

# Half Yearly Report

## June 2018



**Pak Suzuki Motor Company Limited**



Company Information	02
Directors' Report	03
Independent Auditors' Review Report to the Members of Pak Suzuki Motor Company Limited	05
Condensed Interim Balance Sheet	06
Condensed Interim Profit and Loss Account	07
Condensed Interim Statement of Comprehensive Income	08
Condensed Interim Cash Flow Statement	09
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim Financial Information	11

# Vision

To be recognized as a leading organization that values customers' needs and provides motoring solutions with strong customer care.

# Mission

- Develop products of superior value by focusing on the customer
- Establish a refreshing and innovative company through teamwork
- Strive for individual excellence through continuous improvement

# Company Information

## Board of Directors

Kinji Saito	Chairman
Masafumi Harano	Chief Executive
Tetsuya Fujioka	Deputy Managing Director
Shigeo Takezawa	Director
Kazuyuki Yamashita	Director
Moin M. Fudda	Director
Rukhsana Shah	Director

## Chief Financial Officer

Miki Nakahara

## Company Secretary

Abdul Nasir

## Audit Committee

Moin M. Fudda	Chairman
Kinji Saito	Member
Shigeo Takezawa	Member

## Human Resource and Remuneration (HR & R) Committee

Rukhsana Shah	Chairman
Kinji Saito	Member
Masafumi Harano	Member

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Registrar

Central Depository Company of Pakistan Ltd.  
CDC House, 99-B, S.M.C.H.S,  
Main Shahra-e-Faisal, Karachi.

## Legal Advisors

M/s Shahid Anwar Bajwa & Co.  
ORR Dignam & Company

## Bankers

Bank Alfalah Ltd.  
Bank Al Habib Ltd.  
Citibank N.A.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Limited  
MCB Bank Ltd.  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Ltd.  
Summit Bank Ltd.  
The Bank of Punjab  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

## Registered Office

DSU-13, Pakistan Steel Industrial  
Estate, Bin Qasim, Karachi.  
Tel No. (021) 34723551 - 58  
Fax No. (021) 34723521 - 22  
Website: [www.paksuzuki.com.pk](http://www.paksuzuki.com.pk)

## Area Offices

### Lahore Office:

7-A, Aziz Avenue, Canal Bank Road,  
Gulberg V, Lahore.  
Tel No. (042) 35775456, (042) 35775457  
Fax No. (042) 35775467

### Rawalpindi Office:

3rd Floor, 112-B Mallahi Plaza,  
Murree Road, Rawalpindi Cantt.  
Tel No. (051) 5130230 - (051) 5130229  
Fax No. (051) 5130232

### Multan Office:

402, 4th Floor United Mall,  
Abdali Road Multan.  
Tel No. (061)-4586499  
Fax No. (061)-4516765

# Directors' Report

FINANCIAL

Accounts

On behalf of the Board, I present my review on the performance of the Company during half year ended June 30, 2018.

During the period (January – June 2018) the industry sales volume for cars and light commercial vehicles increased by 16.4% as compared to corresponding period of last year. During the period (January – June 2018) 134,494 units were sold compared to 115,586 units in corresponding period of last year. The sales volume of Pak Suzuki improved by 13,988 units from 62,494 units (Jan - Jun 2017) to 76,482 units (Jan - Jun 2018). Pak Suzuki outperformed the industry growth rate and achieved 22.4% growth in sales volume. The total sales volume of the Company represented 56% of Pakistan's total market of cars and light commercial vehicles. The Company is operating almost at full capacity and achieved production volume of 71,137 units which represented 95% capacity utilization.

During the period under review, sales volume of PAMA member companies, producing motorcycles and three wheelers, increased from 833,396 units to 988,375 units. Increase of 154,979 units represents 19% improvement in sales volume over same period of last year. The Company sales volume increased by 19.5% and achieved sales volume of 11,292 units as compared to sales volume of 9,453 units in corresponding period of last year.

Company earned net profit Rs 1,298 million compared to Rs 1,992 million in same period of last year. Net sales revenues increased by 33.2% (Rs 15,563 million) from Rs 46,829 million to Rs 62,392 million mainly due to improved sales volume in current period. Gross profit decreased in absolute terms by Rs 460 million from Rs 4,825 million to Rs 4,365 million. Gross profit margins declined from 10.3% to 7% of sales. Change in product mix of sales unit and devaluation of Pak Rupee adversely affected the gross profit margins.

Distribution expenses increased by Rs 64 million from Rs 1,382 million to Rs 1,446 million, however, as a percentage of net sales decreased from 3% to 2.3%. Administration expenses increased by 38% from Rs 736 million to Rs 1,016 million. However, administration expenses remained at 1.6% as a percentage of net sales. Increase in administration expenses attributable to higher salaries and wages and other staff related expenses. Other operating income decreased by 56 million from Rs 445 million to Rs 389 million, which was mainly due to decrease in income from bank deposit. Finance cost increased from Rs 41 million to Rs 93 million, primarily due to higher exchange loss in current period. Other operating expense represents contributions for Workers' Profit Participation Fund and Workers' Welfare Fund. The aggregate amount decreased from Rs. 215 million to Rs. 152 million consequential to decrease in profit before tax. Expense for income tax decreased from Rs 904 million to Rs 750 million. As a percentage of net profit before tax, tax expense increased from 31% in 2017 to 36% in 2018. Tax rate of 36% for current period included 29% tax rate on profits and super tax of Rs 130 million, representing 6.4% of profits before tax. Consequent to amendment through Finance Act 2018, super tax of Rs 130 million included Rs 108 million for the accounting year 2017 and balance Rs 22 million for the current accounting period.

In the Federal Budget 2018-19; the Government provided reliefs by reducing rate of corporate tax from 30% to 29%; rate of super tax from 3% to 2% of profit before tax for accounting year 2017 and 1% of profit before tax for accounting year 2018. Further, rate of tax on undistributed profits decreased from 7.5% to 5% and condition of minimum distribution of dividend equal to 40% relaxed to 20% of profits after tax.

However, all these reliefs have been offset by increase in additional customs duty from 1% to 2% which directly results in increase in cost of products. Furthermore, in budget 2018-19, restriction on purchase of vehicles by

non-filers would adversely affect the sales volume of automobile industry. It may be noted that on one hand Government had announced incentives for the revival of non-operational units and new entrants through Automotive Development Policy (ADP) in March 2016, applicable over a medium term horizon of 2016 to 2021. On the other hand, implementing adverse policies which badly affects the operations of auto industry. We appeal to Government to provide medium term operational framework for auto industry so that assemblers can plan accordingly.

The Company is endeavoring to improve sales, profitability and diversity in its operations by upgrading the existing products and launching new products. Strengths of Pak Suzuki are quality products, diversified product range and well-organized dealers' network, ensuring availability of spare parts at economical prices and reliable after sales service. Pak Suzuki aims to provide quality services with convenient access to customers. The Company has strong dealership network spread all over the country. The Company has been continuously enhancing and strengthening the dealership network. As on June 30, 2018, authorized dealership network of Pak Suzuki expanded to 137 outlets in 71 cities all across Pakistan where customers are offered wide range of products and support services.

State Bank of Pakistan (SBP) raised the policy rate by 175 basis points to 7.5% (discount rate at 8.0%) during the calendar year 2018. It is the sharpest increase in interest rates in recent past. Provisional growth rate for financial year 2017-18 clocked in at 5.8%. However, SBP sees slower growth rate of 5.5% in FY19. Average inflation for FY19 is expected to remain between 6% and 7% due to higher fiscal deficit, food inflation, higher oil prices and Pak Rupee depreciation.

Macroeconomic indicators of the country are challenging for auto industry. Pak Rupee devaluation, rising raw material prices, expected hike in interest rate, political instability and current account deficit are major challenges for auto industry in future. Variation in forex rates influenced the pricing of products due to high element of imported components in total cost of products. Your company has geared up to meet the challenges in future with wide range of quality products at competitive prices through an efficient network of authorized dealers.



KINJI SAITO  
Chairman

Karachi: July 24, 2018



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847 , Fax +92 (21) 35685095

## Independent Auditors' Review Report To the Members of Pak Suzuki Motor Company Limited

### Report on review of Interim Financial Statements

#### Introduction

We have reviewed the accompanying condensed interim balance sheet of Pak Suzuki Motor Company Limited ("the Company") as at 30 June 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

#### 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

#### Other matters

The figures for the quarter ended 30 June 2018 and 30 June 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Date: 24 July 2018

Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants

# Condensed Interim Balance Sheet

As at 30 June 2018

	Note	30 June 2018 Unaudited	31 December 2017 Audited
----- (Rupees in '000') -----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	13,368,815	8,800,002
Intangible assets		146,227	185,333
Long term investments	6	331,600	208,086
Long-term loans		4,555	2,361
Long-term deposits, prepayments and other receivables	7	412,007	327,319
Long-term installment sales receivables	8	114,442	144,779
Deferred taxation		448,932	236,500
		<b>14,826,578</b>	<b>9,904,380</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		133,970	114,789
Stock-in-trade	9	19,212,045	23,946,058
Trade debts		201,697	211,358
Current portion of long-term installment sales receivables	8	445,788	320,996
Loans and advances		63,093	37,481
Trade deposits and short-term prepayments	10	2,215,163	965,722
Accrued profit on bank deposits		42,523	28,699
Other receivables		172,346	147,775
Sales tax and excise duty adjustable		1,774,068	1,143,685
Income tax - net		4,536,320	4,899,972
Cash and bank balances	11	6,827,253	9,189,552
		<b>35,624,266</b>	<b>41,006,087</b>
<b>TOTAL ASSETS</b>		<b>50,450,844</b>	<b>50,910,467</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital of 150,000,000 (2017: 150,000,000) ordinary shares of Rs.10/- each		1,500,000	1,500,000
Issued, subscribed and paid-up capital		822,999	822,999
Reserves		28,498,666	28,726,717
		<b>29,321,665</b>	<b>29,549,716</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		11,043,084	11,391,952
Advances from customers		5,525,001	5,331,948
Security deposits		4,524,795	4,600,552
Provision for custom duties and sales tax		36,299	36,299
		<b>21,129,179</b>	<b>21,360,751</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>50,450,844</b>	<b>50,910,467</b>

Contingencies and commitments

12

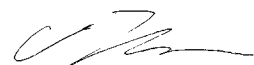
The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer



# Condensed Interim Profit and Loss Account (Unaudited)

For the half year and quarter ended 30 June 2018

FINANCIAL

Accounts

	Note	Half year ended		Quarter ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
----- (Rupees in '000') -----					
Sales		<b>62,391,543</b>	46,828,895	<b>30,880,756</b>	22,938,055
Cost of sales		<b>(58,026,114)</b>	(42,003,672)	<b>(29,132,122)</b>	(21,017,079)
Gross profit		<b>4,365,429</b>	4,825,223	<b>1,748,634</b>	1,920,976
Distribution costs		<b>(1,445,925)</b>	(1,381,903)	<b>(642,098)</b>	(675,065)
Administrative expenses		<b>(1,015,733)</b>	(736,482)	<b>(517,434)</b>	(415,635)
Other expenses		<b>(151,760)</b>	(214,644)	<b>(53,992)</b>	(74,298)
Other income	13	<b>389,399</b>	445,184	<b>213,287</b>	259,751
Finance costs	14	<b>(92,864)</b>	(41,236)	<b>(19,520)</b>	(13,244)
		<b>(2,316,883)</b>	(1,929,081)	<b>(1,019,757)</b>	(918,491)
Share of loss of equity accounted investee		<b>(885)</b>	-	<b>(383)</b>	-
<b>Profit before taxation</b>		<b>2,047,661</b>	2,896,142	<b>728,494</b>	1,002,485
Taxation	15	<b>(750,010)</b>	(904,093)	<b>(334,986)</b>	(317,059)
<b>Profit after taxation</b>		<b>1,297,651</b>	1,992,049	<b>393,508</b>	685,426
Earnings per share - basic and diluted		<b>15.77</b>	24.20	<b>4.78</b>	8.32


The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

# Condensed Interim Statement of Comprehensive Income (Unaudited)

For the half year and quarter ended 30 June 2018

	Note	Half year ended		Quarter ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
----- (Rupees in '000') -----					
<b>Profit for the period</b>		<b>1,297,651</b>	1,992,049	<b>393,508</b>	685,426
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Re-measurement gain on defined benefit plan - net		<b>5,075</b>	3,066	<b>410</b>	1,020
<b>Total comprehensive income for the period</b>		<b><u>1,302,726</u></b>	<u>1,995,115</u>	<b><u>393,918</u></b>	<u>686,446</u>

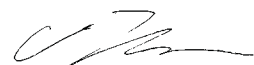
The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

# Condensed Interim Cash Flow Statement (Unaudited)

For the half year ended 30 June 2018

FINANCIAL

Accounts

		<b>30 June 2018 Unaudited</b>	30 June 2017 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Note	----- (Rupees in '000') -----	
Cash generated from operations	16	<b>4,908,396</b>	9,696,214
Finance costs paid		<b>(92,864)</b>	(41,236)
Taxes paid		<b>(598,790)</b>	(1,681,123)
Long term loans - net		<b>1,738</b>	(285)
Long-term deposits, prepayments and other receivables		<b>(84,688)</b>	(37,246)
Long-term installment sales receivables		<b>30,337</b>	529
Net cash generated from operating activities		<b>4,164,129</b>	7,936,853
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment including capital work in progress		<b>(5,330,751)</b>	(1,712,962)
Purchase of intangible assets		<b>(4,537)</b>	(190,783)
Investment in associate		<b>(124,400)</b>	(120,000)
Proceeds from disposal of property, plant and equipment		<b>12,103</b>	11,308
Profit received on bank deposits		<b>300,768</b>	349,464
Net cash used in investing activities		<b>(5,146,817)</b>	(1,662,973)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		<b>(1,379,611)</b>	(450,985)
Net (decrease) / increase in cash and cash equivalents		<b>(2,362,299)</b>	5,822,895
Cash and cash equivalents at beginning of the period		<b>9,189,552</b>	8,548,293
Cash and cash equivalents at end of the period		<b>6,827,253</b>	14,371,188

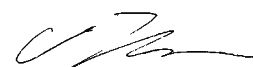
The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

# Condensed Interim Statement of Changes in Equity (Unaudited)

For the half year ended 30 June 2018

	Share Capital Issued, subscribed and paid-up capital	Reserves					Total
		Capital reserves		Revenue reserves			
	Share premium	Reserve on merger	General	Unappropriated profit	Total reserves		
----- (Rupees in '000) -----							
Balances as at 1 January 2017	822,999	584,002	260,594	21,824,818	2,724,494	25,393,908	26,216,907
<b>Total comprehensive income for the period ended 30 June 2017</b>							
Profit for the period	-	-	-	-	1,992,049	1,992,049	1,992,049
Other comprehensive income	-	-	-	-	3,066	3,066	3,066
	-	-	-	-	1,995,115	1,995,115	1,995,115
<b>Transactions with owners recorded directly in equity - distributions</b>							
Final dividend on ordinary shares @ 55% for the year ended 31 December 2016	-	-	-	-	(452,649)	(452,649)	(452,649)
Transfer to general reserve	-	-	-	2,320,000	(2,320,000)	-	-
Balance as at 30 June 2017	822,999	584,002	260,594	24,144,818	1,946,960	26,936,374	27,759,373
<b>Balances as at 1 January 2018</b>	<b>822,999</b>	<b>584,002</b>	<b>260,594</b>	<b>24,144,818</b>	<b>3,737,303</b>	<b>28,726,717</b>	<b>29,549,716</b>
<b>Total comprehensive income for the period ended 30 June 2018</b>							
Profit for the period	-	-	-	-	1,297,651	1,297,651	1,297,651
Other comprehensive income	-	-	-	-	5,075	5,075	5,075
	-	-	-	-	1,302,726	1,302,726	1,302,726
<b>Transactions with owners recorded directly in equity - distributions</b>							
Final dividend on ordinary shares @ 186% for the year ended 31 December 2017	-	-	-	-	(1,530,777)	(1,530,777)	(1,530,777)
Transfer to general reserve	-	-	-	2,295,000	(2,295,000)	-	-
<b>Balance as at 30 June 2018</b>	<b>822,999</b>	<b>584,002</b>	<b>260,594</b>	<b>26,439,818</b>	<b>1,214,252</b>	<b>28,498,666</b>	<b>29,321,665</b>

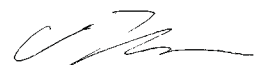
The annexed notes from 1 to 20 form an integral part of this condensed interim financial information.



Chairman



Chief Financial Officer



Chief Executive Officer

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the half year ended 30 June 2018

## 1. STATUS AND NATURE OF BUSINESS

Pak Suzuki Motor Company Limited (the Company) was incorporated in Pakistan as a public limited company in August 1983 and started commercial production in January 1984. The Company was formed in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited (PACO) and Suzuki Motor Corporation, Japan (the Holding Company). The Company is engaged in the assembling, progressive manufacturing and marketing of Suzuki cars, pickups, vans, 4x4s and motorcycles and related spare parts. The Company is listed on Pakistan Stock Exchange. The registered office of the Company is situated at DSU – 13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

The Company's interest in equity accounted investee comprise 40% equity interest in a newly established company namely; Tecno Auto Glass Limited as more fully detailed in note 6.1 to the condensed interim financial statements.

## 2. BASIS OF PREPARATION

**2.1** These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for the interim financial reporting. The accounting and reporting standards as applicable in Pakistan for the interim financial reporting comprise of International Accounting Standards (IAS) 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provision of and directives issued under the Companies Act, 2017. Where the provision of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provision of and directives issued under the Companies Act, 2017 have been followed.

**2.2** These condensed interim financial statements does not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 2017.

**2.3** The figures included in the condensed interim profit and loss account for the quarter ended 30 June 2018 and 30 June 2017 and in notes forming part thereof have not been reviewed by the external auditors of the Company as they have reviewed the accumulated figures for the half year ended 30 June 2018 and 30 June 2017.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**3.1** The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements of the Company as at and for the year ended 31 December 2017.

**3.2** Change in accounting standards, interpretations and amendments to published approved accounting standards.

**a) Amendments to published approved accounting standards which are effective during the period:**

There are certain amendments to approved accounting standards which are mandatory for the Company's annual accounting period which began on 1 January 2018. However these do not have any significant impact on the Company's financial reporting and therefore have not detailed in these condensed interim financial statements.

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the half year ended 30 June 2018

## b) Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting period on or after 1 January 2019.

However, these amendments will not have any significant impact on the financial reporting of the Company and therefore have not been disclosed in these condensed interim financial statements.

Further the Securities and Exchange Commission of Pakistan vide S.R.O. 1007 (I) / 2017 dated 4 October 2017 and S.R.O. 434 (I) / 2018 dated 9 April 2018 has notified IFRS 9 'Financial Instruments' replacing IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 15 Revenue from Contracts with Customers' replacing IAS 18 'Revenue' and IAS 11 'Construction Contracts' and IFR 16 'Leases' replacing IAS 17 'Leases' respectively which are effective from annual reporting period beginning on or after 1 January 2019. Currently management is assessing the impact of these standards.

In addition to the foregoing, the Companies Act, 2017 which has added certain additional disclosures which will be included in the Company's annual financial statements for the year ending 31 December 2018.

## 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 31 December 2017.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements as at and for the year ended 31 December 2017.

## 5. PROPERTY, PLANT AND EQUIPMENT

	<b>30 June 2018 Unaudited</b>	31 December 2017 Audited
	----- (Rupees in '000') -----	
Operating fixed assets	<b>6,815,990</b>	7,068,071
Capital work in process	<b>6,552,825</b>	1,731,931
	<b><u>13,368,815</u></b>	<u>8,800,002</u>

**5.1** The following are the additions and disposals of property, plant and equipment during the current period:

	For the half year ended	
	<b>30 June 2018</b>	30 June 2017
	----- (Rupees in '000') -----	
<b>Additions / transfer from CWIP</b>		
Buildings on leasehold land - factory building	<b>98,262</b>	414,670
Plant and machinery	<b>140,014</b>	488,501
Welding guns	-	40,109
Permanent and special tools	<b>22,413</b>	125,403
Dies	-	522,334
Jigs and fixtures	<b>4,779</b>	513,969
Electrical installations	-	55,943
Furniture and fittings	<b>33,396</b>	3,371
Vehicles	<b>70,042</b>	86,971
Air conditioners and refrigerators	<b>4,866</b>	10,346
Office equipments	<b>11,289</b>	4,240
Computers	<b>7,806</b>	21,794
Tooling at vendor premises	<b>116,990</b>	1,353,310
	<b>509,857</b>	3,640,961
<b>Disposal - at book value</b>		
Plant and machinery	<b>952</b>	-
Dies	<b>110</b>	-
Vehicles	<b>6,073</b>	3,370
Air conditioners and refrigerators	<b>96</b>	-
Office equipments	<b>9</b>	-
Tooling at vendor premises	-	138
	<b>7,240</b>	3,508

**5.2 Capital Work in Progress**

	<b>30 June 2018</b>	31 December 2017
	<b>Unaudited</b>	Audited
	----- (Rupees in '000') -----	
Plant and machinery	<b>6,031,422</b>	1,171,576
Civil works	<b>521,403</b>	516,583
Advance for capital expenditure	-	43,772
	<b>6,552,825</b>	1,731,931

During current period, additions to capital work-in-progress were Rs. 5,251 million (30 June 2017: Rs. 1,624.6 million) and transfer to fixed assets were Rs. 430 million (30 June 2017: 3,552.6 million).

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the half year ended 30 June 2018

## 6. LONG TERM INVESTMENTS

	Note	30 June 2018 Unaudited	31 December 2017 Audited
----- (Rupees in '000') -----			
<b>Investment in related party (equity accounted)</b>			
Investment in associate - unquoted			
- Tecno Auto Glass Limited			
34,440,000 (2017: 22,000,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 40%)	6.1	331,600	208,086
<b>Other investments</b>			
Available for sale - Unquoted			
- Arabian Sea Country Club Limited			
500,000 (2017: 500,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 6.45%)		5,000	5,000
Provision for impairment in the value of investment		(5,000)	(5,000)
		-	-
- Automotive Testing & Training Centre (Private) Limited			
125,000 (2017: 125,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 6.94%)		1,250	1,250
Provision for impairment in the value of investment		(1,250)	(1,250)
		-	-
		<b>331,600</b>	<b>208,086</b>

- 6.1** The shareholders of the Company in their extra-ordinary general meeting held on 16 February 2017 approved the proposal for long term equity investment of Rs. 344.4 million for setting up Tecno Auto Glass Limited ["TAG"] for the manufacturing of automobile glass under Technical Assistance Agreement with Asahi India Solutions Limited. TAG is a joint venture company between Tecno Pack Telecom (Private) Limited ["TPT"] and the Company where the Company holds 40% shareholding and balance 60% is held by the TPT. TAG is an associated company of the Company due to 40% shareholding. During the period, the Company has subscribed 12,440,000 right shares issued by the associate for an amount of Rs. 124.4 million.

TAG has not yet commenced its commercial operations. The associates share of loss has been included in these financial statement based on unaudited financial statement of the investee company as at 30 June 2018.

	Note	30 June 2018 Unaudited	31 December 2017 Audited
----- (Rupees in '000') -----			
<b>7. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Deposits and prepayments		30,354	30,681
Other receivable from employees			
Less: Receivable within one year	7.1	451,185 (69,532) 381,653	351,372 (54,734) 296,638
		<b>412,007</b>	<b>327,319</b>



- 7.1** This represents receivable against vehicles given to employees under the Vehicle Ownership Employee Scheme. These receivables are interest free and secured against the personnel guarantees and provident fund balances of the respective employees. These are receivable in maximum eighty-four equal monthly installments.

**8. LONG TERM INSTALLMENT SALES RECEIVABLES - secured, considered good**

	<b>30 June 2018 Unaudited</b>	31 December 2017 Audited
	----- (Rupees in '000') -----	
Installment sales receivables	<b>598,407</b>	509,639
Less: Unearned finance income	<b>(18,939)</b>	(28,961)
	<b>579,468</b>	480,678
Less: Provision for doubtful advances	<b>(19,238)</b>	(14,903)
	<b>560,230</b>	465,775
Less: Current maturity	<b>(445,788)</b>	(320,996)
	<b>114,442</b>	144,779

- 8.1** This represents balances receivable under various installment sale agreements in equal monthly installments. These include installment sales to customers (motorcycles) and registered vendors of the Company. In case of installment sales to customers, the Company retains the title and registers the documents of the motorcycles in its name as a security. For installment sales to vendors, vehicles are lien marked and registered in joint names of vendor and the Company. Such documents are retained in Company's custody and transferred in the name of customers / vendor after the entire dues are cleared. Mark-up on installment sales receivables range from 12% to 28% (2017: 12% to 28%) per annum, excluding up to 18 months installment sales which are subject to 0% markup. However, overdue rentals are subject to additional surcharge.

	<b>30 June 2018 Unaudited</b>	31 December 2017 Audited
	----- (Rupees in '000') -----	
Raw material and components [including items in transit Rs. 4,968.07 million (2017: Rs. 5,732.93 million)]	<b>10,628,823</b>	11,785,859
Less: Provision for slow moving and obsolete items		
- at beginning of the period	<b>31,444</b>	35,639
- provision / (reversal) during the period	<b>11,689</b>	(4,195)
	<b>(43,133)</b>	(31,444)
	<b>10,585,690</b>	11,754,415
Work-in-process	<b>62,324</b>	70,600
Finished goods	<b>5,871,287</b>	8,499,570
Trading stocks [including items in transit Rs. 63.44 million (2017: Rs. 742.71 million)]	<b>2,750,381</b>	3,687,259
Less: Provision for slow moving and obsolete items		
- at beginning of the period	<b>65,786</b>	21,740
- (reversal) / provision during the period	<b>(8,149)</b>	44,046
	<b>(57,637)</b>	(65,786)
	<b>2,692,744</b>	3,621,473
	<b>19,212,045</b>	23,946,058

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the half year ended 30 June 2018

- 9.1** Of the aggregate amount, stocks worth Rs. 5,898.73 million (2017: Rs. 7,867.55 million) were in the custody of dealers and vendors dispersed all over Pakistan.
- 9.2** Raw material and components, work-in-process and finished goods have been written down by Rs. Nil million, Rs. Nil million and Rs. 131.664 million (2017: Rs. Nil million, Rs. Nil million and Rs. 106.38 million) respectively to arrive at net realizable value.

<b>10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>	<b>30 June 2018 Unaudited</b>	31 December 2017 Audited
	----- (Rupees in '000') -----	
Trade deposits	<b>18,484</b>	12,437
Prepayments		
- Collector of custom	<b>1,646,613</b>	637,593
- Margin against letter of credit	<b>447,564</b>	253,261
- Rent	<b>34,745</b>	33,461
- Insurance	<b>39,767</b>	2,371
- Other	<b>27,990</b>	26,599
	<b>2,196,679</b>	953,285
	<b>2,215,163</b>	965,722

## **11. CASH AND BANK BALANCES**

Cash in hand		<b>11,763</b>	9,332
Cheques in hand	11.1	<b>7,804</b>	1,254,462
Cash at banks:			
- in deposit accounts	11.2	<b>6,559,487</b>	7,713,688
- in a special deposit account	11.3	<b>103,955</b>	102,955
- in current accounts		<b>144,244</b>	109,115
		<b>6,807,686</b>	7,925,758
		<b>6,827,253</b>	9,189,552

- 11.1** Represent cheques that were received on the last day and were deposited on the next working day.
- 11.2** These carry profits rates ranging from 6.1 % to 7.3 % (2017: 5.8% to 6.75%) per annum.
- 11.3** A special account is maintained in respect of security deposits in accordance with the requirements of Section 217 of the Companies Act, 2017.

## **12. CONTINGENCIES AND COMMITMENTS**

- 12.1** Capital expenditure contracted for but not incurred amounted to Rs. 783.742 million (2017: Rs. 4,408.498 million).
- 12.2** The facilities for opening letters of credit as at balance sheet date, amounted to Rs. 12,608 million (2017: Rs. 12,608 million) of which the amount remaining unutilised at the period end was Rs. 11,280.22 million (2017: Rs. 9,835.882 million).
- 12.3** Guarantees issued by various commercial banks on behalf of the Company amounted to Rs. 1,305.3 million (2017: Rs. 965.048 million).



# Notes to the Condensed Interim Financial Statements (Unaudited)

For the half year ended 30 June 2018

## 16. CASH GENERATED FROM OPERATIONS

	For the half year ended	
	30 June 2018	30 June 2017
	----- (Rupees in '000') -----	
<b>Profit before taxation</b>	<b>2,047,661</b>	2,896,142
Adjustments for non cash charges and other items:		
Depreciation	754,698	600,356
Amortisation	43,643	39,193
Gain on disposal of fixed assets	(4,863)	(7,800)
Share of loss of equity accounted investee	885	-
Profit on bank deposits	(314,591)	(361,329)
Finance cost	92,864	41,236
	572,636	311,656
Working capital changes	16.1 2,288,099	6,488,416
	<b>4,908,396</b>	<b>9,696,214</b>

### 16.1 Working capital changes

#### Decrease / (increase) in current assets:

Stores, spares and loose tools	(19,181)	5,538
Stock in trade	4,734,013	(2,584,522)
Trade debts	9,661	(67,961)
Loans and advances	(29,544)	64,678
Trade deposits and short term prepayments	(1,249,441)	(495,428)
Current portion of long-term installment sales receivables	(124,792)	16,201
Other receivables	(24,571)	36,786
Sales tax and excise duty adjustable	(630,383)	667,059
	<b>2,665,762</b>	<b>(2,357,649)</b>

#### (Decrease) / increase in current liabilities

Trade and other payables	(494,959)	3,618,373
Advances from customers	193,053	3,695,216
Security deposits	(75,757)	1,532,476
	<b>(377,663)</b>	<b>8,846,065</b>
	<b>2,288,099</b>	<b>6,488,416</b>

## 17. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during the year are as follows:

For the half year ended 30 June 2018	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		
<b>Transactions</b>			
Purchases of components	12,244,954	10,083,933	22,328,887
Purchases of fixed assets	2,062,271	62	2,062,333
Sales including exports sales	2,434	10,519	12,953
Royalty and technical fee	926,608	-	926,608
Travelling expenses of supervisors	706	-	706
Sales promotional and development expenses	82,154	1,248	83,402
Commission income from Corporate Guarantee	-	1,500	1,500
Staff retirement benefits	-	45,460	45,460

<b>For the half year ended 30 June 2017</b>	Holding company	Other related parties	Total
<b>Transactions</b>	----- (Rupees in '000') -----		
Purchases of components	10,304,806	7,875,676	18,180,482
Purchases of fixed assets	6,240	-	6,240
Sales including exports sales	34,977	-	34,977
Royalty and technical fee	661,570	-	661,570
Travelling expenses of supervisors	4,575	-	4,575
Purchases of intangible assets	187,480	-	187,480
Sales promotional and development expenses	337	-	337
Staff retirement benefits	-	36,954	36,954

## 18. SEGMENT ANALYSIS

The activities of the Company have been grouped into two operating segments, i.e. automobile and motorcycle as follows:

	<u>30 June 2018 (Unaudited)</u>			<u>30 June 2017 (Unaudited)</u>		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	----- (Rupees in '000') -----					
<b>Segment results</b>						
<b>Sales</b>	<u>60,781,366</u>	<u>1,610,177</u>	<u>62,391,543</u>	<u>45,597,103</u>	<u>1,231,792</u>	<u>46,828,895</u>
<b>Gross profit</b>	4,176,022	189,407	<b>4,365,429</b>	4,710,566	114,657	4,825,223
Distribution costs	(1,418,465)	(27,460)	<b>(1,445,925)</b>	(1,352,252)	(29,651)	(1,381,903)
Administrative expenses	(934,667)	(81,066)	<b>(1,015,733)</b>	(683,722)	(52,760)	(736,482)
Operating profit	1,822,890	80,881	<b>1,903,771</b>	2,674,592	32,246	2,706,838
Other income	366,670	22,729	<b>389,399</b>	419,492	25,692	445,184
Finance cost	(92,619)	(245)	<b>(92,864)</b>	(39,074)	(2,162)	(41,236)
	<u>2,096,941</u>	<u>103,365</u>	<u>2,200,306</u>	<u>3,055,010</u>	<u>55,776</u>	<u>3,110,786</u>
<b>Unallocated corporate expenses</b>						
Other expenses			<b>(151,760)</b>			(214,644)
Share of loss of equity accounted investee			<b>(885)</b>			
Taxation			<b>(750,010)</b>			(904,093)
Profit after taxation			<u>1,297,651</u>			<u>1,992,049</u>
Capital expenditure	<u>5,226,407</u>	<u>104,344</u>	<u>5,330,751</u>	<u>1,648,290</u>	<u>64,672</u>	<u>1,712,962</u>
Depreciation	<u>694,407</u>	<u>60,292</u>	<u>754,699</u>	<u>543,330</u>	<u>57,026</u>	<u>600,356</u>
	<u>30 June 2018 (Unaudited)</u>			<u>31 December 2017 (Unaudited)</u>		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	----- (Rupees in '000') -----					
<b>Assets</b>						
Segment assets	<u>34,639,790</u>	<u>1,678,012</u>	<u>36,317,802</u>	33,369,277	1,686,921	35,056,198
Unallocated corporate assets	-	-	<b>14,133,042</b>	-	-	15,854,269
	<u>34,639,790</u>	<u>1,678,012</u>	<u>50,450,844</u>	<u>33,369,277</u>	<u>1,686,921</u>	<u>50,910,467</u>
<b>Liabilities</b>						
Segment liabilities	<u>21,033,495</u>	<u>95,684</u>	<u>21,129,179</u>	21,209,327	151,424	21,360,751
Unallocated corporate liabilities	-	-	-	-	-	-
	<u>21,033,495</u>	<u>95,684</u>	<u>21,129,179</u>	<u>21,209,327</u>	<u>151,424</u>	<u>21,360,751</u>

# Notes to the Condensed Interim Financial Statements (Unaudited)

For the half year ended 30 June 2018

## 19. GENERAL

Figures in this condensed interim financial statements have been rounded off to the nearest thousand rupees, unless otherwise stated.

## 20. DATE OF AUTHORISATION FOR ISSUE

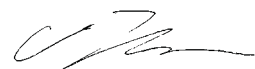
These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on July 24, 2018.



Chairman



Chief Financial Officer



Chief Executive Officer





**Pak Suzuki Motor Company Limited**

DSU-13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

Tel: 021-34723551-58, Fax: 021-34723521-22

[www.paksuzuki.com.pk](http://www.paksuzuki.com.pk)