



# Annual Report 2011

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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

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

**Chief Executive** Mohammad Shahid Hussain

Mr. Ahmed Kuli Khan Khattak  
Mr. Ikram Ul-Majeed Sehgal  
Mr. M. A. Faisal Khan  
Mr. Manzoor Ahmed  
Mr. Mazhar Sharif  
Mr. Nabil Daudur Rahman  
Mr. Raza Kuli Khan Khattak  
Mr. Sher Muhammad Chaudhary

### Company Secretary

Mr. Asif Jameel

### Chief Financial Officer

Mr. Ashraf Teli

### Board Audit Committee

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

### Major Bankers

Allied Bank Limited  
Askari Bank 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  
United Bank Limited

### Auditors

Hameed Chaudhri & Co.  
Chartered Accountants

### Legal Advisor

Syed Iqbal Ahmed & Co.

### Registered Office & Factory

H-23/2, Landhi Industrial Trading Estate,  
Landhi, Karachi.  
Phone : 35080172-81, 38020207-13  
UAN : 111 487 487  
Fax : 35081212, 35080171, 35084121  
Website : www.generalityre.com.pk

### Branch Offices

#### Lahore

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

Phone : 36308605-6

Fax : 36300108

#### Islamabad

Plot No. 189-A,  
Korang Road,  
Sector 1-10/3,  
Islamabad.

Phone : 4449955-6

Fax : 4440916

#### Multan

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

Fax : 774408

### Customer Care & Service Centre

Lahore

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

Phone : 36308605-6

Fax : 36308607

### Share Registrar

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



## Chairman's Review

I have pleasure to present to the members of General Tyre and Rubber Company of Pakistan Limited review on the performance of the company for the financial year ended June 30, 2011.

This was a problematic year for the whole country and its adverse impact extended to all sectors. The Manufacturing Sector had to live with power outages which proved unbearable for industries like ours having a continuous production process; besides this, our operational efficiency declined due to uncertain interruptions and load shedding. The Power Tariff was revised upward time and again, and the use of fossil fuel as an alternate stop-gap arrangement turned expensive because it cannot be continued for long hours of power outages.

The Management fortunately took suitable steps to mitigate the impact of adverse factors on the overall production level. This is evidenced by increasing tyres production level to 1.64 million units, an improvement of 7 percent over 1.53 million tyres roll out in the previous year. However, there is still scope to produce more, as our plant's capacity is 2.03 million tyres. The prevalent cost spiral tendency was resulted in the increase of most inputs and services; concerted efforts were made to enhance economies of scale and increasing production capacity.

We also faced difficulties in Sales and Marketing because of the overall inflationary trend. The year opened with problems arising from unprecedented floods in the country. This was followed in quick succession, by changes introduced in taxation. During March 2011 Sales Tax was imposed at 17 percent on tractors, which curtailed demand of farm tyres. On June 04, 2011, the Federal Finance Minister, while presenting the Budget for fiscal year 2011-12 reduced Sales Tax by 1 percent and withdrew Special Excise Duty of 2.5 percent on tyres.

However, the above taxation measures on tyres were made effective from the beginning of the next financial year, that is from July 01, 2011. As a result, demand of tyres timely purchase was suppressed by the buyers to take benefit of reduction in relevant levies which prevailed for crucial period of the last month of the review year. However, the management made material efforts to overcome this temporary setback and was able to sell 1.55 million tyres, representing a token improvement over 1.53 million tyres sold in the previous year.

Sales revenues at Rs. 7.478 billion reflect a modest growth of 18 percent, over Rs. 6.355 billion of the previous year. This was achieved by timely revision in prices, covered by surge in prices of raw materials, spares, chemicals and other consumables in the manufacturing process. Inflationary conditions also caused incidental increase in Distribution and Administration expenses. Similarly, Financial Expenses also increased because of higher rates of borrowings from banks and maintaining a larger than normal inventory of finished goods for about four months. Unfortunately, the continuing unrest in Karachi had caused an adverse impact on production and sales trends. As a result of the difficulties mentioned above the Pre-Tax Profit of the Company reduced to Rs. 395 million from Rs. 409 million of the previous year, denoting a decline of 3 percent. This set back will hopefully be overcome during the current year, provided conditions return to normal.

### Future Outlook

We are grateful to the Government of Pakistan (GoP) for its consideration to reduce Sales Tax plus removal of Special Excise Duty on tyres. The trend of dumping of tyres through Afghan Transit Trade and the menace of under-invoicing is still rampant, and will cause an adverse effect in the future also. We continue to draw the GoP's attention towards these problems but with little effect.

It is a pleasure for me to inform the members that a fresh Technical Services Agreement for seven years, i.e. till June 2017, with our technology providers, Continental Tire The Americas, LLC has been agreed and finalised and waiting signatures by officials of both the parties.

## Code of Corporate Governance

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

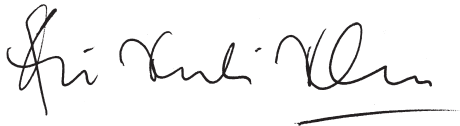
## Board Changes

A nominee of the National Investment Trust (NIT), Mr. Firasat Ali resigned from the directorship and in his place NIT nominated Syed Zubair Ahmed Shah. The Board records its appreciation for the valuable services rendered by Mr. Firasat Ali and warmly welcomes Syed Zubair Ahmed Shah.

The Board offers it's thanks to its bankers, financial institutions and Technology Supplier for providing support, as solicited.

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

Cordial relations prevailed with the work force of the Company. The present agreement with the CBA is to remain in force till end of 2011. The Directors hope that new agreement will be finalized amicably for the next two years i.e., 2012 and 2013.

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

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

Karachi

Dated: August 17, 2011

## 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, 2011.

	2011 (Rupees in Thousand)	2010
<b>Financial Results</b>		
Profit for the year after taxation	258,600	218,326
Unappropriated Profit brought forward	732,957	514,631
	<u>991,557</u>	<u>732,957</u>
<b>Appropriation</b>		
Dividend	(119,543)	Nil
Unappropriated profit carried forward	872,014	732,957
	<u>872,014</u>	<u>732,957</u>
<b>Basic earnings per share</b>	Rs. 4.33	Rs. 3.65

The Board of Directors has recommended 25% dividend for the year ended June 30, 2011.

### Compliance with the Code of Corporate Governance

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

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

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

	<u>Value of Investment</u>	<u>Year ended:</u>
Provident Fund	Rs. 256.5 Million	June 30, 2010
Gratuity Fund	Rs. 50.5 Million	June 30, 2010

- 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 & 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. 6.5 million as donation to Waqf-e-Kuli Khan Trust. Additionally, the Company also paid donations amounting to Rs. 0.93 million to various hospital and welfare organizations including Rs. 0.25 million for the affectees of the floods.

During the year the Company contributed Rs. 1,405.8 million towards national exchequer under various modes.

### Board Meetings

During the year five (5) meetings of the Board of Directors were held. Attendances by each Director are as follows:

<u>S. No.</u>	<u>Name of Director</u>	<u>Number of Meetings Attended</u>
1.	Lt. Gen. (Retd) Ali Kuli Khan Khattak	5
2.	Mr. Ahmed Kuli Khan Khattak	5
3.	Mr. Firasat Ali*	1
4.	Mr. Ikram Ul-Majeed Sehgal	2
5.	Mr. M.A. Faisal Khan	5
6.	Mr. Manzoor Ahmed	3
7.	Mr. Mazhar Sharif	5
8.	Mr. Muhammad Aurangzeb Amin	5
9.	Mr. Nabil Daudur Rahman	5
10.	Mr. Raza Kuli Khan Khattak	5
11.	Syed Zubair Ahmed Shah**	3
12.	Mr. Umer Latif	5
13.	Dr. Willi Flamm	3

\* Resigned w.e.f. October 14, 2010.

\*\* Appointed w.e.f. October 28, 2010



### Chairman's Review

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

### Pattern of shareholding

A statement showing the pattern of holding of shares as at June 30, 2011 is attached.

### Auditors

The present Auditors, Messrs. Hameed Chaudhri & Co., Chartered Accountants retire and being eligible, offered themselves for re-appointment. On the recommendation of the Audit Committee, the Board of Directors has recommended to appoint Messrs. Hameed Chaudhri & Co. Chartered Accountants as Auditors of the Company for the year ending June 30, 2012.

For and on behalf of the Board of Directors

**Mohammad Shahid Hussain**  
Chief Executive

Karachi  
Dated: August 17, 2011

## Notice of Meeting

Notice is hereby given that the Forty Eighth Annual General Meeting of The General Tyre & Rubber Company of Pakistan Limited will be held at the Institute of Chartered Accountants of Pakistan Auditorium, Clifton, Karachi on Thursday, September 29, 2011, at 12.00 noon, to transact the following business:

### Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on Thursday, August 18, 2011.
2. To receive and consider the audited accounts for the year ended June 30, 2011, together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of final cash dividend @ 25%, i.e., Rs. 2.50 per share, as recommended by the Directors.
4. To appoint auditors for the year ending June 30, 2012 and to fix their remuneration. The retiring auditors, Messrs. Hameed Chaudhri & Co., Chartered Accountants, being eligible, offered themselves for reappointment. The Board recommends appointment of Messrs. Hameed Chaudhri & Co. Chartered Accountants, as the Auditors for the year ending June 30, 2012.
5. Any other business with the permission of the Chair.

By Order of the Board

A handwritten signature in black ink, appearing to read "Asif Jameel".

Asif Jameel  
Company Secretary

Karachi  
Dated: August 17, 2011

### NOTES:

1. The share transfer books of the Company shall remain closed from September 20, 2011 to September 29, 2011 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to cast his/her vote by proxy. Proxies must be deposited at the Company's Registered Office at H-23/2, Landhi Industrial Trading Estate, Landhi, Karachi not later than 48 hours before the time for holding the meeting.
3. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring his/her participant ID and account / sub-account number along with original CNIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/ power of attorney with specimen signature of the nominees shall be produced (unless provided earlier) at the time of meeting.
4. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account / sub-account number together with attested copy of their CNIC or passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his/her original CNIC or passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/power of attorney with specimen signature shall be submitted (unless submitted earlier) along with the proxy form.
5. Members are requested to notify change in their address, if any, immediately.



## Key Operating and Financial Data

2011 2010 2009 2008 2007 2006 2005

Rupees in million

### Operating Results

Net sales	7,478	6,355	5,351	4,615	3,951	3,732	3,198
Gross profit	998	965	541	510	468	521	583
Profit/(Loss) before taxation	395	409	(142)	7	106	210	328
Profit/(Loss) after taxation	259	218	(110)	(17)	63	127	204
Cash dividend *	20%	-	-	-	20%	17.5%	-

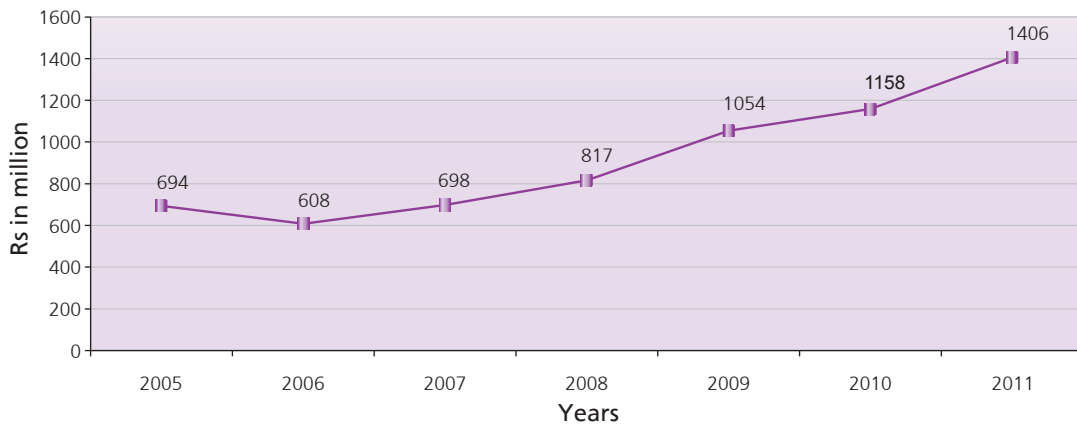
### Financial Position

Operating Fixed assets - at cost	3,578	3,444	3,170	2,960	2,852	2,109	1,890
Share capital	598	598	598	598	598	598	598
Unappropriated profit	872	733	514	624	641	697	675
Shareholders' equity	1,470	1,331	1,112	1,222	1,239	1,295	1,273
Long -term loans	87	173	321	353	499	467	390

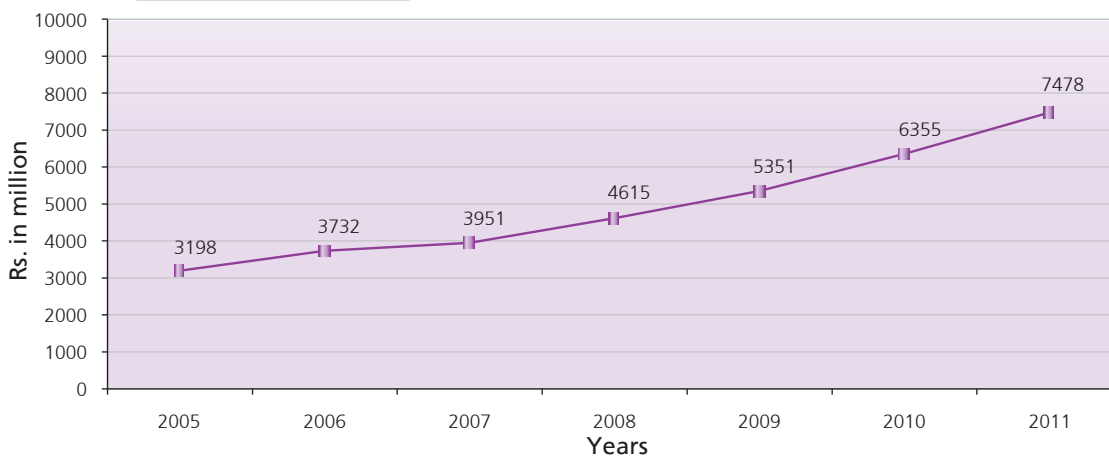
\* The Board of directors has recommended 25% dividend for the year ended June 30, 2011

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

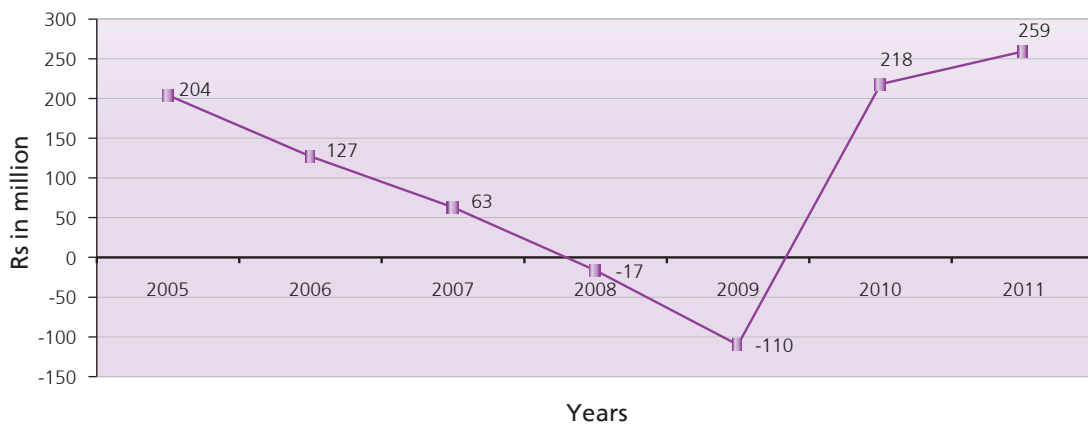
**Contribution to National Exchequer**



**Net Sales Revenue**



**Net Profit after tax**





## Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation No. 35 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of non-executive directors on its Board of Directors. At present, the Board includes twelve non - executive Directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non - Banking Financial Institution. None of the resident Directors are a member of any of the stock exchanges on which the Company's shares are listed.
4. One vacancy occurring on the Board due to resignation was filled in by the Board of Directors within 30 days.
5. The Company has prepared "Statement of Ethics and Business Practices" which has been signed by all the Directors and management employees of the Company.
6. The Board has developed a Vision / Mission Statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates, on which they were approved or amended, has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. An orientation course was conducted during the year ended June 30, 2003 to apprise the directors of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer (CEO).
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO, before approval by the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non - executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
17. The Company has set up an effective Internal Audit Function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions were placed before the Audit Committee and approved by the Board of Directors.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

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

**Mohammad Shahid Hussain**  
Chief Executive

Karachi  
Dated: August 17, 2011



**HAMEED CHAUDHRI & CO.**  
**CHARTERED ACCOUNTANTS**

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 prepared by the Board of Directors of **The General Tyre and Rubber Company of Pakistan Limited** ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and the Lahore Stock Exchange where the Company is listed.

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

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

Further, Sub - Regulation (xiii-a) of Listing Regulations No. 35 notified by the Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and those which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are required to be separately placed before the audit committee. We are only required and have ensured compliance of subject requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

KARACHI : 17 AUG 2011

  
HAMEED CHAUDHRI & CO.,  
CHARTERED ACCOUNTANTS

Engagement Partner : Abdul Majeed Chaudhri

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HM House, 7-Bank Square.  
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E-mail : lhr@hccpk.com  
URL: www.hccpk.com

**KARACHI :**  
Karachi Chambers, Hasrat Mohani Road.  
Tel : 32411474, 32412754, 32424826  
Fax : 021-32424835 E-mail : khi@hccpk.com  
URL: www.hccpk.com

  
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INDEPENDENT FIRMS