,684	19,555	9,646
Re-measurement of fair value of plan assets	(8,675)	1,067	-	-	(8,675)	1,067
	<u>(2,765)</u>	<u>6,029</u>	<u>13,645</u>	<u>4,684</u>	<u>10,880</u>	<u>10,713</u>

Notes to the Financial Statements

For the year ended June 30, 2014

	Funded		Unfunded		Total	
	2014	Re-stated 2013	2014	Re-stated 2013	2014	Re-stated 2013
7.1.9 Movement in net liability	----- Rupees in '000 -----					
Net liability at beginning of the year	17,617	11,998	167,191	149,207	184,808	161,205
Charge for the year (note 7.1.7)	7,242	9,512	28,740	28,504	35,982	38,016
Benefits paid during the year	(2,190)	(13,242)	(9,364)	(10,881)	(11,554)	(24,123)
Contributions made during the year	(10,606)	(1,003)	-	-	(10,606)	(1,003)
Transferred to managerial cadre	8,795	4,323	(8,795)	(4,323)	-	-
Re-measurement recognised in other comprehensive income	(2,765)	6,029	13,645	4,684	10,880	10,713
Net liability as at June 30,	18,093	17,617	191,417	167,191	209,510	184,808
Payable within next twelve months	(5,133)	(599)	(26,789)	(8,569)	(31,922)	(9,168)
	<u>12,960</u>	<u>17,018</u>	<u>164,628</u>	<u>158,622</u>	<u>177,588</u>	<u>175,640</u>

7.1.10 Composition of plant assets

Term finance certificates	-	63,049	-	-	-	63,049
Mutual funds - units	69,677	11,883	-	-	69,677	11,883
Equity instruments	21,990	-	-	-	21,990	-
Cash at bank	8,154	300	-	-	8,154	300
	<u>99,821</u>	<u>75,232</u>	<u>-</u>	<u>-</u>	<u>99,821</u>	<u>75,232</u>

7.1.11 Actuarial assumptions used

	Funded		Unfunded	
	2014	2013	2014	2013
	----- % per annum -----			
Discount rate	13.00	11.50	13.00	11.50
Expected rate of increase in future salaries	13.00	11.50	13.00	11.50
Rate of return on plan assets	13.00	11.50	-	-
Demographic assumptions				
- Mortality rates (for death in service)	SLIC (2001-05)	EFU (1961-66)	SLIC (2001-05)	EFU (1961-66)
- Rates of employee turnover	Moderate	Moderate	Moderate	Moderate

Notes to the Financial Statements

For the year ended June 30, 2014

7.1.12 Sensitivity analysis for actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarises how the net defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions.

	Change in assumption	Increase in assumptions	Decrease in assumptions
		----- Rupees in '000 -----	
Discount rate	1.00%	<u>292,197</u>	<u>328,527</u>
Increase in future salaries	1.00%	<u>329,657</u>	<u>290,899</u>
Withdrawal rates	10.00%	<u>309,521</u>	<u>309,144</u>

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

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

7.1.13 Based on actuary's advice. The expected charge for the year ending June 30, 2015 amounts to Rs.8.910 million and Rs.36.693 million for funded and unfunded gratuity plans respectively.

7.1.14 The weighted average duration of funded gratuity and un-funded gratuity is 9 years and 7 years respectively.

	2014	2013	2012	2011	2010
	----- Rupees in '000 -----				
7.1.15 Historical information					
Funded					
Present value of defined benefit obligation	117,914	92,849	87,013	66,811	56,716
Fair value of plan assets	<u>99,821</u> <u>18,093</u>	<u>75,232</u> <u>17,617</u>	<u>75,015</u> <u>11,998</u>	<u>57,052</u> <u>9,759</u>	<u>51,895</u> <u>4,821</u>
Loss / (gain) on obligation	<u>5,910</u>	<u>4,962</u>	<u>5,323</u>	<u>(4,727)</u>	<u>3,498</u>
Gain / (loss) on plan assets	<u>8,675</u>	<u>(1,067)</u>	<u>(3,635)</u>	<u>1,448</u>	<u>(779)</u>
Unfunded					
Present value of defined benefit obligation	<u>191,417</u>	<u>167,191</u>	<u>149,207</u>	<u>139,269</u>	<u>132,511</u>
Loss / (gain) on obligation	<u>13,645</u>	<u>4,684</u>	<u>1,974</u>	<u>(6,561)</u>	<u>(6,190)</u>

Notes to the Financial Statements

For the year ended June 30, 2014

7.1.16 Expected maturity analysis of undiscounted retirement benefit plans:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
As at June 30, 2014	----- Rupees in '000 -----				
Funded	<u>32,565</u>	<u>16,873</u>	<u>36,797</u>	<u>184,007</u>	<u>270,242</u>
Unfunded	<u>24,016</u>	<u>20,160</u>	<u>66,128</u>	<u>638,284</u>	<u>748,588</u>

	Note	2014	2013
7.2 Employee compensated absences		----- Rupees in '000 -----	
Balance as at June 30, Payable within next twelve months	7.2.1	<u>29,972</u> <u>(9,887)</u> <u>20,085</u>	<u>27,179</u> <u>(1,410)</u> <u>25,769</u>

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

Balance as at July 1, Provision for the year	<u>27,179</u> <u>4,812</u> 31,991	<u>25,660</u> <u>4,808</u> 30,468
Encashed during the year Balance as at June 30,	<u>(2,019)</u> <u>29,972</u>	<u>(3,289)</u> <u>27,179</u>

8. DEFERRED TAXATION - Net

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

	2014	Re-stated 2013
	----- Rupees in '000 -----	
Accelerated tax depreciation	396,209	413,720
Provision for doubtful debts	(10,206)	(3,152)
Provision for doubtful custom duty rebates recoverable	(29,603)	(30,500)
Provision for staff retirement gratuity	(69,138)	(62,834)
Interest payable on custom duties	(9,878)	(10,177)
Provisions for tyre replacement allowance and incentive to dealers	(34,108)	(24,506)
Others	(1,258)	(1,296)
	<u>242,018</u>	<u>281,255</u>

9. LONG TERM DEPOSITS FROM DEALERS

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

	2014	2013
10. SHORT TERM FINANCES - Secured	----- Rupees in '000 -----	
Balance as at June 30,	<u>714,413</u>	<u>904,241</u>

Notes to the Financial Statements

For the year ended June 30, 2014

- 10.1** Short term finance facilities available from various commercial banks aggregate to Rs.1,600 million (2013: Rs.1,550 million) and are secured against pari passu charge over fixed assets, stocks and trade debts of the Company. The rates of mark-up of these facilities, during the year, ranged from 9.28% to 15.51% (2013:10.41% to 14.43%) per annum. These facilities are expiring on various dates upto January 31, 2015.

Above mentioned balance includes Rs.22.318 million (2013: Rs.Nil) which represent FE-25 loan against facilities aggregating Rs.629 million (2013: Rs.530 million), available from various banks as sub-limits of above mentioned short term finance facilities. The rate of mark-up of this finance facility during the year is 3.50%.per annum.

- 10.2** The year-end balance includes Rs.Nil (2013: Rs.33.764 million) payable to Meezan Bank Limited - an Associated Company.

11. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

2014 2013
----- Rupees in '000 -----

Balance as at June 30,

2,180,130 1,198,569

- 11.1** The Company has arranged running finance facilities from various banks on mark-up basis to the extent of Rs.2,750 million (2013: Rs.2,200 million). The rates of mark-up on these arrangements, during the year, ranged from 10.03% to 12.19% (2013: 10.31% to 13.97%) per annum. These finance facilities are secured against pari passu charge over fixed assets, stocks and trade debts of the Company and are expiring on various dates by February 28, 2015.

The maximum available aggregate limit for utilisation of facilities for short term finances and running finances is Rs.4,350 million (2013: Rs 3,750 million).

- 11.2** The facilities for opening letters of credit and guarantees as at June 30, 2014 aggregated to Rs.4,000 million (2013: Rs.3,400 million) of which the amount remained unutilised at the year-end was Rs.3,393 million (2013: Rs.2,045 million).

- 11.3** The year-end balance includes Rs.331.671 million (2013: Rs.173.697 million) payable to Bank Alfalah Limited - an Associated Company.

Notes to the Financial Statements

For the year ended June 30, 2014

12. TRADE AND OTHER PAYABLES	Note	2014	2013
		----- Rupees in '000 -----	
Trade creditors		26,546	78,960
Bills payable		167,087	668,414
Accrued expenses	12.1	269,225	282,942
Advances from customers	12.2	147,540	98,106
Staff provident fund payable		3,521	3,228
Staff retirement gratuity	7.1.4	31,922	9,168
Short term deposits		1,298	5,001
Workers' (profit) participation fund	12.3	40,253	31,124
Workers' welfare fund		22,485	17,753
Sales tax payable		54,257	27,175
Payable to Waqf-e-Kuli Khan		12,844	9,884
Retention money		1,939	1,695
Dividend payable		10,037	8,166
Interest payable on custom duties	12.4 & 12.5	29,933	29,933
Others	12.6	19,542	11,003
		<u>838,429</u>	<u>1,282,552</u>

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

Continental Tire The Americas, LLC	52,150	50,947
Continental Reifen Deutschland GmbH	-	39,729
Pak Kuwait Takaful Company Limited	11	-
Bibojee Services (Private) Limited	300	-
Key management personnel	10,685	25,024
	<u>63,146</u>	<u>115,700</u>

12.2 These represent advances from customers against sale of tyres and tubes and carry no mark-up. Year-end balance includes Rs.0.526 million pertaining to Ghandhara Industries Limited - an Associated Company.

12.3 Workers' (profit) participation fund	Note	2014	2013
		----- Rupees in '000 -----	
Balance as at July 1,		31,124	13,334
Interest on funds utilised in the Company's business	34	<u>387</u>	<u>252</u>
		31,511	13,586
Payments made during the year		<u>(31,511)</u>	<u>(13,586)</u>
		-	-
Allocation for the year	33	40,253	31,124
Balance as at June 30,		<u>40,253</u>	<u>31,124</u>

Notes to the Financial Statements

For the year ended June 30, 2014

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2014

12.5 During the year ended June 30, 2001 an amount of Rs.5.00 million was paid by the Company under protest on account of interest on import levies. Further, refunds of custom duty rebates amounting Rs.4.923 million and Rs.4.070 million were adjusted by the customs authorities during the year ended June 30, 2000 and 2001 respectively against their demand of interest on import levies referred to in note 12.4 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 12.4 above, and is accordingly included in the current account balances with statutory authorities (note 25) as a receivable.

12.6 Other liabilities include vehicle deposits under Company's vehicle policy aggregating Rs.5.868 million (2013: Rs.0.938 million).

13. ACCRUED MARK-UP

	Note	2014	2013
----- Rupees in '000 -----			
Mark-up accrued on:			
- long term finance		3,907	4,220
- short term finances	13.1	12,409	9,403
- running finances	13.2	62,001	49,188
		<u>78,317</u>	<u>62,811</u>

13.1 Includes mark-up amounting Rs.Nil (2013: Rs.0.099 million) due to Meezan Bank Ltd. - an Associated Company.

13.2 Includes mark-up amounting Rs.8.660 million (2013: Rs.4.656 million) due to Bank Alfalah Limited - an Associated Company.

14. PROVISIONS

	Note	2014	2013
----- Rupees in '000 -----			
Incentive to dealers	14.1	72,157	33,275
Tyre replacement allowance	14.2	31,200	38,800
		<u>103,357</u>	<u>72,075</u>

14.1 Provision for incentive to dealers

Balance as at July 1,		33,275	29,365
Charge for the year	28	121,258	53,496
		<u>154,533</u>	<u>82,861</u>
Incentives paid during the year		(82,376)	(49,586)
Balance as at June 30,		<u>72,157</u>	<u>33,275</u>

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

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
----- Rupees in '000 -----			
14.2 Provision for tyre replacement allowance			
Balance as at July 1,		38,800	42,600
Charge for the year	29.1	22,899	23,609
		<u>61,699</u>	<u>66,209</u>
Claims paid / adjusted		(30,499)	(27,409)
Balance as at June 30,		<u>31,200</u>	<u>38,800</u>

14.2.1 This represents provision on account of tyre replacement claims expected to be received 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 SRO553(I)/94 dated June 9, 1994 as amended vide SRO555(I)/94 dated June 9, 1994 during the period from July 1994 to September 1995. The Company filed an appeal with the Collector, Central Excise and Land Customs (Appeals) on November 25, 1997 which was rejected. The Company filed an appeal against that order before the Customs, Central Excise and Sales Tax Appellate Tribunal which had stayed the recovery of sales tax from the Company, subject to the condition that the Company furnishes an indemnity bond to the satisfaction of the Collector of Sales Tax. Accordingly, the Company furnished the indemnity bond dated March 18, 1998 of Rs.16.775 million.

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2014

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

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

15.1.3 Certain other claims have been filed against the Company in respect of employees' matters for an aggregate amount which approximate to Rs.4.275 million (2013: Rs.5.575 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.

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

15.1.5 ACIR, during the year, has passed various orders under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2008, 2009, 2010 and 2011. The additions has been made to taxable income on account of royalty & technical services and respective federal excise duties on royalty and technical services claimed by the Company in each tax year. However, there is no tax demand consequent to such additions. The Company has filed appeals before Commissioner Inland Revenue (Appeals) against these orders, however, the hearing in appeals are pending.

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
		----- Rupees in '000 -----	
15.1.6 Guarantees issued by commercial banks on behalf of the Company		<u>153,044</u>	<u>138,253</u>
15.1.7 Post dated cheques issued to the Collector of Customs against duty on imported plant & machinery, raw materials and stores & spares		<u>49,352</u>	<u>108,528</u>
15.2 Commitments			
15.2.1 Commitments in respect of :			
- letters of credit for capital expenditure		<u>28,977</u>	<u>8,102</u>
- letters of credit for purchase of raw materials and stores & spares		<u>424,491</u>	<u>1,208,130</u>
- purchase orders issued to local suppliers for capital expenditure		<u>19,114</u>	<u>23,722</u>
- sales contracts entered into by the Company		<u>84,492</u>	<u>22,207</u>
- tentative schedules for supply of tyres		<u>872,093</u>	<u>1,155,477</u>
- indemnity bond	15.1.1	<u>16,775</u>	<u>16,775</u>
15.2.2 The Company has entered into Ijarah arrangements for plant & machinery and vehicles with a commercial bank. Aggregate commitments for these Ijarah arrangements as at June 30, are as follows:			
	Note	2014	2013
		----- Rupees in '000 -----	
Not later than 1 year		63,703	14,520
Over 1 year and no later than 5 years		<u>186,220</u>	<u>46,921</u>
		<u>249,923</u>	<u>61,441</u>
16. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	1,852,530	1,871,595
Capital work-in-progress	16.4	<u>61,038</u>	<u>66,896</u>
		<u>1,913,568</u>	<u>1,938,491</u>

Notes to the Financial Statements

For the year ended June 30, 2014

16.1 Operating fixed assets

	Leasehold land	Buildings on leasehold land	Electrical installation	Plant and machinery	Boilers and accessories	Laboratory equipment	Moulds	Vehicles	Furniture and fixtures	Office equipment	Computer equipment	Total
	Rupees in '000											
At July 1, 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	<u>555</u>	<u>172,220</u>	<u>23,966</u>	<u>1,355,425</u>	<u>15,569</u>	<u>1,260</u>	<u>57,922</u>	<u>23,767</u>	<u>7,934</u>	<u>19,472</u>	<u>10,762</u>	<u>1,688,852</u>
Year ended June 30, 2013												
Opening 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
Additions	-	11,784	9,060	207,523	2,430	1,461	36,944	47,396	8,884	13,216	1,003	339,701
Written-off												
- cost	-	-	-	-	-	-	-	-	-	-	3,992	3,992
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(3,990)	(3,990)
	-	-	-	-	-	-	-	-	-	-	2	2
Disposals												
- cost	-	-	-	4,808	-	-	-	19,273	-	275	2,549	26,905
- accumulated depreciation	-	-	-	(3,830)	-	-	-	(15,267)	-	(275)	(2,549)	(21,921)
	-	-	-	978	-	-	-	4,006	-	-	-	4,984
Depreciation charge	-	13,721	4,695	92,978	2,454	853	13,317	12,210	1,552	6,327	3,865	151,972
Closing net book value	<u>555</u>	<u>170,283</u>	<u>28,331</u>	<u>1,468,992</u>	<u>15,545</u>	<u>1,868</u>	<u>81,549</u>	<u>54,947</u>	<u>15,266</u>	<u>26,361</u>	<u>7,898</u>	<u>1,871,595</u>
At June 30, 2013												
Cost	555	341,383	98,849	2,877,387	59,001	31,865	204,847	124,029	25,214	87,410	43,457	3,893,997
Accumulated depreciation	-	171,100	70,518	1,407,704	43,456	29,997	122,935	69,082	9,948	61,049	35,559	2,021,348
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	1,054
Net book value	<u>555</u>	<u>170,283</u>	<u>28,331</u>	<u>1,468,992</u>	<u>15,545</u>	<u>1,868</u>	<u>81,549</u>	<u>54,947</u>	<u>15,266</u>	<u>26,361</u>	<u>7,898</u>	<u>1,871,595</u>
Year ended June 30, 2014												
Opening net book value	555	170,283	28,331	1,468,992	15,545	1,868	81,549	54,947	15,266	26,361	7,898	1,871,595
Additions	-	26,995	5,373	59,218	1,378	62	8,344	-	5,976	33,958	2,619	143,923
Written-off												
- cost	-	-	-	-	-	-	-	-	-	-	17,869	17,869
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(17,868)	(17,868)
	-	-	-	-	-	-	-	-	-	-	1	1
Disposals												
- cost-	-	-	-	2,352	-	-	-	12,096	42	1,427	1,490	17,407
- accumulated depreciation	-	-	-	(2,352)	-	-	-	(11,397)	(42)	(1,412)	(1,461)	(16,664)
	-	-	-	-	-	-	-	699	-	15	29	743
Depreciation charge	-	14,621	5,480	97,116	2,540	696	14,536	13,423	2,324	7,531	3,977	162,244
Closing net book value	<u>555</u>	<u>182,657</u>	<u>28,224</u>	<u>1,431,094</u>	<u>14,383</u>	<u>1,234</u>	<u>75,357</u>	<u>40,825</u>	<u>18,918</u>	<u>52,773</u>	<u>6,510</u>	<u>1,852,530</u>
At June 30, 2014												
Cost	555	368,378	104,222	2,934,253	60,379	31,927	213,191	111,933	31,148	119,941	26,717	4,002,644
Accumulated depreciation	-	185,721	75,998	1,502,468	45,996	30,693	137,471	71,108	12,230	67,168	20,207	2,149,060
Accumulated impairment	-	-	-	691	-	-	363	-	-	-	-	1,054
Net book value	<u>555</u>	<u>182,657</u>	<u>28,224</u>	<u>1,431,094</u>	<u>14,383</u>	<u>1,234</u>	<u>75,357</u>	<u>40,825</u>	<u>18,918</u>	<u>52,773</u>	<u>6,510</u>	<u>1,852,530</u>
Depreciation rate (% per annum)		<u>5</u>	<u>10</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>10</u>	<u>20</u>	<u>10</u>	<u>15</u>	<u>25</u>	

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014	2013
16.2 Depreciation charge has been allocated as follows:		----- Rupees in '000 -----	
Cost of goods manufactured	29.1	151,710	142,348
Administrative expenses	30	5,242	5,377
Distribution cost	31	5,292	4,247
		<u>162,244</u>	<u>151,972</u>

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

Particulars of assets	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
Assets having net book value exceeding Rs.50,000 each ----- Rupees in '000 -----						
Vehicles						
Nissan Sunny	1,236	700	536	536	Company policy	Mr. Tariq Soulat - ex-employee
Honda Civic	1,859	1,797	62	613	Company policy	Mr. Mohammad Shahid Hussain Chief Executive
Toyota Corolla	1,014	963	51	335	Company policy	Mr. Asif Jameel - employee
Toyota Corolla	1,014	963	51	335	Company policy	Mr. Rashid Qamar - employee
Honda Civic	1,725	1,724	1	569	Company policy	Mr. Ashraf Teli - employee
	<u>6,848</u>	<u>6,147</u>	<u>701</u>	<u>2,388</u>		
Various assets having net book value upto Rs.50,000 each	10,559	10,517	42	5,278		
June 30, 2014	<u>17,407</u>	<u>16,664</u>	<u>743</u>	<u>7,666</u>		
June 30, 2013	<u>26,905</u>	<u>21,921</u>	<u>4,984</u>	<u>7,886</u>		

	2014	2013
16.4 Capital work-in-progress	----- Rupees in '000 -----	
Buildings	10,591	43,628
Electrical installations	4,903	2,970
Plant and machinery	2,915	14,643
Moulds	137	2,852
Vehicles	6,291	-
Furniture and fixtures	-	27
Office equipment	38,476	4,271
Computer equipment	-	780
	<u>63,313</u>	<u>69,171</u>
Provision for a doubtful advance	<u>(2,275)</u>	<u>(2,275)</u>
	<u>61,038</u>	<u>66,896</u>

Notes to the Financial Statements

For the year ended June 30, 2014

16.4.1 Capital work-in-progress includes Rs.18.277 million (2013: Rs.20.213 million) representing advance payments made to suppliers for procurement of operating fixed assets.

16.5 Mark-up amounted Rs.5.946 million at rates ranged between 11.54% and 12.00% per annum was included in the cost of property, plant and equipment during the preceding year.

17. INTANGIBLE ASSETS	Note	2014	2013
		----- Rupees in '000 -----	
These represent computer software licenses.			
Cost			
At July 1,		5,492	4,090
Additions during the year		2,028	1,402
Written-off		(470)	-
At June 30,		7,050	5,492
Accumulated amortisation			
At July 1,		4,150	3,614
Amortisation charge		948	536
Written-off		(470)	-
At June 30,		4,628	4,150
Net book value		2,422	1,342
Amortisation rate (% per annum)		33.33	33.33

17.1 Amortisation charge has been allocated as follows:

Cost of goods manufactured	29.1	473	268
Administrative expenses	30	285	161
Distribution cost	31	190	107
		948	536

18. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted

Ghandhara Industries Limited - Equity basis
100,700 (2013: 100,700) ordinary shares
of Rs.10 each - cost
Equity held: 0.473% (2013: 0.473%)

		2,447	2,447
Share of post acquisition profit		812	560
		3,259	3,007
Dividends received to date		(335)	(335)
		2,924	2,672
Impairment allowance		-	(824)
		2,924	1,848

Notes to the Financial Statements

For the year ended June 30, 2014

18.1 The above figures are based on unaudited condensed interim financial information of the investee company as at March 31, 2014. The latest financial statements of the investee company as at June 30, 2014 are not presently available.

18.2 The investee company is an Associate of the Company by virtue of common directorship.

18.3 Summarised financial information of the investee company as at March 31, 2014 is as follows:

	As at March 31, 2014	As at March 31, 2013
	----- Rupees in '000 -----	
Total assets	<u>4,020,286</u>	<u>4,123,583</u>
Total liabilities	<u>2,011,546</u>	<u>2,395,182</u>
Accumulated profit	<u>120,817</u>	<u>69,081</u>
	Nine months period ended	
	March 31, 2014	March 31, 2013
Revenues	<u>1,657,921</u>	<u>2,126,104</u>
Profit before taxation	<u>9,807</u>	<u>118,178</u>
Profit after taxation	<u>13,170</u>	<u>92,680</u>

18.4 The market value of investment as at June 30, 2014 was Rs.3.391 million (2013: Rs.1.848 million).

19. LONG TERM LOANS AND ADVANCES

	Note	2014	2013
		----- Rupees in '000 -----	
- Considered good			
Loans and advances due from:			
- executives	19.1 & 19.2	<u>3,242</u>	<u>1,574</u>
- other employees	19.1	<u>12,325</u>	<u>8,870</u>
		<u>15,567</u>	<u>10,444</u>
Amounts recoverable within one year and grouped under current assets		<u>(5,558)</u>	<u>(4,607)</u>
		<u>10,009</u>	<u>5,837</u>

Notes to the Financial Statements

For the year ended June 30, 2014

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

19.2 Reconciliation of carrying amount of loans and advances to executives	Note	2014	2013
		----- Rupees in '000 -----	
Balance as at July 1,		1,574	1,471
Disbursements		<u>3,838</u>	<u>1,330</u>
		5,412	2,801
Repayments		<u>(2,170)</u>	<u>(1,227)</u>
Balance as at June 30,		<u>3,242</u>	<u>1,574</u>

19.3 The maximum aggregate amount outstanding at the end of any month during the year ended June 30, 2014 from executives aggregated to Rs.3.526 million (2013: Rs.1.945 million).

19.4 Advances to executives include an amount of Rs.0.111 million (2013: Rs.0.278 million) provided to the Chief Executive of the Company as furniture advance in accordance with his terms of employment.

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

20. LONG TERM DEPOSITS	Note	2014	2013
		----- Rupees in '000 -----	
Security deposits for:			
- utilities		6,168	6,168
- ijarah		24,153	15,292
- others		691	834
		<u>31,012</u>	<u>22,294</u>

21. STORES AND SPARES

In hand	450,374	400,706
In transit	<u>11,790</u>	<u>7,354</u>
	<u>462,164</u>	<u>408,060</u>

22. STOCKS

Raw materials		
- in hand	1,093,881	1,050,151
- in transit	76,950	258,268
- with third parties	-	178
	<u>1,170,831</u>	<u>1,308,597</u>

Work-in-process	284,536	186,181
Finished goods including in-transit valuing Rs.13.020 million (2013: Rs.47.086 million)	22.1	543,789
	<u>1,999,156</u>	<u>1,788,330</u>

Notes to the Financial Statements

For the year ended June 30, 2014

22.1 Finished goods include items costing Rs.74.021 million (2013: Rs.111.068 million) which are stated at their net realisable values aggregating Rs.66.284 million (2013: Rs.87.302 million). The aggregate amount charged to profit and loss account in respect of stocks written down to their net realisable value is Rs.7.737 million (2013: Rs.23.766 million).

22.2 All fixed and current assets of the Company upto a maximum amount of Rs.5,604 million (2013: Rs.5,717 million) are under hypothecation / pledge charge as security for long term, short term and running finance facilities (notes 6, 10 and 11).

	Note	2014	2013
		----- Rupees in '000 -----	
23. TRADE DEBTS - Unsecured			
Consider good			
- from Associated Companies	23.1	3	23,066
- others		<u>1,390,550</u>	<u>1,163,910</u>
		<u>1,390,553</u>	<u>1,186,976</u>
Considered doubtful - others		<u>30,927</u>	<u>9,271</u>
		<u>1,421,480</u>	<u>1,196,247</u>
Provision for doubtful debts	23.2	<u>(30,927)</u>	<u>(9,271)</u>
		<u>1,390,553</u>	<u>1,186,976</u>
23.1 Trade debts include following amounts due from Associated Companies:			
Gandhara Industries Limited		-	21,162
Gandhara Nissan Limited		<u>3</u>	<u>1,904</u>
		<u>3</u>	<u>23,066</u>
23.2 Provision for doubtful debts			
Balance as at July 1,		9,271	11,451
Provision made during the year		<u>24,885</u>	-
		<u>34,156</u>	<u>11,451</u>
Amount reversed during the year		(3,229)	(2,180)
Balance as at June 30,		<u>30,927</u>	<u>9,271</u>

Notes to the Financial Statements

For the year ended June 30, 2014

	Associated Companies		Others	
	2014	2013	2014	2013
23.3 The ageing analysis of trade debts at June 30, is as follows:	----- Rupees in '000 -----			
0 to 30 days	-	7,505	831,232	818,540
31 to 180 days	3	15,561	505,367	342,776
181 to 360 days	-	-	62,185	5,189
Over one year	-	-	22,693	6,676
	<u>3</u>	<u>23,066</u>	<u>1,421,477</u>	<u>1,173,181</u>
Provision for doubtful debts	-	-	(30,927)	(9,271)
	<u>3</u>	<u>23,066</u>	<u>1,390,550</u>	<u>1,163,910</u>
24. LOANS AND ADVANCES - Considered good	Note	2014	2013	
		----- Rupees in '000 -----		
Current portion of long term loans and advances	19	5,558	4,607	
Loans and advances due from:				
- executives		519	238	
- other employees		14,926	6,355	
	24.1	15,445	6,593	
Advances due from:				
- executives		114	620	
- other employees		492	97	
- suppliers, contractors and others	24.2	14,573	19,505	
		<u>15,179</u>	<u>20,222</u>	
		<u>36,182</u>	<u>31,422</u>	
24.1 These represent interest free festival loans, general loans, special loans and salary advance provided to executives and other employees in accordance with Company's policy and have maturities upto twelve months.				
24.2 Includes Rs.Nil (2013: Rs.0.207 million) advance made to Continental Tire The Americas, LLC - a related party for purchase of bladders.				
25. DEPOSITS AND PREPAYMENTS	Note	2014	2013	
		----- Rupees in '000 -----		
Trade deposits		5,330	8,030	
Call deposit receipts	25.1	201,000	-	
Prepayments		14,828	7,554	
Current account balances with statutory authorities	12.5	25,090	17,548	
		<u>246,248</u>	<u>33,132</u>	

Notes to the Financial Statements

For the year ended June 30, 2014

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

	Note	2014	2013
----- Rupees in '000 -----			
26. OTHER RECEIVABLES - Unsecured			
Export benefit receivable (duty drawback)		658	658
Sales tax refundable	15.1.1	16,775	17,775
Custom duty rebates recoverable	26.1	89,705	89,705
Provision for custom duty rebates recoverable		(89,705)	(89,705)
		-	-
Margin and deposits against bank guarantees		2,813	-
Others	26.2	15,033	9,669
Provision for doubtful receivables		(1,537)	(1,537)
		13,496	8,132
		<u>33,742</u>	<u>26,565</u>

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.4.104 million (2013: Rs.2.052 million) receivable from Continental Reifen Deutschland GmbH - a related party on account of product liability insurance premium.

	Note	2014	2013
----- Rupees in '000 -----			
27. CASH AND BANK BALANCES			
At banks on:			
- current accounts	27.1	180,621	149,298
- deposit account	27.2 & 27.3	6,066	5,819
		186,687	155,117
Remittances-in-transit		-	3,803
Cash and cheques in-hand		33,472	28,760
		<u>220,159</u>	<u>187,680</u>

27.1 These include Rs.39.499 million (2013: Rs.Nil) and Rs.0.003 million (2013: Rs.0.482 million) held with Bank Alfalah Limited and Meezan Bank Limited (Associated Companies) respectively .

27.2 This carry mark-up at the rate of 6.00% (2013: 5.50%) per annum.

27.3 This represents a separate account for deposits from dealers aggregating Rs.6.066 million (2013: Rs.5.819 million).

Notes to the Financial Statements

For the year ended June 30, 2014

28. SALES - Net	Note	2014	2013
		----- Rupees in '000 -----	
Own manufactured goods			
Local		10,112,899	9,386,996
Export		44,871	33,354
Trading goods - Local		<u>247,079</u>	<u>194,769</u>
		<u>10,404,849</u>	<u>9,615,119</u>
Less:			
- sales tax		1,574,153	1,323,097
- discounts		102,789	71,440
- incentives to dealers	14.1	<u>121,258</u>	<u>53,496</u>
		<u>1,798,200</u>	<u>1,448,033</u>
		<u>8,606,649</u>	<u>8,167,086</u>
29. COST OF SALES	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
Opening stock of finished goods		293,552	492,670
Cost of goods manufactured	29.1	<u>6,886,388</u>	<u>6,298,440</u>
Finished goods purchased		176,121	164,582
Royalty technical service fee	29.2	<u>199,312</u>	<u>176,161</u>
		7,261,821	6,639,183
Closing stock of finished goods	22	<u>(543,789)</u>	<u>(293,552)</u>
		<u>7,011,584</u>	<u>6,838,301</u>
29.1 Cost of goods manufactured			
Opening work-in-process		186,181	176,008
Raw materials consumed	29.3	4,780,911	4,556,517
Stores and spares consumed		203,954	191,199
Stores and spares written-off		-	10,054
Salaries, wages and benefits	29.4	926,081	759,567
Travelling and conveyance		8,075	6,481
Vehicles running expenses		28,639	22,073
Legal and professional charges		1,841	1,586
Power and fuel		638,249	461,360
Rent, rates and taxes		9,585	6,973
Ijarah rentals		36,212	770
Insurance		18,087	17,068
Repairs and maintenance		62,172	43,773
Tyre replacement allowance	14.2	22,899	23,609
Depreciation	16.2	151,710	142,348
Amortisation	17.1	473	268
Printing and stationery		2,220	1,503
Postage and telephone		2,477	2,091
Freight and insurance		82,257	56,057
Other manufacturing expenses		<u>8,901</u>	<u>5,316</u>
		<u>7,170,924</u>	<u>6,484,621</u>
Closing work-in-process		<u>(284,536)</u>	<u>(186,181)</u>
		<u>6,886,388</u>	<u>6,298,440</u>

Notes to the Financial Statements

For the year ended June 30, 2014

29.2 The royalty technical service fee include provincial taxes amounting Rs.18.312 million (2013: Rs.19.172 million).

29.3 Raw materials consumed	Note	2014	2013
		----- Rupees in '000 -----	
Opening stock		1,308,597	1,212,726
Purchases during the year		4,655,325	4,664,922
		<u>5,963,922</u>	<u>5,877,648</u>
Indirect materials consumed		(12,180)	(12,534)
Closing stock	22	(1,170,831)	(1,308,597)
		<u>(1,183,011)</u>	<u>(1,321,131)</u>
		<u>4,780,911</u>	<u>4,556,517</u>

29.4 Salaries, wages and benefits include Rs.26.705 million (2013: Rs.25.862 million) and Rs.10.535 million (2013: Rs.9.537 million) in respect of staff retirement gratuity and staff provident fund respectively.

30. ADMINISTRATIVE EXPENSES	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
Salaries and benefits	30.1	125,016	105,929
Travelling and conveyance		3,736	5,505
Vehicles running expenses		4,088	3,564
Legal and professional charges		9,673	3,506
Auditors' remuneration	30.2	1,890	1,871
Rent, rates and taxes		102	960
Insurance		2,821	2,730
Repairs and maintenance		721	537
Depreciation	16.2	5,242	5,377
Amortisation	17.1	285	161
Printing and stationery		621	711
Postage and telephone		719	727
Ijarah rentals		2,462	-
Entertainment		618	657
Provision for doubtful debts	23.2	24,885	-
Computer expenses		2,475	2,950
Directors' fee		1,620	1,740
Other expenses		1,333	1,094
		<u>188,307</u>	<u>138,019</u>

30.1 Salaries and benefits include Rs.4.601 million (2013: Rs.7.080 million) and Rs.3.564 million (2013: Rs.3.089 million) in respect of staff retirement gratuity and staff provident fund respectively.

Notes to the Financial Statements

For the year ended June 30, 2014

30.2 Auditors' remuneration	Note	2014	2013
		----- Rupees in '000 -----	
Audit fee		1,500	1,500
Audit of provident fund		50	41
Special certifications		95	95
Out-of-pocket expenses		245	235
		<u>1,890</u>	<u>1,871</u>

31. DISTRIBUTION COST	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
Salaries and benefits	31.1	107,604	88,264
Travelling, conveyance and entertainment		24,161	11,671
Vehicle running expenses		8,621	6,986
Legal and professional charges		130	43
Sales promotion		14,462	7,683
Advertising		52,192	56,649
Rent, rates and taxes		14,348	12,314
Ijarah rentals		5,641	151
Insurance		523	862
Repairs and maintenance		2,442	1,075
Depreciation	16.2	5,292	4,247
Amortisation	17.1	190	107
Printing and stationery		868	623
Postage and telephone		2,194	2,157
Freight and insurance		94,730	102,645
Gas and electricity		2,007	1,660
Others		22,589	9,830
		<u>357,994</u>	<u>306,967</u>

31.1 Salaries and benefits include Rs.4.676 million (2013: Rs.5.074 million) and Rs.2.473 million (2013: Rs.2.127 million) in respect of staff retirement gratuity and staff provident fund respectively.

32. OTHER INCOME	Note	2014	2013
		----- Rupees in '000 -----	
Income from financial assets			
Profit on bank deposits		421	348
Income from other than financial assets			
Sale of scrap		66,866	62,479
Gain on sale of operating fixed assets	16.3	6,923	2,902
Balances written-back		39,767	-
Reversal of provision for doubtful debts	23.2	3,229	2,180
Others		1,098	448
		<u>118,304</u>	<u>68,357</u>

Notes to the Financial Statements

For the year ended June 30, 2014

33. OTHER EXPENSES	Note	2014	2013
		----- Rupees in '000 -----	
Workers' (profit) participation fund	12.3	40,253	31,124
Workers' welfare fund			
- current year		16,477	11,745
- prior year		(17)	-
		16,460	11,745
Exchange loss - net		23,112	30,202
Operating fixed assets written-off	16.1	1	2
Donations	33.1	13,851	11,084
		93,677	84,157

33.1 Donation of Rs.12.844 million (2013: Rs.9.884 million) charged in these financial statements is payable to Waqf-e-Kuli Khan, 2nd Floor, Gammon House, 400-2, Chour Chowk, Peshawar Road, Rawalpindi (the Trust). Lt. Gen. (Retd.) Ali Kuli Khan Khattak, Chairman of the Company, Mr. Ahmed Kuli Khan Khattak and Mr. Raza Kuli Khan Khattak, Directors of the Company, are trustees of the Trust.

34. FINANCE COST	Note	2014	2013
		----- Rupees in '000 -----	
Mark-up on:			
- long term finance		22,555	9,954
- short term finances		88,134	70,092
- running finances		210,614	205,066
Interest on workers' (profit) participation fund	12.3	387	252
Bank charges and guarantee commission		4,561	3,853
		326,251	289,217

35. TAXATION	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
Current tax			
Current tax on profit for the year		270,122	84,542
Deferred tax			
Origination and reversal of temporary differences		(27,375)	102,904
Impact of change in tax rate		(8,272)	(3,072)
		(35,647)	99,832
		234,475	184,374

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

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014 ----- Rupees in '000 -----	Re-stated 2013
Profit before taxation		<u>748,216</u>	<u>579,975</u>
Tax at the applicable rate of 34% (2013: 35%)		<u>254,393</u>	<u>202,991</u>
Tax effect of items, which are not deductible for tax purposes and are taken to profit and loss account		102,409	102,516
Tax effect of items, which are deductible for tax purposes but are not taken to profit and loss account		(84,296)	(119,988)
Tax effect of share of profit of Associated Company		(366)	(418)
Effect of tax credits		(10,833)	(104,017)
Tax effect of income subject to final tax regime		8,815	3,458
Deferred taxation		<u>(35,647)</u>	<u>99,832</u>
		<u>234,475</u>	<u>184,374</u>
36. EARNINGS PER SHARE			
36.1 Basic earnings per share			
Net profit for the year		<u>513,741</u>	<u>395,601</u>
		-- Number of shares --	
Weighted average ordinary shares in issue		<u>59,771,250</u>	<u>59,771,250</u>
		----- Rupees in -----	
Earnings per share		<u>8.60</u>	<u>6.62</u>
36.2 Diluted earnings per share			

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

Notes to the Financial Statements

For the year ended June 30, 2014

	Note	2014	Re-stated 2013
		----- Rupees in '000 -----	
37. CASH GENERATED FROM OPERATIONS			
Profit before taxation		748,216	579,975
Adjustments for non-cash charges and other items			
Depreciation		162,244	151,972
Amortisation		948	536
Provision for staff retirement gratuity		35,982	38,016
Charge of employee compensated absences		4,812	4,808
Stores and spares written-off		-	10,054
Provision for doubtful debts - charge / (reversal) - net		21,656	(2,180)
Profit on bank deposits		(421)	(348)
Gain on disposal of operating fixed assets		(6,923)	(2,902)
Balances written-back		(39,767)	-
Unrealised exchange loss - net		265	1,057
Operating fixed assets written-off		1	2
Finance cost		326,251	289,217
Share of profit of an Associated Company		(1,076)	(1,193)
Working capital changes	37.1	<u>(1,121,657)</u>	<u>(356,393)</u>
		<u>130,531</u>	<u>712,621</u>
37.1 Working capital changes			
(Increase) / decrease in current assets:			
- Stores and spares		(54,104)	(32,308)
- Stocks		(210,826)	93,074
- Trade debts		(225,233)	(234,975)
- Loans and advances		(4,760)	(8,179)
- Deposits and prepayments		(213,116)	(6,688)
- Other receivables		(7,177)	(1,705)
		<u>(715,216)</u>	<u>(190,781)</u>
(Decrease) / increase in current liabilities:			
- Trade and other payables		(437,723)	(165,722)
- Provisions		31,282	110
		<u>(406,441)</u>	<u>(165,612)</u>
		<u>(1,121,657)</u>	<u>(356,393)</u>

38. CASH AND CASH EQUIVALENTS

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

	Note	2014	2013
		----- Rupees in '000 -----	
Running finances under mark-up arrangements	11	(2,180,130)	(1,198,569)
Cash and bank balances	27	220,159	187,680
		<u>(1,959,971)</u>	<u>(1,010,889)</u>

Notes to the Financial Statements

For the year ended June 30, 2014

39. REMUNERATION OF THE CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Executive	
	2014	2013	2014	2013
	----- Rupees in '000 -----			
Managerial remuneration and allowances	20,018	15,928	140,500	124,370
Bonus	10,778	4,277	20,794	21,914
Company's contribution to provident fund and gratuity fund	1,505	1,144	14,366	15,099
Medical	421	200	9,846	9,327
Leave passage	731	569	5,547	4,433
Others	1,628	1,312	27,273	23,382
	<u>35,081</u>	<u>23,430</u>	<u>218,326</u>	<u>198,525</u>
Number of persons	<u>1</u>	<u>1</u>	<u>59</u>	<u>58</u>

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

39.2 Remuneration to other directors

Aggregate amount charged in these financial statements for meeting fee to ten (2013: thirteen) non-executive directors was Rs1.460 million (2013: Rs.1.540 million).

40. PLANT CAPACITY AND ACTUAL PRODUCTION	Note	2014	2013
		--- Number of units ---	
Capacity: Tyre sets		<u>3,112,875</u>	<u>3,112,875</u>
Production: Tyre sets	40.1	<u>2,160,779</u>	<u>1,625,340</u>

40.1 Actual production was sufficient to meet the demand.

Actual production comprises of:

Passenger car	831,972	830,177
Light truck	321,554	268,357
Truck bus	34,972	22,943
Farm front	200,391	200,163
Farm rear	130,470	137,960
Motorcycle	641,420	165,740
	<u>2,160,779</u>	<u>1,625,340</u>

Notes to the Financial Statements

For the year ended June 30, 2014

41. TRANSACTIONS WITH RELATED PARTIES

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

Name	Nature of relationship	Nature of transaction	2014 ---- Rupees in '000 ----	2013
Ghandhara Industries Limited	Associated company	Sales Services rendered	50,567 1,950	39,928 -
Ghandhara Nissan Limited	Associated company	Sales Purchase	38,823 59	15,959 -
Ghandhara DF (Private) Limited	Associated company	Sales	974	-
Bibojee Services (Private) Limited	Associated company	Sales Dividend paid Rent	521 74,739 600	4,159 33,217 1,200
Continental Reifen Deutschland GmbH	Related party	Purchase of spare parts / bladders Balances written back	2,276 39,729	14,530 -
Continental Tire The Americas, LLC	Related party	Purchase of machinery and spare parts / bladders Purchase of raw materials Royalty technical service fee	2,364 49,342 180,999	10,191 59,101 156,989
Continental Global Holding Netherlands, B.V.	Related party	Dividend paid	26,299	11,689
Universal Insurance Company Limited	Associated company	Insurance premium	1,518	13,588
Pak Kuwait Takaful Company Limited	Associated company	Insurance premium	1,818	1,722
Wackenhut Pakistan (Private) Limited	Associated company	Service charges	3,170	2,553
Meezan Bank Limited	Associated company	Mark-up on short term finance	9,383	2,916
Pak Kuwait Investment Company (Private) Limited	Associated company	Dividend paid	75,484	33,549

Notes to the Financial Statements

For the year ended June 30, 2014

Name	Nature of relationship	Nature of transaction	2014 ---- Rupees in '000 ----	2013 ---- Rupees in '000 ----
Bank Alfalah Limited	Associated company	Mark-up on running finance	26,832	20,192
Waqf-e-Kuli Khan	Associated undertaking	Donation	12,844	9,884
Key management personnel	Related party	Remuneration and other short term benefits	96,455	84,493
		Sale of fixed assets	2,388	1,460
Staff provident fund	Employees fund	Contributions made	16,572	14,753
Staff gratuity fund	Employees fund			Refer note 7.1

42. PROVIDENT FUND RELATED DISCLOSURES

42.1 The following information is based on un-audited financial statements of the Fund for the year ended June 30, 2014:

	2014 ----- Rupees in '000 -----	2013 ----- Rupees in '000 -----
Size of the Fund	<u>363,936</u>	<u>342,580</u>
Cost of investments made	<u>359,976</u>	<u>324,238</u>
Percentage of investments made	<u>98.91%</u>	<u>94.65%</u>
Fair value of investments	<u>362,678</u>	<u>329,638</u>

Notes to the Financial Statements

For the year ended June 30, 2014

42.2 Break-up of the investments is as follows:	2014	2013	2014	2013
	----- Percentage -----		--- Rupees in '000 ---	
Special account in a scheduled bank	42.34	5.90	154,076	20,221
Debt securities	13.83	37.76	50,349	129,369
Government securities	16.47	42.61	59,930	145,989
Listed securities	13.18	0.52	47,960	1,782
Mutual fund - units	13.10	7.85	47,661	26,877

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

43. FINANCIAL INSTRUMENTS

43.1 Financial risk factors

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

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

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

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

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Credit risk mainly arises from loans & advances, deposits, trade debts, other receivables and balances with banks. Out of the total financial assets aggregating Rs.1,895.375 million (2013: Rs.1,430.149 million) as detailed in note 43.3 below, those that are subject to credit risk aggregate to Rs.1,861.903 million (2013: Rs.1,401.389 million).

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

Notes to the Financial Statements

For the year ended June 30, 2014

	2014	2013
	----- Rupees in '000 -----	
Long term loans and advances	10,009	5,837
Long term deposits	31,012	22,294
Trade debts	1,390,553	1,186,976
Loans and advances	21,003	11,200
Deposits	206,330	8,030
Other receivables	16,309	8,132
Cash and bank balances	186,687	158,920
	<u>1,861,903</u>	<u>1,401,389</u>

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

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

	2014	2013
	----- Rupees in '000 -----	
Original equipment manufacturer	381,218	538,641
Government institutions	187,570	38,336
Replacement market	852,692	619,270
	<u>1,421,480</u>	<u>1,196,247</u>
Provision for doubtful debts	(30,927)	(9,271)
	<u>1,390,553</u>	<u>1,186,976</u>

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

The Company monitors the credit quality of its bank balances with reference to historical performance of such assets and available external credit ratings. The bank balances aggregating Rs. 183.089 million placed with banks have a short term credit rating of at least A1+. Accordingly, management does not expect any counter party to fail in meeting their obligation.

Notes to the Financial Statements

For the year ended June 30, 2014

(b) Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 2 years	3 years and above
June 30, 2014	----- Rupees in '000 -----				
Long term finance	166,667	194,982	84,158	75,947	34,877
Long term deposits from dealers	11,170	11,170	-	-	11,170
Short term finances	714,413	734,068	734,068	-	-
Running finances	2,180,130	2,180,130	2,180,130	-	-
Trade and other payables	543,961	543,961	543,961	-	-
Accrued mark-up	78,317	78,317	78,317	-	-
Provisions	103,357	103,357	103,357	-	-
	<u>3,798,015</u>	<u>3,845,985</u>	<u>3,723,991</u>	<u>75,947</u>	<u>46,047</u>
June 30, 2013					
Long term finance	200,000	248,161	55,015	83,023	110,123
Long term deposits from dealers	9,320	9,320	-	-	9,320
Short term finances	904,241	929,007	929,007	-	-
Running finances	1,198,569	1,198,569	1,198,569	-	-
Trade and other payables	1,078,461	1,078,461	1,078,461	-	-
Accrued mark-up	62,811	62,811	62,811	-	-
Provisions	72,075	72,075	72,075	-	-
	<u>3,525,477</u>	<u>3,598,404</u>	<u>3,395,938</u>	<u>83,023</u>	<u>119,443</u>

Notes to the Financial Statements

For the year ended June 30, 2014

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, 2014.

(c) Market risk

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

Currency risk

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

The Company is exposed to 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:

	2014		2013			
	Rupees	U.S.\$	Euro	Rupees	U.S.\$	Euro
	----- Rupees in '000 -----					
Short term finances	22,318	226	-	-	-	-
Trade and other payables	167,087	1,691	1	704,307	6,686	338
	<u>189,405</u>	<u>1,917</u>	<u>1</u>	<u>704,307</u>	<u>6,686</u>	<u>338</u>

The following significant exchange rates have been applied:

	Reporting date rate	
	2014	2013
U.S. Dollar to Rupee	98.75	98.80
Euro to Rupee	134.73	129.11

Sensitivity analysis

As at June 30, 2014, if Rupee had strengthened / weakened by 10% against U.S. Dollar and Euro with all other variables held constant, profit before taxation for the year would have been higher / (lower) by the amount shown below mainly as a result of foreign exchange gain / (loss) on translation of denominated financial liabilities.

Notes to the Financial Statements

For the year ended June 30, 2014

	2014	2013
	----- Rupees in '000 -----	
Effect on profit before taxation for the year:		
U.S. Dollar to Rupee	18,930	66,058
Euro to Rupee	<u>13</u>	<u>4,364</u>
	<u>18,943</u>	<u>70,422</u>

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

Interest rate risk

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

Majority of the interest rate risk of the Company arises from short & long term borrowings from banks and mark-up bearing deposits held with banks. Borrowings at variable interest rates expose the Company to cash flow interest rate risk and deposits with banks at fixed interest rates give rise to fair value interest rate risk. As at June 30, 2014, the interest rate profile of the Company's significant financial instruments is as follows:

	2014	2013
	----- Rupees in '000 -----	
Fixed rate instruments		
Financial assets - note 27	<u>6,066</u>	<u>5,819</u>
Variable rate instruments		
Financial liabilities	<u>3,061,210</u>	<u>2,302,810</u>

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

As at June 30, 2014, if the interest rate on the Company's borrowings had been higher / lower by 100 basis point with all other variables held constant, profit before tax for the year would have been lower / higher by Rs.30.612 million (2013: Rs.23.028 million) mainly as a result of higher / (lower) interest expense.

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

Notes to the Financial Statements

For the year ended June 30, 2014

Other price risk

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

43.2 Capital risk management

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

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

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

43.3 Financial instruments by category	Note	2014	2013
		----- Rupees in '000 -----	
Financial assets as per balance sheet			
Loans and receivables			
Long term loans and advances		10,009	5,837
Long term deposits		31,012	22,294
Trade debts		1,390,553	1,186,976
Loans and advances		21,003	11,200
Deposits		206,330	8,030
Other receivables		16,309	8,132
Cash and bank balances		<u>220,159</u>	<u>187,680</u>
		<u>1,895,375</u>	<u>1,430,149</u>
Financial liabilities as per balance sheets			
Financial liabilities at amortised cost			
Long term finance		166,667	200,000
Long term deposits from dealers		11,170	9,320
Short term finances		714,413	904,241
Running finances under mark-up arrangements		2,180,130	1,198,569
Trade and other payables		543,961	1,078,461
Accrued mark-up		78,317	62,811
Provisions		<u>103,357</u>	<u>72,075</u>
		<u>3,798,015</u>	<u>3,525,477</u>

Notes to the Financial Statements

For the year ended June 30, 2014

43.4 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, 2014 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.

44. ENTITY- WIDE INFORMATION

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

44.1 Information about products and customers

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

	2014 %	2013 %
Original equipment manufacturers (OEM)	42.82	50.28
Replacement market	50.92	47.84
Government institutions	5.84	1.53
Exports	0.42	0.35
	<u>100</u>	<u>100</u>

44.2 Information about geographical areas

All non-current assets of the Company as at June 30, 2014 are located in Pakistan. Revenues from external customers attributed to foreign countries in aggregate are not material.

44.3 Information about major customers

The Company did not have any customer having sale of ten percent or more during the year ended June 30, 2014 [2013: The Company had earned revenues from two customers, classified as OEM, aggregated Rs.2,550.672 million which constituted 26.53% of the total revenues].

Notes to the Financial Statements

For the year ended June 30, 2014

45. NUMBER OF EMPLOYEES

Number of employees as at June 30,	Note	2014	2013
- Permanent		<u>1,079</u>	<u>1,065</u>
- Contractual		<u>1,263</u>	<u>1,104</u>
Average number of employees during the year			
- Permanent		<u>1,072</u>	<u>1,052</u>
- Contractual		<u>1,184</u>	<u>951</u>

46. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on August 28, 2014 have proposed final cash dividend of Rs. 6.50 (2013: Rs.4.50) per share, amounting to Rs. 388.513 million (2013: Rs.268.971 million), for the year ended June 30, 2014. The proposed dividend will be approved in the forthcoming annual general meeting to be held on September 30, 2014.

These financial statements do not reflect the proposed dividend, which will be accounted for in the statement of changes in equity as appropriation from unappropriated profit in year ending June 30, 2015.

47. DATE OF AUTHORISATION FOR ISSUE

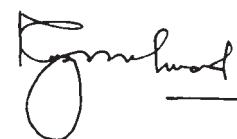
These financial statements were authorised for issue on August 28, 2014 by the Board of Directors of the Company.

48. CORRESPONDING FIGURES

Prior year's figures have been restated consequent to the retrospective application of IAS 19 (Revised), as more fully explained in note 4. Other corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary, the effect of which is not material.



Mohammad Shahid Hussain
Chief Executive Officer



Manzoor Ahmed
Director

Pattern of Shareholding

As on 30th June 2014

NUMBER OF SHAREHOLDERS	SHAREHOLDING		NO. OF SHARES HELD
	FROM	To	
588	1	100	12,690
495	101	500	157,970
279	501	1000	254,990
563	1001	5000	1,305,467
104	5001	10000	807,145
49	10001	15000	626,530
27	15001	20000	487,309
10	20001	25000	241,812
12	25001	30000	337,481
3	30001	35000	99,548
7	35001	40000	265,767
2	40001	45000	81,862
7	45001	50000	343,325
2	50001	55000	103,000
1	55001	60000	60,000
1	65001	70000	66,210
2	70001	75000	145,300
2	80001	85000	165,561
1	85001	90000	90,000
1	95001	100000	98,500
1	100001	105000	101,399
1	105001	110000	110,000
3	115001	120000	357,744
1	120001	125000	121,442
3	145001	150000	448,764
2	150001	155000	303,392
1	170001	175000	170,500
1	185001	190000	189,500
1	195001	200000	200,000
1	200001	205000	203,000
1	210001	215000	213,500
2	215001	220000	435,100
1	230001	235000	231,382
2	235001	240000	478,493
1	240001	245000	240,418
1	310001	315000	312,000
1	340001	345000	344,301
1	575001	580000	577,500
1	640001	645000	640,068
1	675001	680000	678,000
1	740001	745000	743,000
1	750001	755000	755,500
1	855001	860000	857,500
1	1465001	1470000	1,469,500
1	2200001	2250000	2,206,600
1	3450001	3455000	3,454,476
1	5800001	5850000	5,844,300
1	14400001	14405000	14,402,112
1	17930001	17935000	17,931,292
<u>2192</u>			<u>59,771,250</u>

Categories of Shareholders

As at June 30, 2014

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	40,384,304	67.56
1	NIT	3,454,476	5.78
2	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS	1,471,865	2.46
2	INSURANCE COMPANIES	228,100	0.38
3	MUTUAL FUNDS	202,913	0.34
2143	GENERAL PUBLIC/ INDIVIDUALS	12,623,904	21.12
23	JOINT STOCK COMPANIES	666,017	1.11
1	MODARABA	35,000	0.06
6	OTHERS	104,081	0.17
2192		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	17,931,292
CONTINENTAL GLOBAL HOLDING NETHERLANDS B.V.	1	5,844,300
	3	40,384,304

DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN

LT. GEN. (RETD) ALI KULI KHAN KHATTAK	1	238,493
MR. RAZA KULI KHAN KHATTAK	1	240,418
MR. AHMED KULI KHAN KHATTAK	1	121,442
MR. IKRAM UL MAJEED SEHGAL	1	7
DR. WILLI FLAMM	1	80
MR. MANSUR KHAN	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

1,902,878

SHAREHOLDERS HOLDING 5% OR MORE

BIBOJEE SERVICES (PRIVATE) LIMITED	1	16,608,712
PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED	1	17,931,292
CONTINENTAL GLOBAL HOLDING NETHERLANDS B.V.	1	5,844,300
NATIONAL BANK OF PAKISTAN - TRUSTEE DEPARTMENT NIUT FUND	1	3,664,476

OTHERS

TRUSTEES AL-BADER WELFARE TRUST	1	4,500
TRUSTEES MOHAMAD AMIN WAKF ESTATE	1	66,210
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	344,301
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	12,081
CDC - TRUSTEE AKD OPPORTUNITY FUND	1	43,500

Form of Proxy

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

Please quote:

No. of Shares held-----

Folio No.-----

CDC Part. ID -----

A/C/Sub A/C No. -----

I/We-----
of ----- Member(s) of the General Tyre & Rubber Company of Pakistan Limited do
hereby appoint -----
of ----- or failing him -----
of ----- as proxy in my/ our behalf at the Fifty-First (51st) Annual General Meeting of
the Company to be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton,
Karachi on Tuesday, September 30th, 2014., at 11.00 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. -----

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

AFFIX
POSTAGE



THE GENERAL TYRE AND RUBBER COMPANY OF PAKISTAN LIMITED
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Fax: +92-21-35080171, +92-21-3508 3608 Email: marketing@gentipak.com