ANNUAL REPORT 2012

Pak Suzuki Motor Company Limited

SUZUKI The **1st** in Pakistan

SUZUKI **Pioneer** in Pakistan Automobile Industry

SUZUKI **Largest** Dealership Network

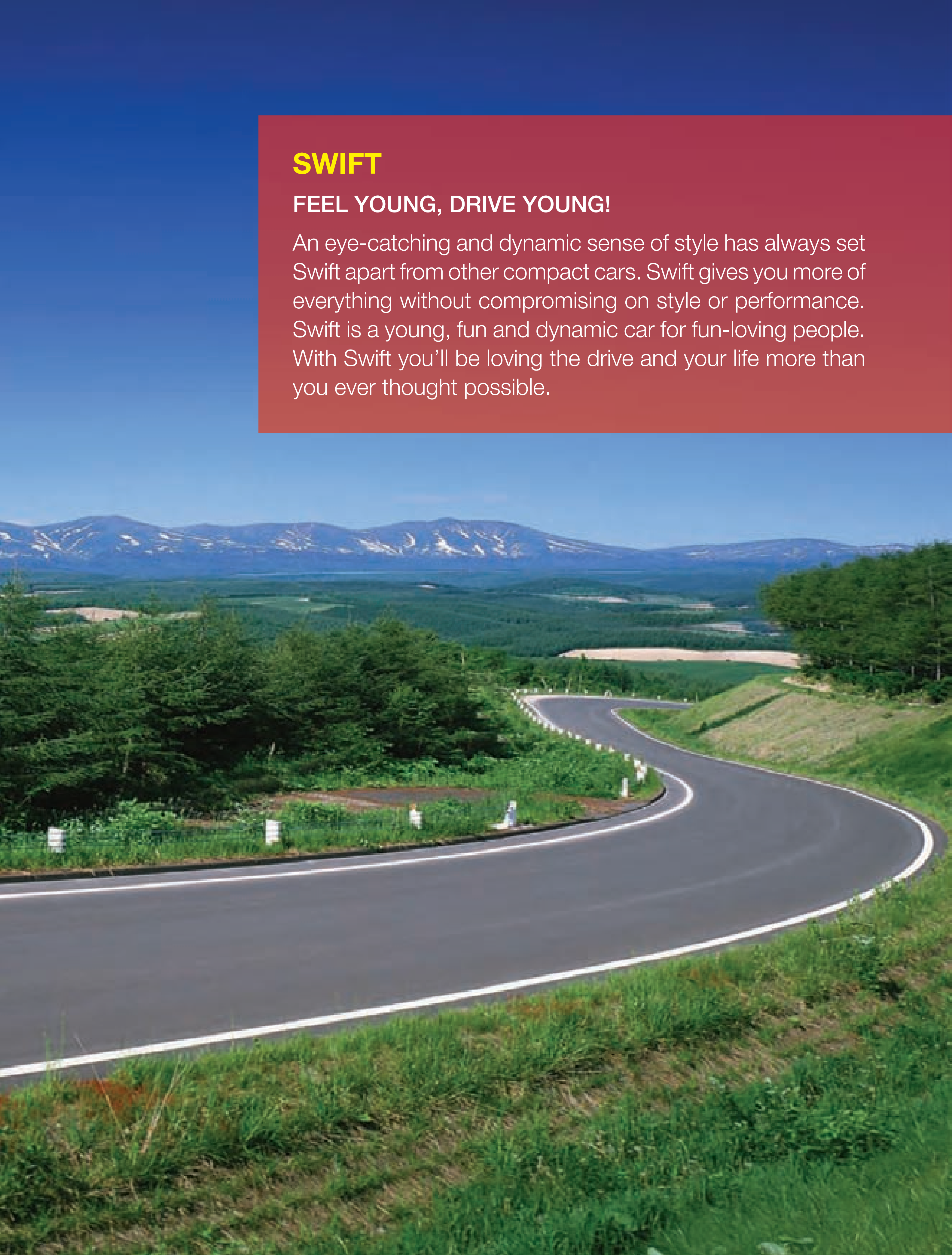
SUZUKI **Highest** Market Share

SUZUKI Has Become a **Household** name

Company increased its market share from **58%** of last year to **62%**.

Contents


SWIFT



SWIFT

FEEL YOUNG, DRIVE YOUNG!

An eye-catching and dynamic sense of style has always set Swift apart from other compact cars. Swift gives you more of everything without compromising on style or performance. Swift is a young, fun and dynamic car for fun-loving people. With Swift you'll be loving the drive and your life more than you ever thought possible.

Vision

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

Mission

- Strive to market value packed vehicles that meet customers' expectations.
- Provide a platform where our stakeholders passionately contribute, invest and excel.
- Make valuable contribution to Social development of Pakistan.

Company Information

Board of Directors

Hirofumi Nagao - Chairman & Chief Executive
Satoshi Ina - Dy. Managing Director
Hidekazu Terada - Director
Mumtaz Ahmed Shaikh - Director
Jamil Ahmed - Director
Wazir Ali Khoja - Director
Kenichi Ayukawa - Director

Chief Financial Officer & Company Secretary

Abdul Hamid Bhombal

Audit Committee

Hidekazu Terada - Chairman
Kenichi Ayukawa - Member
Wazir Ali Khoja - Member
Obaid Rashid Zuberi - Secretary

Human Resource and Remuneration (HR & PR) Committee

Wazir Ali Khoja - Chairman
Hirofumi Nagao - Member
Satoshi Ina - Member
Abdul Hamid Bhombal - Secretary

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

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.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Legal Advisors

Syed Qamaruddin Hassan
Orr Dignam & Company

Registrar

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

Registered Office

DSU-13, Pakistan Steel Industrial
Estate, Bin Qasim, Karachi.
Tel No. (021) 34723551 - 558
Fax No. (021) 34723521 - 523
Website: 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- 35751953

Rawalpindi Office:

3rd Floor, 112-B Mallahi Plaza, Murree Road,
Rawalpindi Cantt.
Tel No. (051) 5567518 - 5518073
Fax No. (051) 5585738

Company Profile

Location **:** Downstream Industrial Estate of Pakistan Steel, Karachi

Total Area : 259,200 m^2 (64 acres)

Facilities **:** Press Shop, Welding Shop, Paint Shop, Plastic Shop, Engine and Transmission Assembly Shop, Final Assembly & Hi-Tech Inspection Shop. The Company has also established a modern Waste Water Treatment Plant as its contribution to the environment.

Cost **:** Rs. 12.989 billion

Production Capacity (double shift):

Car & LCV's Plant : 150,000 units per annum

Motorcycles Plant : 44,000 units per annum

Pak Suzuki Motor Company Limited (PSMCL) is a public limited company with its shares quoted on Karachi & Lahore Stock Exchanges in Pakistan. The Company was formed in August 1983 in accordance with the terms of a joint venture agreement between Pakistan Automobile Corporation Limited (representing Government of Pakistan) and Suzuki Motor Corporation (SMC) Japan. The Company started commercial production in January 1984 with the primary objective of progressive manufacturing, assembling and marketing of Cars, Pickups, Vans and 4 x 4 vehicles in Pakistan. The Company's long term plans inter-alia includes tapping of export markets.

The foundation stone laying ceremony of the Company's existing plant located at Bin Qasim was performed in early 1989 by the Prime Minister then in office. By early 1990, on completion of first phase of this plant, in-house assembly of all the Suzuki engines started. In 1992, the plant was completed and production of the Margalla Car commenced.

Under the Government's privatization policy, the Company was privatized and placed under the Japanese management in September 1992. At the time of privatization, SMC increased its equity from 25% to 40%. Subsequently, SMC progressively increased its equity to 73.09% by purchasing remaining shares from PACO.

The Suzuki Management immediately after privatization started expansion of the existing plant to increase its installed capacity to 50,000 per annum. The expansion was completed in July 1994.

However capacity remained substantially under-utilized until 2002 because of economic recession. Thereafter realizing growth in demand, the Company increased capacity in phases. The first phase was completed in January 2005 when capacity was enhanced to 80,000 vehicles .The second phase was completed in January 2006 and capacity was raised to 120,000. The third phase was completed when on 6th February 2007, Prime Minister of Pakistan, Mr. Shaukat Aziz inaugurated 150,000 vehicles capacity expansion facilities.

On 25th April 2007, the Board of Directors of Pak Suzuki Motor Company Limited (PSMCL) and Suzuki Motorcycles Pakistan Limited (SMPL) approved Scheme of Arrangement (The Scheme) to amalgamate SMPL into PSMCL with effect from 1st January 2007. The scheme was approved by the shareholders of the respective Companies at the Extra- Ordinary General Meeting held on 30th June 2007. The scheme was sanctioned by the Honourable High Court of Sindh (the court) on 17th September 2007. The certified copy of the Order of the Court sanctioning the scheme was filed with the Registrar Companies Karachi on 1st October 2007, from which date the scheme became operative.

PSMCL and Suzuki Motor Corporation (SMC) Japan held 41% and 43% shares in SMPL respectively. Pak Suzuki issued and allotted 1,233,300 ordinary shares of Rs.10/- each to the qualifying shareholders of SMPL @ one ordinary share in Pak Suzuki for every twenty one shares held by SMPL shareholders as on the date of final book closure i.e. 29th October 2007. The trading in shares of SMPL on Karachi and Lahore Stock Exchanges ceased from the same date.

The Company setup new plant for motorcycles at Bin Qasim. All the operations of motorcycles have been shifted to the new plant effective July 2011.

The Company continues to be in the fore-front of automobile industry of Pakistan. Over a period of time, the Company has developed an effective and comprehensive network of sales, service and spare parts dealers who cater to the needs of customers and render effective after-sale service country wide.

LIANA 1300cc

Suzuki Liana, available in 1300cc manual transmission takes you out of the ordinary and into a realm. Liana is entirely different car, its style, dimension and comfort will inspire you to see everyday as an open door to a new age.

Code of Conduct

Pak Suzuki Motor Company Limited conducts its business fairly, in an ethical and proper manner, fully compliant with all applicable laws and regulations. The highest standards of ethical business conduct and integrity are required of Pak Suzuki employees in the performance of their official responsibilities. Employees will not engage in conduct or activity that may raise questions as to the Company's honesty, reputation or otherwise cause embarrassment to the Company.

Pak Suzuki's Code of Conduct outlines expected behaviours for all of its directors and employees. Pak Suzuki requires its directors and employees to ensure that:

- They will not engage in any activity that might create a conflict of interest between them and/or the Company. In a situation where any such conflict of interest arises, they will promptly disclose the same.
- They will not take advantage of their position in Pak Suzuki to seek personal gains through the inappropriate use of Pak Suzuki information or abuse their position.
- They will not engage in insider trading.
- They will maintain appropriate level of confidentiality of the information received or came to their knowledge during course of business.
- They will refrain from providing false and/or misleading information.
- They will observe fair dealing and transparency in all of their transactions and interactions.
- They will protect all Company assets and use them only for appropriate Company approved activities.
- Without exception, they will comply with all applicable laws, rules and regulations of the country.
- They will promptly report any illegal or unethical conduct to management or other appropriate authorities.
- They will strictly follow all policies, procedures & instructions issued by the company from time to time.

Milestones

1982 Joint Venture Agreement was signed between Suzuki Motor Corporation-Japan and Pakistan Automobile Corporation to set up Pak Suzuki Motor Co. Ltd. Locally assembled Suzuki SS-80 (FX) car launched.

1983 Pak Suzuki as a public Limited Company incorporated. Industrial Collaboration Agreement executed with SMC - Japan.

1984 The Company started commercial operations.

1985 Mr. Osamu Suzuki, Chairman & CEO of Suzuki Motor Corporation was awarded “Sitara-e-Pakistan” by Government of Pakistan.

1988 1000 cc passenger car SWIFT SA-310, later on called KHYBER introduced through local manufacturing.

1989 Foundation stone of the new plant at Bin Qasim was laid by the then Prime Minister of Pakistan, Mohtarma Benazir Bhutto.

1990 Operation of the first phase of the new plant at Bin Qasim started with engine and transmission assembly.

1992 New plant commissioned with the production of three box Sedan passenger car initially SF-410 later on SF-413, known as MARGALLA. The company was privatized with SMC acquiring additional 15% shares from PACO thus enhancing its shareholding to 40% and taking over the management.

1993 The paid-up capital was doubled with issuance of 100% right shares which increased the capital to Rs. 250 million.

1994 Shifting of Head Office and production of all models to new plant completed.

1995 The paid-up capital was increased again with the issuance of 100% right shares, raising the capital to Rs. 490 million.

1996 Taking initiative to control environmental pollution, the Company set-up waste water treatment plant at a cost of Rs. 40 million. The Joint Venture Agreement ended, PACO divested its entire shareholding to SMC, raising SMC’s equity to 72.8%.

1997 The 100,000th vehicle rolled out from the Bin Qasim Plant. 1300 cc BALENO was introduced replacing MARGALLA.

1999 Exports of RAVI pickups to Bangladesh commenced.

2000 1000 cc passenger car SF-310 CULTUS replacing KHYBER was introduced. 1000 cc passenger car ALTO was introduced.

2001 Reborn MEHRAN was introduced. CNG version of MEHRAN, BOLAN and RAVI were launched.

2002 New BALENO was introduced. CNG version of BALENO, ALTO and CULTUS launched. The milestone of 250,000th vehicle from the new plant crossed.

2003 The company received ISO 9001 : 2000 certification from AIB-VINCOTTE International Limited Brussels, Belgium, 20th Anniversary Celebrations.

Commencement of Component export to Hungary, Sub-leasing of land to Vendors Industry of Pak Suzuki adjacent to its assembly plant.

2004 New Plastic Injection Molding Shop commenced production of Bumpers, Instrument Panels Radiator Grills and Wheel Caps.

2005 Inauguration of first phase of capacity expansion (80,000 vehicles) by the Federal Minister for Production, Industries and Special Initiatives. Achieved milestone of 100,000 online factory fitted CNG Vehicles. The Company received ISO 14001 : 2004 and OHSAS 18001 : 1999 certification from AIB-VINCOTTE International Limited Brussels, Belgium.

2006 Second phase of capacity expansion (120,000 Vehicles) completed. Production of locally manufactured LIANA Car. Production of 100,000 vehicles crossed in a calendar year.

2007 Suzuki Motorcycles Pakistan Ltd. merged with Pak Suzuki Motor Company.

2009 The 1,000,000th vehicle rolled out from the Pak Suzuki Plant. Cargo Van was introduced.

2010 1300 cc locally manufactured car Swift was introduced.

2011 Inauguration of new motorcycle plant at Bin Qasim.

2012 Automatic version of Suzuki Swift 1300cc was introduced. New Suzuki Motorcycle “Raider 110cc” was launched replacing “Shogun”. Complete range of Suzuki products was upgraded to Euro II technology.


CULTUS

CULTUS EFi

EXECUTIVE CAR FOR PROFESSIONALS

It's a big world out there, filled with big choices. But there's no reason to be overwhelmed, as sometimes the best way to approach it all is with an executive perspective! Drive new Euro-II Suzuki Cultus – it is absolutely executive and simply stylish and fun. And there's plenty of passenger space too – a feature you'll truly appreciate along with its stylish exterior and classy interior.

Highlights of the Accounts

For the year ended December 31, 2012

	2012	2011	Increase/(Decrease) Amount	%
	------------ (Rupees in thousand) ------------			
Production volume (Nos.)				
- Motorcar	**96,370**	92,529	3,841	4.2
- Motorcycle	**21,312**	20,120	1,192	5.9
Sales volume (Nos.)				
- Motorcar	**96,100**	92,705	3,395	3.7
- Motorcycle	**20,298**	21,154	(856)	(4.0)
Gross Sales	**60,036,102**	53,962,940	6,073,162	11.3
Selling Commission	**1,504,965**	1,244,377	260,588	20.9
as a % of gross sales	**2.5**	2.3	-	0.2
Net Sales	**58,531,137**	52,718,563	5,812,574	11.0
Gross profit	**2,345,740**	1,869,410	476,330	25.5
as a % of gross sales	**3.9**	3.5	-	0.4
Distribution expenses	**356,960**	263,651	93,309	35.4
as a % of gross sales	**0.6**	0.5	-	0.1
Administration expenses	**860,753**	735,935	124,818	17.0
as a % of gross sales	**1.4**	1.4	-	-

SALES REVENUE BREAKUP 2012

▶ Commission	2%
▶ Cost of Sales	94%
▶ Gross Profit	4%

	2012	2011	Increase/(Decrease) Amount	%
	------------ (Rupees in thousand) ------------			
Finance Cost	**11,100**	17,845	(6,745)	(37.8)
as a % of gross sales	**0.0**	0.0	-	-
Other income	**493,985**	620,390	(126,405)	(20.4)
as a % of gross sales	**0.8**	1.1	-	(0.3)
Other Operating Expense	**111,152**	107,072	4,080	3.8
as a % of gross sales	**0.2**	0.2	-	-
Profit before taxation	**1,499,760**	1,365,297	134,463	9.8
as a % of gross sales	**2.5**	2.5	-	-
Profit after taxation	**978,022**	794,421	183,601	23.1
as a % of gross sales	**1.6**	1.5	-	0.1
Shareholders' equity	**15,800,884**	15,316,815	484,069	3.2
Earnings per share (Rs.)	**11.88**	9.65	2.23	23.1
Break-up value per share (Rs.)	**191.99**	186.11	5.88	3.2
Number of shares issued (000)	**82,300**	82,300	-	-
Exchange Rate	**1.140**	1.061	0.080	7.5

SALES REVENUE BREAKUP 2011

Commission	2%
Cost of Sales	94%
Gross Profit	4%

Highlights of the Accounts Segment Wise

For the year ended December 31, 2012

	2012		
	Car Division	Motorcycle Division	Total
	---------------- (Rupees in thousand) ----------------		
Production volume (Nos.)	96,370	21,312	-
Sales volume (Nos.)	96,100	20,298	-
Gross Sales	58,619,568	1,416,534	60,036,102
Selling Commission	1,489,654	15,311	1,504,965
as a % of gross sales	2.5	1.1	2.5
Net Sales	57,129,914	1,401,223	58,531,137
Gross profit	2,626,970	(281,230)	2,345,740
as a % of gross sales	4.5	(19.9)	3.9
Distribution expenses	253,091	103,869	356,960
as a % of gross sales	0.4	7.3	0.6
Administration expenses	746,683	114,070	860,753
as a % of gross sales	1.3	8.1	1.4
Finance Cost	9,760	1,340	11,100
as a % of gross sales	0.0	0.1	0.0
Other income	391,106	102,879	493,985
as a % of gross sales	0.7	7.3	0.8
Other Operating Expense	111,152		111,152
as a % of gross sales	0.2	0.0	0.2
Profit before taxation	1,897,390	(397,630)	1,499,760
as a % of gross sales	3.2	(28.1)	2.5
Profit after taxation	1,375,652	(397,630)	978,022
as a % of gross sales	2.3	(28.1)	1.6
Earnings per share (Rs.)	16.72	(4.83)	11.88
Number of shares issued (000)	82,300	82,300	82,300

2 0 1 1			Increase/(Decrease)					
Car Division	Motorcycle Division	Total	Car Division		Motorcycle Division		Total	
---------- (Rupees in thousand) ---------			Amount	%	Amount	%	Amount	%
92,529	20,120	-	3,841	4.2	1,192	5.9	-	-
92,705	21,154	-	3,395	3.7	(856)	(4.0)	-	-
52,612,001	1,350,939	53,962,940	6,007,567	11.4	65,595	4.9	6,073,162	11.3
1,238,137	6,240	1,244,377	251,517	20.3	9,071	145.4	260,588	20.9
2.4	0.5	2.3		0.1		0.6		0.2
51,373,864	1,344,699	52,718,563	5,756,050	11.2	56,524	4.2	5,812,574	11.0
2,042,636	(173,226)	1,869,410	584,334	28.6	(108,004)	62.3	476,330	25.5
3.9	(12.8)	3.5		0.6		(7.1)		0.4
204,390	59,261	263,651	48,701	23.8	44,608	75.3	93,309	35.4
0.4	4.4	0.5		-		2.9		0.1
580,983	154,952	735,935	165,700	28.5	(40,882)	26.4)	124,818	17.0
1.1	11.5	1.4		0.2		(3.4)		-
16,361	1,484	17,845	(6,601)	40.3)	(144)	(9.7)	(6,745)	37.8)
0.0	0.1	0.0		-		-		-
515,609	104,781	620,390	(124,503)	24.1)	(1,902)	(1.8)	(126,405)	(20.4)
1.0	7.8	1.1		(0.3)		(0.5)		(0.3)
107,072	-	107,072	4,080	3.8	-	-	4,080	3.8
0.2	0.0	0.2		-		-		-
1,649,439	(284,142)	1,365,297	247,951	15.0	(113,488)	39.9	134,463	9.8
3.1	(21.0)	2.5		0.1		(7.1)		-
1,078,563	(284,142)	794,421	297,089	27.5	(113,488)	39.9	183,601	23.1
2.1	(21.0)	1.5		0.2		(7.1)		0.1
13.11	(3.45)	9.65	3.61	27.5	(1.38)	40.0	2.23	23.1
82,300	82,300	82,300	-	-	-	-	-	-

6 Years at a Glance

	2012	2011	2010	2009	2008	2007
		----------- Rupees in thousand -----------				
OPERATING RESULTS						
Production volume (Nos.)						
- Motorcar	**96,370**	92,529	78,840	51,032	90,421	120,899
- Motorcycle	**21,312**	20,120	19,618	14,530	26,692	30,245
Sales volume (Nos.)						
- Motorcar	**96,100**	92,705	79,138	52,011	93,123	124,233
- Motorcycle	**20,298**	21,154	19,013	14,659	27,023	30,255
Sales revenue	**58,531,137**	52,718,563	42,642,762	26,234,061	39,669,730	50,844,632
Gross profit	**2,345,740**	1,869,410	1,003,787	569,299	588,053	4,760,232
Profit before taxation	**1,499,760**	1,365,297	668,015	427,843	992,176	4,281,263
Profit/(loss) after taxation	**978,022**	794,421	211,143	255,219	624,785	2,774,532
Dividends (cash/bonus shares)	**205,750**	164,600	41,150	41,150	82,300	411,500
Profit retained	**772,272**	629,821	169,993	214,069	542,485	2,363,033
CAPITAL EMPLOYED						
Share capital	**822,999**	822,999	822,999	822,999	823,000	823,000
Reserves	**14,329,216**	13,633,765	13,459,414	13,244,414	12,694,414	10,332,053
Unappropriated profit	**648,669**	860,051	215,502	258,187	635,267	2,821,982
Shareholders' equity	**15,800,884**	15,316,815	14,497,915	14,325,600	14,152,681	13,977,035
Deferred liabilities	**-**	-	-	5,000	146,000	99,000
Current Liabilities	**5,547,980**	8,008,085	4,752,449	3,325,134	2,657,462	7,125,302
	21,348,864	23,324,900	19,250,364	17,655,734	16,956,143	21,201,337
Represented By:						
Fixed Assets	**3,738,867**	4,200,317	4,226,582	4,684,671	4,578,436	4,358,151
Other Non - Current Assets	**544,083**	515,806	710,650	543,430	570,095	627,678
Net Current Assets	**17,065,914**	18,608,777	14,313,132	12,427,633	11,807,612	16,215,508
	21,348,864	23,324,900	19,250,364	17,655,734	16,956,143	21,201,337

	2012	2011	2010	2009	2008	2007
PROFITABILITY RATIOS						
Gross profit as a % of net sales	**4.0**	3.5	2.4	2.2	1.5	9.4
Profit before taxation as a % of net sales	**2.6**	2.6	1.6	1.6	2.5	8.4
Profit/(loss) after taxation as a % of net sales	**1.7**	1.5	0.5	1.0	1.6	5.5
Earning/(loss) per Share (Rs.)	**11.9**	9.7	2.6	3.1	7.6	33.7
LIQUIDITY & LEVERAGE RATIOS						
Current ratio	**3.08**	2.32	3.01	3.74	4.44	2.28
Quick ratio	**1.16**	0.70	1.16	1.66	1.50	0.98
Liabilities as a % of total assets	**26**	34	25	19	17	34
Equity as a % of total assets	**74**	66	75	81	83	66
EFFICIENCY RATIOS						
Inventory turn over ratio	**5.3**	3.9	4.8	3.7	5.1	5.0
No. of days stock held	**69**	93	77	98	72	73
No. of days sales in trade debts	**3.7**	2.2	2.1	5.2	2.6	1.3
Total assets turn over ratio	**2.7**	2.3	2.2	1.5	2.3	2.4
Net worth turn over ratio	**3.7**	3.4	2.9	1.8	2.8	3.6
EQUITY RATIOS						
Break up value per share (Rs.)	**191.99**	186.11	176.16	174.07	171.96	169.83
Cash Dividend as a % of capital	**25**	20	5	5	10	50
Stock Dividend as a % of capital	**-**	-	-	-	-	-
Dividend payout ratio (%)	**21**	21	19	16	13	15
Plough-back ratio (%)	**100**	79	81	84	87	85
OTHER DATA						
Permanent employees strength (Nos.)	**1,193**	1,029	963	906	990	905
Number of shares	**82,299,851**	82,299,851	82,299,851	82,299,851	82,299,851	82,299,851

Horizontal Analysis of Balance Sheet

	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
	Rupees in million											
BALANCE SHEET												
Fixed assets	4,050	(10.1)	4,503	(4.8)	4,731	(6.0)	5,033	1.4	4,961	4.6	4,745	15.4
Long-term investments	5	25.0	4	(20.0)	5	25.0	4	-	4	(20.0)	5	1,150.0
Long-term loans	1	(50.0)	2	100.0	1	(66.7)	3	(72.7)	11	(38.9)	18	50.0
Long-term deposits and prepayments	63	215.0	20	(28.6)	28	(20.0)	35	40.0	25	(3.8)	26	4.0
Long-term installment sales receivables	163	(12.4)	186	9.4	170	11.1	153	4.8	146	(23.6)	191	33.6
Deferred taxation	-	-	-	-	-	-	-	-	-	-	-	-
Stores, spares and loose tools	83	29.7	64	-	64	52.4	42	(55.3)	94	25.3	75	11.9
Stock-in-trade	10,562	(18.3)	12,922	47.7	8,748	27.2	6,880	(11.0)	7,733	(15.8)	9,182	(4.5)
Trade debts	588	82.0	323	34.0	241	(36.1)	377	31.4	287	54.3	186	21.6
Current portion of long-term installment sales receivables	353	16.1	304	21.1	251	21.8	206	(39.6)	341	(4.2)	356	29.0
Loans and advances	195	(10.1)	217	60.7	135	(40.3)	226	76.6	128	(17.4)	155	33.6
Trade deposits and short term prepayments	39	(53.0)	83	93.0	43	34.4	32	(37.3)	51	112.5	24	(4.0)
Interest accrued	6	-	6	(33.3)	9	12.5	8	(72.4)	29	(40.8)	49	(60.5)
Other receivables	170	3.7	164	51.9	108	40.3	77	(22.2)	99	153.8	39	2.6
Short-term investment	0	-	0	-	0	-	0	-	0	(100.0)	138	9.5
Sales tax adjustable and Advance income tax - net	3,647	7.7	3,386	88.4	1,797	73.5	1,036	89.7	546	3.4	528	129.6
Cash and bank balances	1,417	24.4	1,139	(61.0)	2,917	(17.7)	3,546	41.9	2,499	(54.4)	5,484	(33.2)
Non-current assets classified as held for sale	5	5,463.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total assets	**21,349**	**(8.5)**	**23,325**	**21.2**	**19,250**	**9.0**	**17,656**	**4.1**	**16,956**	**(20.0)**	**21,201**	**(8.9)**
Share capital	823	-	823	-	823	-	823	-	823	-	823	3.0
Reserves	14,978	3.3	14,494	6.0	13,675	1.3	13,503	1.3	13,330	1.3	13,154	26.6
Total Equity	**15,801**	**3.2**	**15,317**	**5.6**	**14,498**	**1.2**	**14,326**	**1.2**	**14,153**	**1.3**	**13,977**	**24.9**
Deferred taxation	0	0.0	0	0.0	0	(100.0)	5	(96.6)	146	47.5	99	70.7
Trade and other payables	2,695	(16.1)	3,211	4.3	3,080	66.2	1,853	40.8	1,316	(58.5)	3,174	(6.7)
Advances	1,144	(62.7)	3,065	837.3	327	(26.0)	442	18.8	372	(84.6)	2,409	(61.1)
Accrued mark-up	0	0.0	0	0.0	0	(100.0)	2	0.0	0	0.0	0	0.0
Short-term borrowing - export refinancing	0	(100.0)	75	50.0	50	(37.5)	80	0.0	0	0.0	0	(100.0)
Deposits against display of vehicles	1,486	3.4	1,437	34.6	1,068	47.5	724	(2.6)	743	(7.0)	799	6.7
Security deposits	85	4.9	81	(9.0)	89	2.3	87	3.6	84	10.5	76	(1.3)
Income tax payable-net	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	(100.0)
Provision for custom duties, sales tax and others	138	-	138	-	138	-	138	(3.5)	143	(78.6)	667	(0.1)
Total equity and liabilities	**21,349**	**(8.5)**	**23,325**	**21.2**	**19,250**	**9.0**	**17,656**	**4.1**	**16,956**	**(20.0)**	**21,201**	**(8.9)**

Horizontal Analysis of Profit and Loss Account

	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
	Rupees in million											
PROFIT AND LOSS ACCOUNT												
Sales	58,531	11.0	52,719	23.6	42,643	62.5	26,234	(33.9)	39,670	(22.0)	50,845	5.5
Cost of sales	(56,185)	10.5	(50,849)	22.1	(41,639)	62.2	(25,665)	(34.3)	(39,079)	(15.2)	(46,084)	8.4
Gross profit / (loss)	**2,346**	**25.5**	**1,870**	**86.2**	**1,004**	**76.4**	**569**	**(3.7)**	**591**	**(87.6)**	**4,761**	**(16.4)**
Distribution cost	(357)	35.2	(264)	34.0	(197)	(8.4)	(215)	(30.4)	(309)	(27.6)	(427)	(24.7)
Administrative expenses	(861)	17.0	(736)	15.7	(636)	28.5	(495)	(2.0)	(505)	(1.2)	(511)	8.3
Other operating expenses	(111)	3.7	(107)	91.1	(56)	43.6	(39)	(47.3)	(74)	(76.7)	(318)	(17.0)
Other income	494	(20.3)	620	7.8	575	(7.3)	620	(53.8)	1,343	45.8	921	(20.8)
Operating profit / (loss)	**1,511**	**9.3**	**1,383**	**100.7**	**690**	**56.6**	**440**	**(57.9)**	**1,046**	**(76.4)**	**4,426**	**(18.6)**
Finance cost	(11)	(38.9)	(18)	(14.3)	(21)	61.5	(13)	(75.5)	(53)	(63.2)	(144)	(49.1)
Profit / (loss) before taxation	**1,500**	**9.9**	**1,365**	**104.3**	**669**	**56.1**	**427**	**(56.9)**	**993**	**(76.8)**	**4,282**	**(16.9)**
Taxation	(522)	(8.6)	(571)	24.9	(457)	164.2	(173)	(52.9)	(367)	(75.6)	(1,507)	(16.2)
Profit / (loss) after taxation	**978**	**23.2**	**794**	**276.3**	**212**	**(17.3)**	**254**	**(59.2)**	**626**	**(77.5)**	**2,775**	**(17.3)**

Vertical Analysis of Balance Sheet

(as a percentage of total assets)

	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
	Rupees in million											
Fixed assets	4,051	19.0	4,504	19.3	4,732	24.6	5,032	28.5	4,962	29.3	4,745	22.4
Long-term investments	5	0.0	4	0.0	5	0.0	4	0.0	4	0.0	6	0.0
Long-term loans	1	0.0	2	0.0	1	0.0	3	0.0	11	0.1	17	0.1
Long-term deposits and prepayments	62	0.3	19	0.1	29	0.2	35	0.2	25	0.1	25	0.1
Long-term installment sales receivables	163	0.8	186	0.8	170	0.9	153	0.9	146	0.9	191	0.9
Deferred taxation	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Stores, spares and loose tools	83	0.4	64	0.3	64	0.3	43	0.2	92	0.6	73	0.3
Stock-in-trade	10,562	49.5	12,922	55.4	8,748	45.4	6,880	39.0	7,732	45.6	9,182	43.3
Trade debts	588	2.8	323	1.4	241	1.3	377	2.1	287	1.7	187	0.9
Current portion of long-term installment sales receivables	353	1.7	304	1.3	251	1.3	206	1.2	341	2.0	356	1.7
Loans and advances	195	0.9	217	0.9	135	0.7	226	1.3	128	0.8	155	0.7
Trade deposits and short term prepayments	39	0.2	83	0.4	43	0.2	32	0.2	51	0.3	23	0.1
Interest accrued	6	0.0	6	0.0	9	0.0	8	0.0	29	0.2	49	0.2
Other receivables	170	0.8	164	0.7	108	0.6	77	0.4	99	0.6	40	0.2
Short-term investment	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	138	0.7
Sales tax adjustable	970	4.5	1,023	4.4	389	2.0	256	1.4	112	0.7	502	2.4
Advance income tax - net	2,677	12.5	2,363	10.1	1,408	7.3	780	4.4	434	2.6	25	0.1
Cash and bank balances	1,417	6.6	1,139	4.9	2,917	15.2	3,546	20.1	2,499	14.7	5,485	25.9
Non-current assets classified as held for sale	5	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	-
Total assets	**21,349**	**100.0**	**23,325**	**100.0**	**19,250**	**100.0**	**17,656**	**100.0**	**16,956**	**100.0**	**21,201**	**100.0**
EQUITY AND LIABILITIES												
Share capital	823	3.9	823	3.5	823	4.3	823	4.7	823	4.9	823	3.9
Reserves	14,978	70.2	14,494	62.1	13,675	71.0	13,503	76.5	13,330	78.6	13,154	62.0
Total Equity	**15,801**	**74.0**	**15,317**	**65.7**	**14,498**	**75.3**	**14,326**	**81.1**	**14,153**	**83.5**	**13,977**	**65.9**
Deferred taxation	-	0.0	-	0.0	-	0.0	5	0.0	146	0.9	99	0.5
Trade and other payables	2,695	12.6	3,212	13.8	3,080	16.0	1,852	10.5	1,315	7.8	3,174	15.0
Advances	1,144	5.4	3,065	13.1	327	1.7	442	2.5	372	2.2	2,409	11.4
Accrued mark-up	-	0.0	-	0.0	-	0.0	2	0.0	-	0.0	-	0.0
Short-term borrowing - export refinancing	-	0.0	75	0.3	50	0.3	80	0.5	-	0.0	-	0.0
Deposits against display of vehicles	1,486	7.0	1,437	6.2	1,068	5.5	724	4.1	743	4.4	799	3.8
Security deposits	85	0.4	81	0.3	89	0.5	87	0.5	84	0.5	76	0.4
Income tax payable-net	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Provision for custom duties, sales tax and others	138	0.6	138	0.6	138	0.7	138	0.8	143	0.8	667	3.1
Total equity and liabilities	**21,349**	**100.0**	**23,325**	**100.0**	**19,250**	**100.0**	**17,656**	**100.0**	**16,956**	**100.0**	**21,201**	**100.0**

Vertical Analysis of Profit and Loss Account

(as a percentage of total sales)

	2012	%	2011	%	2010	%	2009	%	2008	%	2007	%
	Rupees in million											
Sales	58,531	100	52,719	100	42,643	100	26,234	100	39,670	100	50,845	100
Cost of sales	(56,185)	(95.99)	(50,849)	(96.45)	(41,639)	(97.65)	(25,665)	(97.83)	(39,079)	(98.51)	(46,084)	(90.64)
Gross profit / (loss)	**2,346**	**4.01**	**1,869**	**3.55**	**1,004**	**2.35**	**569**	**2.17**	**591**	**1.49**	**4,761**	**9.36**
Distribution cost	(357)	(0.61)	(264)	(0.50)	(197)	(0.46)	(215)	(0.82)	(309)	(0.78)	(427)	(0.84)
Administrative expenses	(861)	(1.47)	(736)	(1.40)	(636)	(1.49)	(495)	(1.89)	(505)	(1.27)	(511)	(1.01)
Other operating expenses	(111)	(0.19)	(107)	(0.20)	(56)	(0.13)	(39)	(0.15)	(74)	(0.19)	(318)	(0.63)
Other income	494	0.84	620	1.18	575	1.35	620	2.36	1,343	3.39	921	1.81
Operating profit / (loss)	**1,511**	**2.58**	**1,383**	**2.62**	**689**	**1.62**	**440**	**1.68**	**1,046**	**2.64**	**4,426**	**8.70**
Finance cost	(11)	(0.02)	(18)	(0.03)	(21)	(0.05)	(13)	(0.05)	(53)	(0.13)	(144)	(0.28)
Profit / (loss) before taxation	**1,500**	**2.56**	**1,365**	**2.59**	**668**	**1.57**	**427**	**1.63**	**993**	**2.50**	**4,282**	**8.42**
Taxation	(522)	(0.89)	(571)	(1.08)	(457)	(1.07)	(173)	(0.66)	(367)	(0.93)	(1,507)	(2.96)
Profit / (loss) after taxation	**978**	**1.67**	**794**	**1.51**	**211**	**0.49**	**254**	**0.97**	**626**	**1.58**	**2,775**	**5.46**

Statement of Value Addition and its Distribution

	2012 (Rupees in '000')	%	2011 (Rupees in '000')	%
Wealth Generated				
Total gross revenue and other income	70,141,657		63,908,482	
Brought in materials and services	(57,034,331)		(51,420,436)	
	13,107,326	100	12,488,046	100
Wealth distribution to stakeholders				
To employees				
Salaries, wages ,other cost including retirement benefits and WPPF	954,231	7.28	723,530	5.79
To Government				
Income tax, sales tax, excise duty, development surcharge, WWF	10,163,915	77.54	9,927,683	79.50
To society				
Donation toward earthquake victims, IDPs and health	2,290	0.02	1,926	0.02
To Shareholders				
Dividend and bonus	164,600	1.26	41,151	0.33
To providers of finance				
Finance charges for borrowed funds	2,381	0.02	5,409	0.04
To Company				
Depreciation, amortisation and retained profit/ (loss)	1,819,909	13.88	1,788,347	14.32
	13,107,326	100.00	12,488,046	100.00

WEALTH DISTRIBUTION TO STAKEHOLDERS

Employees	7.28%
Government	77.54%
Society and Providers of finance	0.04%
Shareholders	1.26%
Company	13.88%

WEALTH DISTRIBUTION TO STAKEHOLDERS

Employees	5.79%
Government	79.50%
Society and Providers of finance	0.06%
Shareholders	0.33%
Company	14.32%

MEHRAN EFi

NEW PASSION, NEW DYNAMICS, NEW ENERGY

Mehran EFi is the best choice particularly for people who drive every day since it does not only give better mileage but also keeps the environment green. Its new exterior includes the bold and dynamic headlights with distinguished grille and turn signals. Maintenance is easy and economical. The car’s exterior is undoubtedly striking, the inside view is just as impressive. That’s why Mehran EFi is the best choice and true value for your money.


MEHRAN

Visit of Chairman NTC

Visit of JICA team

Visit of Secretary Industries

Visit of Secretary Commerce

Visit of Secretary Industries

Visits & Events

Inhouse Training

Annual General Meeting

Minister of Sports distributing certificates

Sports Activities

Inauguration of Dealerships

Muzaffarabad Motors

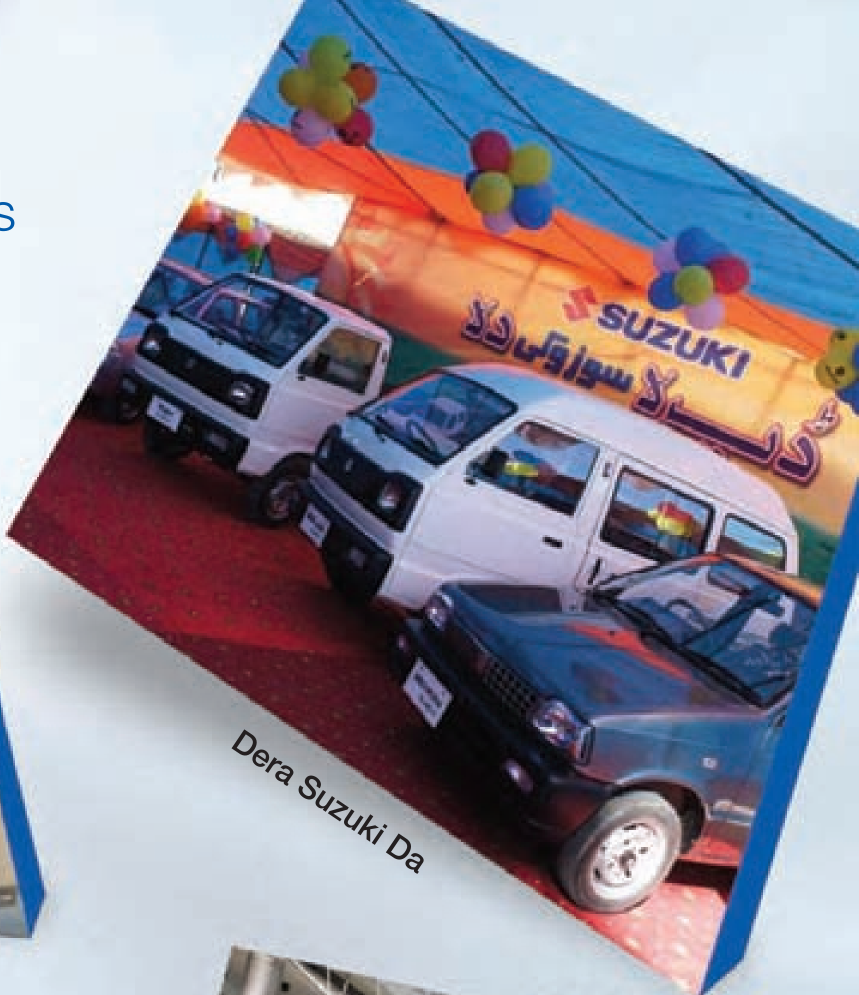
Rahim Yar Khan Motors

Chenab Motors - Jhang

Sheikhan Motors - Sialkot

Customer's Facilitations

Free Checkup Campaign



Dera Suzuki Da

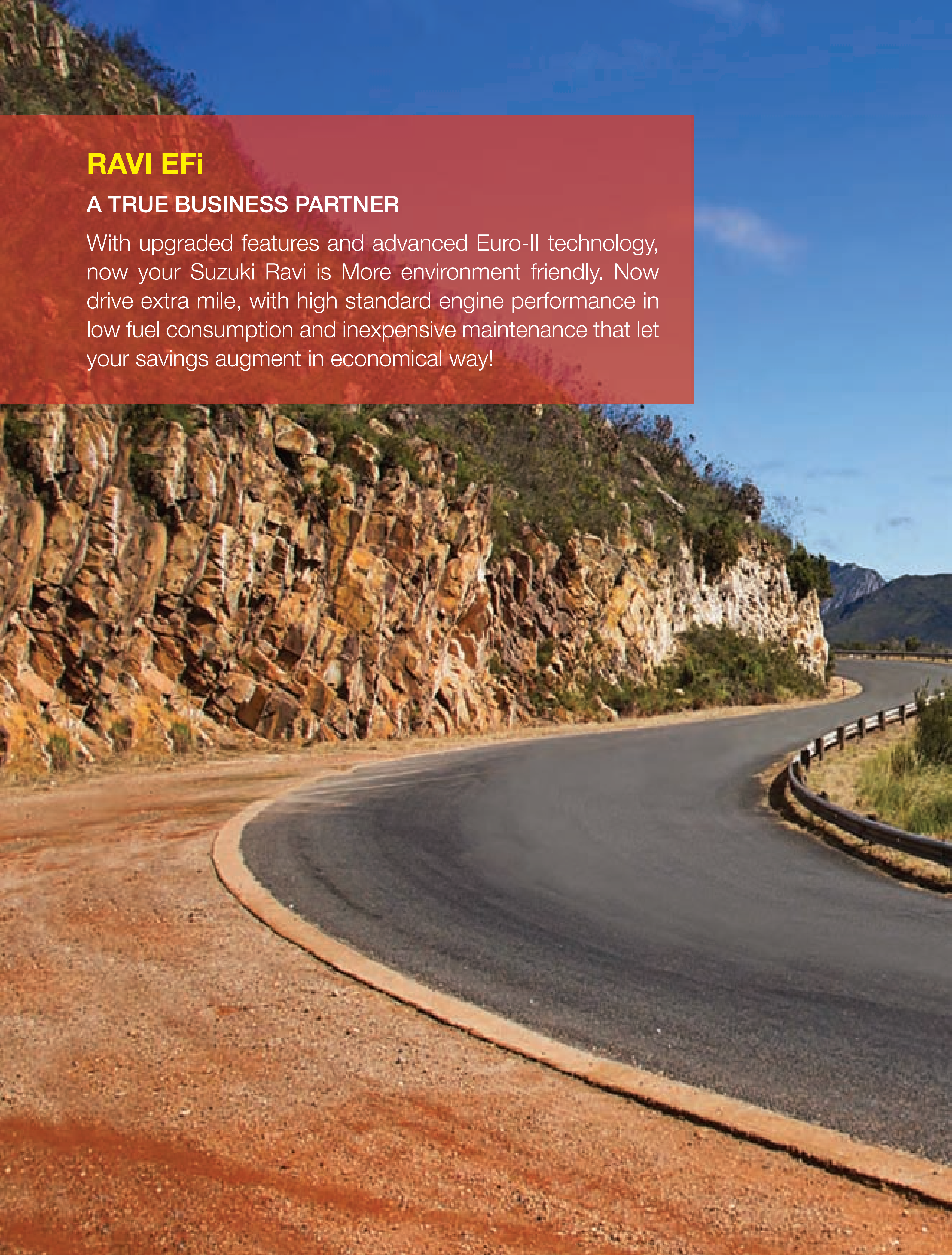

Suzuki Used Car Gala


Free Checkup Campaign

RAVI EFi

A TRUE BUSINESS PARTNER

With upgraded features and advanced Euro-II technology, now your Suzuki Ravi is More environment friendly. Now drive extra mile, with high standard engine performance in low fuel consumption and inexpensive maintenance that let your savings augment in economical way!




RAVI

Chairman's Review

It is my privilege to present review on the performance of the Company for the year ended December 31, 2012.

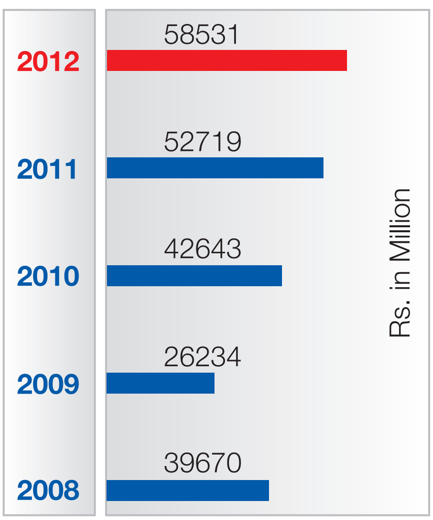
Industry

The industry sold 154,735 units of locally manufactured cars and light commercial vehicles during the year against 160,342 units last year. The drop in sales was due to import of used cars in large volume. During the year 53,072 units of used passenger cars were imported against 26,411 units last year. Besides ban on production of factory fitted CNG vehicles & discontinuation of Suzuki Alto & Daihatsu Coure due to Euro II compliance also contributed to this decline. The organized market (PAMA member companies) for motorcycles and three wheelers has declined by 5% over last year. During the year 824,003 units were sold against 866,327 units last year.

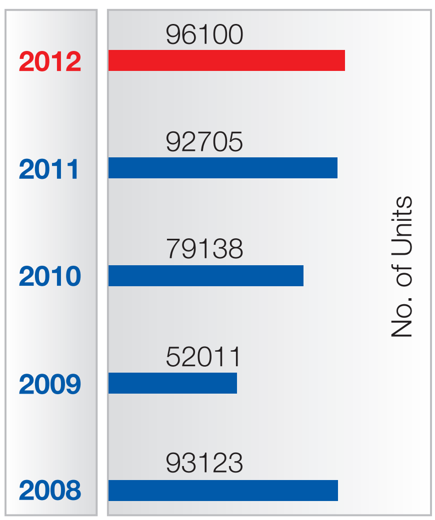
Operating Results of the Company

The net sales revenues increased by 11% from Rs. 52.718 billion to Rs. 58.531 billion by selling 96,100 units of automobiles and 21,154 units of motorcycles against 92,705 units and 20,298 units sold respectively in last year. The demand for automobiles grew by 4% whereas for motorcycles dropped by 4%. The

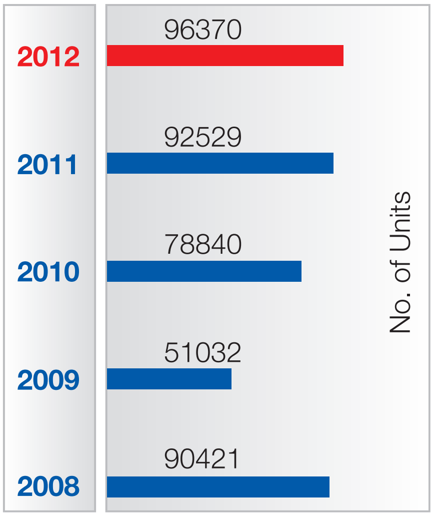
Sales Revenue (net)



Sales Volume Automobiles



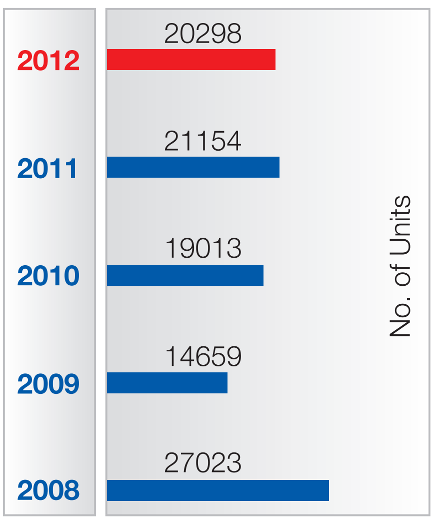
Production Volume Automobiles



production volume of automobile and motorcycles increased by 4 % and 6% respectively. The production volume of automobile increased from 92,529 units to 96,370 units and that of motorcycles from 20,120 units to 21,312 units. Despite increase in production 36% capacity of automobile plant remained un-utilized.

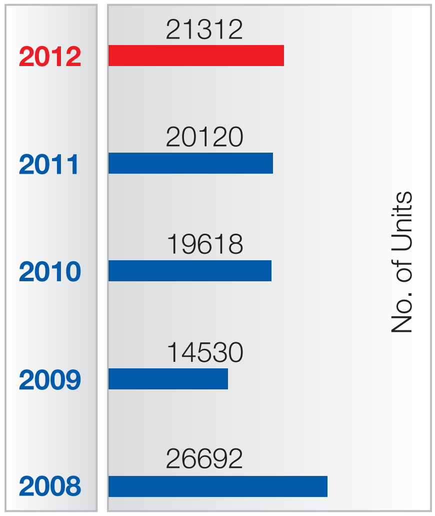
Gross profit increased by 25.5% from Rs. 1,869.410 million to Rs. 2,345.740 million as gross profit margin improved from 3.5% to 3.9% and volume increased by 4%. Distribution expenses increased from Rs. 263.651 million to Rs. 356.960 million and as a percentage of sales from 0.5% to 0.6%.

Sales Volume Motorcycles



The net sales revenues increased by 11% from Rs. **52.718** billion to Rs. **58.531** billion by selling 96,100 units of automobiles and 21,154 units of motorcycles against 92,705 units and 20,298 units sold respectively in last year.

Production Volume Motorcycles



The increases arose mainly in advertising, sales promotion, free service and transporting motorcycles to showrooms. Administration expenses increased from Rs. 735.935 million to Rs. 860.753 million but as percentage of sales (1.4%) remained at the level of last year.

The increase was mainly in salaries, travelling, rents, utilities and petrol. Other operating income decreased from Rs. 620.390 million to Rs. 493.985 million because of fall in income from bank deposits. Finance cost decreased from Rs. 17.845 million to Rs. 11.100 million due to decrease in bank charges. Other operating expenses represent contributions to workers' profit participation fund, workers' welfare fund and donations. They increased from Rs. 107.072 million to Rs. 111.152 million. The increase was mainly due to higher contributions for workers' profit participation fund and workers' welfare fund consequential to higher amount of profit before tax.

Sale of old motorcycle plant

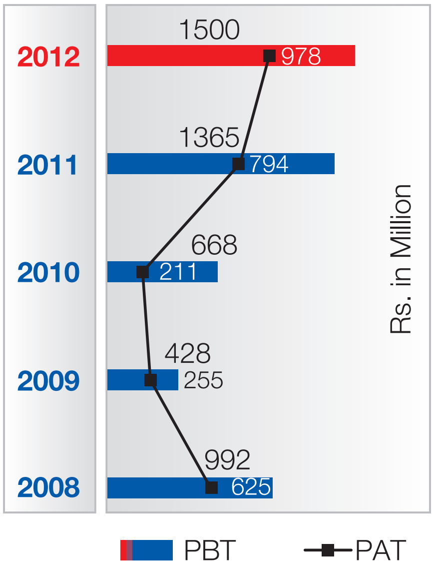
The Company has set up new plant for motorcycles at Bin Qasim and production has started from July 2011.The Company has entered into an agreement with Reckitt Benckiser Pakistan Limited for sale of old motorcycle plant which comprised on land, building and waste water treatment plant for a total consideration of Rs.280 million. Company has received some partial payments. The ownership will be transferred to the buyer when final payment will be received tentatively in April 2013.The Company will record a gain of Rs.274.537 million on this transaction.

Company earned profit before tax Rs. 1,499.760 million against Rs. 1,365.297 million last year. Higher profit was attributed to higher sales volume and better margin. The expense for income tax decreased from Rs. 570.876 million (41.81% of profit) to Rs. 521.738 million (34.79% of profit). Despite increase in profit income tax expense was lesser than last year because of decrease in rate of turn over tax from 1% to 0.5% from July 2012. Net profit after tax amounted to Rs.978.022 million compared to Rs.794.421 million last year.

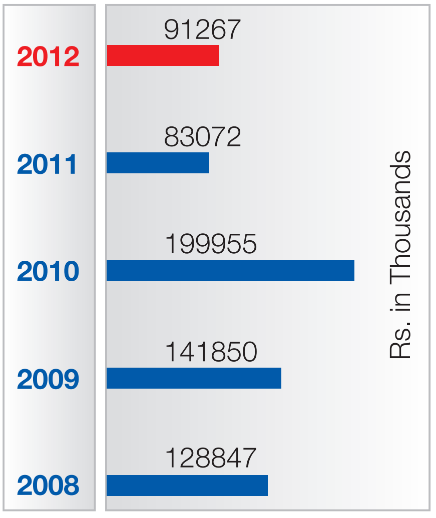
Marketing & Exports

The share of Pak Suzuki in the total domestic market increased from 58% to 62% which manifests continuous confidence of the customers in the Companys' products. Strong dealers' network all over Pakistan, availability of spare parts at economical prices and reliable after-sales services are the strengths of Pak Suzuki which make the Company market leader.

Operating Profit / PBT / PAT



Export Sales



Last year The Bank of Punjab had placed an order for providing 20,000 taxis. By December 2011, 6,870 units were invoiced and the remaining 13,130

units were invoiced during the year. During the year Company upgraded Mehran, Bolan and Ravi to Euro II compliant. At present Companys' share in motorcycle segment is nominal. The introduction of Suzuki Raider motorcycle last year and another new model in the pipe line, will surely improve Companys' share in motorcycle segment. During the year Company discontinued production of ALTO car.

During the year two hundred and twenty five (225) units of Suzuki Ravi Pickup worth Rs.83 million were exported to Bangladesh. Sheet metal parts of Suzuki Cultus worth Rs.3 million were exported to Europe during the year against Rs.9 million last year.

Localization

The Company continues to pursue localization in order to reduce the cost of products and keep the prices competitive besides saving of foreign exchange.

Human Resource

Management and employee relations continued to remain cordial and industrial peace prevailed during the year. Human resource development remains one of the key objectives of the Company. Ninety four employees were sent for training outside Company including eight employees sent for foreign training. Five hundred forty six employees participated in in-house training sessions.

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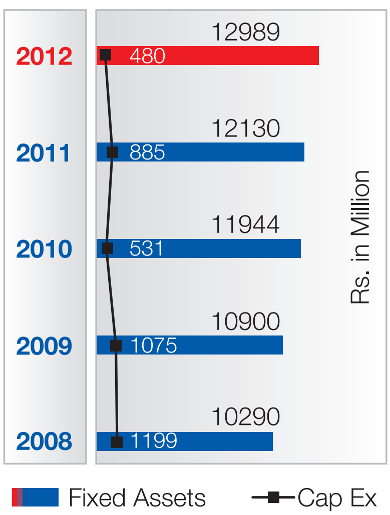
Fixed Assets Vs. Capex during the year



Economic Contribution

The Company has a distinctive position in the automobile industry as a leading contributor to the public exchequer. The duties and taxes paid and the foreign exchange saved by the Company in its last six years of operations are as follows:

Year (Jan-Dec)	Duties & taxes (Rupees in billion)	Foreign exchange Savings * (Rupees in billion)
2007	16.838	23.770
2008	13.286	23.537
2009	8.461	14.503
2010	14.006	29.960
2011	17.012	39.390
2012	17.302	31.054

Duties and taxes paid by Company during the year represent 1% of total tax estimate forecast in the Federal Budget for the fiscal year 2012-2013.

*Converted into Pak Rupees at year end exchange rate.

Duties and taxes paid by Company during the year represent 1% of total tax estimate forecast in the Federal Budget for the fiscal year 2012-2013.

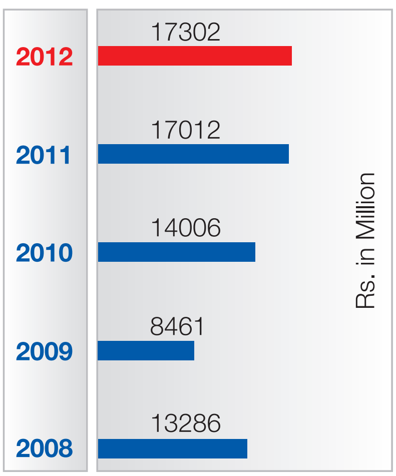
Future Outlook & Conclusion

In December 2010 Government of Pakistan had relaxed the policy for import of used cars by increasing age limit of imported used cars from 3 years to 5 years. This was hurting the growth of local auto industry.

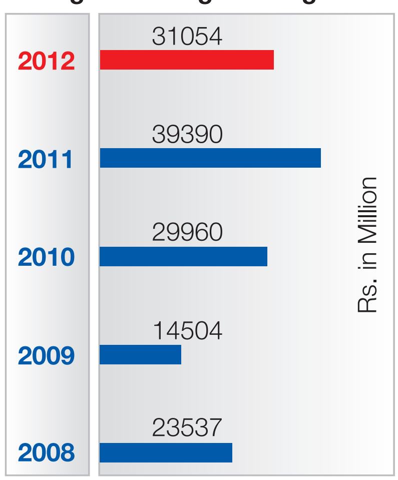
We appreciate Government of Pakistan realized the negative impact of used cars' imports on local industry and reverted back the allowable age of used cars to 3 years. This positive policy change will certainly enhance the demand for locally produced vehicle once the back log of used vehicles clears up.

State Bank of Pakistan has also relaxed its monetary policy by reducing its key policy rate to 9.5%. This move will surely improve the prospects of auto financing, which once covered almost 70% of the Company's sales. This will provide much needed relief to middle class, who mostly rely on auto financing schemes for purchase of automobile.

Duties & Taxes



Foreign Exchange Savings



State Bank of Pakistan has also relaxed its monetary policy by reducing its key policy rate to 9.5%. This move will surely improve the prospects of auto financing, which once covered almost 70% of the Company's sales.

Rupee depreciation against US Dollar and Japanese Yen continued in 2012. However the new Government in Japan has adopted a policy to weaken Yen parity with US Dollar. It is expected to result in much favorable/ stable Rupee to Yen parity in 2013, which is necessary to control cost pressure on the Company, as most of the imports of Company are from Japan. The impact of weaker Yen will be ref ected in third quarter results when old inventory is consumed and old foreign exchange contracts are completed.

From 1st March 2013 Government has enhanced the rate of advance tax at import stage from 3% to 5%. This rate is very high and will result in blockade of funds in refunds.

The auto industry of Pakistan is looking forward to Government for early resolution of trade with India issue and finalization of second Auto Industry Policy. Trade with India will surely help in growth of Auto industry in general and our Company in particular due to lower import costs and freight and strong presence of Suzuki in India.

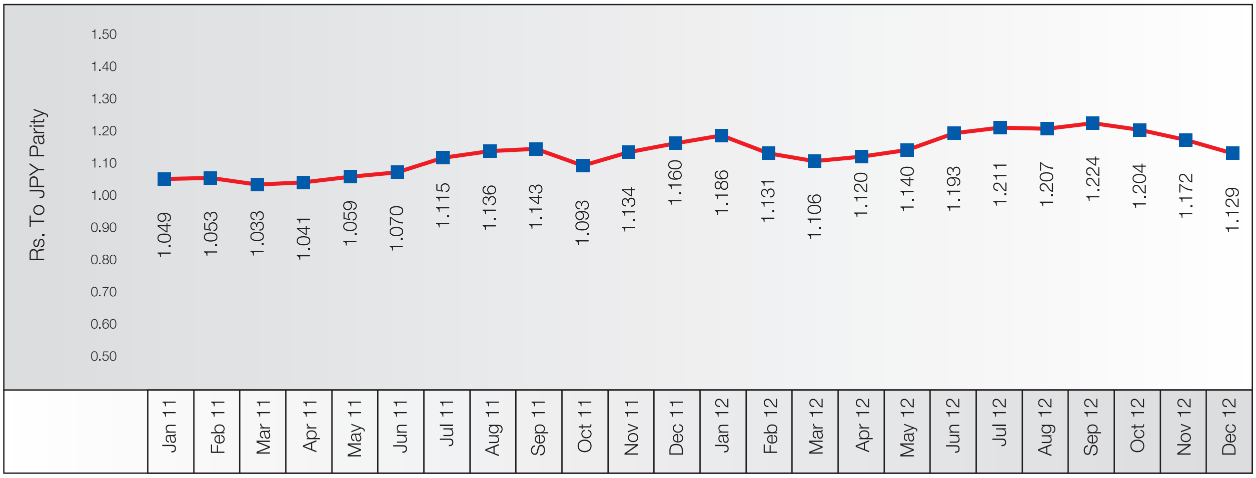
In conclusion, I on behalf of the Board and shareholders would like to express my appreciation to the management, executives, workers, dealers, vendors and Suzuki experts for their efforts and contribution to the affairs of the company. My sincere gratitude also goes out to all the government agencies for their continued support and encouragement.

HIROFUMI NAGAO
Chairman & Chief Executive

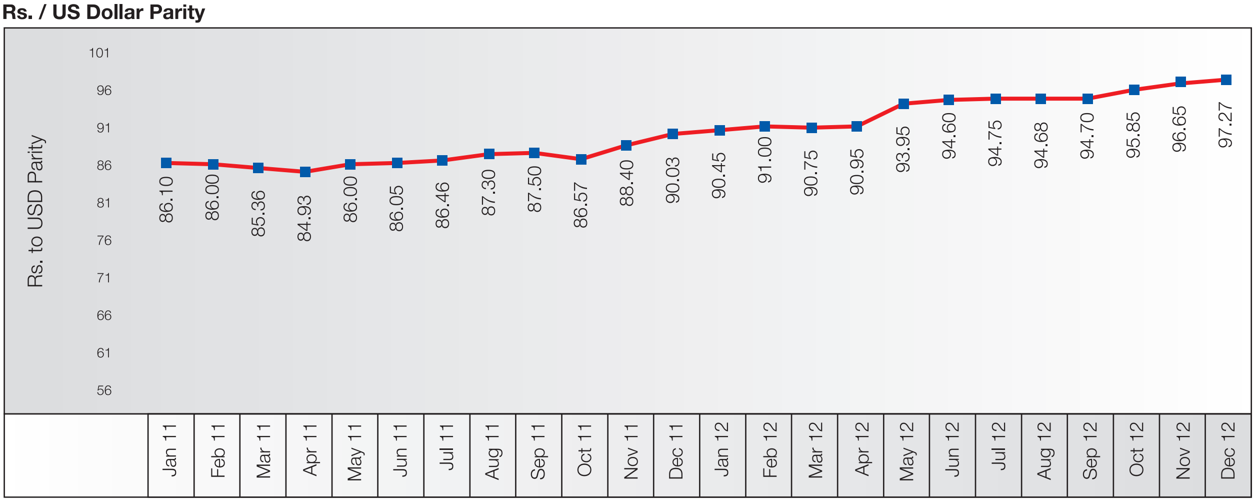
Karachi. March 21, 2013.

Exchange Rates Movement

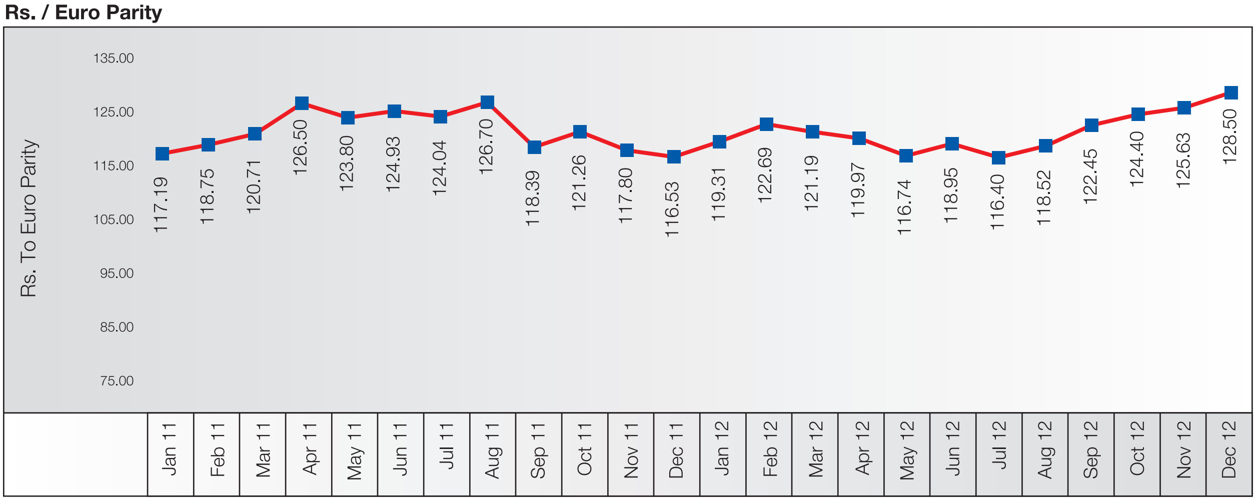
Rs. / Japanese Yen Parity



Rs. / US Dollar Parity



Rs. / Euro Parity



Directors' Report

1. The Directors of the Company are pleased to submit their report together with audited financial statements and Auditors' Report thereon, for the year ended December 31, 2012.

2. Accounts

	(Rs in 000)
Profit before taxation	1,499,760
Taxation	521,738
Profit after taxation	978,022
Retained earnings of prior years	1,850
Net Profit available for appropriation	979,872
Less: Appropriations	
Transfer to General Reserve	770,000
Proposed Cash Dividend @ %	205,750
	975,750
Retained earnings carried forward	4,123

3. Earnings per share

The earnings per share for the year were Rs.11.88.

4. Holding company

Suzuki Motor Corporation, incorporated in Japan, is the holding company of Pak Suzuki Motor Company Limited with 73% shares.

5. Chairman's Review

The Chairman's review on page 34 to 39 deals with the year's activities and the directors of the Company endorse contents of the same.

6. Corporate governance

The management of the Company is committed to good corporate governance and compliance with its best practices. As required under Code of Corporate Governance Directors are pleased to state as follows:-

The Company is committed to conducting business as a socially responsible citizen and continuously makes contributions in the area of corporate social responsibility.

From July 1, 2012, all the vehicles and motorcycles manufactured by the Company are Euro II compliant which will result in cleaner environment.

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of accounts have been maintained by the Company.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal controls is sound in design and has been effectively implemented and monitored.

- There are no doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

7. Key operating and financial data

The key operation and financial data of the Company for six years are summarised on page No 18.

8. Government taxes

Outstanding taxes and levies have been explained in note 24 to the annexed audited financial statements.

9. Investments of employees retirement funds

The following were the values of investments held by employees' retirement benefits fund at the year end:-

	Dec 12	Dec 11
Provident Fund	482.431 million	441.641 million
Gratuity Fund	264.483 million	260.011 million

10. Board of Directors meetings

During the year five (5) meetings of the Board of Directors were held. Attendance of each Director was as follows:

	No of meetings attended
Mr. Hirofumi Nagao	5
Mr. Satoshi Ina	5
Mr. Hidekazu Terada	4
Mr. Jamil Ahmed	5
Mr. Kenichi Ayukawa	4
Mr. Mumtaz Ahmed Sheikh	5
Mr. Wazir Ali Khoja	5

Leave of absence was granted to directors who could not attend Board meetings.

11. Audit Committee meetings

During the year five (5) meetings of the Audit Committee were held. Attendance of each Director is as follows:

	No of meetings attended
Mr. Hidekazu Terada	4
Mr. Kenichi Ayukawa	4
Mr. Wazir Ali Khoja	5

12. Directors' training programme

One Director has acquired certification under Directors Training Program.

13. Pattern of shareholdings

The pattern of shareholdings as of December 31, 2012 is given on page 97.

14. Trading in shares of the company by directors and executives

During the year there has been no trade in Company's shares carried out by directors, executives and their spouses and minor children.

15. Appointment of Auditors

The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee has recommended for their re-appointment for the year ending December 31, 2013. The Directors endorse recommendation of Audit Committee.

Corporate Social Responsibility (CSR):

The Company is committed to conducting business as a socially responsible citizen and continuously makes contributions in the area of corporate social responsibility.

From July 1, 2012, all the vehicles and motorcycles manufactured by the Company are Euro II compliant which will result in cleaner environment.

The Company gives prime importance to the health and wellbeing of its employees. The Company provides free medical facility to its employees and their dependent family members.
The Company aims to contribute to the development

of society in various ways. As a socially responsible citizen, the Company offers apprenticeship scheme for youngsters to provide "On the Job Training", which helps them in getting employment. Company also provides internship programme for university students so that they may have exposure to practical life.

During the year 2012, renovation of existing facilities along with construction of additional classrooms of government school located at Pir Sarhandi Goth, Bin Qasim was done under Company's CSR program.
Environment Protection is an integral part of Company's

CSR strategy, therefore company is playing it's role for the betterment of environment. Keeping in view its importance, a plantation project was completed at the entrance of Company main gate.

For logistic support, a Suzuki Bolan was donated to Alleviate Addiction Suffering Trust (AAS) Malir unit. AAS provides rehabilitation to drug addicts specially street children.
During the year, Company conducted six free medical camps for the people of different villages of Bin Qasim Town situated near Company. Company's doctor along with a lady doctor attended the patients and free medicines were provided.
Fatimid Foundation held their blood donation camps in the Company twice during the year. Many employees big-heartedly donated their blood.

Computer literacy courses were conducted to impart skill to the children of employees. During the year 115 students attended the classes. On the completion of trainings, certificates were awarded.

To create awareness in general public, a beach cleaning campaign was conducted at Sea View, Karachi on June 23, 2012. About one kilometer beach area was cleaned in that campaign.

During the year, notebooks and stationery were provided to students of 18 government schools situated at Bin Qasim Town.

Quality, Health, Safety & Environment Management Systems:

Consistent quality of products is prime objective of the Company. We are committed to continually promote a "Quality, Health & Safety and Environment Culture". The Company, at regular intervals reviews its QHSE framework and if needed takes concrete steps to improve the system performance.

Quality Management System (QMS):

Quality Management System (ISO 9001:2008) is in place in our company and is audited at regular intervals for compliance. The system is a major tool to improve productivity and quality of our products so as to avoid warranty cost & rework. QMS has helped us to provide top quality products at competitive prices to the satisfaction and requirement of our customers.

Environmental Management System (EMS):

As our commitment to Corporate Citizenship, we endeavor to improve Environment. ISO 14001:2004 is in place and is a key factor in operations of the company. We continuously monitor the waste generated from its activities and wherever required, Environmental Control Equipment and facilities like Waste Water Treatment Plant are in place. Company provides clean drinking water (tested by approved and certified laboratories) to all of its employees The Company is complying with applicable regulatory requirement and ensures its effectiveness against National Environment Quality Standard by conducting testing of eff uents, emissions, etc through renowned testing laboratories. Hazardous waste is properly disposed of as per EPA requirement.

Occupational Health and Safety Management System (OHSAS):

The Company is committed to provide a system that helps in eliminating unsafe & unhealthy work conditions. Hazard identifications and risk assessment are being performed, reviewed and all necessary preventive measures are taken to minimize the accidents.

Emergency preparedness and response procedures and plans are established to deal with accidents and emergencies. Exercises are periodically carried out in order to check the effectiveness of these plans. Responsibilities and authorities in emergency situation are clearly identified in the procedures.

To improve safety measures on continual basis in each area, the Company identifies and analyzes potential risks (danger/ hazards) related to work and Equipment, and decides measures to be taken by implementing Hiyari Hatto (near miss and narrow escape) activity, an effective Japanese Technique.

BY ORDER OF THE BOARD

HIROFUMI NAGAO
Chairman & Chief Executive
Karachi March 21, 2013


KOMATSU

BOLAN EFi

A MULTIPURPOSE CHOICE

With upgraded features and advanced Euro-II technology, now your Suzuki Bolan is more environment friendly. Now drive extra mile, with high standard engine performance in low fuel consumption and inexpensive maintenance that let your savings augment.


BOLAN

Statement of Compliance

WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 (xl) of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the Board includes

Category	Names
Independent Directors	Mr. Wazir Ali Khoja
Executive Directors	Mr. Hirofumi Nagao Mr. Satoshi Ina Mr. Hidekazu Terada Mr. Jamil Ahmed Mr. Mumtaz Ahmed Sheikh
Non-Executive Directors	Mr. Kenichi Ayukawa

   The independent director meets the criteria of independence under clause i (b) of the CCG. Condition that executive directors shall not be more than one third of the elected directors is applicable from next election of the Board and it will be followed from Company's next elections of the Board that will be held in February 2015.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable) except for Mr. Wazir Ali Khoja who has been provided relaxation with respect to number of directorships through SECP letter No. SMD/SE/2(10)2002 dated January 28, 2011.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy had occurred on the Board during the year.

5. The Company has prepared a "Code of Conduct" and has appropriately disseminated it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman, and in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board comprises senior corporate executives and professionals who are fully aware of their duties and responsibilities. Therefore no need was felt by the directors for any orientation course. However, one Director has acquired certification under Directors Training Program.

10. The board has approved appointment of Head of Internal Audit, including his remuneration and terms and conditions of the employment. No new appointments of CFO and Company Secretary were made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises three members, of whom two members including chairman are non-executive directors. The requirements of the committee comprising of non-executive directors and chairman of the committee to be independent director have been relaxed by SECP upto next election of directors (in our case 2015) as per implementation deadlines of CCG 2012 available at its website.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three (3) members, of whom one is independent director who is also chairman of the committee and of the remaining two, one is non-executive director.

18. The Board has set-up an effective internal audit department which comprises of suitably qualified and experienced staff who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

(Hirofumi Nagao)
Chairman & Chief Executive

Karachi March 21, 2013

Notice of Meeting

Notice is hereby given that the 30th Annual General Meeting of the shareholders of Pak Suzuki Motor Company Limited will be held at Pearl Continental Hotel, Club Road, Karachi on Wednesday, April 24, 2013 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS

1- To confirm minutes of Annual General Meeting held on April 23, 2012.

2- To receive, consider and adopt the audited accounts of the Company for the year ended December 31, 2012, together with Directors' and Auditors' reports thereon.

3- To approve payment of cash dividend @ 25% i.e. Rs. 2.50 per share of Rs. 10/- each.

4- To appoint Auditors and fix their remuneration for the year ending December 31, 2013.

5- To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

ABDUL HAMID BHOMBAL
COMPANY SECRETARY

Karachi: March 27, 2013

Notes:

1- The share transfer books of the Company will remain closed from April 18, 2013 to April 24, 2013 (both days inclusive) and no transfer will be accepted for registration during this period. Transfers received in order till close of business on April 17, 2013 will be accepted for transfer.

2- A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.

3- Account holders and sub-account holders holding book entry securities in respect of the shares of the Company in Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to bring their original National Identity Cards or Passports for identification purpose.

4- SECP vide its SRO 779(1)/2011 dated August 18, 2011 has made it mandatory for the companies to provide CNIC Nos. of the shareholders on dividend warrants. Therefore members who have not yet submitted photocopies of their valid CNICs to the Company are requested to immediately submit the same directly to Company's share registrar Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi. Dividend Warrants of the shareholders who will not submit the copies of their CNICs will be withheld by the Company.

Financial Statements

ASSETS

2012

Cash & Bank Balances	7%
Other Current Assets	23%
Property Plant & Equipment	18%
Other Non Current Assets	3%
Stock in Trade	49%

2011

Cash & Bank Balances	5%
Other Current Assets	20%
Property Plant & Equipment	18%
Other Non Current Assets	2%
Stock in Trade	55%

EQUITIES & LIABILITIES

2012

Trade & Other Payable	13%
Advances & Security Deposits	5%
Other Current Liabilities	8%
Paid-up Capital	4%
Reserved & Deffered Tax Liability	70%

2011

Trade & Other Payable	14%
Advances & Security Deposits	13%
Other Current Liabilities	7%
Paid-up Capital	4%
Reserved & Deffered Tax Liability	62%

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2012 prepared by the Board of Directors of Pak Suzuki Motor Company Limited (the Company) to comply with the Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately ref ect the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended 31 December 2012.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Karachi March 21, 2013

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
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www.ey.com

Auditors' Report to the Members

We have audited the annexed balance sheet of Pak Suzuki Motor Company Limited (the Company) as at 31 December 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.5 to the financial statements, with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia
Karachi March 21, 2013

Balance Sheet
As at December 31, 2012

	Note	2012	2011
		------ (Rupees in '000') ------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	3,738,867	4,200,317
Intangible assets	4	312,028	303,777
		4,050,895	4,504,094
Long-term investments	5	4,545	4,190
Long-term loans	6	1,409	1,523
Long-term deposits, prepayments and receivables	7	63,451	20,487
Long-term installment sales receivables	8	162,650	185,829
Deferred taxation	9	-	-
		232,055	212,029
		4,282,950	4,716,123
CURRENT ASSETS			
Stores, spares and loose tools	10	83,095	64,467
Stock-in-trade	11	10,562,194	12,922,396
Trade debts	12	588,042	322,677
Current portion of long-term installment sales receivables	8	353,077	303,951
Loans, advances and others	13	195,491	216,586
Trade deposits and short-term prepayments	14	38,918	83,271
Accrued mark-up income		5,664	6,145
Other receivables	15	169,622	163,731
Sales tax and excise duty adjustable		970,176	1,023,399
Income tax refundable – net		2,676,742	2,362,674
Cash and bank balances	16	1,417,430	1,139,480
		17,060,451	18,608,777
NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	17	5,463	-
TOTAL ASSETS		21,348,864	23,324,900

	Note	2012	2011
		------ (Rupees in '000') ------	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (2011: 150,000,000) ordinary shares of Rs.10/- each		1,500,000	1,500,000
Issued, subscribed and paid-up share capital	18	822,999	822,999
Reserves		14,977,885	14,493,816
		15,800,884	15,316,815
CURRENT LIABILITIES			
Trade and other payables	19	2,694,625	3,211,174
Advances	20	1,143,746	3,065,406
Short-term borrowing	21	-	75,000
Deposits against display of vehicles	22	1,486,406	1,436,833
Security deposits	23	84,728	81,197
Provision for custom duties and sales tax	24	138,475	138,475
		5,547,980	8,008,085
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		21,348,864	23,324,900

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Satoshi Ina
Deputy Managing Director

Profit and Loss Account

For the year ended December 31, 2012

	Note	2012	2011
		------ (Rupees in '000') ------	
Turnover – net	26	58,531,137	52,718,563
Cost of sales	27	(56,185,397)	(50,849,153)
Gross profit		2,345,740	1,869,410
Distribution costs	28	(356,960)	(263,651)
Administrative expenses	29	(860,753)	(735,935)
Other operating income	30	493,985	620,390
Finance costs	31	(11,100)	(17,845)
Other operating expenses	32	(111,152)	(107,072)
		(845,980)	(504,113)
Profit before taxation		1,499,760	1,365,297
Taxation	33	(521,738)	(570,876)
Profit after taxation		978,022	794,421
		------- (Rupees) -------	
Earnings per share - basic and diluted	34	11.88	9.65

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Satoshi Ina
Deputy Managing Director

Statement of Comprehensive Income

For the year ended December 31, 2012

	Note	2012	2011
		------ (Rupees in '000') ------	
Net profit for the year		978,022	794,421
Other comprehensive income			
Unrealised (loss) / gain on derivative financial instrument	9.2	(329,353)	65,630
Total comprehensive income for the year		648,669	860,051

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Satoshi Ina
Deputy Managing Director

Cash Flow Statement

For the year ended December 31, 2012

	Note	2012	2011
		------ (Rupees in '000') ------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	1,568,442	255,178
Finance costs paid		(11,116)	(17,866)
Taxes paid		(835,806)	(1,525,837)
Long-term loans		114	(409)
Long-term deposits and prepayments		(42,964)	8,012
Long-term installment sales receivables		23,179	(15,965)
Net cash generated from / (used in) operating activities		701,849	(1,296,887)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(480,283)	(885,490)
Acquisition of intangible assets		(202,677)	(46,447)
Proceeds from sale of fixed assets		166,006	104,010
Profit / interest received on bank balances		257,203	388,458
Net cash used in investing activities		(259,751)	(439,469)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(164,148)	(41,350)
Net cash used in financing activities		(164,148)	(41,350)
Net increase / (decrease) in cash and cash equivalents		277,950	(1,777,706)
Cash and cash equivalents at beginning of the year		1,139,480	2,917,186
Cash and cash equivalents at end of the year	16	1,417,430	1,139,480

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Satoshi Ina
Deputy Managing Director

Statement of Changes in Equity

For the year ended December 31, 2012

	Share capital	Reserves						
		Capital reserves		Revenue reserves				
	---------- (Rupees in '000') ----------							
		Share premium	Merger reserve	General	Unappro-priated profit	Unrealised gain / (loss) on derivative financial instrument	Total reserves	Total
Balance as at January 01, 2011	822,999	584,002	260,594	12,614,818	213,180	2,322	13,674,916	14,497,915
Cash dividend @ 5% per share	-	-	-	-	(41,151)	-	(41,151)	(41,151)
Transferred to general reserve	-	-	-	170,000	(170,000)	-	-	-
Total comprehensive income for the year	-	-	-	-	794,421	65,630	860,051	860,051
Balance as at December 31, 2011	822,999	584,002	260,594	12,784,818	796,450	67,952	14,493,816	15,316,815
Cash dividend @ 20% per share	-	-	-	-	(164,600)	-	(164,600)	(164,600)
Transferred to general reserve	-	-	-	630,000	(630,000)	-	-	-
Total comprehensive income for the year	-	-	-	-	978,022	(329,353)	648,669	648,669
Balance as at December 31, 2012	822,999	584,002	260,594	13,414,818	979,872	(261,401)	14,977,885	15,800,884

The annexed notes from 1 to 45 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Satoshi Ina
Deputy Managing Director

1. CORPORATE INFORMATION, OPERATIONS AND LEGAL STATUS

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 shares of the Company are quoted on Karachi and Lahore Stock Exchanges. 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 (SMC) – 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 registered office of the Company is situated at DSU – 13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies herein below.

2.3 Significant accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognised prospectively.

In the process of applying the accounting policies, management has made the following judgments, estimates and assumptions which are significant to the financial statements:

- Useful life and residual values of fixed assets (note 2.6 and 3)
- Inventories (note 2.8, 2.9, 10 & 11)
- Employees gratuity scheme (note 2.16 and 13.2)
- Provision for custom duty and sales tax (note 2.15 and 24)
- Taxation (note 2.18, 9 and 33)
- Warranty obligations (note 2.22 and 19.2)
- Contingencies (note 25)
- Derivative financial instruments (note 2.14)

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 7 – Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income	01 July 2012
IAS 19 – Employee Benefits – (Revised)	01 January 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application other than the amendments to IAS 19 'Employees Benefits' as described below:

Amendments to IAS 19 range from fundamental changes to simple clarification and re-wording. The significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are to be recognized in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss.
- The distinction between short-term and other long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

While the Company is currently assessing the full impact of the above amendments which are effective from 1 January 2013 on the financial statements, it is expected that the adoption of the said amendments will result in change in the Company's accounting policy related to recognition of actuarial gains and losses (refer to note 2.16 to the financial statements) to recognize actuarial gains and losses in total in other comprehensive income in the period in which they occur. As on 31 December 2012, un-amortized actuarial gain was Rs. 16.482 million.

Improvements to IFRS

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

2.5 Standards or interpretations effective in 2012

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IFRS 7 - Financial Instruments: Disclosures - Enhanced De-recognition Disclosure Requirements (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

2.6 Fixed assets

Property, plant and equipment

Operating fixed assets are stated at cost less accumulated depreciation and impairment (if any) except for freehold land which is stated at cost. Items of fixed assets costing Rs. 10,000/- or less are not recognised and charged off in the year of purchase.

Capital work-in-progress is stated at cost less impairment (if any) and represents expenditures incurred and advances made in respect of specific assets during the construction / erection period. These are transferred to specific assets as and when assets are available for use.

Depreciation on plant and machinery, welding guns, waste water treatment plant, permanent and special tools, dies, jigs and fixtures and electric installations is charged using the straight line method, whereas depreciation on other assets is charged applying the reducing balance method. The cost of the leasehold land and leasehold improvements is written off over its lease term. Depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletion.

Maintenance and normal repairs are charged to income as and when incurred. Gain or loss on sale or retirement of fixed assets is included in income currently.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

Intangible assets

Intangible assets, which are stated at cost less accumulated amortisation and any identified impairment loss, represent the cost of software licenses and technical drawings to manufacture certain components and licenses for the right to manufacture Suzuki vehicles in Pakistan.

Amortisation is charged to income on the straight line method. Amortisation on additions is charged from the month in which an asset comes into operation while no amortisation is charged for the month in which the asset is disposed off.

The assets' residual values, useful lives and amortization methods are reviewed and adjusted if appropriate, at each financial year end.

2.7 Impairment

The carrying value of the fixed assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized in profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

2.8 Stores, spares and loose tools

Stores, spares and loose tools, except items-in-transit, are valued at lower of net realizable value and cost, calculated on a weighted average basis. Items in-transit are valued at cost comprising invoice value plus other charges accrued thereon to the balance sheet date. Provision is made annually in the financial statements for slow moving and obsolete items.

2.9 Stock-in-trade

Stocks, including in transit, are valued at the lower of cost and net realizable value. Cost is calculated on a weighted average or specific consignment basis, depending upon their categories. Stocks-in-transit are stated at invoice value plus other charges accrued thereon to the balance sheet date. The Company assumes title to stocks-in-transit after shipments. Vehicles on wheels are taken as work-in-process until they are approved by the quality control department. After such approval the vehicles are classified as finished goods. The engines assembled are included in raw material. The cost of engines assembled, work-in-process and finished goods consists of landed cost of imported materials, average local material cost, factory overhead and direct labour. Provision is made annually in the financial statements for slow moving and obsolete items.

Net realisable value is determined by considering the prevailing selling prices of products in the ordinary course of business less estimated cost of completion and cost necessary to be incurred in order to make the sale. The net realisable values are determined on the basis of each line of product.

2.10 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets are available for sale in their present condition subject only to terms that are usual and customary for sales of such assets and their sale is highly probable.

The Company measures its non-current assets classified as held for sale at the lower of carrying amount and fair value less costs to sell. Costs to sell signify the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

2.11 Trade debts and installment sales receivables

Trade debts are recognised and carried at original value of invoice amount less any part payment and provision for doubtful debts. Installment sales receivables are recognised at original invoice amount and are subsequently reduced by the principal portion of installments received. When the recovery of the amount is considered uncertain by the management, a provision is made for the same. Known bad debts are written-off as incurred. A general provision at the rate 3.5% of the balance of installment receivables is maintained to cater for any bad debts.

2.12 Trade and other payables

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

2.13 Financial instruments

2.13.1 Financial assets

Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) “Financial Instruments: Recognition and Measurement” at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Company are categorised as follows:

a) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as ‘financial assets at fair value through profit or loss’ category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables comprise of trade debts, loans and advances, deposits, bank balances and other receivables in the balance sheet.

c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity.

d) Available for sale

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity, or (c) financial assets at fair value through profit or loss.

Initial recognition and measurement

All financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. In case of financial assets carried at fair value through profit or loss, relevant transaction costs are taken directly to the profit and loss account.

Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial asset at fair value through profit or loss' and 'available for sale'

'Financial assets at fair value through profit or loss' are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

'Available for sale' financial assets are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to comprehensive income.

Fair value is determined by reference to quoted market price. Investments for which a quoted market price is not available or the fair value cannot be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

b) 'Loans and receivables' and 'held to maturity'

'Loans and receivables' and 'held to maturity' financial assets are carried at amortised cost.

2.13.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

2.13.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.13.4 Derecognition of financial assets and liabilities

Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

2.14 Derivative financial instruments and hedge accounting

The Company designates derivative financial instruments as either fair value hedge or cash flow hedge.

Fair value hedge

Fair value hedge represents hedges of the fair value of recognised assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

Cash flow hedge

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are reclassified to the profit and loss account in the periods in which the hedged item will affect profit and loss account.

2.15 Provisions

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

2.16 Employees' benefit schemes

Gratuity scheme

The Company operates an approved and funded gratuity scheme for all permanent employees. The scheme is administered by the trustees nominated under the trust deed. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed ten percent of the higher of defined benefit obligation and the fair value of plan assets as of the end of previous reporting period. These gains or losses are recognised over the expected remaining working lives of the employees participating in the scheme.

Past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If benefits have already vested, immediately following the introduction of, or change to the scheme, past service costs are recognised immediately.

The amount recognised in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets.

Provident fund

The Company operates an approved defined contributory provident fund scheme for all permanent employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 10 percent of basic salary.

2.17 Compensated absences

The Company accounts for employees' compensated absences on the basis of unavailed earned leave balance of each employee as at the end of the year and the last drawn salary.

2.18 Taxation

Current

Provision for current taxation in the financial statements is based on taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any, and tax paid under final tax regime (FTR). The tax charge as calculated above is compared with turnover tax plus tax paid under FTR, and whichever is higher is provided in the financial statements. Turnover tax is calculated on turnover excluding turnover under FTR.

Deferred

Deferred tax is recognised using the balance sheet liability method, on major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that the temporary differences will reverse in the future and taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part for the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except, where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of assets or as part of the expense item as applicable.

2.19 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year end spot foreign exchange rates. Non-monetary assets and liabilities are translated using exchange rate that existed when the values were determined. Exchange differences on foreign currency translations are taken to profit and loss account currently.

2.20 Revenue recognition

Revenue is recognised when goods are sold and services are rendered. Goods are treated as sold when they are specified and invoiced. Warranty and insurance claims are recognised when the claims in respect thereof are lodged with the respective parties. Indenting and agency commission is recognised when the shipments are made by the principal.

Income on bank deposits is accounted for on accrual basis.

Mark-up on installment sales receivables is recognised on the basis of effective interest rate.

Dividend income is recognised when the Company's right to receive such dividend is established.

2.21 Transactions with related parties

The Company enters into transactions with related parties for sale / purchase of goods and these are priced on arm's length basis using Transactional Net Margin Method. Royalty and fee for technical services are accounted for at the rates mentioned in the respective agreements, duly registered with the State Bank of Pakistan.

2.22 Warranty obligations

The Company accounts for its warranty obligations on accrual basis.

2.23 Cash and cash equivalents

These include cash in hand and balance with banks.

2.24 Dividend and appropriation to reserves

Dividend declared and appropriations to reserves made subsequent to balance sheet are considered non-adjusting events and are recognised in the financial statements in the period in which they are approved.

2.25 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed out in the period they occur. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

2.26 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

	Note	2012	2011
		------ (Rupees in '000') ------	

3. PROPERTY, PLANT AND EQUIPMENT

	Note	2012	2011
Operating fixed assets	3.1	3,712,223	3,540,365
Capital work-in-progress	3.4	26,644	659,952
		3,738,867	4,200,317

3.1 Operating fixed assets

	Cost as at January 01, 2012	Additions / (deletions / *transfers)	Cost as at December 31, 2012	Accumulated depreciation as at January 01, 2012	Charge for the year / (depreciation on deletions / *transfers)	Accumulated depreciation as at December 31, 2012	Book value as at December 31, 2012	Years / Rate %
	----------	----------	----------	(Rupees in `000')	----------	----------	----------	
Leasehold land	663,387	400 (71,416) *(398)	591,973	66,608	10,365 (6,301) *(126)	70,546	521,427	60 years
Freehold land	373,223	(1,709)	371,514	-	-	-	371,514	-
Leasehold improvements	35,414	-	35,414	34,309	706	35,015	399	Lease term
Buildings on leasehold land								
- Factory	1,231,729	50,048 *(8,217)	1,273,560	757,614	53,282 *(5,239)	805,657	467,903	10
- Office	4,595	807	5,402	2,811	437	3,248	2,154	20
- Test Tracks and other buildings	13,503	-	13,503	12,297	241	12,538	965	20
Plant and machinery	6,063,485	243,087 (27,624)	6,278,948	4,621,975	419,856 (27,459)	5,014,372	1,264,576	8 years
Welding guns	257,525	25,212	282,737	240,252	12,127	252,379	30,358	4 years
Waste water treatment plant	120,222	2,500 *(2,500)	120,222	98,092	6,911 *(287)	104,716	15,506	8 years
Permanent and special tools	380,854	11,984	392,838	360,195	11,121	371,316	21,522	4 years
Dies	1,523,447	528,580	2,052,027	1,392,067	163,685	1,555,752	496,275	4 years
Jigs and fixtures	433,590	80,043	513,633	421,116	15,528	436,644	76,989	4 years
Electrical installations	195,570	11,218	206,788	119,052	19,678	138,730	68,058	8 years
Furniture and fittings	14,453	908 (41)	15,320	9,450	1,090 (35)	10,505	4,815	20
Vehicles	577,986	133,354 (129,965)	581,375	270,234	72,168 (73,540)	268,862	312,513	20
Air conditioners and Refrigerators	19,423	3,791 (86)	23,128	14,664	1,303 (65)	15,902	7,226	20
Office equipments	77,050	5,101 (3,475)	78,676	51,029	5,586 (2,885)	53,730	24,946	20
Computers	144,514	16,558 (9,247)	151,825	117,840	17,977 (9,069)	126,748	25,077	50
2 0 1 2	12,129,970	1,113,591 (243,563) *(11,115)	12,988,883	8,589,605	812,061 (119,354) *(5,652)	9,276,660	3,712,223	

*Represents transfer to non-current assets classified as held for sale (note 17).

Notes to the Financial Statements

For the year ended December 31, 2012

	Cost as at January 01, 2011	Additions / (deletions)	Cost as at December 31, 2011	Accumulated depreciation as at January 01, 2011	Charge for the year / (depreciation on deletions)	Accumulated depreciation as at December 31, 2011	Book value as at December 31, 2011	Years / Rate %
	(Rupees in `000')							
Leasehold land	646,070	17,317	663,387	55,698	10,910	66,608	596,779	60 years
Freehold land	373,223	-	373,223	-	-	-	373,223	-
Leasehold improvements	35,414	-	35,414	33,941	368	34,309	1,105	Lease term
Buildings on leasehold land								
- Factory	1,139,241	111,147 (18,659)	1,231,729	726,208	50,065 (18,659)	757,614	474,115	10
- Office	4,595	-	4,595	2,365	446	2,811	1,784	20
- Test Tracks and other buildings	13,503	-	13,503	11,995	302	12,297	1,206	20
Plant and machinery	5,994,457	202,494 (133,466)	6,063,485	4,288,763	459,043 (125,831)	4,621,975	1,441,510	8 years
Welding guns	247,051	10,474	257,525	219,969	20,283	240,252	17,273	4 years
Waste water treatment plant	134,176	- (13,954)	120,222	98,268	7,872 (8,048)	98,092	22,130	8 years
Permanent and special tools	366,681	14,173	380,854	339,224	20,971	360,195	20,659	4 years
Dies	1,539,034	4,922 (20,509)	1,523,447	1,289,694	122,529 (20,156)	1,392,067	131,380	4-6 years
Jigs and fixtures	433,131	791 (332)	433,590	410,138	11,266 (288)	421,116	12,474	4-6 years
Electrical installations	151,565	47,590 (3,585)	195,570	104,914	17,723 (3,585)	119,052	76,518	8 years
Furniture and fittings	14,870	1,033 (1,450)	14,453	9,620	1,087 (1,257)	9,450	5,003	20
Vehicles	637,506	55,346 (114,866)	577,986	230,436	82,414 (42,616)	270,234	307,752	20
Air conditioners and Refrigerators	19,303	975 (855)	19,423	14,198	1,111 (645)	14,664	4,759	20
Office equipments	76,059	5,137 (4,146)	77,050	47,546	5,852 (2,369)	51,029	26,021	20
Computers	118,412	26,282 (180)	144,514	106,875	11,137 (172)	117,840	26,674	50
2011	11,944,291	497,681 (312,002)	12,129,970	7,989,852	823,379 (223,626)	8,589,605	3,540,365	

3.2 Depreciation charge for the year has been allocated as under:

	Note	2012	2011
		(Rupees in '000')	
Cost of goods manufactured	27.1	709,211	718,661
Administrative expenses	29	102,850	104,718
		812,061	823,379

3.3 Particulars of operating fixed assets having written down value (WDV) exceeding Rs. 50,000 disposed of during the year are as follows:

	Cost	Accumulated depreciation	Book value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
	----------------	Rupees in '000'			----------------		
Leasehold land	71,416	6,301	65,115	89,114	23,999	Negotiation	Refer Note 3.3.1
Freehold land							
14 Marlas land at Multan Road, Lahore	1,068	-	1,068	564	(504)	Negotiation	Collector of Lahore(Govt)
2 Acre land Rahim Yar Khan	600	-	600	749	149	Negotiation	Jam Bashir Ahmed (Jam Autos)
Vehicles							
Suzuki vehicles two & four wheelers (152 Vehicles)	97,401	53,250	44,151	57,249	13,098	Company policy	Company Employees
Suzuki vehicles two & four wheelers (12 Vehicles)	13,335	6,300	7,035	9,440	2,405	Auction	Various parties
Suzuki vehicle car	2,477	2,377	100	-	(100)	Scraped	-
Suzuki vehicles four wheelers (12 Vehicles)	7,333	2,879	4,454	7,426	2,972	Insurance claim	EFU
Office equipment							
Photo copy Machine	1,240	1,009	231	23	(208)	Auction	Various parties
Diesel Generator 40 KVA(AG Power)	757	671	86	359	273	Auction	Landhi Traders
Aggregate value of items where book value is less than Rs. 50,000							
	6,078	5,313	765	1,082	317	Negotiation	Various parties
	41,858	41,254	604	-	(604)	Scraped	Refer note 3.3.2
2012	243,563	119,354	124,209	166,006	41,797		
2011	312,002	223,626	88,376	104,010	15,634		

3.3.1 The leasehold land has been disposed of to the Company's vendors namely A-One Techniques (Private) Limited, MGA Industries (Private) Limited, Procon Engineering (Private) Limited, S.T Engineering Services (Private) Limited, National Automotive Company, and Ravi Autos, Lahore.

3.3.2 The proceeds of assets scraped is included in scrap sales (Note 30).

	2012	2011
	------ (Rupees in '000')	------
3.4 Capital work-in-progress		
Plant and machinery	8,791	656,426
Civil works	400	3,526
Advance for capital expenditure	17,453	-
	26,644	659,952
3.4.1 Movement in capital work-in-progress		
Opening balance	659,952	272,143
Additions during the year	320,220	885,827
Transferred to operating fixed assets	(953,528)	(466,919)
Transferred to intangible assets	-	(31,099)
Closing balance	26,644	659,952

4. INTANGIBLE ASSETS

	Cost as at January 01, 2012	Additions/ *(Write-offs)	Cost as at December 31, 2012	Accumulated amortisation as at January 01, 2012	Charge for the year/ *(Write-offs)	Accumulated amortisation as at December 31, 2012	Book value as at December 31, 2012	Years
	----------------	----------------	----------------	(Rupees in '000')	----------------	----------------	----------------	
License fees and drawings	850,317	186,298	482,264	552,640	190,765	189,054	293,210	3
		*(554,351)			*(554,351)			
Softwares	155,556	16,379	23,267	149,456	3,661	4,449	18,818	3
		*(148,668)			*(148,668)			
2012	1,005,873	202,677	505,531	702,096	194,426	193,503	312,028	
		*(703,019)			*(703,019)			

	Cost as at January 01, 2011	Additions/ *(Write-offs)	Cost as at December 31, 2011	Accumulated amortisation as at January 01, 2011	Charge for the year	Accumulated amortisation as at December 31, 2011	Book value as at December 31, 2011	Years
	----------------	----------------	----------------	(Rupees in '000')	----------------	----------------	----------------	
License fees and drawings	847,490	39,559	850,317	391,286	161,354	552,640	297,677	3
		(36,732)						
Softwares	148,668	6,888	155,556	99,112	50,344	149,456	6,100	3
2011	996,158	46,447	1,005,873	490,398	211,698	702,096	303,777	
		(36,732)						

* This represents intangible written off during the period with Nill WDV.

4.1 During the year, no amortisation has been charged on intangible assets amounting to Rs. Nil (2011: Rs. 145.969 million) as the assets have not yet been available for use.

4.2 Amortisation charge has been allocated as under:

	Note	2012	2011
		------ (Rupees in '000')	------
Cost of goods manufactured	27.1	190,765	161,354
Administrative expenses	29	3,661	50,344
		194,426	211,698

	Note	2012	2011
		------ (Rupees in '000') ------	
5. LONG-TERM INVESTMENTS			
Available for sale – unquoted			
Arabian Sea Country Club Limited			
500,000 (2011: 500,000) fully paid ordinary shares of Rs. 10/- each	5.1	5,000	5,000
Provision for impairment in the value of investment		(640)	(1,050)
		4,360	3,950
Automotive Testing & Training Centre (Private) Limited			
125,000 (2011: 125,000) fully paid ordinary shares of Rs. 10/- each	5.2	1,250	1,250
Provision for impairment in the value of investment		(1,065)	(1,010)
		185	240
		4,545	4,190

5.1 Shareholding 6.45% (2011: 6.45%). Value based on net assets as at June 30, 2012 amounting to Rs.4.36 million (2011: Rs.3.95 million).

5.2 Shareholding 6.94% (2011: 6.94%). Value based on net assets as at June 30, 2012 amounting to Rs.0.185 million (2011: Rs.0.239 million).

	Note	2012	2011
		------ (Rupees in '000') ------	
6. LONG-TERM LOANS – secured, considered good			
Loans to employees		3,044	3,171
Loans to executives	6.1 & 6.2	-	304
	6.3	3,044	3,475
Less: Receivable within one year	13	1,635	1,952
		1,409	1,523
6.1 Movement of loans to executives			
Opening balance		304	578
Disbursement during the year		62	271
Repayment during the year		(366)	(545)
		-	304

6.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.308 million (2011: Rs. 0.766 million).

6.3 These represent motorcycle and personal interest free loans granted to executives and employees. These loans are secured against the title documents, personnel guarantees and provident fund balances of the respective employees / executives. These are repayable in ten to thirty six equal monthly installments.

Notes to the Financial Statements

For the year ended December 31, 2012

	Note	2012	2011
		------ (Rupees in '000') ------	
7. LONG-TERM DEPOSITS, PREPAYMENTS AND RECEIVABLES			
Deposits		19,617	19,082
Prepayments		1,753	1,405
Long term receivable against disposal of land	7.1	71,786	-
Less: current portion	15	(29,705)	-
		42,081	-
		63,451	20,487

7.1 This represents amount receivable from various vendors against disposal of land. The price is recoverable in thirty six equal monthly installments.

	Note	2012	2011
		------ (Rupees in '000') ------	
8. LONG-TERM INSTALLMENT SALES RECEIVABLES – secured			
Installment sales receivables	8.4 & 8.5	639,424	612,680
Less: Unearned finance income		(92,967)	(100,976)
		546,457	511,704
Less: Provision for doubtful receivables	8.3	(30,730)	(21,924)
		515,727	489,780
Less: Current maturity		(353,077)	(303,951)
		162,650	185,829

8.1

	Note	Gross amount of installment sales receivables 2012	Gross amount of installment sales receivables 2011	Present value of installment sales receivables 2012	Present value of installment sales receivables 2011
		---- (Rupees in '000') ----		---- (Rupees in '000') ----	
Less than one year		421,836	378,835	353,077	303,951
One to five year		217,588	233,845	193,380	207,753
	8.2	639,424	612,680	546,457	511,704
Less: Provision for doubtful receivables		(30,730)	(21,924)	(30,730)	(21,924)
		608,694	590,756	515,727	489,780

8.2 Includes an overdue portion of installment sales receivables of Rs. 18.483 million (2011: Rs. 9.021 million).

8.3 The movement in provision against doubtful installment sales receivables during the year is as follows:

	Note	2012	2011
		------ (Rupees in '000') ------	
Balance at beginning of the year		21,924	31,271
Provision made during the year	29	8,824	4,684
Adjusted against receivable written off during the year		(18)	(14,031)
		30,730	21,924

8.4 Represents balances receivable under various installment sale agreements in equal monthly installments. As a security, the Company retains the title and registers the documents of such motorcycles in its name. Such documents are transferred in the name of customers after the entire dues are realised. Overdue rentals are subject to additional surcharge.

8.5 Mark-up on installment sales receivables ranges from 9% to 28% (2011: 14% to 28%) per annum.

	Note	2012	2011
		------ (Rupees in '000') ------	
9. DEFERRED TAXATION			
Taxable temporary differences arising from:			
Accelerated tax depreciation		142,500	87,500
Unrealized gain on revaluation of foreign exchange derivative contract	9.2	-	24,000
Deductible temporary differences arising from:			
Unrealized (loss) on revaluation of foreign exchange derivative contract	9.2	(92,000)	-
Provisions		(108,000)	(100,000)
Unamortised local development costs		(17,000)	(26,000)
Difference between turnover tax and taxable income		(233,500)	(154,500)
		(308,000)	(169,000)

9.1 Net deferred tax asset has not been recognized in the current year amounting to Rs. 308 million as the Company expects that it will be subject to minimum tax on turnover and FTR in the foreseeable future and hence it cannot be established with reasonable certainty that it will be realized.

9.2 Deferred tax on unrealized (loss) / gain arising on derivative financial instrument has not been recognised for the reasons explained in note 9.1.

	Note	2012	2011
		------ (Rupees in '000') ------	
10. STORES, SPARES AND LOOSE TOOLS			
Stores		44,681	30,466
Spares		61,737	47,700
Loose tools		25,853	23,753
		132,271	101,919
Less: Provision for slow moving and obsolete items			
- at beginning of the year		37,452	44,033
- provision / (reversal) for the year	27.1	11,724	(6,581)
		49,176	37,452
		83,095	64,467

11. STOCK-IN-TRADE

	2012	2011
	------ (Rupees in '000') ------	
Raw material and components [including items in transit Rs. 1,851.556 million (2011: Rs. 4,741.210 million)]	7,660,046	10,341,524
Less: Provision for slow moving and obsolete items		
- at beginning of the year	25,441	25,804
- provision / (reversal) for the year	4,166	(363)
	29,607	25,441
	7,630,439	10,316,083
Work-in-process	43,909	49,836
Finished goods	2,679,173	2,297,158
Trading stocks [including items in transit Rs. 20.708 million (2011: Rs. 17.059 million)]	254,554	305,382
Less: Provision for slow moving and obsolete items		
- at beginning of the year	46,063	49,057
- reversal for the year	(182)	(2,994)
	45,881	46,063
	208,673	259,319
	10,562,194	12,922,396

11.1 Of the aggregate amount, stocks worth Rs. 2,363 million (2011: Rs. 2,040 million) were in the custody of dealers and vendors.

11.2 Raw material and components, work-in-process and finished goods have been written down by Rs. 132.893 million, Rs. 0.354 million and Rs. 43.615 million (2011: 158.435 million, Rs. 0.492 million and Rs. 63.830 million) respectively to arrive at net realizable value.

12. TRADE DEBTS – unsecured

	Note	2012	2011
		------ (Rupees in '000') ------	
Considered good			
- Due from Government agencies		55,629	125,960
- Others	12.3	532,413	196,717
		588,042	322,677
Considered doubtful	12.2	5,216	15,304
Less: Provision for doubtful debts		(5,216)	(15,304)
		-	-
		588,042	322,677

12.1 The ageing of trade debts at December 31 is as follows

	2012	2011
Neither past due nor impaired	588,042	322,677
Past due but not impaired	-	-
Past due and impaired	5,216	15,304
	593,258	337,981

	Note	2012	2011
		------ (Rupees in '000') ------	
12.2 Reconciliation of provision for impairment of trade debts			
Balance at the beginning of the year		15,304	16,501
Reversal for the year	29	(7,184)	(1,197)
Adjusted against receivable written off during the year		(2,904)	-
Balance at the end of the year		5,216	15,304

12.3 Includes Rs. Nil (2011: Rs. 1.066 million) due from Magyar Suzuki Corporation, Hungary - a related party.

	Note	2012	2011
		------ (Rupees in '000') ------	
13. LOANS, ADVANCES AND OTHERS			
Loans – secured, considered good			
Current portion of loans to employees		1,635	1,648
Current portion of loans to executives		-	304
	6	1,635	1,952
Advances – unsecured Considered good			
- Suppliers / vendors	13.1	186,907	210,227
- Employees		3,500	2,180
		190,407	212,407
Considered doubtful		17,246	18,390
Less: Provision for doubtful advances		(17,246)	(18,390)
		-	-
		190,407	212,407
Others			
- Gratuity fund	13.2.1	3,449	1,335
- Provident fund		-	892
		3,449	2,227
		195,491	216,586

13.1 Includes advances to vendors of Rs. 87.783 million (2011: Rs. 74.873 million), which carry mark-up ranging from 12% - 12.58% (2011: 12% - 14.52%) per annum.

13.2 Employees gratuity fund

The latest actuarial valuation was carried out as at December 31, 2012 using the Projected Unit Credit Method, according to which present value of gratuity obligation and fair value of plan assets were Rs. 244.552 million and Rs. 264.483 million respectively.

	2012	2011
	------ (Rupees in '000') ------	
13.2.1 Amount recognised in the balance sheet		
Present value of defined benefit obligation	(244,552)	(223,112)
Fair value of plan assets	264,483	260,011
Un-recognised actuarial gains	(16,482)	(35,564)
	3,449	1,335

Notes to the Financial Statements

For the year ended December 31, 2012

	2012	2011
	------ (Rupees in '000') ------	
13.2.2 Expense recognised in the profit and loss account		
Current service cost	15,162	12,726
Interest cost	27,889	23,587
Expected return on plan assets	(32,501)	(30,686)
Actuarial gain	(869)	(2,816)
	9,681	2,811
13.2.3 Movement asset recognised in the balance sheet		
Opening balance – asset	1,335	2,849
Expense recognised in the financial statements	(9,681)	(2,811)
Contribution made by the Company during the year	32,295	8,497
Payment made to the Company from the fund	(20,500)	(7,200)
	3,449	1,335
13.2.4 Movement in present value of defined benefit obligation		
Opening balance – Present value of defined benefit obligation	223,112	181,436
Current service cost for the year	15,162	12,726
Interest cost for the year	27,889	23,587
Benefit paid during the year	(32,295)	(8,497)
Actuarial loss on present value of defined benefit obligation	10,684	13,860
	244,552	223,112
13.2.5 Movement in fair value of plan assets		
Opening balance – Fair value of plan assets	260,011	236,041
Expected return on plan assets	32,501	30,686
Contribution during the year	32,295	8,497
Benefit paid during the year	(32,295)	(8,497)
Payment made to the Company from the fund during the year	(20,500)	(7,200)
Actuarial (loss) / gain on plan assets	(7,529)	484
	264,483	260,011

13.2.6 Principal actuarial assumptions used are as follows:

	2012	2011
Valuation discount rate	11% per annum	12.5% per annum
Expected rate of eligible salaries increase in future years	11% per annum	12.5% per annum
Expected rate of return on plan assets	12% per annum	12.5% per annum

	2012	2011
	------ (Rupees in '000') ------	
13.2.7 Actual return on plan assets		
Expected return on plan assets	32,501	30,686
Actuarial (loss) / gain on plan assets	(7,529)	484
Actual return on plan assets	24,972	31,170

13.2.8 Comparison for past years

As at December 31	2012	2011	2010	2009	2008
	------------------- (Rupees in '000') -------------------				
Present value of defined benefit obligation	244,552	223,112	181,436	168,986	137,380
Fair value of plan assets	264,483	260,011	236,041	233,441	216,158
Surplus	(19,931)	(36,899)	(54,605)	(64,455)	(78,778)
Experience adjustment on plan liabilities	10,684	13,860	(4,237)	14,992	(11,379)
Experience adjustment on plan assets	(7,529)	484	(4,063)	3,859	(1,091)
	3,155	14,344	(8,300)	18,851	(12,470)

13.2.9 Major categories / composition of plan assets are as follows:

	Note	2012	2011
		------ (Rupees in '000') ------	
Defence Saving Certificate and Pakistan Investment Bonds		199,720	187,085
Mutual Funds		1,324	-
Term Deposit Receipts		57,240	65,914
Cash at bank		6,199	7,012
		264,483	260,011

14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2012	2011
Trade deposits		2,530	15,755
Prepayments:			
Collector of Customs		362	26,222
Others		36,026	41,294
		36,388	67,516
		38,918	83,271

15. OTHER RECEIVABLES - considered good

	Note	2012	2011
Due from related parties	15.1 & 15.2	65,637	77,788
Due from vendors for material / components returned		7,611	10,325
Unrealised gain on derivative financial instrument		-	67,952
Duty drawback		2,203	2,164
Expenses recoverable from dealers		47,944	-
Current portion of long term receivable against disposal of land	7	29,705	-
Others		16,522	5,502
		169,622	163,731

15.1 This includes receivable from SMC - Japan amounting to Rs. 62.852 million (2011: 77.788 million) and from Thai Suzuki Motor Company amounting to Rs. 2.785 million (2011: Nil).

15.2 The maximum aggregate amount due from the holding company at the end of any month during the year was Rs. 98.157 million (2011: Rs. 94.111 million).

16. CASH AND BANK BALANCES

	Note	2012	2011
		------ (Rupees in '000') ------	
Cash in hand		8,703	9,147
Cheques in hand	16.1	201,262	506,273
Cash at bank:			
on deposit	16.2	373,960	391,749
in a special deposit account	16.3	84,728	89,253
in current accounts		748,777	143,058
		1,207,465	624,060
		1,417,430	1,139,480

16.1 Represents cheques that were received on the last day and were deposited on the next working day.

16.2 The mark-up on funds placed on deposit accounts ranges from 6% to 12.60% (2011: 5% to 12.75%) per annum.

16.3 A special account is maintained in respect of security deposits (note 23) in accordance with the requirements of Section 226 of the Companies Ordinance, 1984.

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2012	2011
		------ (Rupees in '000') ------	
Leasehold land		272	-
Factory building		2,978	-
Waste water treatment plant		2,213	-
	17.1	5,463	-

17.1 Pak Suzuki Motor Company Limited has entered into an agreement with Reckitt Benckiser Pakistan Limited to sell its plot No. F-14, SITE, Karachi along with buildings and waste water treatment plant for a total consideration of Rs.280 million. Company's motorcycle plant was previously located on this land which has now been shifted in the vicinity of automobile plant at Bin Qasim, Karachi. The total price is payable in installments. The ownership would be transferred to the buyer when Company will receive final installment which is to take place by April 2013. The aggregate book value of these assets is Rs 5.463 million.

18. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Fully paid ordinary shares of Rs. 10/- each

2012	2011		2012	2011
(Number of shares)			---- (Rupees in '000') ----	
45,517,401	45,517,401	Issued for cash	455,174	455,174
2,800,000	2,800,000	Issued for consideration other than cash	28,000	28,000
33,982,450	33,982,450	Issued as fully paid bonus shares	339,825	339,825
82,299,851	82,299,851		822,999	822,999

18.1 SMC held 60,154,091 (2011: 60,154,091) ordinary shares of Rs. 10/- each, constituting 73.09% (2011: 73.09%) holding in the Company.

	Note	2012	2011
		------ (Rupees in '000') ------	
19. TRADE AND OTHER PAYABLES			
Creditors		604,130	779,632
Bills payable	19.1	598,101	1,116,686
Accrued liabilities		526,504	345,742
Royalties and technical fee payable to SMC		378,236	563,717
Mark-up on waiting for delivery of vehicles	20.1	3,704	3,720
Dealers' commission		132,405	219,206
Provision for unexpired free service and warranty period	19.2	34,988	35,018
Workers' profits participation fund	19.3	15,633	3,525
Workers' welfare fund		30,607	32,415
Retention money		1,265	5,220
Unclaimed dividend		5,361	4,909
Deposits from employees against purchase of vehicles		93,254	84,475
Unrealised loss on derivative financial instruments		261,401	-
Others		9,036	16,909
		2,694,625	3,211,174

19.1 This includes amount of Rs. 475 million (2011: Rs. 1,087 million) due to SMC - Japan.

	Note	2012	2011
		------ (Rupees in '000') ------	
19.2 Provision for unexpired free service and warranty period			
Balance at the beginning of the year		35,018	24,962
Provision for the year		(30)	10,056
Balance at the end of the year		34,988	35,018
19.3 Workers' profits participation fund			
Balance at beginning of the year		3,525	3,979
Mark-up on funds utilised in the Company's business		87	245
		3,612	4,224
Allocation for the year	32	80,545	73,525
		84,157	77,749
Less: Paid during the year		68,524	74,224
Balance at end of the year		15,633	3,525
20. ADVANCES			
Advances from customers		1,115,746	3,065,406
Advance against sale of non-current assets classified as held for sale	20.1	28,000	-
		1,143,746	3,065,406

20.1 This represents 10% down-payment received against the agreement for sale of non-current assets classified as held for sale (refer note 17.1).

Notes to the Financial Statements

For the year ended December 31, 2012

21. SHORT-TERM BORROWING - secured

This represents export refinance loan from a commercial bank carrying markup rate at State Bank of Pakistan Export Finance Rate + 1% per annum, determined on six monthly basis, payable quarterly. The loan is fully secured against the registered charge over stock-in-trade, stores and spares and book debts. At the year end, no balance was outstanding.

22. DEPOSITS AGAINST DISPLAY OF VECHICLES

This represents the amount deposited by the dealers as security against the vehicles delivered to them for display.

23. SECURITY DEPOSITS

	2012	2011
	------ (Rupees in '000') ------	
Dealership deposits	78,897	74,897
Deposits against contractual obligation	5,831	6,300
	84,728	81,197

24. PROVISION FOR CUSTOM DUTIES AND SALES TAX

24.1 Includes Rs. 52.152 million (2011: Rs. 52.152 million) being provision against demand raised by the Custom Authorities on account of alleged short payment of custom duties. The Company's appeal against the order passed in above case is pending at the High Court of Sindh. In view of the inherent delays that are associated and the element of uncertainty inherent in legal matters, provision has been continued as a matter of prudence.

24.2 Includes Rs. 86.323 million (2011: Rs. 86.323 million) for custom duty and sales tax against royalty. Revenue Receipts Auditors – Government of Pakistan conducted an audit in the year 2001 and alleged that the Company short paid Rs. 120 million on account of custom duties and sales tax against royalty during the period from July 1997 to February 1999. According to clause 2(d) of Section 25 of the Customs Act, 1969, payment in the nature of royalty without which goods cannot be legitimately imported and sold or used in Pakistan are to be included in value for import purpose. Subsequent to audit observation the Company paid Rs. 33.677 million after reconciliation with the Collector of Customs. Despite reconciliation, Deputy Collector – Customs has adjudicated to pay balance amount of Rs. 86.323 million. The Company's appeal is pending at Customs Appellate Tribunal for hearing. Though the Company disputes calculation of the amount, provision has been continued, as a matter of prudence in view of the inherent uncertainties in such matters.

25. CONTINGENCIES AND COMMITMENTS

25.1 Capital expenditure contracted for but not incurred amounted to Rs. 976.894 million (2011: Rs. 12.991 million).

25.2 The facilities for opening letters of credit amounted to Rs. 4,100 million (2011: Rs. 4,050 million) of which the amount remaining unutilised at the year end was Rs. 3,538 million (2011: Rs. 3,158 million).

25.3 Counter guarantees issued by the Company against guarantees issued by two commercial banks on behalf of the Company amounted to Rs. 90.779 million (2011: Rs. 85 million).

	Note	2012	2011
		------ (Rupees in '000') ------	
26. TURNOVER – NET			
Manufactured goods	26.1	57,097,138	51,486,943
Trading stocks	26.2	1,433,999	1,231,620
		58,531,137	52,718,563
26.1 Manufactured goods			
- Vehicles		67,742,989	61,610,309
- Spare parts		231,607	231,679
	26.3	67,974,596	61,841,988
Less: Provincial sales tax		9,380,801	9,120,339
Sales commission to dealers		1,496,657	1,234,706
		10,877,458	10,355,045
		57,097,138	51,486,943
26.2 Trading stocks			
- Vehicles		665,536	710,157
- Spare parts		1,007,540	735,947
	26.3	1,673,076	1,446,104
Less: Provincial sales tax		230,769	204,813
Sales commission to dealers		8,308	9,671
		239,077	214,484
		1,433,999	1,231,620

26.3 These include export sales of Rs. 91.396 million (2011: Rs. 83.072 million).

	Note	2012	2011
		------ (Rupees in '000') ------	
27. COST OF SALES			
Manufactured goods			
Finished goods at beginning of the year		2,297,158	1,885,813
Cost of goods manufactured	27.1	55,294,981	50,131,030
Export expenses		6,743	9,713
		57,598,882	52,026,556
Less: Finished goods at end of the year		2,679,173	2,297,158
		54,919,709	49,729,398
Trading stocks			
Stocks at beginning of the year		259,319	258,853
Purchases during the year		1,215,042	1,120,221
		1,474,361	1,379,074
Less: Stocks at end of the year		208,673	259,319
		1,265,688	1,119,755
		56,185,397	50,849,153

	Note	2012	2011
		------ (Rupees in '000') ------	
27.1 Cost of goods manufactured:			
Raw materials and components at beginning of the year		10,316,083	6,573,091
Purchases during the year	27.1.1	48,963,978	50,433,999
		59,280,061	57,007,090
Less: Raw materials and components at end of the year		7,630,439	10,316,083
Raw materials and components consumed		51,649,622	46,691,007
Stores and spares consumed		39,395	21,965
Provision / (reversal of provision) for slow moving and obsolete stores, spares and loose tools	10	11,724	(6,581)
Power		292,921	204,108
Vehicle running expenses		12,786	17,937
Salaries, wages and other benefits	27.1.2	539,594	402,381
Outsourced job contractor charges		338,035	312,133
Rent, rates and taxes		14,848	11,709
Travelling		29,908	26,473
Training		2,689	9,157
Insurance		5,959	4,461
Repairs and maintenance		230,555	234,690
Royalty		707,994	772,339
Technical fee		267,803	265,919
Provincial sales tax on royalty and technical fees		95,537	102,142
Depreciation	3.2	709,211	718,661
Amortisation of intangible assets	4.2	190,765	161,354
Conveyance and transportation		177,594	134,730
Communication		2,426	3,582
Hired security guards services		9,228	8,526
Local development costs		42,041	102,061
Printing and stationery		5,369	6,045
Others		3,736	3,257
		3,730,118	3,517,049
		55,379,740	50,208,056
Add: work-in-process at beginning of the year		49,836	30,274
		55,429,576	50,238,330
Less: work-in-process at end of the year		43,909	49,836
		55,385,667	50,188,494
Less: cost of own used vehicles		90,686	57,464
		55,294,981	50,131,030

27.1.1 Purchases are stated net of proceeds from the sale of packing materials Rs. 349.524 million (2011: Rs. 319.605 million).

27.1.2 Includes Rs. 10.410 million (2011: Rs. 8.558 million) and Rs.6.112 million (2011: Rs. 1.776 million) in respect of defined contributory provident fund and defined benefit gratuity fund respectively.

	Note	2012	2011
		------ (Rupees in '000') ------	

28. DISTRIBUTION COSTS

	Note	2012	2011
Advertising and sales promotion		217,727	160,894
Free service		79,201	46,282
Warranty claims		6,096	2,491
Provision for unexpired free service and warranty period	19.2	(30)	10,056
Transportation and handling charges		35,143	30,846
Royalty on spare parts		17,117	11,893
Federal Excise Duty on royalty		1,706	1,189
		356,960	263,651

29. ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries, wages and other benefits	29.1	334,092	247,624
Outsourced job contractor charges		62,630	51,504
Travelling		58,465	41,710
Training		2,508	1,797
Hired security guards services		20,047	17,380
Rent, rates and taxes		45,643	34,841
Utilities		25,531	19,171
Vehicle running expense		66,848	51,868
Insurance		19,313	15,115
Repairs and maintenance		18,632	14,897
Depreciation	3.2	102,850	104,718
Amortisation of intangible assets	4.2	3,661	50,344
Auditors' remuneration	29.2	2,449	1,420
Legal and professional charges		5,768	7,881
Conveyance and transportation		25,744	19,531
Entertainment		2,987	1,642
Printing and stationery		15,963	13,196
Communication		12,598	11,892
Directors' fees		17	17
Provision for doubtful debts	8.3,12.2 & 13	496	4,965
Celebration of special events		6,156	-
Bad debts written-off		4,234	3,794
Computer software license fees & ERP maintenance charges		17,918	15,836
(Reversal) / provision for impairment in the value of investments		(355)	1,223
Others		6,558	3,569
		860,753	735,935

29.1 Includes Rs. 6.918 million (2011: Rs. 5.737 million) and Rs 3.569 million (2011: Rs.1.037 million) in respect of defined contributory provident fund and defined benefit gratuity fund respectively.

	Note	2012	2011
		------ (Rupees in '000') ------	
29.2 Auditors' remuneration			
Audit fee		1,150	1,000
Half-yearly review		368	300
Fee for special certifications		897	105
Out of pocket expenses		34	15
		2,449	1,420
30. OTHER OPERATING INCOME			
Income from financial assets			
Mark-up on bank balances		256,722	385,951
Finance income on installment sales		100,531	98,723
Exchange gain – net		26,384	43,874
		383,637	528,548
Income from non-financial assets			
Gain on disposal of fixed assets	3.3	41,797	15,634
Reversal of provision for mark-up on waiting for delivery of vehicles		-	9,920
Profit on sale of repossesed bike		727	-
Scrap sales		26,469	22,656
Miscellaneous income		41,355	43,632
		110,348	91,842
		493,985	620,390
31. FINANCE COSTS			
Mark-up on short-term borrowing		2,294	5,164
Mark-up on workers' profits participation fund		87	245
Bank charges		8,719	12,436
		11,100	17,845
32. OTHER OPERATING EXPENSES			
Workers' profit participation fund	19.3	80,545	73,525
Workers' welfare fund	32.1	30,607	31,655
Donations		-	1,892
		111,152	107,072
32.1 Workers' Welfare Fund			
For the current year		30,607	32,415
For the prior years		-	(760)
		30,607	31,655
33. TAXATION			
- Current	33.1 & 33.2	514,000	585,000
- Prior		7,738	(14,124)
		521,738	570,876

33.1 Provision for current taxation has been made on the basis of minimum tax on turnover under section 113 of the Income Tax Ordinance and Final Tax Regime. Accordingly, reconciliation of tax expense with the accounting profit is not presented.

33.2 Includes amount of Rs. Nil (2011: Rs. 25.302 million) in respect of flood surcharge tax.

34. EARNINGS PER SHARE - BASIC AND DILUTED

	2012	2011
	------ (Rupees in '000') ------	
Net profit for the year	978,022	794,421
	Number of shares in '000'	
Weighted average number of ordinary shares in issue during the year	82,299	82,299
	---------- (Rupees) ----------	
Basic earnings per share	11.88	9.65

34.1 Basic earnings per share have no dilution effect.

35. CASH GENERATED FROM OPERATIONS

	Note	2012	2011
		------ (Rupees in '000') ------	
Profit before taxation		1,499,760	1,365,297
Adjustments for non cash charges and other items:			
Depreciation		812,061	823,379
Amortisation of intangible assets		194,426	211,698
Development cost transferred from intangible assets		-	36,732
Gain on disposal of fixed assets		(41,797)	(15,634)
(Reversal) / provision for impairment in the value of investment		(355)	1,223
Mark-up on bank balances		(256,722)	(385,951)
Reversal of provision for mark-up on waiting for delivery of vehicles		-	(9,920)
Finance costs		11,100	17,845
		718,713	679,372
Working capital changes	35.1	(650,031)	(1,789,491)
		1,568,442	255,178

	2012	2011
	------ (Rupees in '000') ------	
35.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(18,628)	(551)
Stock-in-trade	2,360,202	(4,174,365)
Trade debts	(265,365)	(81,958)
Current portion of long-term installment sales receivables	(49,126)	(52,697)
Loans, advances and others	21,095	(81,623)
Trade deposits and short-term prepayments	44,353	(39,805)
Other receivables	(29,673)	9,678
Sales tax and excise duty adjustable	53,223	(633,946)
	2,116,081	(5,055,267)
Increase / (decrease) in current liabilities		
Trade and other payables	(822,556)	140,963
Security deposits	3,531	(7,556)
Deposits against display of vehicles	49,573	368,994
Advance from customers	(1,921,660)	2,738,375
Short-term borrowing	(75,000)	25,000
	(2,766,112)	3,265,776
	(650,031)	(1,789,491)

36. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company include Suzuki Motor Corporation – Japan (holding company) and related group companies, local associated companies, staff retirement funds, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amount due from and to related parties, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes to the financial statements. Other material transactions with related parties are given below:

For the year ended December 31, 2012	Holding Company	Other related Parties	Total
	------------- (Rupees in '000') -------------		
Purchases of components	24,285,717	750,742	25,036,459
Purchases of fixed assets	5,409	828	6,237
Exports sales	71	2,993	3,064
Royalties and technical fee	1,162,092	-	1,162,092
Staff retirement benefits	-	26,940	26,940
Sales promotional and development expenses	13,734	-	13,734

For the year ended December 31, 2011	Holding Company	Other related Parties	Total
	------------- (Rupees in '000') -------------		
Purchases of components	24,331,360	601,961	24,933,321
Purchases of fixed assets	294,459	30,804	325,263
Exports sales	457	8,338	8,795
Royalties and technical fee	1,050,151	-	1,050,151
Staff retirement benefits	-	17,108	17,108
Sales promotional and development expenses	259	-	259

36.1 The outstanding balances due to / from related parties are included in the respective notes to the financial statements.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	2012	2011
	(Number of vehicles)	
Plant capacity - Motorcar (double shifts basis)	150,000	150,000
Plant capacity - Motorcycle (double shifts basis)	44,000	44,000
Actual production – Motorcar	96,370	92,529
Actual production – Motorcycle	21,312	20,120

37.1 Under utilization of capacity was due to lower demand of certain products.

38. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

The aggregate amounts charged in the financial statements for remuneration, including benefits, to the directors, chief executive and executives of the Company are given below:

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executives	Directors	Executives
	------------------------------ (Rupees in '000')					------------------------------
Directors fees	-	17	-	-	17	-
Managerial remuneration	6,270	15,367	87,054	5,328	12,432	52,567
Bonus	1,425	3,306	15,781	743	1,724	5,550
Retirement benefits	-	953	5,740	-	822	3,769
	7,695	19,643	108,575	6,071	14,995	61,886
Number of persons	1	4	47	1	5	31

38.1 The directors, chief executive and certain executives of the Company are provided with free use of Company maintained cars. Medical facility is also provided as per Company's policy.

38.2 Executive means an employee whose annual basic salary exceeds five hundred thousand as defined in the Companies Ordinance, 1984.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risk such as market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors oversees the management of these risk which are summarized below:

39.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, currency risk and equity price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Company had following interest bearing financial instruments:

	2012	2011
	----- (Rupees in '000') -----	
Installments receivables	515,727	489,780
Advances to vendors	87,783	74,873
Bank balances in deposit accounts	458,688	481,002
Short-term borrowing	-	(75,000)
	1,062,198	970,655

The interest rates in above financial instruments were fixed and the instruments were classified as either held to maturity or loan and advances. As such the above financial instruments are not subject to interest rate risk. Changes in market interest rates of financial instruments with fixed interest rates only affect income if these are measured at their fair value.

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. It arises where receivables and payables exist due to transactions in foreign currency. The Company manages its exposure against foreign currency risk by entering into foreign exchange options whenever considered necessary. Open exposures are vigorously monitored. The Company is exposed to such risk in respect of the following:

	2012	2011
	----- (Amount in '000') -----	
Due from related party – JPY	(45,433)	(65,212)
Bills payable – JPY	421,379	938,771
Royalty and technical fees payable – JPY	320,450	473,799
Net exposure – JPY	696,396	1,347,358
Net exposure – US$ (Bills payable)	1,093	295
Net exposure – RMB (Bills payable)	1,026	-

At December 31, 2012 if Pak Rupee had depreciated / appreciated by 1% against JPY, US$ and RMB with all other variables held constant, Company's profit before tax would have been Rs. 8.460 million (2011: Rs. 14.816 million) higher /lower as a result of exchange loss/gain on translation of foreign currency denominated financial instruments.

(iii) Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy, allowing advances to vendors / suppliers who have long standing with Company and placing deposits with banks with good rating. The maximum exposure to credit risk at the reporting date is:

	2012	2011
	----- (Rupees in '000') -----	
Installment sales receivables	515,727	489,780
Trade debts	588,042	322,677
Loans, advances, deposits and other receivables	404,031	463,588
Accrued markup income	5,664	6,145
Bank balances	1,207,465	624,060
	2,720,929	1,906,250

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	2012	2011
	----- (Rupees in '000') -----	
Long term investment		
Counter parties without credit rating	4,545	4,190
Trade debts		
Customers with no defaults in past one year	588,042	322,677
Customers with some defaults in past one year	5,216	15,304
	593,258	337,981
Installment sales receivables		
Customers with no defaults in past one year	515,727	489,780
Customers with some defaults in past one year	18,483	9,022
	534,210	498,802
Bank balances		
A1+	1,206,237	621,406
A1	1,228	2,654
	1,207,465	624,060

39.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

2012	Less than 3 months	3 to 12 months	Total
	------------	(Rupees in '000')	------------
Trade and other payables	2,255,009	439,616	2,694,625
Advances	1,143,746	-	1,143,746
Short -term borrowing	-	-	-
Deposits against display of vehicles	-	1,486,406	1,486,406
Security deposits	-	84,728	84,728
	3,398,755	2,010,750	5,409,505

2011	Less than 3 months	3 to 12 months	Total
	------------	(Rupees in '000')	------------
Trade and other payables	3,028,508	182,666	3,211,174
Advances	3,065,406	-	3,065,406
Short -term borrowing	-	75,000	75,000
Deposits against display of vehicles	-	1,436,833	1,436,833
Security deposits	-	81,197	81,197
	6,093,914	1,775,696	7,869,610

39.3 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long term borrowings.

39.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Fair value hierarchy

The Company uses the following hierarchy for disclosure of the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active market for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2012, the Company has available-for-sale investments and derivative financial instruments measured using level 3 valuation technique.

40. SEGMENT ANALYSIS

The activities of the Company have been grouped into two segments of related products i.e. automobile and motorcycles as follows:

- The Automobile segment includes sales of own manufactured vehicles and spare parts and trading vehicles and spare parts.
- The Motorcycles segment includes sales of own manufactured vehicles and spare parts and trading vehicles and spare parts.

	2012			2011		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	-------------------------(Rupees in '000')-------------------------					
Segment Results						
Net sales	57,129,914	1,401,223	58,531,137	51,373,864	1,344,699	52,718,563
Gross profit / (loss)	2,626,970	(281,230)	2,345,740	2,042,636	(173,226)	1,869,410
Distribution costs	(253,091)	(103,869)	(356,960)	(204,390)	(59,261)	(263,651)
Administrative expenses	(746,683)	(114,070)	(860,753)	(580,983)	(154,952)	(735,935)
Operating profit / (loss)	1,627,196	(499,169)	1,128,027	1,257,263	(387,439)	869,824
Finance costs	(9,760)	(1,340)	(11,100)	(16,361)	(1,484)	(17,845)
Other income	391,106	102,879	493,985	515,609	104,781	620,390
Segment results	2,008,542	(397,630)	1,610,912	1,756,511	(284,142)	1,472,369
Unallocated corporate expenses						
Operating expenses			111,152			107,072
Taxation			521,738			570,876
			632,890			677,948
Profit after taxation			978,022			794,421
Assets						
Segment assets	14,578,101	1,526,584	16,104,685	17,070,426	1,554,855	18,625,281
Unallocated corporate assets	-	-	5,244,179	-	-	4,699,619
	14,578,101	1,526,584	21,348,864	17,070,426	1,554,855	23,324,900
Liabilities						
Segment liabilities	5,475,711	72,269	5,547,980	7,927,323	80,762	8,008,085
Unallocated corporate liabilities	-	-	-	-	-	-
	5,475,711	72,269	5,547,980	7,927,323	80,762	8,008,085
Capital expenditure	425,567	54,716	480,283	547,064	369,525	916,589
Depreciation	711,729	100,332	812,061	734,011	89,368	823,379

Notes to the Financial Statements

For the year ended December 31, 2012

41. UNUTILIZED CREDIT FACILITIES

As of the balance sheet date, the Company has unutilized facilities for short term running finance available from various banks amounted to Rs. 4,300 million (2011: Rs. 2,300 million).

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on March 21, 2013.

43. SUBSEQUENT EVENT

The Board of Directors of the Company in its meeting held on March 21, 2013, has proposed 25% cash dividend (2011: Cash Dividend @ 20%). The approval of the members for the said appropriation will be obtained at the Annual General Meeting to be held on April 24, 2013 at Karachi.

44. CORRESPONDING FIGURES

There were no material reclassifications that could affect the financial statements materially.

45. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand of Rupees, unless otherwise stated.

Hirofumi Nagao
Chairman & Chief Executive

Satoshi Ina
Deputy Managing Director

Pattern of Shareholdings

As at December 31, 2012

Shareholdings' Slab			No. of Shareholders	No. of Shares
1	to	100	3903	63,533
101	to	500	933	279,763
501	to	1000	438	347,906
1001	to	5000	450	1,055,174
5001	to	10000	82	661,441
10001	to	15000	24	295,500
15001	to	20000	14	259,897
20001	to	25000	12	281,417
25001	to	30000	14	399,725
30001	to	35000	3	97,900
35001	to	40000	3	112,945
40001	to	45000	4	168,950
45001	to	50000	4	197,850
55001	to	60000	2	113,630
65001	to	70000	2	140,000
70001	to	75000	2	147,927
75001	to	80000	1	78,761
80001	to	85000	2	167,000
85001	to	90000	2	178,700
90001	to	95000	1	92,150
95001	to	100000	4	393,500
100001	to	105000	2	202,100
110001	to	115000	1	110,150
120001	to	125000	1	123,000
130001	to	135000	1	131,500
160001	to	165000	2	325,725
185001	to	190000	1	190,000
190001	to	195000	1	191,234
195001	to	200000	1	199,750
210001	to	215000	1	211,685
235001	to	240000	1	238,725
305001	to	310000	1	306,000
325001	to	330000	1	330,000
360001	to	365000	1	360,785
450001	to	455000	1	455,000
485001	to	490000	1	487,623
490001	to	495000	1	494,400
510001	to	515000	1	514,416
530001	to	535000	2	1,062,439
610001	to	615000	1	612,005
715001	to	720000	1	720,000
1180001	to	1185000	1	1,180,574
2490001	to	2495000	1	2,490,727
2625001	to	2630000	1	2,626,863
3045001	to	3050000	1	3,047,390
59250001	to	59255000	1	60,154,091
			5928	82,299,851

Category wise list of shareholders

As at December 31, 2012

Categories of Shareholders	No. of Shareholders	No. of Shares	Percentage
Directors and their spouse(s) and minor children			
MR. HIROFUMI NAGAO	1	119	0.00
Associated Companies, undertakings and related parties			
M/S. SUZUKI MOTOR CORPORATION	1	60,154,091	73.09
Executives	-	-	-
Public Sector Companies and Corporations	13	6,939,994	8.43
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	16	504,061	0.61
Mutual Funds			
CDC - TRUSTEE MEEZAN BALANCED FUND	1	19,060	0.02
ASIAN STOCK FUND LIMITED	1	531,344	0.65
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	4,710	0.01
SAFEWAY MUTUAL FUND LIMITED	1	531,095	0.65
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	389	0.00
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	73,927	0.09
FIRST CAPITAL MUTUAL FUND LIMITED	1	15,000	0.02
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	487,623	0.59
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	27,000	0.03
General Public			
a. Local	5775	5,137,962	6.24
b. Foreign	18	5,432,095	6.60
Others	95	2,441,381	2.97
Totals	5928	82,299,851	100.00
Share holders holding 5% or more			
M/S. SUZUKI MOTOR CORPORATION	1	60,154,091	73.09

During The year, no trade was carried out, in the shares of the Company, by any of its directors, executives, their spouses or their minor children.

Form of Proxy

I/We ____

of ____

(Full Address)

being member(s) of Pak Suzuki Motor Co. Limited and holder of __________ shares under Folio No.__________ and/or CDC participant I.D. No.__________ and Sub Account No.__________ hereby appoint ______________________________

of ____

(Full Address)

Folio No. __________ and/or CDC participant I.D. No.__________ and Sub Account No.__________ as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on 24th day of April 2013 at 11:30 pm at Pearl Continental Hotel, Club Road, Karachi and at any adjourment thereof.

As witness my/our hand this ________ day ________ 2013

Signed by the Said ______________________________

Witnesses:

Signature	______________________	______________________
Name	______________________	______________________
Address	______________________	______________________
CNIC No./Passport No.	______________________	______________________

(Signature should agree with the SPECIMEN signature registered with the Company)

Notes:

1. A member entitled to attend and vote at the annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his constituted attorney or if such appointer is a corporation/company either under the common seal of such corporation/company or under the hand of an officer or attorney so authorized.
3. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
4. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
6. The proxy form, duly completed, must be deposited with the Company's registrar, Central Depository Company of Pakistan Ltd. CDC House, 99 - B, Block "B", S.M.C.H.S, Main Shahrah-e-Faisal Karachi. not less than 48 hours before the time for holding the meeting.

AFFIX
CORRECT
POSTAGE

Company Secretary:
Pak Suzuki Motor Company Limited
DSU-13, Pakistan Steel Industrial Estate,
Bin Qasim, Karachi.

Way of Life!

Pak Suzuki Motor Company Limited

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