

**2nd Quarter &
Six Months Accounts
December 2020**



Har safar ka humsafar



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Company Profile

Board of Directors*

Lt.Gen.(Retd) Ali Kuli Khan Khattak
 Mr. Adnan Ahmed
 Mr. Ahmad Kuli Khan Khattak
 Mr. Manzoor Ahmed
 Mrs. Shahnaz Sajjad Ahmed
 Syed Ahmed Iqbal Ashraf
 Mr. Umair Aijaz
 Mr. Hussain Kuli Khan Chief Executive

Company Secretary

Mr. Yasir Ali Quraishi

Chief Financial Officer

Mr. Siraj A. Lawai

Board Audit Committee*

Mr. Ahmad Kuli Khan Khattak
 Mr. Manzoor Ahmed
 Syed Ahmed Iqbal Ashraf

HR & Remuneration Committee*

Mr. Ahmad Kuli Khan Khattak
 Mr. Manzoor Ahmed
 Syed Ahmed Iqbal Ashraf

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@cdcsrsl.com
 Website: www.cdcsrsl.com

Major Bankers

Al-Baraka Bank Pakistan Limited
 Askari Bank Limited
 Bank Al-Falah Limited
 Dubai Islamic Bank Pakistan 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

Registered Office & Factory

H-23/2, Landhi Industrial Trading Estate,
 Landhi, Karachi.
 Phone : 021-35080172-81, 021-38020207-13
 UAN : 021-111 487 487
 Fax : 021-35081212, 021-35080171, 021-35084121
 Website : www.gentipak.com

Branch Offices

Lahore

Plot No. 20,
 Shahrah-e-Fatima
 Jinnah, Lahore.
 Phone : 042-36308605-6
 Fax : 042-36300108
 Fax : 051-4440916

Islamabad

Plot No. 189-A,
 Korang Road,
 Sector I-10/3,
 Islamabad.
 Phone : 051-4449955-6

Multan

Plot No. 758-759/21,
 Khanewal Road, Multan
 Phone : 061-774407
 Fax : 061-774408

Customer Care & Service Centre

Lahore

Plot No. 20,
 Shahrah-e-Fatima
 Jinnah, Lahore.
 Phone : 042-36308605-6
 Fax : 042-36308607

* 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 half year ended December 31, 2020.

BUSINESS REVIEW

Net sales in value terms for the half year under review was Rs. 6.45 billion as compared to Rs. 4.56 billion in the same period last year, showing significant growth of 41%.

In last couple of years, Company has enhanced its focus on replacement market (RM) segment, while catering the requirements of Original Equipment Manufacturer (OEM) segment. This strategy has supported the Company during the tough economic times. Due to gradual picking up of economic activity and lower availability of smuggled tyres, the replacement market segment has shown significant growth. Moreover, OEM sales, in particular farm and passenger car tyre sales, also improved from same period last year. The export sales of the Company for the period was Rs. 93.3 million, increased by 2.1 times from same period last year.

The gross profit for the period was Rs. 1,137 million as compared to Rs. 753 million in same period last year. Gross profit margin was 17.6% as compared to 16.5% in same period last year. Better gross margin was mainly due to higher sales in replacement market, better product mix and price increase to offset the impact of inflation, increase in utilities prices, COVID related additional cost and increase in other manufacturing costs.

The finance cost for the period was Rs. 234 million as compared to Rs. 430 million in same period last year. Decrease in financial cost is mainly due to decrease in average interest rates during the same period last year and effective utilization of working capital.

As a result of the factors mentioned above, profit after tax for the half year was Rs.406 million as compared to profit after tax of Rs. 29 million reported in the same period last year.

FUTURE PROSPECTS

Government has shown its intent to curb smuggling. We feel that strict monitoring of borders due to COVID and actions taken by Government to curb smuggling are helpful in containing smuggling of tyres, which is beneficial for the local industry. However, lately under invoicing of tyres has increased substantially, which may not only impact local industry but also depriving government of its due tax revenue. We hope that Government will continue its efforts to curb smuggling and under invoicing as this will not only result in higher tax revenue for the Government but will also be helpful in providing employment.

SBP has reduced the discount rate in aggregate by 625 basis points, which is helping the Company in the form of lower financial charges. Decrease in interest rate also resulted in increase in auto financing which is supporting better passenger car OEMs offtake. This coupled with the stability of exchange rate and revival of economic activity are the key factors for future profitability of your Company.

In last couple of months, raw material prices have increased significantly. This is mainly due to sudden increase in global demand post COVID-19 and also because of containers shortage resulting in significant increase in sea freight. It is expected that the situation will gradually improve in next few months, however, if this continued then this may impact the local industry. The Company has gradually started to pass on its impact.

The Company is also working on strategies to reduce operational cost. Moreover, it is also working on new sizes and designs for both OEM and Replacement market segments.

Despite increasingly difficult economic situation and competitive pressures, we believe that the long-term growth potential of the business is intact.

For and on behalf of the Board of Directors.

Hussain Kuli Khan
Chief Executive

Syed Ahmed Iqbal Ashraf
Director

Karachi

Dated: February 25, 2021

اسٹیٹ بینک نے مجموعی طور پر شرح سود کو 625 بیس پوائنٹس سے کم کر دیا ہے، جو کم مالیاتی اخراجات کی صورت میں کمپنی کی مدد کر رہا ہے۔ شرح سود میں کمی کے نتیجے میں آٹو فنانسنگ میں بھی اضافہ ہوا جو OEMs کے پیئرجہ کار کی فروخت میں بہت معاون ثابت ہو رہی ہے۔ اس کے ساتھ تبادلہ کی شرح میں استحکام اور معاشی سرگرمیوں کی بحالی آپ کی کمپنی کے مستقبل کے منافع کے کلیدی عوامل ہیں۔

پچھلے کچھ مہینوں میں خام مال کی قیمتوں میں خاصہ اضافہ ہوا ہے اس کی بنیادی وجہ COVID-19 کے بعد عالمی طلب میں اچانک اضافہ ہے اور کنٹینرز کی کمی کی وجہ سے بحری سامان کی ترسیل کی لاگت میں بھی اضافہ ہوا ہے۔ یہ توقع کی جاتی ہے کہ اگلے چند مہینوں میں حالات کچھ بہتر ہو جائیں گے۔ تاہم اگر حالات یوں ہی رہے تو مقامی صنعتوں پر اثر پڑ سکتا ہے۔ کمپنی نے آہستہ آہستہ اس کے اثرات کو مختل کرنا شروع کر دیا ہے۔

کمپنی آپریشنل لاگت کو کم کرنے کے لئے حکمت عملی پر کام کر رہی ہے۔ مزید یہ کہ OEM اور ریتھلیمنٹ مارکیٹ، دونوں طبقات کے لئے نئے ساز اور ڈیزائن پر بھی کام ہو رہا ہے۔

مشکل معاشی صورتحال اور مسابقتی دباؤ کے باوجود، ہم سمجھتے ہیں کہ کاروبار میں طویل مدتی ترقی کی صلاحیت برقرار ہے۔

ہورڈ آف ڈائریکٹرز کی جانب سے

H. K. K.

حسین قلی خان
چیف ایگزیکٹو



سید حمزہ قبال اشرف
ڈائریکٹر

کراچی

مورخہ: 25 فروری، 2021

ڈائریکٹرز کا تجزیہ

کمپنی کے ڈائریکٹرز 31 دسمبر 2020 کو ختم ہونے والے ششماہی کی غیر آڈٹ شدہ عبوری مالیاتی معلومات پیش کرتے ہوئے نہایت خوشی محسوس کرتے ہیں۔

کاروباری تجزیہ

خاص قیمت فروخت زیر جائزہ ششماہی کے دوران 6.45 ملین روپے رہی جو کہ پچھلے سال کے اسی دورانیہ کے مقابلے میں 4.56 ملین روپے تھی، جو 41 فیصد کی نمایاں نمو کو ظاہر کرتی ہے۔

پچھلے کئی سالوں میں، کمپنی اور پینل ایکٹیو پینٹ مینوفیکچررز (OEM) طبقہ کی ضروریات پورا کرنے کے علاوہ ریمپلیسمنٹ مارکیٹ (RM) طبقہ پر بھی اپنی توجہ بڑھائی ہے۔ اس حکمت عملی نے مشکل معاشی حالات میں کمپنی کی مدد کی ہے۔ اقتصادی سرگرمی میں بتدریج بہتری اور اسمگلڈ ٹائروں کی کم فراہمی کی وجہ سے ریمپلیسمنٹ مارکیٹ طبقہ میں نمایاں اضافہ ہوا ہے۔ اس کے علاوہ، OEM طبقہ کی فروخت، خاص طور پر فارم اور ہینڈلر کار ٹائروں کی فروخت میں بھی گزشتہ سال کی اسی مدت سے بہتری آئی ہے۔ اس مدت کے لئے کمپنی کی برآمدی فروخت 93.3 ملین روپے رہی جو پچھلے سال کے اسی دورانیہ سے 2.1 گنا اضافہ ہوا۔

کل منافع اس ششماہی میں 1,137 ملین روپے تھا جو پچھلے سال اسی دورانیہ میں 753 ملین روپے تھا۔ مجموعی منافع کا مارجن 17.6 فیصد تھا جبکہ پچھلے سال اسی عرصے میں یہ 16.5 فیصد تھا۔ بہتر مجموعی مارجن بنیادی طور پر ریمپلیسمنٹ مارکیٹ کی فروخت میں اضافہ، بہتر پروڈکٹ کس اور قیمت فروخت میں اضافہ نے افراط زر، پوٹیلٹی کی قیمتوں میں اضافہ، کوویڈ (COVID) سے متعلق اضافی لاگت اور دوسرے پیداواری لاگت کے اثرات کو کم کیا ہے۔

اس مدت میں مالیاتی اخراجات 234 ملین روپے رہے جو پچھلے سال اسی عرصے میں 430 ملین روپے تھے۔ مالیاتی اخراجات میں کمی بنیادی طور پر پچھلے سال کے مقابلے میں اوسط شرح سود میں کمی اور زبرکار سرمائے کا مؤثر استعمال ہے۔

مذکورہ بالا عوامل کے نتیجے میں اس ششماہی میں ٹیکس کے بعد منافع 406 ملین روپے رہا جو گزشتہ سال اسی عرصے میں 29 ملین روپے تھا۔

مستقبل کے امکانات

حکومت نے اسمگلنگ کو کم کرنے کی طرف توجہ دکھائی ہے۔ ہمیں لگتا ہے کہ کروٹا کی وجہ سے سرحدوں کی سخت نگرانی اور حکومت کی جانب سے اسمگلنگ کو روکنے کے لئے کیے جانے والے اقدامات ٹائروں کی اسمگلنگ پر قابو پانے میں معاون ثابت ہو رہے ہیں جو مقامی صنعت کے لئے فائدہ مند ہے۔ تاہم حال ہی میں ٹائروں کی انڈر انوائسنگ بہت بڑھ گئی ہے جو کہ ناصرف مقامی صنعت کو متاثر کر سکتی ہے بلکہ حکومت کی واجب الادا ٹیکس آمدنی کو بھی متاثر کر سکتی ہے۔ ہم امید کرتے ہیں کہ انڈر انوائسنگ اور اسمگلنگ پر قابو پانے کے لئے حکومت اپنی کوششیں جاری رکھے گی کیونکہ اس سے نہ صرف حکومت کی ٹیکس آمدنی میں اضافہ ہوگا بلکہ روزگار کی فراہمی میں بھی مددگار ثابت ہوگا۔



INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF GENERAL TYRE AND RUBBER COMPANY OF PAKISTAN LIMITED REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of The General Tyre and Rubber Company of Pakistan Limited as at December 31, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the 'condensed interim financial statements'). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

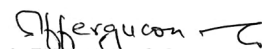
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's report is
Khurshid Hasan.



A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: February 26, 2021

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD



Condensed Interim Statement of Financial Position

As at December 31, 2020

		December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
Note		Rupees in '000 -----	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
		<u>1,250,000</u>	<u>1,250,000</u>
		1,219,334	1,219,334
		1,000,000	1,000,000
		1,140,886	734,957
		<u>3,360,220</u>	<u>2,954,291</u>
TOTAL EQUITY			
LIABILITIES			
NON CURRENT LIABILITIES			
</			

Siraj A. Lawai
Chief Financial Officer

Hussain Kuli Khan
Chief Executive

Syed Ahmed Iqbal Ashraf
Director



Condensed Interim Statement of Financial Position

As at December 31, 2020

		December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
	Note	----- Rupees in '000 -----	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	5,187,222	5,043,865
Right-of-use assets		8,144	43,555
Intangible assets		1,705	2,655
Investment in an associated company		16,773	13,240
Long term loans and advances		6,653	5,445
Long term deposits		14,808	15,851
		5,235,305	5,124,611
CURRENT ASSETS			
Stores and spares		638,226	629,508
Stocks	10	3,885,524	3,318,231
Trade debts		1,485,126	1,157,946
Loans and advances		193,136	59,428
Deposits and prepayments		100,697	67,095
Other receivables		191,160	183,785
Taxation - net		1,094,564	1,147,912
Cash and bank balances		105,999	182,749
		7,694,432	6,746,654
TOTAL ASSETS			
		12,929,737	11,871,265

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Siraj A. Lawai
Chief Financial Officer



Hussain Kuli Khan
Chief Executive



Syed Ahmed Iqbal Ashraf
Director



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

For the Half Year Ended December 31, 2020

		For the quarter ended December 31,		For the half year ended December 31,	
		2020	2019	2020	2019
Note		(Rupees in '000)			
Sales - net		3,260,999	2,317,937	6,448,619	4,564,320
Cost of sales	11	(2,597,976)	(1,951,138)	(5,311,195)	(3,811,685)
Gross profit		663,023	366,799	1,137,424	752,635
Administrative expenses		(79,298)	(71,831)	(143,890)	(137,699)
Distribution cost		(131,622)	(109,454)	(246,108)	(204,955)
Other income		111,531	33,366	125,319	68,548
Other expenses		(41,930)	(1,615)	(54,249)	(4,746)
Profit from operations		521,704	217,265	818,496	473,783
Finance cost		(111,488)	(199,176)	(233,961)	(429,729)
		410,216	18,089	584,535	44,054
Share of profit / (loss) of an associated company		(679)	343	3,533	(589)
Profit before taxation		409,537	18,432	588,068	43,465
Taxation	12	(129,581)	(5,008)	(182,139)	(14,175)
Profit for the period		279,956	13,424	405,929	29,290
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		279,956	13,424	405,929	29,290
		Rupees	Rupee	Rupees	Rupee
Earnings per share - basic and diluted	13	2.30	0.11	3.33	0.24

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Siraj A. Lawai
Chief Financial Officer

Hussain Kuli Khan
Chief Executive

Syed Ahmed Iqbal Ashraf
Director



Condensed Interim Statement of Changes in Equity (Unaudited)

For the Half Year Ended December 31, 2020

	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, 2019 (audited)	1,016,112	1,000,000	1,324,670	3,340,782
Effect of initial application of IFRS 16 - net of tax	-	-	(15,614)	(15,614)
Transaction with owners				
- Bonus share issue for the year ended June 30, 2019 @ 20% i.e. 1 share for every 5 shares	203,222	-	(203,222)	-
- First interim dividend for the year ended June 30, 2020 @ of Re. 0.50 per share	-	-	(60,967)	(60,967)
Total comprehensive income for the half year ended December 31, 2019	-	-	29,290	29,290
Balance as at December 31, 2019 (un-audited)	1,219,334	1,000,000	1,074,157	3,293,491
Balance as at July 1, 2020 (audited)	1,219,334	1,000,000	734,957	2,954,291
Total comprehensive income for the half year ended December 31, 2020	-	-	405,929	405,929
Balance as at December 31, 2020 (un-audited)	1,219,334	1,000,000	1,140,886	3,360,220

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.



Siraj A. Lawai
Chief Financial Officer



Hussain Kuli Khan
Chief Executive



Syed Ahmed Iqbal Ashraf
Director



Condensed Interim Statement of Cash Flows (Unaudited)

For the Half Year Ended December 31, 2020

		For the half year ended December 31,	
		2020	2019
		Rupees in '000	
Note			
CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash generated from operations	641,780	457,523
	Staff retirement gratuity paid	(23,237)	(10,163)
	Compensated absences paid	(3,362)	(617)
	Long term deposits from dealers - net	(141)	209
	Finance cost paid	(298,516)	(397,052)
	Taxes paid	(55,946)	(167,594)
	Long term loans and advances - net	(1,208)	655
	Long term deposits	1,043	(236)
	Profit on bank deposits received	318	497
	Net cash generated / (used) in operating activities	260,731	(116,778)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of property, plant and equipment	(379,896)	(238,654)
	Proceeds from sale of operating fixed assets	19,957	28,535
	Net cash used in investing activities	(359,939)	(210,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Long term finance - repaid	(100,000)	(338,865)
	Long term finance - obtained	690,360	149,975
	Short term finances - net	(261,447)	(587,972)
	Lease rental paid - net	(12,537)	(18,681)
	Dividend paid	(132)	(62,672)
	Net cash generated / (used) in financing activities	316,244	(858,215)
	Net increase / (decrease) in cash and cash equivalents	217,036	(1,185,112)
	Cash and cash equivalents - at beginning of the period	(3,767,498)	(3,370,254)
	Cash and cash equivalents - at end of the period	(3,550,462)	(4,555,366)

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Siraj A. Lawai
Chief Financial Officer

Hussain Kuli Khan
Chief Executive

Syed Ahmed Iqbal Ashraf
Director



Notes to the Condensed Interim Financial Statements (Unaudited)

For the Half Year Ended December 31, 2020

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, under the Companies Act 1913, repealed and replaced by the Companies Ordinance, 1984 which in turn got replaced by the Companies Act 2017, and was subsequently converted into a public limited company. Its shares are quoted on Pakistan Stock Exchange. The registered office 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.
- 1.2 During the period, the Supreme Court of Pakistan has upheld the Gas Infrastructure Development Cess Act, 2015 to be constitutional and intravires. The Supreme Court has allowed settlement of GIDC over a period of time. The Company has followed relevant accounting standards and ICAP guidelines in this regard.
- 1.3 During the period, in respect of a litigation involving the Company, the High Court of Sindh has issued an order whereby the Company and its Board are restrained to pass any resolution involving vote of a special majority as provided in Articles of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

Where the 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 These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with Company's annual audited financial statements for the year ended June 30, 2020.
- 2.3 The figures included in the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2020 and December 31, 2019 and the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended December 31, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standard, amendments to approved accounting and reporting standards and new interpretations

3.1.1 Amendments to published accounting and reporting standards which became effective during the period

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



3.1.2 New standard and amendments to published accounting and reporting standards that are not yet effective

The following standard and amendments with respect to the accounting and reporting standards will be effective from the dates mentioned below against the respective standard and amendment:

Standard or amendment	Effective date (annual periods beginning on or after)
Amendments to IFRS 7, IFRS 4 and IFRS 16 interest rate benchmark reform'	January 1, 2021
Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities	January 1, 2022
Amendments to IFRS 3, IAS 16, IFRS 1, IFRS 9 IAS 41' and IFRS 16	January 1, 2022
IFRS 17, 'Insurance Contracts'	January 1, 2023

The above standard and amendments are not expected to have any material impact on the Company's financial statements.

The accounting policies and the method of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of annual audited financial statements for the year ended June 30, 2020.

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 these condensed interim financial statements.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied in the Company's annual audited financial statements for the year ended June 30, 2020.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements for the year ended June 30, 2020.

5. LONG TERM FINANCES - Secured

Term finance - from banking companies

Conventional
Shariah compliant

Less: current maturity grouped under current liabilities

December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
----- Rupees in '000 -----	
1,846,787	1,355,463
57,079	57,079
1,903,866	1,412,542
(625,416)	(316,262)
1,278,450	1,096,280

5.1 There have been no changes in long term finance facilities as disclosed in note 5 of the Company's financial statements for the year ended June 30, 2020, except for the following:

- (i) During the period, the Company has obtained a long term loan facility from a commercial bank aggregating to Rs 400 million under the Temporary Economic Refinance Facility out of which an amount of Rs 251 million has been drawn down and is repayable in 8 equal quarterly instalments commencing from January 1, 2023. This finance facility carries mark-up at the rate of 3% per annum commencing from the date of disbursement and is payable in arrears on quarterly basis. The loan facility is secured by way of first joint pari passu hypothecation charge over fixed assets (excluding land and building) and current assets of the Company to the extent of Rs. 534 million.
- (ii) The Company has obtained long-term loans aggregating to Rs 439 million in four tranches from Askari Bank Limited - an associated company under the Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns by the State Bank of Pakistan. The loan is repayable in eight equal quarterly instalments, starting from April 2021. The loan carries mark-up of 3% per annum starting from the date of disbursement and is payable in arrears on quarterly basis. The loan facility is secured by way of first joint pari passu hypothecation charge over fixed assets (excluding land and building) and current assets of the Company to the extent of Rs. 854 million.

These loans referred to in (i) and (ii) have been recognised at fair value (present value of loan receipts discounted using prevailing market interest rates for a similar instrument) and the differential amount has been recorded as deferred income - government grant. The loan amount is being accreted using the effective interest rate method with the corresponding effect on the interest expense in profit or loss.

6. There have been no changes in short term finance facilities as disclosed in note 10 of the Company's financial statements for the year ended June 30, 2020, except that:

The Company during the period has obtained short term loan facilities from commercial banks amounting to Rs 450 million. The rates of mark-up of these facilities ranged from KIBOR plus 0.7% to 1% per annum. These facilities are expiring on various dates upto March 31, 2021.

December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
----- Rupees in '000 -----	

7. TRADE AND OTHER PAYABLES

Trade creditors	154,958	179,660
Bills payable	1,209,580	365,439
Accrued expenses	534,100	787,424
Royalty fee payable	111,904	51,071
Advances from customers / contract liabilities	42,251	114,779
Staff provident fund payable	4,671	6,491
Staff retirement gratuity	74,282	93,233
Short term deposits	1,117	1,191
Workers' profit participation fund	31,953	-
Workers' welfare fund	11,885	-
Payable to Waqf-e-Kuli Khan	10,408	-
Interest payable on custom duties	29,933	29,933
Stamp duty payable	-	1,130
Sales tax	-	132,312
Others	21,199	31,853
	2,238,241	1,794,516



8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no other significant change in the status of the contingencies as disclosed in note 15.1 to the audited financial statements of the Company for the year ended June 30, 2020.

	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
	----- Rupees in '000 -----	
8.1.1 Guarantees issued by commercial banks on behalf of the Company	316,949	358,396
8.1.2 Post dated cheques issued to the Collector of Customs against duty on imported plant & machinery, raw materials and stores & spares	104,110	89,134
8.2 Commitments		
8.2.1 Commitments in respect of:		
- letters of credit for capital expenditure	149,003	385,568
- letters of credit for purchase of raw materials and stores & spares	1,767,899	515,695
- purchase orders issued to local suppliers for capital expenditure	27,566	37,670
- sales contracts entered into by the Company	305,596	166,866
- tentative schedules for supply of tyres	2,243,897	926,589

	Note	December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
		----- Rupees in '000 -----	
9. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	9.1	4,616,073	4,810,177
Capital work-in-progress	9.2.1	571,149	233,688
		5,187,222	5,043,865
9.1 Operating fixed assets			
Book value at beginning of the period / year		4,810,177	4,431,955
Transfers from CWIP during the period / year	9.2	48,559	841,872
Net book value of disposals having cost of Rs 33.109 million (June 30, 2020: Rs 30.224 million)		(7,732)	(14,143)
Depreciation for the period / year		(234,931)	(449,507)
Book value at end of the period / year		4,616,073	4,810,177



9.2 Details of transfers to operating fixed assets during the period are as follows:

For the half year ended
December 31,

2020 2019
(Unaudited)

----- Rupees in '000 -----

Buildings on lease hold land	-	137,085
Electrical installations	947	6,284
Plant and machinery	2,425	299,268
Boilers and accessories	-	10,405
Vehicles	-	52,905
Moulds	42,338	64,588
Factory and office equipment	2,292	6,341
Computer equipment	557	1,910
	48,559	578,786

9.2.1 This includes borrowing cost amounting to Rs 31.989 million directly attributable to the acquisition cost incurred during the current period. The capitalisation rate used to determine the amount of borrowing cost eligible for capitalisation is 8%.

December 31, June 30,

2020 2020
(Unaudited) (Audited)

Note

----- Rupees in '000 -----

10. STOCKS

Raw materials		
- in hand	1,100,127	1,261,293
- in transit	903,402	201,183
	2,003,529	1,462,476
Work-in-process	187,334	189,727
Finished goods	1,694,661	1,666,028
	3,885,524	3,318,231

10.1 Finished goods include items costing Rs 169.074 million (June 30, 2020: Rs 147.267 million) which are stated at the net realisable values aggregating Rs 134.516 million (June 30, 2020: Rs 112.709 million). The aggregate amount charged to profit or loss in respect of stocks written down to the net realisable value is Rs Nil (June 30, 2020: Rs 6.146 million).



11. COST OF SALES

		For the quarter ended December 31,		For the half year ended December 31,	
		2020	2019	2020	2019
Note		Rupees in '000			
Opening stock of finished goods		1,629,308	2,140,009	1,666,028	1,675,771
Cost of goods manufactured	11.1	2,548,978	2,438,991	5,153,474	4,744,927
Finished goods purchased		114,351	17,792	186,354	36,641
		2,663,329	2,456,783	5,339,828	4,781,568
		4,292,637	4,596,792	7,005,856	6,457,339
Closing stock of finished goods		1,694,661	2,645,654	1,694,661	2,645,654
		2,597,976	1,951,138	5,311,195	3,811,685

11.1 Cost of goods manufactured

Opening work-in-process	163,924	130,372	189,727	194,266
Raw materials consumed	1,520,063	1,528,266	3,067,744	2,891,042
Factory overheads	1,052,325	959,243	2,083,337	1,838,509
	2,572,388	2,487,509	5,151,081	4,729,551
	2,736,312	2,617,881	5,340,808	4,923,817
Closing work-in-process	187,334	178,890	187,334	178,890
	2,548,978	2,438,991	5,153,474	4,744,927

12. TAXATION

Current				
- for the period	48,890	35,703	109,294	69,098
Deferred				
- for the period	80,691	(30,695)	72,845	(54,923)
	129,581	5,008	182,139	14,175

13. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share				
Profit after taxation	279,956	13,424	405,929	29,290
	(Number of shares)			
Weighted average number of ordinary shares	121,933,350	121,933,350	121,933,350	121,933,350
	Rupees	Rupee	Rupees	Rupee
Earnings per share - basic and diluted	2.30	0.11	3.33	0.24



For the half year ended
December 31,

2020 2019
(Unaudited)

Note ----- Rupees in '000 -----

14. CASH GENERATED FROM OPERATIONS

Profit before taxation	588,068	43,465
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	234,931	215,338
Depreciation on right-of-use assets	8,657	8,658
Amortisation	950	12,054
Provision for staff retirement gratuity	30,158	40,042
Charge of employees compensated absences	3,652	5,349
Reversal for doubtful trade debts	(9,521)	(4,424)
Net realisable value reversed on stocks	-	(8,298)
Finance cost	233,961	429,729
Gain on sale of operating fixed assets	(12,225)	(14,392)
Gain on termination of lease liability	(17,553)	-
Gain on initial recognition of government levy	(29,701)	-
Profit on bank deposits	(318)	(497)
Share of (profit) / loss of an associated company	(3,533)	589
Working capital changes	14.1 (385,746)	(270,090)
	641,780	457,523

14.1 Working capital changes

(Increase) / decrease in current assets:

- Stores and spares	(8,718)	33,059
- Stocks	(567,293)	(579,050)
- Trade debts	(317,659)	(64,837)
- Loans and advances	(133,708)	27,165
- Deposits and prepayments	(33,602)	1,796
- Other receivables	(7,375)	20,126
	(1,068,355)	(561,741)

Increase / (decrease) in current liabilities:

- Trade and other payables and provision	682,609	291,651
	(385,746)	(270,090)

15. CASH AND CASH EQUIVALENTS

Running finances under mark-up arrangements	(3,656,461)	(4,674,733)
Cash and bank balances	105,999	119,367
	(3,550,462)	(4,555,366)



16. OPERATING SEGMENT

These condensed interim financial statements have been prepared on the basis of a single reportable segment. All non-current assets of the Company as at December 31, 2020 are located in Pakistan. Revenues from external customers attributed to foreign countries in aggregate are not material. The Company has earned revenues from two (December 31, 2019: one) customers aggregating Rs 1,422.810 million (December 31, 2019: Rs 805.053 million) during the period which constituted 18.11% (December 31, 2019: 14.51%) of gross sales.

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of associated companies, companies in which directors are interested, staff retirement benefit funds, key management personnel and close members of the families of key management personnel. The Company in the normal course of business carries out transactions with various related parties.

**For the half year ended
December 31,**

**2020 2019
(Unaudited)**

--- Rupees in '000 ---

17.1 Transactions with related parties are as follows:

Associated companies / undertakings:

Sale of goods	98,023	96,071
Services rendered	287	1,131
Rent	900	900
Interest earned	318	497
Mark-up on running and long term finance	30,758	48,936
Donation	10,408	733
Dividend paid	-	35,231
Bonus shares issued	-	117,436

Other related parties:

Provision towards gratuity staff fund	5,499	7,455
Contribution towards employees provident fund	11,260	10,469
Salaries and other employee benefits to key management personnel	121,929	111,235
Meeting fees to key management personnel	4,300	4,000
Sale of fixed assets to key management personal under the Company policy	4,207	1,326
Dividend paid	-	732
Bonus shares issued	-	2,440



December 31, 2020 (Unaudited)	June 30, 2020 (Audited)
----- Rupees in '000 -----	

17.2 Period / year end balances are as follows:

Payables to associated companies / related parties

Staff retirement gratuity	10,692	9,396
Long term and running finances	966,445	717,245
Trade and other payables	16,505	8,883
Accrued mark-up	25,035	33,419

Receivables from associated companies / related parties

Long term loans and advances	635	409
Loans and advances	190	1,057
Bank balances	11,859	10,851

18. GENERAL

18.1 Date of authorisation for issue

These condensed interim financial statements were authorised for issue on February 25, 2021 by the Board of Directors of the Company.

18.2 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

Syed Ahmed Iqbal Ashraf
Director



Har safar ka humsafar


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