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Company Profile

Board of Directors*

Lt.Gen.(Retd) Ali Kuli Khan Khattak
Mr. Hussain Kuli Khan
Mr. Adnan Ahmed
Mr. Ahmad Kuli Khan Khattak
Mr. Atif Anwar
Mr. Manzoor Ahmed
Mr. Muhammad Kuli Khan Khattak
Mr. Naveed Iftikhar Sherwani
Mr. Raza Kuli Khan Khattak
Dr. Shaheen Kuli Khan Khattak

Chairman
Chief Executive

Major Bankers

Al-Baraka Bank Pakistan Limited
Askari Bank Limited
Bank Al-Falah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
National Bank of Pakistan
Samba Bank Limited
The Bank of Punjab
United Bank Limited

Company Secretary

Mr. Khawer Hayat

Chief Financial Officer

Mr. Siraj A. Lawai

Board Audit Committee*

Mr. Adnan Ahmed
Mr. Ahmad Kuli Khan Khattak
Mr. Manzoor Ahmed
Mr. Muhammad Kuli Khan Khattak

HR & Remuneration Committee*

Mr. Ahmad Kuli Khan Khattak
Mr. Atif Anwar
Mr. Hussain Kuli Khan
Mr. Manzoor Ahmed
Mr. Raza Kuli Khan Khattak

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisor

Ahmed & Qazi Advocates & Legal Consultants

Share Registrar

CDC Share Registrar Services Limited.
CDC House 99-B, Block-B, S.M.C.H.S.,
Main Shahra-e-Faisal Karachi-74400
UAN No. : (92-21) 111 111 500
Tel : Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053, Email: info@cdcpak.com
Website: www.cdcpakistan.com

* Sequence of names in alphabetical order

Directors' Review

The directors are pleased to present the unaudited condensed interim financial statements of the Company for the first quarter ended September 30, 2019.

BUSINESS REVIEW

Net sales for the first quarter under review was Rs.2.25 billion as compared to Rs. 2.34 billion in the same period last year. Despite tough economic conditions, the Company managed to restrict the topline reduction to 4%. Lower sales were mainly due to overall economic slowdown, reduced production days by the OEMs in Passenger Car Segment, FBR and traders deadlock on CNIC issue and fixed tax scheme and higher financing rate for auto loan and currency devaluation.

The Company has mitigated the impact of lower demand from OEM, by focusing on its Replacement market segment, both in local and export markets. Replacement market depicted double digit growth in value. In September, farm tyre sales has shown improvement both in OEM and RM segments due to pre-season buying. We expect that this will continue in upcoming quarter as well.

The gross profit for the period was Rs. 386 million as compared to Rs. 358 million in the same period last year. Higher gross profit from last year is mainly due to better product mix and price increase to offset the impact of devaluation of Pak Rupee, increase in utilities prices, increase in some of the raw materials prices and other manufacturing costs.

The finance cost for the period under review was Rs. 231 million as compared to Rs. 91 million in the same period last year due to increased investment in Capex and to meet the working capital requirements. Since June 2018, SBP has increased discount rate by 575 basis points resulting in increase in the borrowing cost of the Company.

The Company has made significant investment in CAPEX resulting in additional depreciation, financial cost and other overheads of expansion. Due to slow down in economy the Company could not reap full benefits. However, it is expected that once the demand revives the Company is well poised to reap the benefits.

In the last budget, the Government has retrospectively reduced the tax credit on BMR from 10% to 5%, from current year there is no tax credit on BMR. This step is very discouraging for further investment by the manufacturing companies and has increased the effective tax rate.

As a result of the factors mentioned above, profit before tax for the first quarter under review was Rs. 25 million as compared to Rs. 87 million reported in the same period last year.

FUTURE PROSPECTS

It is expected that major adjustments in exchange and interest rates have already taken place. Stability in these two variables along with revival of economic activity are key factors for future profitability of your Company.

The Company is striving to improve its sales volumes, improve profitability and go for leaner production.

We support the Government drive for documentation of the economy and to bring the undocumented sector into the tax net. This is a positive step and will definitely contribute to provide level playing field to the documented sector. We believe that amicable resolution of matters between FBR and traders will boost economic activity in the country.

Recently, Government has shown its eagerness to curb smuggling, which is a positive sign. It needs to follow up on the steps taken on ground to curb smuggling, which is expected to bode well for the local industry.

Despite increasingly difficult economic situation and competitive pressures, the long term growth potential of the business is positive. Your Company is in close coordination with new auto players which would be helpful for future volume growth. One of the new auto players has already started purchasing tyres from your Company. Moreover, the Company is also participating in various tenders, if successful, this will be helpful in achieving better topline and absorbing fixed costs.

For and on behalf of the Board of Directors,


Hussain Kuli Khan
Chief Executive


Adnan Ahmed
Director

Karachi
Dated: October 24, 2019

اس تجزیاتی سہاہی میں منافع قبل از محصول 25 ملین روپے تھا جو کہ پچھلے سال اسی دورانیے میں 87 ملین روپے تھا۔

مستقبل کے امکانات

یہ توقع کی جاتی ہے کہ تبادلے اور شرح سود میں بڑی ایڈجسٹمنٹ پہلے ہی ہو چکی ہیں ان دونوں متغیر (Variables) میں توازن کے ساتھ معاشی سرگرمی میں استحکام کمپنی کے مستقبل کے منافع کیلئے کلیدی عوامل ہیں۔

کمپنی اپنے فروخت کے حجم اور منافع میں اضافہ کو مستحکم کرنے اور پیداوار میں نقص کو کم کرنے کیلئے کوششیں کر رہی ہے۔ ہم گورنمنٹ کی معیشت کی دستاویزی مہم اور غیر دستاویزی شعبے کو ٹیکس ٹیٹ میں لانے کی حمایت کرتے ہیں۔ یہ ایک مثبت قدم ہے جو دستاویزی شعبے کو مسابقت میں مدد دے گا۔

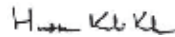
ہم یقین رکھتے ہیں کہ FBR اور ریٹرز کے درمیان خوشگوار قرارداد سے ملک کی معاشی سرگرمی میں اضافہ ہوگا۔ حال ہی میں گورنمنٹ نے اسمگلنگ کو کم کرنے کی طرف توجہ دکھائی ہے جو مثبت قدم ہے۔ اسمگلنگ کو کم کرنے کے لیے جو اقدامات اٹھائے گئے ہیں انکو جانچنے رہنے کی ضرورت ہے جو مقامی صنعتوں کیلئے اچھی توقعات کا باعث بنے گا۔

مشکل معاشی حالات اور مقابلاتی دباؤ میں اضافے کے باوجود کاروباری طویل مدتی عموماً مثبت ہے۔ آپ کی کمپنی نئی گاڑیاں بنانے والی کمپنیوں کے ساتھ قریبی رابطے میں ہے جو مستقبل میں حجم میں اضافہ کیلئے مددگار ہوگا۔ ان میں سے ایک نئی گاڑی بنانے والی کمپنی نے آپ کی کمپنی سے ٹائروں کی خریداری بھی شروع کر دی ہے۔ اسکے علاوہ کمپنی مختلف ٹینڈرز میں حصہ لے رہی ہے اگر اس میں کامیابی ملی تو بہتر سطح کی حصولی اور فکسڈ لاگت کو کم کرنے میں مدد ملے گی۔

بورڈ آف ڈائریکٹرز کی جانب سے



عدنان احمد
ڈائریکٹر



حسین قلی خان
چیف ایگزیکٹو آفیسر

کراچی: 24 اکتوبر 2019

ڈائریکٹرز کا تجزیہ

کمپنی کے ڈائریکٹرز 30 ستمبر 2019 کو ختم ہونے والے پہلے سہاہی کی غیر آڈٹ شدہ عبوری مالیاتی معلومات پیش کرتے ہوئے نہایت خوشی محسوس کرتے ہیں۔

کاروباری تجزیہ

خاص قیمت فروخت زیر جائزہ سہاہی کے دوران 2.25 ملین روپے رہی جو کہ پچھلے سال کے اسی دورانیے کے مقابلے میں 2.34 ملین روپے تھی۔ مشکل معاشی حالات کے باوجود کمپنی نے بڑے پیمانے کی کمی کو 4 فیصد تک محدود کر دیا۔ فروخت میں کمی کی بڑی وجوہات مجموعی معاشی ست روی، اور پینل ایکویپمنٹ میٹریچررز کی پیپر کار سیگمنٹ کے پیداواری دنوں میں کمی، CNIC کے مسئلے پر FBR اور ریٹرز میں تعطل اور فکسڈ ٹیکس اسکیم، قرض پر کار لینے پر فنانسنگ کی شرح میں اضافہ اور روپے کی قدر میں کمی ہے۔

کمپنی نے اور پینل ایکویپمنٹ میٹریچررز کی طرف سے طلب میں کمی کے اثر کو ریٹیلیمنٹ (مقامی اور برآمدی) مارکیٹ کی طرف زیادہ وجہ دے کر تخفیف کیا ہے۔ ریٹیلیمنٹ مارکیٹ نے دگنے ہندسے میں نمو ظاہر کی ہے۔ ستمبر میں پیش فصلی خریداری کی وجہ سے OEM اور RM دونوں سیگمنٹ نے فارم ٹائرز کی فروخت میں اضافہ ظاہر کیا ہے۔ ہم توقع کرتے ہیں کہ یہ اگلی سہاہی میں بھی جاری رہے گا۔

کل منافع اس سہاہی میں 386 ملین روپے تھا جو پچھلے سال اسی دورانیے میں 358 ملین روپے تھا۔ پچھلے سال کے مقابلے میں کل منافع میں اضافہ کی بنیادی وجہ بہتر پروڈکٹ مکس ہے اور قیمتوں میں اضافے نے پاکستانی روپے کی قدر میں کمی، پوٹیلٹی کی قیمتوں میں اضافہ، کچھ خام مال کی قیمتوں میں اضافے اور دوسرے پیداواری لاگت میں اضافہ کے اثر کو متوازن کیا ہے۔

فنانس کے اخراجات اس تجزیاتی دورانیے میں 231 ملین روپے رہے جو پچھلے سال اسی دورانیے میں 91 ملین روپے تھے جو پلانٹ اور مشینریز میں سرمایہ کاری میں اضافہ اور کاروبار چلانے کیلئے سرمایہ کی ضروریات کو پورا کرنے کی وجہ سے ہوئی۔ جون 2018 سے اسٹیٹ بینک آف پاکستان نے ڈسکاونٹ ریٹ میں 575 پیس پوائنٹس کا اضافہ کیا ہے نتیجہ کے طور پر قرضوں کے حصول کی لاگت میں اضافہ ہوا ہے۔

کمپنی نے پلانٹ اور مشینریز میں بڑی سرمایہ کاری کی ہے جسکی وجہ سے فرسودگی (Depreciation Expenses)، فنانس لاگت (Finance Cost) اور دوسرے بالائے سر لاگت (Overhead Cost) میں اضافہ ہوا ہے۔

معاشی سرگرمی میں کمی کی وجہ سے کمپنی پورا فائدہ نہیں اٹھا سکی تاہم یہ توقع کی جاتی ہے کہ طلب دوبارہ سے شروع ہو جائے تو کمپنی پر اعتماد طریقے سے پورا فائدہ اٹھائے گی۔

پچھلے بجٹ میں گورنمنٹ نے گزشتہ سال سے BMR پر ٹیکس کرڈٹ 10 فیصد سے کم کر کے 5 فیصد کر دیا ہے جس کی وجہ سے اس سال BMR پر ٹیکس کرڈٹ دستیاب نہیں ہے۔ اس اقدام سے میٹریچرنگ کمپنیوں کی مزید سرمایہ کاری کی حوصلہ شکنی ہوئی ہے اور انکم ٹیکس کی شرح میں مؤثر اضافہ ہوا ہے۔

Condensed Interim Statement of Financial Position

As at September 30, 2019

Note	September 30,	June 30,
	2019 (Unaudited)	2019 (Audited)
	----- Rupees in '000 -----	
EQUITY AND LIABILITIES		
Share capital and reserves		
	Authorised capital	
	125,000,000 (June 30, 2019: 125,000,000) ordinary shares of Rs 10 each	
	1,250,000	1,250,000
	Issued, subscribed and paid-up share capital	
	1,016,112	1,016,112
	Reserve for capital expenditure	
	1,000,000	1,000,000
	Unappropriated profit	
	1,326,323	1,324,670
	3,342,435	3,340,782
Liabilities		
Non current liabilities		
	Long term finances	
	1,025,148	1,020,748
	Long term lease liability	
	28,682	-
	Staff benefits	
	357,736	336,229
	Deferred taxation	
	269,370	299,403
	Long term deposits from dealers	
	9,550	9,351
	1,690,486	1,665,731
Current liabilities		
	Current maturity of long term finances	
	530,862	608,223
	Current portion of lease liability	
	26,613	-
	Short term finances	
	1,350,000	1,350,000
	Running finances under mark-up arrangements	
	3,756,326	3,526,185
	Trade and other payables	
5	1,634,248	1,783,757
	Unclaimed dividend	
	16,963	12,897
	Unpaid dividend	
	4,491	8,641
	Accrued mark-up	
	189,668	130,836
	Provisions	
	48,000	48,000
	7,557,171	7,468,539
	9,247,657	9,134,270
Contingencies and commitments		
6		
	12,590,092	12,475,052

Siraj A. Lawai
Chief Financial Officer

Hussain Kuli Khan
Chief Executive

Adnan Ahmed
Director

Condensed Interim Statement of Financial Position

As at September 30, 2019

Note	September 30,	June 30,
	2019 (Unaudited)	2019 (Audited)
	----- Rupees in '000 -----	
ASSETS		
Non current assets		
	Property, plant and equipment	
7	5,141,749	5,127,169
	Intangible assets	
	20,536	26,562
	Investment in an associated company	
8	15,159	16,091
	Long term loans and advances	
	6,852	6,860
	Long term deposits	
	20,690	19,950
	5,204,986	5,196,632
Current assets		
	Stores and spares	
	652,469	659,566
	Stocks	
9	3,991,439	3,721,748
	Trade debts	
10	1,066,950	1,237,309
	Loans and advances	
	107,320	174,359
	Deposits and prepayments	
	77,791	67,228
	Other receivables	
	179,786	202,594
	Taxation - net	
	1,162,796	1,059,685
	Cash and bank balances	
	146,555	155,931
	7,385,106	7,278,420
	12,590,092	12,475,052

Total assets

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

Siraj A. Lawai
Chief Financial Officer

Hussain Kuli Khan
Chief Executive

Adnan Ahmed
Director

Condensed Interim Statement of Profit or Loss and other Comprehensive Income (Unaudited)

For the first quarter ended September 30, 2019

	Note	Quarter ended September 30,	
		2019	2018
----- Rupees in '000 -----			
Sales - net		2,246,383	2,339,852
Cost of sales	11	(1,860,547)	(1,981,898)
Gross profit		385,836	357,954
Administrative expenses		(65,868)	(77,830)
Distribution cost		(95,501)	(94,460)
Other income		35,182	17,324
Other expenses		(3,131)	(25,798)
Profit from operations		256,518	177,190
Finance cost		(230,553)	(90,670)
		25,965	86,520
Share of (loss)/profit of an associated company		(932)	431
Profit before taxation		25,033	86,951
Taxation	12	(9,167)	(26,057)
Profit for the period		15,866	60,894
Other comprehensive income		-	-
Total comprehensive income for the period		15,866	60,894
-----Rupee-----			
Earnings per share basic and diluted		0.16	0.60

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

Siraj A. Lawai
Chief Financial Officer

Hussain Kuli Khan
Chief Executive

Adnan Ahmed
Director

Condensed Interim Statement of Changes in Equity

For the first quarter ended September 30, 2019

	Issued, subscribed and paid-up share capital	Capital Reserve Reserve for capital expenditure	Revenue reserve Unappropriated profit	Total
	----- Rupees in '000 -----			
Balance as at July 1, 2018 (audited)	597,713	1,000,000	1,973,483	3,571,196
Total comprehensive income for the period ended September 30, 2018				
Profit for the period	-	-	60,894	60,894
Other comprehensive income	-	-	-	-
	-	-	60,894	60,894
Balance as at September 30, 2018 (un-audited)	597,713	1,000,000	2,034,377	3,632,090
Balance as at July 1, 2019 (audited)	1,016,112	1,000,000	1,324,670	3,340,782
Effect of initial application of standard IFRS-16	-	-	(14,213)	(14,213)
Total comprehensive income for the period ended September 30, 2019				
Profit for the period	-	-	15,866	15,866
Other comprehensive income	-	-	-	-
	-	-	15,866	15,866
Balance as at September 30, 2019 (un-audited)	1,016,112	1,000,000	1,326,323	3,342,435

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.

Siraj A. Lawai
Chief Financial Officer

Hussain Kuli Khan
Chief Executive

Adnan Ahmed
Director

Condensed Interim Statement of Cash Flows (Unaudited)

For the first quarter ended September 30, 2019

Note	Quarter ended September 30,	
	2019	2018
	---- Rupees in '000 ----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated /(used in) from operations	13 228,257	(312,651)
Staff retirement gratuity paid	(1,116)	(10,567)
Compensated absences paid	(45)	(4,283)
Long term deposits from dealers - net	199	399
Finance cost paid	(169,315)	(87,194)
Taxes paid	(136,506)	(155,093)
Long term loans and advances - net	8	(1,792)
Long term deposits - net	(740)	1,375
Profit on bank deposits received	237	124
Net cash used in operating activities	(79,021)	(569,682)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(88,280)	(295,389)
Proceeds from sale of operating fixed assets	16,690	3,275
Net cash used in investing activities	(71,590)	(292,114)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances - repaid	(222,936)	(153,429)
Long term finances - obtained	149,975	-
Lease rental paid - net	(15,861)	-
Short term finances - net	-	3,813
Dividend paid	(84)	(1,025)
Net cash utilised in financing activities	(88,906)	(150,641)
Net decrease in cash and cash equivalents	(239,517)	(1,012,437)
Cash and cash equivalents at beginning of the period	(3,370,254)	(1,651,446)
Cash and cash equivalents at end of the period	14 (3,609,771)	(2,663,883)

The annexed notes 1 to 17 form an integral part of this condensed interim financial statements.



Siraj A. Lawai
Chief Financial Officer



Hussain Kuli Khan
Chief Executive



Adnan Ahmed
Director

Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)

For the first quarter ended September 30, 2019

1. LEGAL STATUS AND OPERATIONS

1.1 The General Tyre and Rubber Company of Pakistan Limited (the Company) was incorporated in Pakistan on March 7, 1963 as a private limited company and was subsequently converted into a public limited company. Its shares are listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at H - 23/2, Landhi Industrial Trading Estate, Landhi, Karachi with regional offices at Lahore, Multan and Islamabad. 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 condensed interim financial statements is unaudited and have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 This condensed interim financial statements does not include all the information and disclosures required in an annual financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial statements are consistent with those applied in the preparation of the annual audited financial statements for the year ended June 30, 2019.

3.2 New standards, amendments to approved accounting standards and new interpretations

3.2.1 The following amendments and an interpretation to accounting and reporting standards became effective during the current period:

- (i) IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)
- (ii) IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
- (iii) IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)
- (iv) IFRIC 23 - Uncertainty over Income Tax Treatments

However, these do not have any significant impact on the Company's financial reporting.

In addition to the above, IFRS 16 'Leases' has become applicable to the Company effective January 1, 2019. IFRS 16 replaces guidance on accounting for leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease', SIC 15 'Operating leases - Incentive' and SIC 27 'Evaluating the substance of transactions involving the legal form of a lease'.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right of use of the underlying asset and a lease liability representing its obligations to make lease payments.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of July 1, 2019.

The right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at June 30, 2019. On application of IFRS 16, the comparatives have not been restated, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on July 1, 2019, the summary of which is as follows:

	September 30, 2019	July 01, 2019
	----- Rupees in '000 -----	
Right of use assets	44,792	48,732
Deferred tax assets	3,023	5,805
Deferred tax expense	2,782	-
Depreciation expense	3,940	-
Effect on retained earnings	-	14,213
Lease liability	55,295	68,750

There were certain amendments to approved accounting standards which were mandatory for the Company's annual accounting period which began on July 01, 2019. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in this condensed interim financial statements.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, the management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial statements.

Judgements and estimates made by the management in the preparation of this condensed interim financial statements are the same as those applied in the Company's financial statements for the year ended June 30, 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's financial statements for the year ended June 30, 2019.

5. TRADE AND OTHER PAYABLES

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
Trade creditors	155,990	201,215
Bills payable	622,673	761,848
Accrued expenses	660,771	578,270
Royalty technical service fee payable	27,051	36,190
Advances from customers	16,867	59,373
Staff provident fund payable	4,338	4,316
Staff retirement benefits	74,282	74,282
Short term deposits	1,971	1,261
Workers' profit participation fund	1,540	3,604
Workers' welfare fund	6,350	5,237
Payable to Waqf-e-Kuli Khan	3,548	3,070
Interest payable on custom duties	29,933	29,933
Others	28,934	25,158
	1,634,248	1,783,757

5.1 Include Rs 214.630 million (2019: Rs 205.984 million) and Rs 16.512 million (2019: Rs 14.749 million) pertaining to Gas Infrastructure Development Cess and key management personal respectively.

5.2 Include Rs.Nil (2019: Rs.3 thousand) and Rs.Nil (2019: Rs.4 thousand) Rs. 15 thousand (2019: Rs.4 thousand) pertaining to associated Companies Ghandhara Nissan Limited, Sui Northern Gas Pipelines Limited and Ghandhara Industries Limited respectively.

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

6.1.1 There is no significant change in the status of the contingencies as disclosed in note 14.1 to the audited financial statements of the Company for the year ended June 30, 2019.

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
6.1.2 Guarantees issued by commercial banks on behalf of the Company	299,531	288,321
6.1.3 Post dated cheques issued to the Collector of Customs against duty on imported plant & machinery, raw materials and stores & spares	88,334	80,547

6.2 Commitments
6.2.1 Commitments in respect of:

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
- letters of credit for capital expenditure	425,811	559,389
- letters of credit for purchase of raw material and stores & spares	655,446	830,087
- purchase orders issued to local suppliers for capital expenditure	46,800	55,713
- sales contracts entered into by the Company	-	27,329
- tentative schedules for supply of tyres	1,137,901	1,906,727
- indemnity bond	16,775	16,775

6.2.2 The Company has entered into Ijarah arrangements for vehicles with a commercial bank. Aggregate commitments for these Ijarah arrangements are as follows:

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
Not later than 1 year	1,576	2,518
	<u>1,576</u>	<u>2,518</u>

7. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
Operating fixed assets	4,372,370	4,431,955
Right of use assets	44,792	-
Capital work-in-progress	724,587	695,214
	<u>5,141,749</u>	<u>5,127,169</u>
Operating fixed assets		
Book value at beginning of the period / year	4,431,955	3,728,209
Additions during the period / year	58,905	1,089,267
Disposals costing Rs 20.850 million (June 30, 2019: Rs 12.796 million) - book value	(12,093)	(3,934)
Depreciation for the period / year	(106,397)	(381,587)
Book value at end of the period / year	<u>4,372,370</u>	<u>4,431,955</u>

Note

7.1

8. INVESTMENTS IN AN ASSOCIATED COMPANY - Quoted Ghandhara Industries Limited
 - Equity accounted investment

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
Balance at beginning of the year	16,091	15,363
Share of comprehensive (loss)/income for the period / year	(649)	2,299
Impairment allowance	(283)	-
Dividend received	-	(1,571)
Balance at end of the period / year	<u>15,159</u>	<u>16,091</u>

8.1 Investment in Ghandhara Industries Limited (GIL) represents 201,400 (2019: 201,400) fully paid ordinary shares of Rs 10 each representing 0.473% (2019: 0.473%) of its issued, subscribed and paid-up share capital as at September 30, 2019. GIL was incorporated on February 23, 1963 and its shares are quoted on Pakistan Stock Exchange. The principal activity of GIL is the assembly, progressive manufacturing and sale of Isuzu trucks and buses.

8.2 The Company considers GIL as its associate and follows equity accounting as it has significant influence over GIL based on common directorship.

8.3 The market value of the investment as at September 30, 2019 was Rs 15.159 million (June 30, 2019 : Rs 17.596 million)

9. STOCKS

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
Raw material		
- in hand	1,324,278	1,478,193
- in transit	396,780	373,518
	<u>1,721,058</u>	<u>1,851,711</u>
Work-in-process	130,372	194,266
Finished goods	2,140,009	1,675,771
	<u>3,991,439</u>	<u>3,721,748</u>

10. TRADE DEBTS - Unsecured

	September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
	----- Rupees in '000 -----	
Considered good		
Associated Companies		
Ghandhara Industries Limited	6,459	13,641
Ghandhara DF (Private) Limited	9,045	-
Ghandhara Nissan Limited	1,531	-
Gammon Pakistan Limited	26	32
Others	1,049,889	1,223,636
Considered doubtful - others	<u>36,368</u>	<u>40,881</u>
	<u>1,103,318</u>	<u>1,278,190</u>
Provision for doubtful debts	(36,368)	(40,881)
	<u>1,066,950</u>	<u>1,237,309</u>

Provision for doubtful debts

11. COST OF SALES		Quarter ended September 30,	
		2019 (Unaudited)	2018 (Unaudited)
Note		----- Rupees in '000 -----	
		1,675,771	742,344
Opening stock of finished goods			
Cost of goods manufactured	11.1	2,305,936	2,408,737
Finished goods purchased		18,849	105,981
		2,324,785	2,514,718
		4,000,556	3,257,062
Closing stock of finished goods		2,140,009	1,275,164
		1,860,547	1,981,898
11.1 Cost of goods manufactured			
Opening work-in-process		194,266	179,905
Raw materials consumed		1,362,776	1,615,235
Factory overheads		879,266	890,545
		2,242,042	2,505,780
		2,436,308	2,685,685
Closing work-in-process		130,372	276,948
		2,305,936	2,408,737
12. TAXATION			
Current		33,395	20,904
Deferred		(24,228)	5,153
		9,167	26,057
13. CASH GENERATED FROM OPERATIONS		Quarter ended September 30,	
		2019 (Unaudited)	2018 (Unaudited)
		----- Rupees in '000 -----	
Profit before taxation		25,033	86,951
Adjustments for non-cash charges and other items			
Depreciation		110,337	90,957
Amortisation		6,027	6,108
Provision for staff retirement gratuity		20,047	13,991
Charge of employees compensated absences		2,622	1,771
(Reversal)/provision for doubtful trade debts		(4,513)	8,884
Profit on bank deposits		(237)	(124)
(Gain)/loss on sale of operating fixed assets		(4,597)	73
Finance cost		230,553	90,670
Share of loss/(profit) of an associated company		932	(431)
Working capital changes	13.1	(157,947)	(611,501)
		228,257	(312,651)

14. CASH AND CASH EQUIVALENTS		Quarter ended September 30,	
		2019 (Unaudited)	2018 (Unaudited)
Working capital changes (Increase) / decrease in current assets:		----- Rupees in '000 -----	
		7,097	(1,912)
- Stores and spares			
- Stocks		(269,691)	(217,941)
- Trade debts		174,872	(108,983)
- Loans and advances		67,039	(117,723)
- Deposits and prepayments		(10,563)	(24,772)
- Other receivables		22,808	11,225
		(8,438)	(460,106)
(Decrease) / increase in current liabilities:			
- Trade and other payables		(149,509)	(151,395)
		(157,947)	(611,501)
14. CASH AND CASH EQUIVALENTS			
Running finances under mark-up arrangements		(3,756,326)	(2,740,483)
Cash and bank balances		146,555	76,600
		(3,609,771)	(2,663,883)
15. OPERATING SEGMENT			
This condensed interim financial statements has been prepared on the basis of a single reportable segment. All non-current assets of the Company as at September 30, 2019 are located in Pakistan. Revenues from external customers attributed to foreign countries in aggregate are not material. The Company has earned revenues from two (September 30, 2018: two) customers aggregating Rs.822.762 million (September 30, 2018: Rs.866.461 million) during the period which constituted 30.27% (September 30, 2018: 30.73%) of gross sales.			
16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES			
16.1 Significant transactions with related parties are as follows:			
Name		Quarter ended September 30,	
		2019 (Unaudited)	2018 (Unaudited)
		----- Rupees in '000 -----	
Associated companies / undertakings:			
Sales of goods		31,989	72,505
Goods supplied and services rendered		627	4,922
Rent		450	450
Interest earned		237	124
Mark-up on running and long term finance		23,696	14,317
Donation		478	1,529
Key management personnel:			
Provision towards staff gratuity fund		3,655	2,689
Contribution towards employees provident fund		5,274	5,288
Salaries and other employee benefits		60,190	61,148
Meeting fees		1,900	2,100
Sale of fixed assets		-	3,276

September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
----- Rupees in '000 -----	

16.2 Period / year end balances are as follows:

Payables to associated companies / related parties

Staff retirement gratuity	37,242	33,589
Long term and running finances	687,205	737,697
Trade and other payables	20,075	17,830
Accrued mark-up	35,428	11,645

Receivables from associated companies / related parties

Long term loans and advances	850	1,030
Loans and advances	1,132	1,090
Bank balances	9,113	7,362

17. GENERAL

17.1 Non- adjusting event after period ended September 30, 2019

The Board of Directors of the Company in their meeting held on October 24, 2019 have declared Interim cash dividend of Rs 0.50 per share i.e. 5%.

17.2 Date of authorisation for issue

This condensed interim financial statement was authorised for issue on October 24, 2019 by the Board of Directors of the Company.

17.3 Corresponding figures have been rearranged and reclassified for better presentation wherever considered necessary.

17.4 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.


Siraj A. Lawai
 Chief Financial Officer


Hussain Kuli Khan
 Chief Executive


Adnan Ahmed
 Director