SUZUKI

Way of Life!

Annual Report 2017

Pak Suzuki Motor Company Limited

Sales Volume
increased by

21%

Sales Revenues
increased by

33%

Net Profit
increased by

38%

Duties & Taxes Paid by the company increased by 44%
from Rs. 24.45 billion to Rs. 35.16 billion

SUZUKI

Way of Life!

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GSX-R 600

The Top Performer In Its Class

A lightweight chassis featuring a compact wheelbase and race-developed suspension.

A compact, powerful 4-cylinder engine delivering a real-world demonstration of advanced race-proven technology.

The GSX-R600 – designed to be The Top Performer in its class, a total package designed to Own The Racetrack.

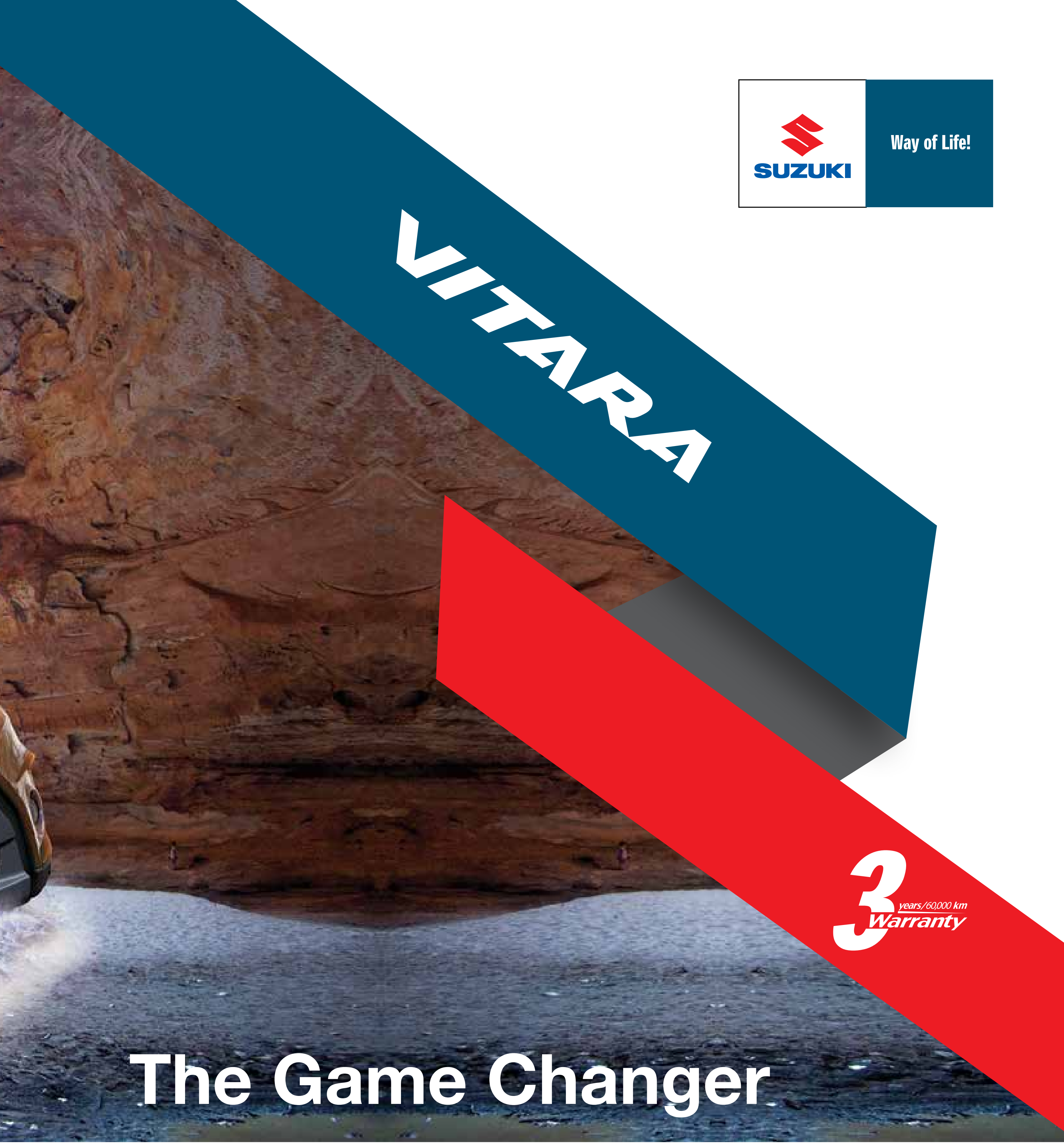
Vision

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

Mission

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


VITARA



From its bold styling to its All-Grip 4WD, its Superior Fuel Efficiency to its Safety Features, the Vitara changes everything. Available in an exciting array of colors with a 10.1 inch Infotainment System, it literally tops it all with its Panoramic Roof.

Company Information

Board of Directors

Kinji Saito	Chairman
Masafumi Harano	Chief Executive
Hirofumi Nagao	Senior Advisory Director
Shigeo Takezawa	Director
Kazuyuki Yamashita	Director
Moin M. Fudda	Director
Rukhsana Shah	Director

Chief Financial Officer
Miki Nakahara

Company Secretary
Abdul Nasir

Audit Committee

Moin M. Fudda	Chairman
Kinji Saito	Member
Shigeo Takezawa	Member

Human Resource and Remuneration (HR & R) Committee

Rukhsana Shah	Chairman
Kinji Saito	Member
Masafumi Harano	Member

Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

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

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

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

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

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

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

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

Drive Extraordinary

Driven to Excel

There are those among us who believe that good enough isn't enough. They have a strong desire to do things differently. The new Ciaz is made for those who are driven to excel. Inspired by the ever-evolving expectations of sedan buyers, the CIAZ is developed as an "Authentic Sedan" which combines a roomy comfortable cabin and great driving performance with excellent fuel efficiency. All of these come with a stylish design that will inspire a pride of ownership.

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 preservation of environment.

Cost
Rs. 20.494 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 Pakistan Stock Exchange. 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 4x4 vehicles in Pakistan. The Company's long term plans inter-alia include 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 the 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 a new plant for motorcycles at Bin Qasim. All the operations of motorcycles have been shifted to the new plant effective from 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.

Joint Venture Agreement was signed between Pak Suzuki Motor Company Limited and Tecno Pack Telecom (Private) Limited to set up Tecno Auto Glass Limited ("TAG"). TAG's main area of operations will be manufacturing, development and designing of Auto Glass products to cater local as well as international markets.

Code of Conduct

The Code of Conduct shall be applied to all Directors, Officers and Employees of Suzuki Motor Corporation and its consolidated subsidiaries (hereinafter collectively referred to as "Suzuki Group")

Every Suzuki Group company should fully disseminate this Code of Conduct to its directors, officers and employees and oblige them to observe it in its internal rules and/or employment agreement and in case of their breach of this Code of Conduct, it will be dealt with in accordance with the applicable disciplinary provisions.

FOR OUR CUSTOMERS

(1) Realization of products and services of superior value

Suzuki Group will provide customers with products and services exceeding their expectation as in line with the spirit "Develop products of superior value by focusing on the customer" which is listed as the first item in our "Mission Statement".

- We will make every effort to provide products and services that will satisfy our customers, by standing in our customers' place at all times.

(2) Activities on Quality

Suzuki Group will develop and produce high quality products which customers can use in relief and will provide after-sales services considering customers' safety and security with first priority.

If by any chance a quality related problem occurs, Suzuki Group will devote its sincere efforts to react on customer's voice, grasp the problem at an early stage and take measures with thorough investigation into the causes so that the customer can continue using Suzuki products in relief.

- We will never neglect any quality related problem on our product that may affect our customers' safety or security, noticed during development, production or after-sales service.
- We will never lead to a conclusion in our own favour when reacting to indications from our customers related to the quality on our products.
- We will treat aforesaid quality related problems and customers' indications on quality with utmost sincerity, and will devote our best efforts not to spoil customers' trust.

FOR A BETTER WORKING ENVIRONMENT

(3) Respect of Human Right

Suzuki Group will be aware of international norms pertaining to human rights and respect fundamental human rights with reference to laws in each country or region.

- We will cooperate with each other as a member of Suzuki Group to create a working environment with no discrimination by personal attributes or harassment.

(4) Occupational Safety - Traffic Safety

Suzuki Group will review the workplace environment to create safe workplace.

Suzuki Group will thoroughly carry out education on safety to prevent occurrence of occupational injury.

- We will strictly obey rules related to safety so that we can maintain safe workplace and prevent occurrence of occupational injury.
- We will immediately report to our supervisors for improvement when we notice any problem related to safety at our workplace.
- We will be conscious that we take part in the automobile industry, observe traffic rules, keep in mind to drive vehicles safely as a social norm, and endeavour to prevent traffic accidents while on duty or in private.

(5) Promoting Kaizen Activities and Observing Basic Business Rules

Suzuki Group encourages employees to come up with inventive ideas to improve the workplace. Suggestions from employees on Kaizen will be evaluated and effective measures will be adopted and widespread amongst Suzuki Group companies for a growth of the entire group.

Suzuki Group will create basic rules on our work for the employees to follow.

- We will always think seriously about our business, take the lead in action and make a proposal to the company when we notice any points of improvement.
- We will thoroughly enforce mutual understanding at our workplace and communicate over and over again until others comprehend sufficiently.

- We will always be conscious of overall optimization and make efforts to share information between departments and companies.

- We will observe the business rules provided from time to time in each workplace.

FOR SHAREHOLDERS AND ALL OTHER STAKEHOLDERS

(6) Compliance

While Suzuki Group acknowledges the existence of difference in laws related to competition such as Antitrust Law and laws related to fair trading by each country or region, Suzuki Group will grasp the difference and carry out training on employees to observe laws and societal norms in their respective countries and regions.

- We will observe the content of the guidance and training provided by the company on laws and societal norms.

- We will immediately consult with our supervisors when we notice any noncompliance or suspected noncompliance by another employee. In case we think it is improper to consult with our supervisors, we will report to the Consultation & Reporting Desk in our company or those provided by Suzuki Motor Corporation.

(7) Environmental Activities

In order to succeed the beautiful earth and affluent society to the next generations, we must all realize that actions of each and every one of us have a great effect on our earth's future therefore Suzuki Group will make every effort to preserve global environment.

- We will endeavour to produce environmentally friendly products that will be required by our customers, by contributing to development and diffusion of environmentally friendly technology.

- We will reduce burden on the environment sourced from our workplace and devote our sincere efforts to maintain the environment of our workplace and local community.

(8) Refusing relations with antisocial forces

- Suzuki Group will thoroughly refuse any relationships with antisocial forces* and organizations which are threatening the order and safety of civil society.

- We will never accept any unreasonable demand from antisocial forces* and organizations on our own decision and will always report to or consult with our supervisors or related department.

  * "Antisocial forces" means any group or individuals pursuing illicit financial gain by violence, power and fraudulence.

Questions on Code of Conduct?

In case any query or question arose when following this Code of Conduct, please consult with your supervisor or other responsible person in your company. The person who was consulted must make every effort to correspond to the consulter. In case you could not solve the problem within your departments or within your company, please inform the related department or the Secretariat of Corporate Governance Committee at Suzuki Motor Corporation.

SWIFT

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.

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.
Plant Capacity Expanded upto 150,000 Vehicles per year.

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.

2013

Suzuki Gear Oil marketing started. Suzuki motorcycle, GD 110 launched. Suzuki heavy bikes introduced.

2014

Suzuki WagonR introduced Suzuki Motorcycle GD 110S launched Suzuki Outboard Motors introduced.

2015

2400cc Suzuki KIZASHI car introduced. Heavy Bike Suzuki Inazuma Aegis Launched. Pak Suzuki awarded by Ozone Award from Govt. of Pakistan. Inauguration of Vendor Development Program II by Federal Minister. Inauguration of Expansion of Parts Manufacturing Facilities by Federal Minister. Inauguration of Resumption of CNG Fitted Vehicle (Mehran & Cultus) by Federal Minister.

2016

Introduction of Suzuki GS 150 SE. Inauguration of Suzuki Booking Office & Facilitation Centre. Achieving Highest Award from SMC-Japan on completion of 50,000 units to Government of Punjab under "Apna Rozgar Scheme". Introduced Suzuki Cultus Limited Edition. Launched Suzuki Vitara.

2017

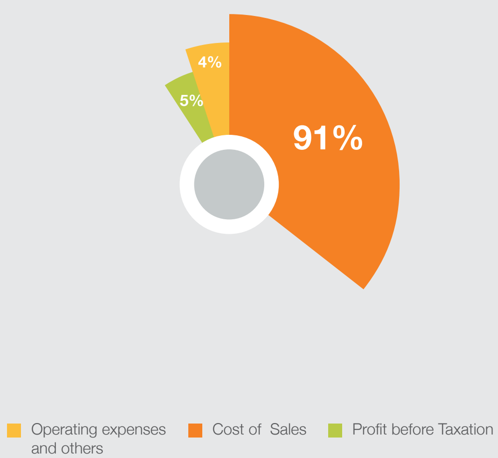
Joint Venture Agreement was signed between Pak Suzuki Motor Company Limited and Tecno Pack Telecom (Private) Limited to set up Tecno Auto Glass Limited.
Introduction of Suzuki Ciaz, Suzuki Mega Carry and Heavy Bike Suzuki GSX-R600
Launching of New Suzuki Cultus and Suzuki GR150
Inauguration of New Delivery Yard at Port Qasim, Karachi.

Highlights of the Accounts

For the year ended December 31, 2017

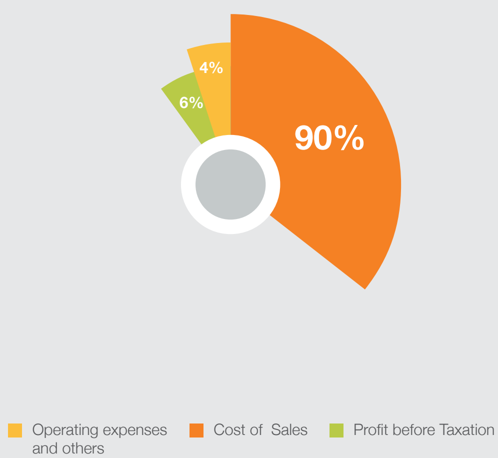
	2017	2016	Increase/(Decrease) Amount	%
	------------ (Rupees in thousands) ------------			
Production volume (Nos.)				
- Motorcar	**132,725**	111,979	20,746	18.5
- Motorcycle	**19,603**	18,374	1,229	6.7
Sales volume (Nos.)				
- Motorcar	**132,548**	110,000	22,548	20.5
- Motorcycle	**19,901**	17,946	1,955	10.9
Gross Sales	**107,095,587**	80,181,077	26,914,510	33.6
Selling Commission	**5,283,976**	3,665,037	1,618,939	44.2
as a % of gross sales	**4.9**	4.6		0.3
Net Sales	**101,811,611**	76,516,040	25,295,571	33.1
Gross profit	**9,652,573**	7,348,577	2,303,996	31.4
as a % of net sales	**9.5**	9.6	-	(0.1)
Distribution and selling costs	**2,804,256**	2,004,285	799,971	39.9
as a % of net sales	**2.8**	2.6	-	0.2
Administrative expenses	**1,599,815**	1,539,590	60,225	3.9
as a % of net sales	**1.6**	2.0	-	(0.4)

Sales Revenue Breakup - 2017



			Increase/(Decrease)	
	2017	2016	Amount	%
	------------ (Rupees in thousands) ------------			
Finance Cost	**68,088**	95,775	(27,687)	(28.9)
as a % of net sales	**0.1**	0.1	-	-
Other income	**864,711**	1,039,851	(175,140)	(16.8)
as a % of net sales	**0.8**	1.4	-	(0.6)
Other expenses	**413,997**	333,542	80,455	24.1
as a % of net sales	**0.4**	0.4	-	-
Share of loss of equity accounted investee	**11,914**	-	(11,914)	100.0
as a % of net sales	**-**	-	-	-
Profit before taxation	**5,619,214**	4,415,236	1,203,978	27.3
as a % of net sales	**5.5**	5.8	-	(0.3)
Profit after taxation	**3,825,821**	2,772,635	1,053,186	38.0
as a % of net sales	**3.8**	3.6	-	0.2
Shareholders' equity	**29,549,716**	26,216,907	3,332,809	12.7
Earnings per share (Rs.)	**46.49**	33.69	12.80	38.0
Break-up value per share (Rs.)	**359.05**	318.55	40.50	12.7
Number of shares issued (000)	**82,300**	82,300	-	-
Exchange Rate	**0.9433**	0.9432	0.0365	3.9

Sales Revenue Breakup - 2016



Highlights of the Accounts Segment Wise

For the year ended December 31, 2017

	Car Division			
	2017	2016	Increase / (Decrease)	%
	------------ (Rupees in thousand) -----------			
Production volume (Nos.)	**132,725**	111,979	20,746	18.5
Sales volume (Nos.)	**132,548**	110,000	22,548	20.5
Gross Sales	**104,518,068**	78,121,853	26,396,215	33.8
Selling Commission & Discount	**5,260,559**	3,653,885	1,606,674	44.0
as a % of gross sales	**5.0**	4.7		0.3
Net Sales	**99,257,509**	74,467,968	24,789,541	33.3
Gross profit	**9,457,590**	7,294,183	2,163,407	29.7
as a % of net sales	**9.5**	9.8		(0.3)
Distribution expenses	**2,775,083**	1,937,848	837,235	43.2
as a % of net sales	**2.8**	2.6		0.2
Administration expenses	**1,481,995**	1,313,804	168,191	12.8
as a % of net sales	**1.5**	1.8		(0.3)
Finance Cost	**66,851**	94,436	(27,585)	(29.2)
as a % of net sales	**0.1**	0.1		-
Other income	**815,954**	971,705	(155,751)	(16.0)
as a % of net sales	**0.8**	1.3		(0.5)
WPPF & WWF	**413,997**	333,542	80,455	24.1
as a % of net sales	**0.4**	0.4		-
Share of loss of equity accounted investee	**(11,914)**	-	(11,914)	(100)
as a % of net sales	**-**	-	-	-
Profit before taxation	**5,523,704**	4,586,258	937,446	20.4
as a % of net sales	**5.6**	6.2		(0.6)
Profit after taxation	**3,730,311**	2,943,657	786,654	26.7
as a % of net sales	**3.8**	4.0		(0.2)
Earnings per share (Rs.)	**45.33**	35.77	9.56	26.7
Number of shares issued (000)	**82,300**	82,300	-	-

Motorcycle Division				Total			
2017	2016	Increase / (Decrease)	%	**2017**	2016	Increase / (Decrease)	%
------------- (Rupees in thousand) ------------				------------ (Rupees in thousand) -----------			
19,603	18,374	1,229	6.7	**-**	-	-	-
19,901	17,946	1,955	10.9	**-**	-	-	-
2,577,519	2,059,224	518,295	25.2	**107,095,587**	80,181,077	26,914,510	33.6
23,417	11,152	12,265	110.0	**5,283,976**	3,665,037	1,618,939	44.2
0.9	0.5		0.4	**4.9**	4.6		0.3
2,554,102	2,048,072	506,030	24.7	**101,811,611**	76,516,040	25,295,571	33.1
194,983	54,394	140,589	258.5	**9,652,573**	7,348,577	2,303,996	31.4
7.6	2.7		4.9	**9.5**	9.6		(0.1)
29,173	66,437	(37,264)	(56.1)	**2,804,256**	2,004,285	799,971	39.9
1.1	3.2		(2.1)	**2.8**	2.6		0.2
117,820	225,786	(107,966)	(47.8)	**1,599,815**	1,539,590	60,225	3.9
4.6	11.0		(6.4)	**1.6**	2.0		(0.4)
1,237	1,339	(102)	(7.6)	**68,088**	95,775	(27,687)	(28.9)
0.0	0.1		(0.1)	**0.1**	0.1		-
48,757	68,146	(19,389)	(28.5)	**864,711**	1,039,851	(175,140)	(16.8)
1.9	3.3		(1.4)	**0.8**	1.4		(0.6)
-	-	-	-	**413,997**	333,542	80,455	24.1
-	-	-	-	**0.4**	0.4		-
-	-	-	-	**(11,914)**	-	(11,914)	(100)
				-	-		-
95,510	(171,022)	266,532	155.8	**5,619,214**	4,415,236	1,203,978	27.5
3.7	(8.4)		12.1	**5.5**	5.8		(0.3)
95,510	(171,022)	266,532	155.8	**3,825,821**	2,772,635	1,053,186	38.0
3.7	(8.4)		12.1	**3.8**	3.6		0.2
1.16	(2.08)	3.24	155.8	**46.49**	33.69	12.80	38.0
82,300	82,300	-	-	**82,300**	82,300	-	-


CULTUS

The All-New Suzuki Cultus – Progressive Technology that fits the modern world. Be it a race to the office, a highway frenzy or the daily rush-hour. It is equipped with Auto Gear Shift that makes your drive absolutely effortless.

6 Years at a Glance

	2017	2016	2015	2014	2013	2012
		----------- Rupees in thousands -----------				
OPERATING RESULTS						
Production volume (Nos.)						
Motorcar	**132,725**	111,979	134,391	80,384	77,142	96,370
Motorcycle	**19,603**	18,374	19,610	23,871	22,977	21,312
Sales volume (Nos.)						
Motorcar	**132,548**	110,000	133,952	78,005	77,050	96,100
Motorcycle	**19,901**	17,946	20,617	23,453	23,117	20,298
Sales revenue	**101,811,611**	76,516,040	84,548,757	53,664,947	51,061,333	58,531,137
Gross profit	**9,652,573**	7,348,577	11,487,448	4,183,699	3,242,513	2,344,871
Profit before taxation	**5,619,214**	4,415,236	8,685,171	2,623,394	2,353,439	1,498,891
Profit/(loss) after taxation	**3,825,821**	2,772,635	5,842,671	1,921,894	1,849,357	977,153
Dividends (cash/bonus shares)	**1,530,777**	452,649	1,234,498	411,499	329,199	205,750
Profit retained	**2,295,044**	2,319,986	4,608,173	1,510,395	1,520,158	771,403
CAPITAL EMPLOYED						
Share capital	**822,999**	822,999	822,999	822,999	822,999	822,999
Reserves	**24,898,931**	22,619,294	18,009,762	16,488,378	14,969,549	14,015,364
Unappropriated profit	**3,827,786**	2,774,614	5,846,477	1,925,305	1,852,610	979,003
Shareholders' equity	**29,549,716**	26,216,907	24,679,238	19,236,682	17,645,158	15,817,366
Current liabilities	**21,360,751**	11,635,058	12,772,749	9,117,477	6,166,119	5,547,980
	50,910,467	37,851,965	37,451,987	28,354,159	23,811,277	21,365,346
Represented By:						
Fixed assets	**8,800,002**	6,672,057	4,510,789	4,790,506	4,892,675	3,738,867
Other Non - Current assets	**1,104,378**	661,665	425,792	456,080	546,237	544,083
Net current assets	**41,006,087**	30,518,243	32,515,406	23,107,573	18,372,365	17,082,396
	50,910,467	37,851,965	37,451,987	28,354,159	23,811,277	21,365,346

	2017	2016	2015	2014	2013	2012
PROFITABILITY RATIOS						
Gross profit as a % of net sales	**9.5**	9.6	13.6	7.8	6.4	4.0
Profit before taxation as a % of net sales	**5.5**	5.8	10.3	4.9	4.6	2.6
Profit after taxation as a % of net sales	**3.8**	3.6	6.9	3.6	3.6	1.7
Earning per Share (Rs.)	**46.5**	33.7	71.0	23.4	22.5	11.9
LIQUIDITY & LEVERAGE RATIOS						
Current ratio	**1.92**	2.62	2.55	2.53	2.98	3.08
Quick ratio	**0.79**	1.21	1.51	0.88	1.23	1.16
Liabilities as a % of total assets	**42**	31	34	32	26	26
Equity as a % of total assets	**58**	69	66	68	74	74
EFFICIENCY RATIOS						
Inventory turn over ratio	**3.8**	4.2	5.6	3.3	4.5	5.3
No. of days stock held	**95**	86	65	110	82	69
No. of days sales in trade debts	**0.8**	5.7	6.7	9.2	7.0	3.9
Total assets turn over ratio	**2.0**	2.0	2.3	1.9	2.1	2.7
Net worth turn over ratio	**3.4**	2.9	3.4	2.8	2.9	3.7
EQUITY RATIOS						
Break up value per share (Rs.)	**359.05**	318.55	299.87	233.74	214.40	192.19
Cash Dividend as a % of capital	**186**	55	150	50	40	25
Dividend payout ratio (%)	**40**	16	21	21	18	21
Plough-back ratio (%)	**60**	84	79	79	82	79
OTHER DATA						
Permanent employees strength (Nos.)	**1,345**	1,269	1,257	1,272	1,273	1,193
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

	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
	----------	----------	----------	----------	----------	----------	Rupees in millions	----------	----------	----------	----------	----------
Balance Sheet												
Fixed assets	8,985	33.2	6,745	46.8	4,594	(8.0)	4,996	(1.6)	5,075	25.3	4,051	(10.1)
Long-term investments	208	-	0	-	-	-	0	(100.0)	2	(60.0)	5	25.0
Long-term loans	2	(99.1)	231	2,210.0	10	-	10	66.7	6	500.0	1	(50.0)
Long-term deposits, prepayments and other receivables	382	1,217.2	29	16.0	25	8.7	23	(37.8)	37	(41.3)	63	215.0
Long-term installment sales receivables	145	51.0	96	(15.8)	114	(29.6)	162	(4.7)	170	4.3	163	(12.4)
Deferred taxation	237	1.3	234	20.0	195	248.2	56	(62.2)	148	-	-	-
Stores, spares and loose tools	115	3.6	111	12.1	99	20.7	82	24.2	66	(20.5)	83	29.7
Stock-in-trade	23,946	47.0	16,289	24.5	13,084	(12.6)	14,977	39.6	10,726	1.6	10,562	(18.3)
Trade debts	211	(82.5)	1,205	(22.9)	1,562	15.5	1,352	37.5	983	56.8	627	94.1
Current portion of long-term installment sales receivables	321	10.3	291	(16.4)	348	(10.3)	388	17.2	331	5.4	314	3.3
Loans and advances	37	(81.6)	201	1.5	198	(61.6)	515	25.0	412	111.3	195	(10.1)
Trade deposits and short term prepayments	966	1,154.5	77	8.5	71	34.0	53	(15.9)	63	61.5	39	(53.0)
Accrued profit on bank deposits	29	(76.0)	121	(37.3)	193	1,106.3	16	23.1	13	116.7	6	-
Other receivables	93	(27.9)	129	48.3	87	(35.1)	134	17.5	114	(39.0)	187	(6.0)
Sales tax and excise duty adjustable	1,144	(30.7)	1,651	493.9	278	(72.3)	1,002	24.8	803	(17.2)	970	(5.2)
Taxation - net	4,900	158.7	1,894	19.1	1,590	(42.1)	2,747	(5.2)	2,897	8.2	2,677	13.3
Cash and bank balances	9,189	7.5	8,548	(43.0)	15,006	715.1	1,841	(6.3)	1,964	38.6	1,417	24.4
Non-current assets classified as held for sale	0	-	0	-	0	-	0	-	0	(100.0)	5	-
Total assets	50,910.0	34.5	37,852.0	1.1	37,452	32.1	28,354	19.1	23,811	11.4	21,365	(8.5)
Share capital	823	-	823	-	823	-	823	-	823	-	823	-
Reserves	28,727	13.1	25,394	6.4	23,856	29.6	18,414	9.5	16,822	12.2	14,994	3.2
Total Equity	29,550	12.7	26,217	6.2	24,679	28.3	19,237	9.0	17,645	11.6	15,817	3.0
Trade and other payables	11,392	80.8	6,300	(2.2)	6,442	30.3	4,945	33.8	3,696	37.1	2,695	(16.1)
Advances	5,332	228.1	1,625	(61.5)	4,226	95.7	2,159	243.2	629	(45.0)	1,144	(62.7)
Accrued mark-up	-	-	-	-	-	(100.0)	9	-	-	-	-	-
Short-term borrowing	-	-	-	-	-	-	-	-	-	-	-	(100.0)
Security deposits	4,601	25.3	3,673	77.6	2,068	7.9	1,917	12.6	1,703	8.4	1,571	3.5
Provision for custom duties and sales tax	36	-	36	-	36	(58.1)	86	(37.7)	138	-	138	-
Total equity and liabilities	50,910.0	34.5	37,852.0	1.1	37,452	32.1	28,354	19.1	23,811	11.4	21,365	(8.5)

Horizontal Analysis of Profit and Loss Account

	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
	---------- Rupees in millions ----------											
Profit and Loss Account												
Sales	**101,812**	**33.1**	76,516	(9.5)	84,549	57.5	53,665	5.1	51,061	(12.8)	58,531	11.0
Cost of sales	**(92,159)**	**33.2**	(69,167)	(5.3)	(73,061)	47.7	(49,481)	3.5	(47,819)	(14.9)	(56,186)	10.5
Gross profit	**9,653**	**31.4**	7,349	(36.0)	11,487	174.5	4,184	29.0	3,243	38.3	2,345	25.5
Distribution cost	**(2,804)**	**39.9**	(2,004)	3.0	(1,946)	160.9	(746)	33.2	(560)	56.4	(358)	35.1
Administrative expenses	**(1,600)**	**3.9**	(1,540)	25.1	(1,231)	11.7	(1,102)	14.9	(959)	11.6	(859)	16.7
Other operating expenses	**(414)**	**24.0**	(334)	(48.9)	(653)	233.2	(196)	12.0	(175)	57.7	(111)	3.7
Other income	**865**	**(16.8)**	1,040	(1.7)	1,058	107.5	510	(40.9)	863	74.7	494	(20.3)
Operating profit	**5,699**	**26.3**	4,511	(48.2)	8,716	228.9	2,650	9.9	2,411	59.7	1,510	9.2
Share of loss of equity accounted investee	**(12)**	**100**	-	-	-	-	-	-	-	-	-	-
Finance cost	**(68)**	**(29.2)**	(96)	209.7	(31)	14.8	(27)	(53.4)	(58)	427.3	(11)	(38.9)
Profit before taxation	**5,619**	**27.3**	4,415	(49.2)	8,685	231.1	2,623	11.5	2,353	57.0	1,499	9.8
Taxation	**(1,793)**	**9.1**	(1,643)	(42.2)	(2,843)	305.0	(702)	39.3	(504)	(3.4)	(522)	(8.6)
Profit after taxation	**3,826**	**38.0**	2,773	(52.5)	5,843	204.0	1,922	3.9	1,849	89.3	977	23.0

Vertical Analysis of Balance Sheet

	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
	Rupees in millions											
Fixed assets	8,985	17.6	6,745	17.8	4,594	12.3	4,996	17.6	5,075	21.3	4,051	19.0
Long-term investments	208	0.4	-	0.0	-	0.0	0	0.0	2	0.0	5	0.0
Long-term loans	2	0.0	231	0.6	10	0.0	10	0.0	6	0.0	1	0.0
Long-term deposits, prepayments and other receivables	382	0.8	29	0.1	25	0.1	23	0.1	37	0.2	63	0.3
Long-term installment sales receivables	145	0.3	96	0.3	114	0.3	162	0.6	170	0.7	163	0.8
Deferred taxation	237	0.5	234	0.6	195	0.5	56	0.2	148	0.6	-	0.0
Stores, spares and loose tools	115	0.2	111	0.3	99	0.3	82	0.3	66	0.3	83	0.4
Stock-in-trade	23,946	47.0	16,289	43.0	13,084	34.9	14,976	52.8	10,726	45.0	10,562	49.4
Trade debts	211	0.4	1,205	3.2	1,562	4.2	1,352	4.8	983	4.1	627	2.9
Current portion of long-term installment sales receivables	321	0.6	291	0.8	348	0.9	388	1.4	331	1.4	314	1.5
Loans, advances and others	37	0.1	201	0.5	198	0.5	515	1.8	412	1.7	195	0.9
Trade deposits and short term prepayments	966	1.9	77	0.2	71	0.2	53	0.2	63	0.3	39	0.2
Accrued profit on bank deposits	29	0.1	121	0.3	193	0.5	16	0.1	13	0.1	6	-
Other receivables	93	0.2	129	0.3	87	0.2	134	0.5	114	0.5	187	0.9
Short-term investment	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	-
Sales tax and excise duty adjustable	1,144	2.2	1,651	4.4	278	0.7	1,002	3.5	803	3.4	970	4.5
Taxation - net	4,900	9.6	1,894	5.0	1,590	4.2	2,747	9.7	2,897	12.2	2,677	12.5
Cash and bank balances	9,189	18.1	8,548	22.6	15,006	40.1	1,841	6.5	1,964	8.2	1,417	6.6
Non-current assets classified as held for sale	-		-		-	0.0	-	0.0	-	0.0	5	-
Total assets	50,910.0	100.0	37,852.0	100.0	37,452.0	100.0	28,354.0	100.0	23,811.0	100.0	21,365.0	100.0
EQUITY AND LIABILITIES												
Share capital	823	1.6	823	2.2	823	2.2	823	2.9	823	3.5	823	3.9
Reserves	28,726	56.4	25,394	67.1	23,856	63.7	18,414	64.9	16,822	70.6	14,994	70.2
Total Equity	29,549	58.0	26,217	69.3	24,679	65.9	19,237	67.8	17,645	74.1	15,817	74.0
Deferred taxation	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other payables	11,392	22.4	6,300	16.6	6,443	17.2	4,946	17.4	3,696	15.5	2,695	12.6
Advances	5,332	10.5	1,625	4.3	4,226	11.3	2,159	7.6	629	2.6	1,144	5.4
Accrued mark-up	-	-	-	-	-	-	9	-	-	-	-	-
Short-term borrowing - export refinancing	-	-	-	-	-	-	-	-	-	-	-	-
Security deposits	4,601	9.0	3,673	9.7	2,068	5.5	1,917	6.8	1,703	7.2	1,571	7.4
Provision for custom duties and sales tax	36	0.1	36	0.1	36	0.1	86	0.3	138	0.6	138	0.6
Total equity and liabilities	50,910.0	100.0	37,852.0	100.0	37,452.0	100.0	28,354.0	100.0	23,811.0	100.0	21,365.0	100.0

Vertical Analysis of Profit and Loss Account

	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
	Rupees in millions											
Profit And Loss Account												
Sales	**101,812**	**100**	76,516	100	84,549	100	53,665	100	51,061	100	58,531	100
Cost of sales	**(92,159)**	**(90.52)**	(69,167)	(90.40)	(73,061)	(86.41)	(49,481)	(92.20)	(47,819)	(93.65)	(56,186)	(95.99)
Gross profit/ (loss)	**9,653**	**9.48**	7,349	9.60	11,487	13.59	4,184	7.80	3,243	6.35	2,345	4.01
Distribution cost	**(2,804)**	**(2.75)**	(2,004)	(2.62)	(1,946)	(2.30)	(746)	(1.39)	(560)	(1.10)	(358)	(0.61)
Administrative expenses	**(1,600)**	**(1.57)**	(1,540)	(2.01)	(1,231)	(1.46)	(1,102)	(2.05)	(959)	(1.88)	(859)	(1.47)
Other operating expenses	**(414)**	**(0.41)**	(334)	(0.44)	(653)	(0.77)	(196)	(0.37)	(175)	(0.34)	(111)	(0.19)
Other income	**865**	**0.85**	1,040	1.36	1,058	1.25	510	0.95	863	1.69	494	0.84
Operating profit/ (loss)	**5,699**	**5.60**	4,511	5.90	8,716	10.31	2,650	4.94	2,411	4.72	1,510	2.58
Share of loss of equity accounted investee	**(12)**	**(0.01)**	-	-	-	-	-	-	-	-	-	-
Finance cost	**(68)**	**(0.07)**	(96)	(0.13)	(31)	(0.04)	(27)	(0.05)	(58)	(0.11)	(11)	(0.02)
Profit /(loss) before taxation	**5,619**	**5.52**	4,415	5.77	8,685	10.27	2,623	4.89	2,353	4.61	1,499	2.56
Taxation	**(1,793)**	**(1.76)**	(1,643)	(2.15)	(2,843)	(3.36)	(702)	(1.31)	(504)	(0.99)	(522)	(0.89)
Profit /(loss) after taxation	**3,826**	**3.76**	2,773	3.62	5,843	6.91	1,922	3.58	1,849	3.62	977	1.67

Suzuki Outboard Motors

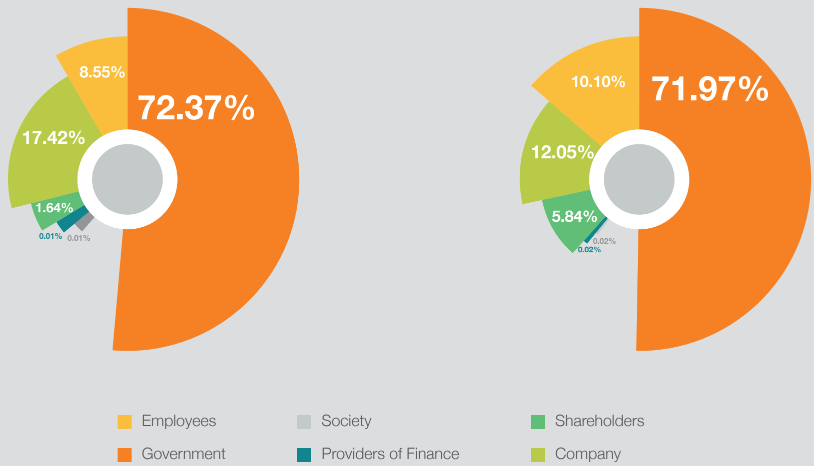
Strong yet light, compact outboard motors designed with Suzuki's exclusive engineering expertise are the right choice for your marine related needs. Suzuki outboard motors offer durable and reliable solutions for security and defense, trade and logistics and gives boating enthusiasts the best technology fitted in high-performance machines.

Statement of Value Addition and its Distribution

	2017 Rs. in thousand	%	2016 Rs. in thousand	%
Wealth Generated				
Total gross revenue and other income	126,550,040		94,920,849	
Bought in materials and services	98,885,171		73,794,353	
	27,664,869	100	21,126,496	100
Wealth distribution to stakeholders				
To Employees				
Salaries, wages ,other cost including retirement benefits and WPPF	2,365,398	8.55	2,134,203	10.10
To Government				
Income tax, sales tax, excise duty, development surcharge,WWF	20,022,130	72.37	15,203,788	71.97
To Society				
Donation toward earthquake victims, IDPs and health	3,932	0.01	4,057	0.02
To Shareholders				
Dividend and bonus	452,649	1.64	1,234,498	5.84
To Providers of finance				
Finance charges for borrowed funds	1,597	0.01	3,194	0.02
To Company				
Depreciation, amortisation and retained profit/ (loss)	4,819,163	17.42	2,546,756	12.05
	27,664,869	100.00	21,126,496	100.00

Wealth distribution to stakeholders-2017

Wealth distribution to stakeholders-2016



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.

Products Launching & Conferences

Launching Ceremony of Suzuki Cultus

Launching Ceremony of Suzuki GR-150 and GSX 600

Launching Ceremony of Suzuki Mega Carry and Cultus AGS

Dealer's Convention 2017

Inauguration of Dealerships

Suzuki South Punjab

Suzuki Chunian Motors

Suzuki Layyah Motors

Suzuki Moro Motors

Suzuki Swabi Motors

Suzuki Talagang Motors

Suzuki Highway Motors

Suzuki Kohat Motors

Visits & Events

On his outstanding contribution for promoting trade between Pakistan and Japan, Ministry of Foreign Affairs, Japan, awarded “Commendation Award” to Mr. Hirofumi Nagao, Senior Advisory Director of Pak Suzuki.

Mr. Khizar Hayat Gondal, Federal Secretary for Industries and Productions visited Pak Suzuki

Tecno Auto Glass Plant Foundation Stone Laying Ceremoney held on October 6, 2017

Pakistan Auto Parts Show 2017

Mr. Muhammad Arshad Khan Laghari, Minister of State for Industries and Production & Member of PM Implementation Cell visited Pak Suzuki on November 1, 2017

Inhouse Training

Sports Activity

Chairman's Review

It is my privilege to present review on the performance of the Company for the year ended December 31, 2017.

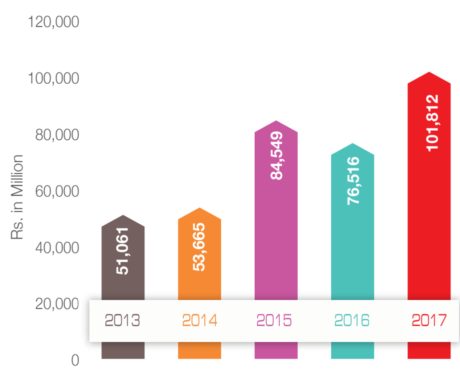
Industry

Pakistan auto sales clocked in highest ever sales in calendar year 2017. In year 2017, sales volume of auto industry was recorded at 239,724 units compared to 203,492 units of last year, registering an increase of 18%. Growth in demand was driven by introduction of new models by local Original Equipment Manufacturers (OEMs). Major factors contributing for increase in sales volume of automobiles were improved economic fundamentals and law and order. Stable prices of vehicles and availability of auto financing at lower rates due to low discount rate also contributed in improved sales volumes. The organized market (PAMA member companies) for motorcycles and three wheelers increased by 20.5% from 1,470,604 units to 1,771,618 units.

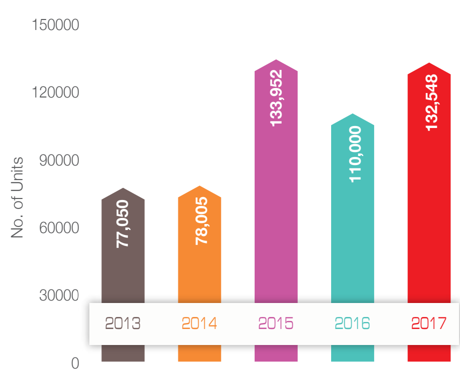
The Government has announced 'Automotive Development Policy (ADP) in March 2016 applicable over a medium-term horizon of 2016-2021. ADP envisages development plan for automobile industry to facilitate higher volumes, attract investment and ensure enhanced competition. Objective of policy is to create balance between industrial growth and tariffs to ensure sustainability for all stakeholders. Tariff structure for new entrants and non-operational units is significantly lower than tariff structure for existing OEMs. ADP offered concessional rate of customs duty @ 10% on non- localised parts and @ 25% on localised parts for a period of five years to new entrants and three years for non-operational units as compared to 30% and 45% respectively for existing OEMs. Further, new entrants are also allowed duty-free import of plant and machinery for setting up the manufacturing facility. Incentives offered in ADP encourages new entrants in auto industry and so far green field status (new entrant) has been awarded to six (6) entities and brown field status (revival of non-operational unit) to one (1) entity. Existing OEMs in Pakistan were looking for expansions and expecting similar incentives as offered to potential new entrants. We understand that lack of incentive to existing OEMs will affect the desired objectives of ADP. Besides promoting investment in auto sector from prospective new entrants, Government should also ensure conducive environment for existing OEMs. We strongly demand for similar incentives and operating environment to existing OEMs as being offered to prospective new entrants.

In Federal Budget 2017, the Government announced reduction in corporate tax rate from 31% to 30%. However relief would be offset with continued application of super tax @ 3% extended on taxable income of tax year 2017. It may be noted that Super tax was levied as one time levy in Budget

Sales Revenue



Sales Volume Motorcars

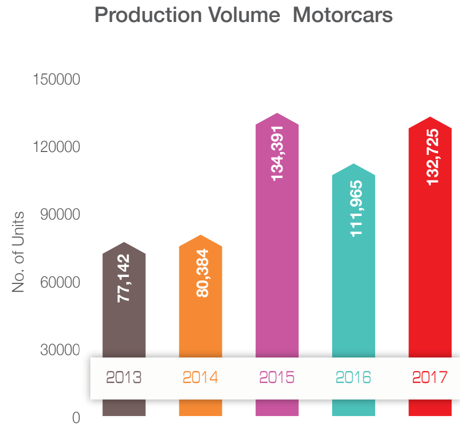


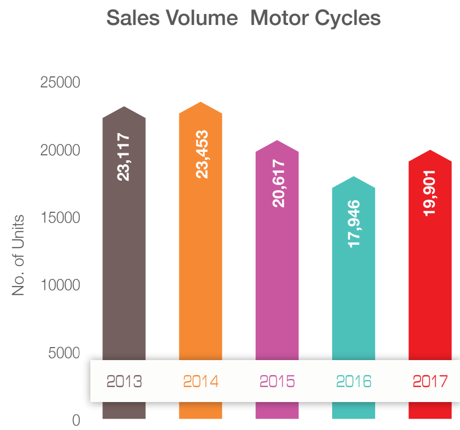
2015 for the rehabilitation of displaced persons. However, it was extended in Federal Budget 2016 & 2017 respectively. We have strong reservations on such ad hoc tax measures, badly affecting the operational framework for organized sector. Further, Government announced 7.5% tax on undistributed profits if the company does not distribute profit as dividend equal to 40% of its after-tax profit. An exemption from this tax by distributing profits as dividend equal to 50% of its paid up capital has been withdrawn. It is additional tax on undistributed profits. Although amendment in Tax law may contribute in additional tax revenue to Government but on other hand, it will affect the beleaguered forex reserves of the Country due to foreign remittance of dividends. At the same time it will also discourage foreign investors to retain profits in Pakistan. Expansion of business operations by utilizing internal resources ensures the competitive edge and continuity of business. Pak Suzuki is notable example that achieved expansion in plant capacity and development of new models through own resources. We strongly appeal to Government of Pakistan to reconsider above adverse tax measures, being counter-productive for business growth and adversely affects the profitability of the Company.

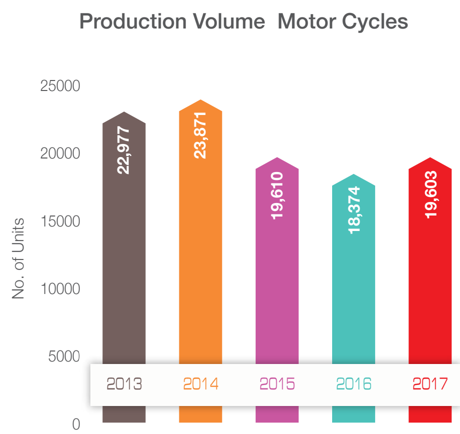
Withholding Tax, under section 231B(3) of Income Tax Ordinance 2001, on locally manufactured vehicles is applicable at the time of invoicing of locally manufactured vehicles. Automobile manufacturers are unnecessary burdened with collection of tax u/s 231(B)(3) with extensive administrative and reporting liabilities. All motor registration authorities are already collecting withholding income tax u/s 231B(1) and u/s 234 from vehicle owners. It is therefore recommended that the withholding tax u/s 231(B)(3) may be collected by motor registration authorities for locally manufactured vehicles as well.

Operating Results of the Company

Company earned net profit of Rs 3,826 million against Rs. 2,773 million last year. The net sales revenues increased by 33% from Rs. 76,516 million to Rs. 101,812 million. Sales volume of automobiles increased by 20.5% from 110,000 units to 132,548 units. Major increase in sales was witnessed in sales volume of 1000cc car segment due to exponential growth in on line taxi services. Sales volume in 1000cc car segment increased by 51% from 28,817 units in 2016 to 43,651 units in 2017. Motorcycles sales increased by 11% from 17,946 units to 19,901 units. The production volume of automobile and motorcycles were adjusted according to the demand. The production volume of automobile increased by 18.5% from 111,979 units to 132,725 units and motorcycles increased by 6.7% from 18,374 units to 19,603 units. During the year, capacity utilization of automobile plant remained 88%





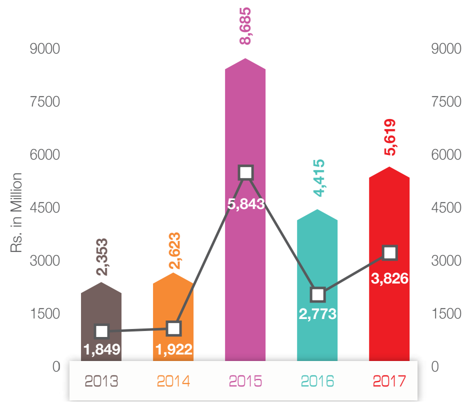


as compared to 75% capacity utilization in last year. Because of lower demand of motorcycles, 55% production capacity of motorcycle plant remained un-utilized.

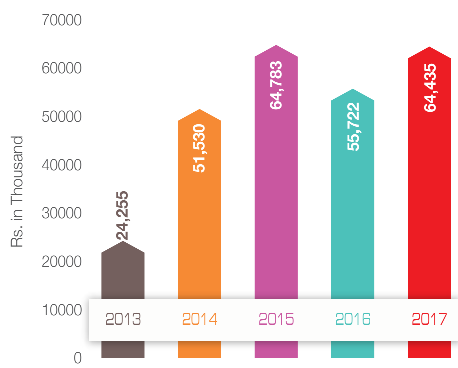
Gross profit increased in absolute terms by Rs. 2,304 million from Rs. 7,349 million to Rs. 9,652 million. Gross profit margins remained consistent at 9.5% as compared to 9.6% of last year. Distribution expenses increased from Rs. 2,004 million to Rs. 2,804 million and as a percentage of sales from 2.6% to 2.8%. Major reasons for increase in distribution expenses were higher ‘Advertising and Sales promotion’ expenses due to launching of new models and increased sales volume resulted in higher transportation charges. Administration expenses increased from Rs. 1,540 million to Rs. 1,600 million and as percentage of sales decreased from 2% to 1.6%. In absolute terms Administration expenses increased by Rs. 60 million that is an increase of 4% from last year. Increase was attributable to higher salaries & wages expense and outsource job contractor charges beside normal impact of inflation which were partly adjusted with the reversal of provision for doubtful debts. Other operating income slightly decreased from Rs. 1,040 million to Rs. 865 million. As per State Bank’s BPRD Circular No. 2 of 2017 dated February 24, 2017, banks have been directed to obtain 100 percent cash margin on import of CBUs, CKDs and automotive components. Application of 100% margin on imports has adversely affected the liquidity position of the Company, consequently decreasing the income on bank deposits. Finance cost decreased from Rs. 96 million to Rs. 68 million. The decrease was due to lower exchange loss as compared to last year. Other operating expenses represent contributions to workers’ profits participation fund and workers’ welfare fund. It increased from Rs. 334 million to Rs. 414 million. The increase was due to higher contributions consequential to increase in profits as compared to last year.

Profit before tax increased in absolute terms by Rs. 1,216 million from Rs. 4,415 million to Rs. 5,619 million and as a percentage of sales declined from 5.8% to 5.5%. Expense for income tax increased from Rs. 1,643 million to Rs. 1,793 million. However, as a percentage of net profit before tax, tax expense decreased from 37.2% to 32%, primarily due to reduction in tax rate by 1%, increased tax rebates due to higher capitalization in plant and machinery in current year and lower super tax as compared to last year. The Company distributed the profits less than 40% for accounting year 2016 and as such tax @ 7.5% on profit before tax was applicable in accordance with amended law of Income Tax. However, Company challenged the tax law in Sindh High Court and awarded interim stay order from the Sindh High Court against the said provision of the law. However, as a matter of prudence, the Company has provided tax provision of Rs. 331 million at the rate of 7.5% on the profit before tax of accounting year 2016.

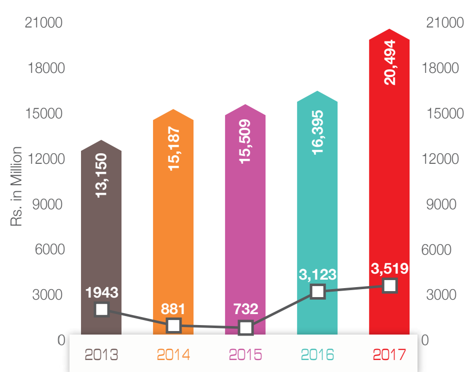
PBT / PAT



Export Sales



Fixed Assets Vs. CAPEX



Marketing & Exports

Market Share

Pak Suzuki remains the market leader in locally manufactured cars and light commercial vehicles by retaining 55% market share of the total domestic market. Strengths of Pak Suzuki are quality products, diversified product range and well-organized dealers' network, spread all over Pakistan ensuring availability of spare parts at economical prices and reliable after-sales service.

New Model Introduction

The Company is endeavoring to improve sales, profitability and diversity in its operations by upgrading the existing products and launching new products. Pak Suzuki launched its new 1400cc sedan 'Suzuki Ciaz' on February 8, 2017. Ciaz was well accepted by customers due to its drive, sporty design, refined interior, spacious cabin and advanced safety features.

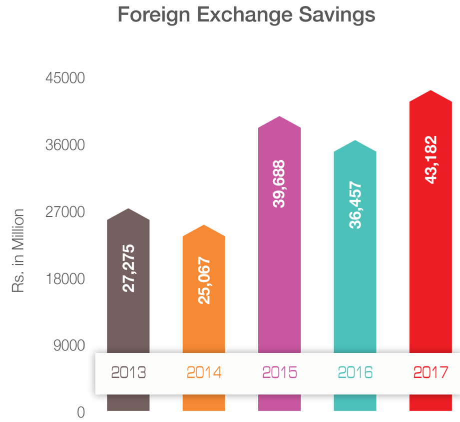
Suzuki Wagon R is preforming exceptionally well in 1000cc hatchback segment. With the launch of new Suzuki Cultus, Company has further strengthened its position in this segment. The Company launched new Suzuki Cultus on April 22, 2017. The new Suzuki Cultus introduced with power-packed features like ABS brakes, airbags, electronic power steering, electric windows and electrically adjustable side view mirrors. Its modern 3-cylinder 1000cc k-series engine ensures great fuel efficiency and is designed to provide an extraordinary driving pleasure. AGS variant of Cultus was also introduced on December 04, 2017. It is equipped with Auto Gear Shift (AGS); having dual gear shifting system i.e. Automatic and Manual with pedal shifting; makes the drive absolutely effortless.

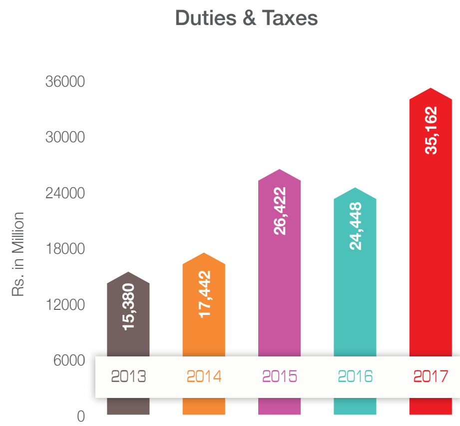
Suzuki Mega Carry (CBU) was introduced on December 04, 2017. It has a great weight capacity with 3 sides open deck. It is ideal choice for modern day requirements of light commercial and fleet businesses and meets the diverse needs of its customers.

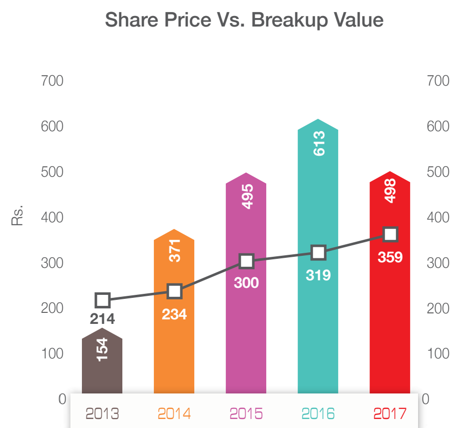
The new models were well accepted by customers. We expect that launching of new models with advance features will attract the customers and the demand for new models will further increase.

Dealership Network

Pak Suzuki intends to provide quality services with convenient access to customers. The Company has strong dealership network spread all over the country. The Company has been continuously enhancing and strengthening the dealership network. As of December 31, 2017, Pak Suzuki dealership network expanded to 111 outlets in 54 cities all across







Pakistan where customers are offered wide range of products and support services. The dealerships are classified as Mega, Mini and Micro types depending on the magnitude of business in the area.

Introduction of Company Operated Booking Offices
The Company initiated the practice of receiving booking of vehicles on partial payment. Further to facilitate the customers, Pak Suzuki opened booking offices at Karachi, Lahore, Islamabad, Rawalpindi, Multan, Faisalabad, Sialkot and Peshawar. Suzuki Booking Offices facilitate customers by giving them the opportunity of booking vehicles with the initial advance part payment. This move has been widely appreciated by customers.

Export
During the year 33 units amounting Rs. 46 million were exported against 97 units, worth Rs. 54 million exported in last year. The Company achieved yet another milestone for being first in the history of automobile industry of Pakistan to commence locally manufactured Knock Down (KD) parts' export operations in January, 2017 to its sister concern Vietnam Suzuki Corporation (VISUCO) for mass production of Suzuki mini-truck model. During the year, KD parts worth Rs. 13 million were exported to Vietnam.

Motorcycle Market
Motorcycle market in Pakistan is dominated by motorcycle with engine capacity of 70cc. Pak Suzuki markets motorcycles with engine capacities of 110cc and above. The Company expects that motorcycle demand in Pakistan will gradually shift towards higher engine capacity like other countries in the region and market for Suzuki motorcycles will improve. Company is trying to expand its business in this segment. During the year Company introduced Suzuki GR150 motorcycle on December 04, 2017. Its aero-dynamic and sleek design accentuates the ride while the powerful suspension and tough frame provide a thrilling ride.

AFTERSALES (PARTS & SERVICE)

Aftersales operations ensures efficient services to customers through smooth workshop operations and timely availability of parts at dealerships. As a result, the dealers' operations showing increasing trend. Total number of automobile Job cards (services provided to customers for schedule maintenance, running repairs, mechanical repairs, body and dent jobs) reached up to 1.12 million numbers showing growth of 16 % as compared to last year. The motorcycle aftersales market also shown positive trend in business operations, total 224,000 Job cards were served in 2017 which shows growth of 15% compared to last year.

The Automobile Parts sales for the year recorded Rs 2,322 million, showing overall growth of 8% as compared to last year. Average monthly sales for SGO reached up to 139,000 liters, which shows growth of 22% as compared to last year. The motorcycle parts sale also reached to Rs. 184 million showing growth of 12% compared to last year.

Our customers have shown the satisfaction on the services rendered to them through dealers' network which enhanced the customers satisfaction level to 88% through 98,045 follow-ups carried out on regular basis by our 24/7 Customer Relations Centre.

NEW INITIATIVES

Network Expansion

- To increase customer coverage the numbers of workshops reached up to 111 to provide quality service to our valued customers in 54 cities Nationwide.
- 1S Parts outlets concept introduced to facilitate our customers, by providing Suzuki Genuine Parts in uncovered areas by starting SGP sales from 6 parts outlets.

Customer Satisfaction & Retention

- To facilitate customers, First Free Inspection (FFI), Second Free Inspection (SFI) coupons discontinued, so that customer can avail FFI, SFI services without coupons from all over Suzuki network.
- Apart from the regular services to the customers, we never let them feel alone even after office hours and boost their confidence level to drive tension free through providing Roadside Assistance services by our well-trained technicians and equipped mobile vans round the clock through dealership network and has rendered 2,261 services during the year.
- Significant activities were conducted to enhance customer's satisfaction & retention activities such as increasing numbers of loyal customers, retail focus activity, campaigns, customer meet, customer feedback, and product surveys.
- Suzuki Integrated FTIR Tracking System is globally used for quality improvement of CBU vehicles or

locally produced vehicles. Pak Suzuki also started this system to interconnect with other countries Quality Division for improvement.

- Our Spare Parts Department ensured timely serving of parts to the customers by achieving 97% service ratio (order received and delivered) and achieved "A" rank according to SMC global standard for serving customers.
- To optimize customer's convenience the range of accessories items and packages increased.

Extension of Warranty Limitations (Automobile & Motorcycle)

- Warranty Terms & Conditions Extended up to 03 Years & 60,000 Kms for newly introduced Automobiles models (passenger vehicles) in Year 2017.
- Special 03 Years Engine Warranty up to 20,000 kms given for newly introduced GR-150 motorcycle.

Dealer Staff Skill Development & Motivation

- Introduction of Suzuki Service Qualification System for Technicians to provide quality services to customers on Global Standards.
- The total 439 regular trainings and 500 on job training sessions were conducted for dealers' staff, total 7642 participants attended these sessions.
- To keep motivation and competition sprit in dealer staff, seven "Skill Contests" for dealers' Service Managers, Parts Managers, Customer Relation Managers, Customer Relation Officers, Service Advisors, Technicians & Painters.
- The company also contributed in dealers' staff motivational activities such as, employee get together, recreation activities and incentive cash awards and foreign trips.

LOCALIZATION

Pak Suzuki is proud to be the pioneer in the development of auto parts industry. The Company has been striving for localization of components through vendors' network and in-house manufacturing of components. The Company also contributes in the socio-economic development of the country by creating job opportunities and technology transfer to vending industry. The Company continues to pursue localization in order to reduce the cost of products and keep the prices competitive besides saving of foreign exchange. It is essential for the local auto parts industry to upgrade their production facilities with latest technology. Pak Suzuki has been coordinating Technical Collaborations for its vendors to align them with latest technologies. Recently, Pak Suzuki arranged several 'Technical Assistance Agreements' for local vendors with reputable international parts manufacturer. Further, Company took initiative and made a strategy to enter into Joint Venture agreement with vendors to provide confidence to Technical Assistance provider. A Joint Venture agreement with Tecno Pack Telecom (Private) Limited for manufacturing automobile glass is the first step in this direction. The technology for setting up the project has been acquired from Asahi India Solutions Ltd (AIS), who is the leading auto glass producers in India. Shareholders had approved the equity investment up to Rs 344.4 million in Extraordinary General Meeting of the Company held on February 16, 2017 and by December 31, 2017, Company had contributed Rs 220 million. TAG is planned to commence commercial production by mid of 2019. This Joint Venture is a first green field project between Pak Suzuki & its vendor. Beside technology transfer and localization of glass for auto industry, the project will contribute significant cost saving to Company and earn reasonable returns on the investment.

FACILITY ENHANCEMENTS

- The company developed an infrastructure at DSU-13A to keep 3000 plus finished products to facilitate the customer for an early delivery of vehicle. The facility was inaugurated on November 10, 2017.
- The Company provides healthy and comfortable working environment to its employees. Therefore, environmental improvement activities have been carried out throughout the Plant by providing Chiller units with Fan Coil Units and plant roof insulations to reduce the hot weather impact at shop floor.
- In order to enhance company business, and deliver Spare Parts within 2 days, new state of art column less 5400 square meter Parts Warehouse has been constructed.

HUMAN RESOURCE

At Pak Suzuki, employees are not only part of the Suzuki Family but are also considered the back bone of the Company's efforts in achieving and maintaining highest standards of productivity, work ethics and conducive environment.

We at Pak Suzuki are committed to provide an environment which facilitates the employees in performing to their maximum potential while maintaining required amount of work life balance. At the same time, it is also ensured that with the passage of time the employees get substantial amount of opportunities to develop themselves in terms of skills through specially designed programs for training and development. All measures are taken for the betterment and wellbeing of the employees and special activities are carried out to keep up the motivation level.

We take care and ensure provision of all facilities to the employees. Installation of vending machines and ATM machines are such steps that the Company continues to take by understanding the needs of its each and every member.

Training and Development

Pak Suzuki Motor Company strives to provide its employees with inspiring training and education experiences that broaden and enhance skills and uncover new concepts and ideas. Talent development takes many forms at Pak Suzuki Motor Company, including training sessions for key functional areas.

Talent Acquisition

The Company has undertaken several campus recruitments drives at leading graduate educational institutions for Management Trainee and Trainee Engineers. Our aim is to reach out to the best talent available and be easily accessible to them. For this purpose, an HR portal has been developed and can be accessed at www.paksuzuki.com.pk where the candidates can register themselves online, upload their CVs and have a fair chance of selection.

Health and Safety

The health and work place protection are the most vital areas to be considered for each member of the Suzuki Family regardless of being part of management, officer or worker cadre. We strive to ensure the health and safety of our Suzuki family members in the following ways:

- Compliance with all applicable Government and internal health, safety and environmental requirements;
- Design facilities and conduct operations in a way that avoids risk to human health, safety and the environment;
- Examine and communicate the known hazards of operations with relevant health safety and environmental protection information to potentially affected persons.

24-hour availability of dispensary facility fully equipped along with able team of doctors is always ready to provide medical care to the employees. Furthermore, considering our duty to protect and ensure maintenance of health of all Pak Suzuki family members, a yearly medical screening is conducted for all employees to make sure that they are fully aware of their health conditions and to protect them from any contagious diseases.

Sports Events

Every year, the Company arranges sport tournaments for recreation & entertainment of employees and to provide an environment where all employees can enjoy without any stress and job pressure. During the year, we arranged inter-departmental Cricket tournaments & Indoor games. These events provide an excellent opportunity for the staff and the management to interact with each other and go a long way in instilling the spirit of competition among them in a healthy environment so that they can realize their true potential in work as well as life in general. The winners & runner up teams are presented with Shields, along with player of the final awards.

Cultural and Religious Events

Pak Suzuki ever conscious of the cultural and religious priorities of its employees encourages them by arranging events where employees can give expression to their preferences in this regard also. This year Milad was arranged in the month of January 2017 with full participation of all employees which was attended with utmost religious fervor and enthusiasm giving them an opportunity to interact with each other beyond the scope of routine work and related stress. Popular Naat Khawans and renowned scholars of the country were invited to participate in this event. Sweets were also distributed in the end among the attendants.

Labor and Management Relations

At Pak Suzuki, strong and cordial relations between labor and management are key for a conducive environment essential for moving towards and achieving desired goals. The Management through its able representation takes all measures to convey a strong message to the workers that they are assured of a healthy conducive and fair work environment.

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 million)	Foreign exchange Savings * (Rupees in million)
2012	17,302	31,054
2013	15,380	27,275
2014	17,442	25,067
2015	26,422	39,688
2016	24,448	36,457
2017	35,162	43,182

Duties and taxes paid by Company during the year represent 0.82% of total tax revenues estimated in the Federal Budget for the fiscal year 2017-18. *Converted into Pak Rupees at year end exchange rate.

FUTURE OUTLOOK & CONCLUSION

Macroeconomic indicators of the country are positive yet challenging for auto industry. GDP growth rate has been targeted at 6% for financial year 2017-18. In 2017, performance of manufacturing sector was encouraging, inflation was in control, improved law and order situation and energy availability contributed in improved economic growth. However, apprehensions of Pak Rupee devaluation, rising raw material prices, expected hike in interest rate, political instability, threat of new entrants and sharp increase in imported

used vehicles are major challenges for auto industry in future. Although, significant variation in auto financing rates is not expected but Pak Rupee devaluation and rising raw material prices will affect the cost of production. Due to high element of imported components in total cost of products, forex rates play an important role in pricing of products. Pak Rupee to US Dollar parity remained stable in 2017. The stable Pak Rupee against Japanese Yen and US Dollar is crucial for stable prices of vehicles.

The import of used vehicles in big number is hindering the growth of industry. Despite the restriction on age limit of imported used vehicles for 3 years, 77,972 units of used vehicles were imported during the year as compared to 47,766 units of last year. Government has imposed a condition to show proof that the remittance for payment of duties and taxes originates from the bank account of Pakistani national sending the vehicle from abroad. However, the notification was withdrawn in February 2018, within four months from its issuance. We understand that the proposed procedural changes were directed to regularize the import of used cars but withdrawn on the lobbying of used cars importers.

Improved macroeconomic indicators, law and order situation, stable Pak Rupee and low interest rate provided the momentum to auto industry. Stability in selling prices of vehicles and introduction of new models in market also contributed in steady demand for automobiles. We expect that launching of new models will attract the customers and they will shift their preferences to new models. Development activities related to CPEC expected to contribute in industrial growth and improved infrastructure in country. Your Company has geared up to meet the challenges in future with wide quality product range at competitive prices through an efficient network of authorized dealers. Consistent Government policies with long term vision are vital for the growth of auto industry.

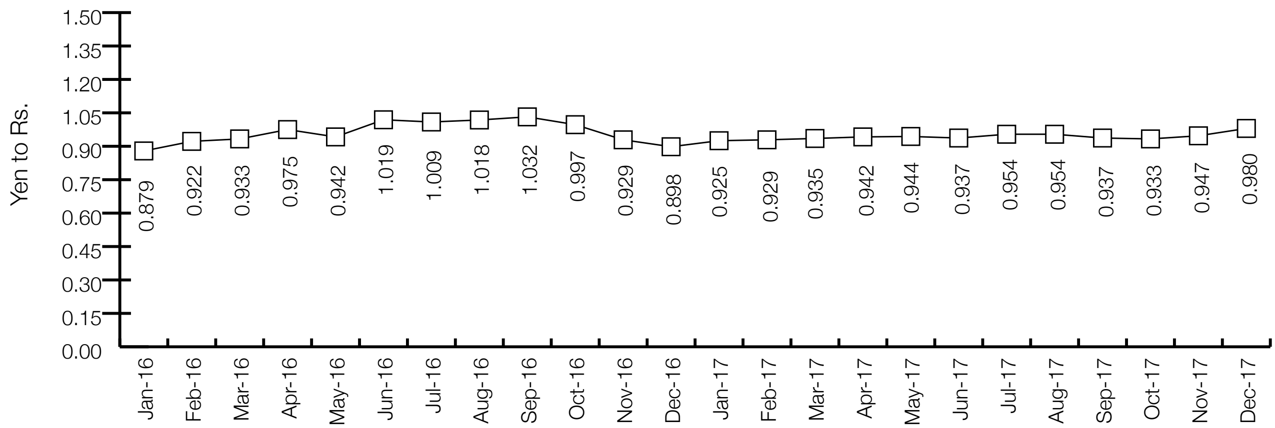
In conclusion, I on behalf of the Board and shareholders would like to express my appreciation to the management, executives, workers, dealers, vendors and Suzuki experts for their efforts and contribution to the affairs of the Company. My sincere gratitude also goes out to all the government departments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

KINJI SAITO
Chairman

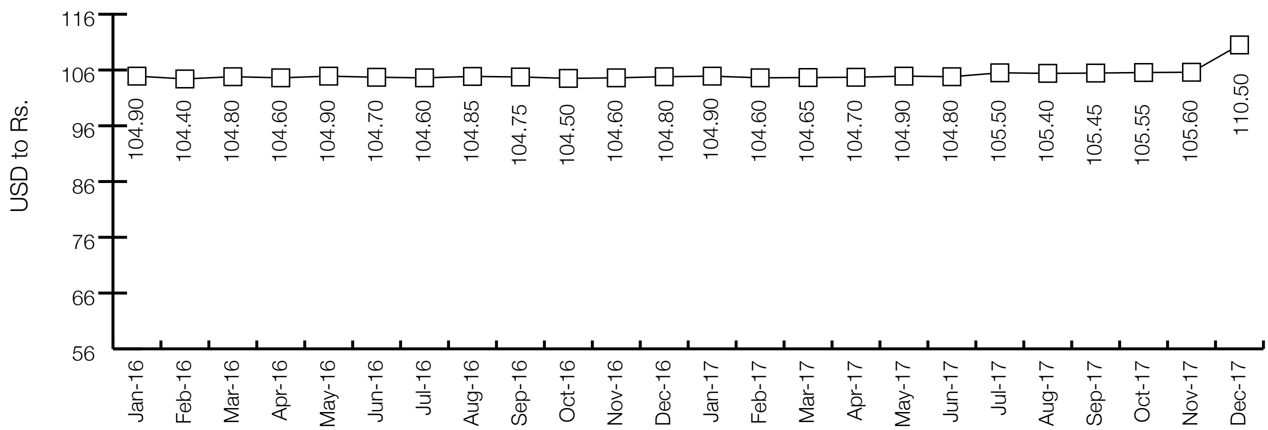
Karachi. March 19, 2018.

Exchange Rates Movement

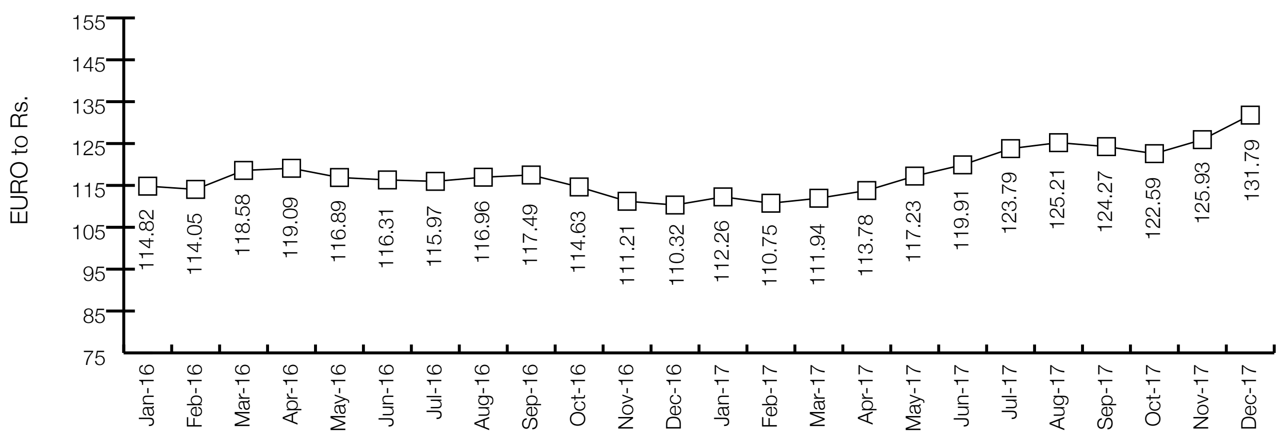
Yen - Rs. Parity



USD - Rs. Parity



EURO - Rs. Parity



WAGONR

Presenting the New WagonR, the last word in practicality. The very first time for a car to have the K-series engine in Pakistan. K-series brings with it unprecedented fuel efficiency and a drive that is smooth, noiseless and powerful. With a car as fuel efficient as the new WagonR, there will be no reason to stop driving.

Directors' Report

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, 2017..

Accounts

	(Rs in 000)
Profit before taxation	5,619,214
Taxation	(1,793,393)
Profit after taxation	3,825,821
Retained earnings of prior years	1,965
Net Profit available for appropriation	3,827,786
Less: Appropriations	
Transfer to General Reserve	2,295,000
Proposed Cash Dividend 18.60@ 186%	1,530,777
	3,825,777
Retained earning carried forward	2,009

Earnings per share

The earnings per share for the year were Rs. 46.49.

Holding company

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

Chairman's Review

The Chairman's review on page 34 to 41 deals with the year's activities and the directors of the Company endorse contents of the same.

Corporate governance

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

- 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.
- Appropriate whistleblower protection mechanism is in place.
- Company places priority to safety and health of its employees. Provide proper medical cover and carry out periodical medical screening of employees.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Key operating and financial data

The key operation and financial data of the Company for six years are summarized on page No. 22.

Government taxes

Outstanding taxes and levies have been explained in note 21 to the annexed audited financial statements.

Investments of employees' retirement funds

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

	Dec 17	Dec 16
Provident Fund	**757.220 million**	732.012 million
Gratuity Fund	**452.257 million**	421.172 million

Board of Directors meetings

During the year six (6) meetings of the Board of Directors were held. Attendance of each Director was as follows:

	No of meetings attended
Mr. Kinji Saito	5
Mr. Masafumi Harano / Mr. Tetsuya Fujioka	6
Mr. Hirofumi Nagao	5
Mr. Toshihiro Suzuki	6
Mr. Minoru Amano / Mr. Shigeo Takezawa	5
Mr. Kazuyuki Yamashita	6
Mr. Shahid Ghaffar / Mr. Moin M. Fudda	5

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

Audit Committee meetings

During the year four (4) meetings of the Audit Committee were held. Attendance of each Director is as follows:

	No of meetings attended
Mr. Shahid Ghaffar / Mr. Moin M. Fudda	3
Mr. Kinji Saito	4
Mr. Minoru Amano / Mr. Shigeo Takezawa	4

Human Resource & Remuneration Committee meetings

During the year one (1) meetings of the Human Resource & Remuneration Committee were held. Attendance of each Director is as follows:

	No of meetings attended
Mr. Kinji Saito	1
Mr. Masafumi Harano	1
Mr. Mr. Shigeo Takezawa	1

Directors' training program

All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. In accordance with the criteria specified in clause (xi) of the Code, three directors of the Company have certification under Directors Training Program and two directors of the Company have the exemption from the requirement of Directors' Training Program.

Pattern of shareholdings

The pattern of shareholdings as of December 31, 2017 is given on pages 112 to 115.

Trading in shares of the company by directors and executives

Directors, executives and their spouses and minor children have not carried out trading in shares of Company except 500 shares of the Company were purchased by a director, Mr. Moin Fudda. Details of transaction was duly communicated to Stock Exchange on receiving the information from director.

Appointment of Auditors

The present Auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee has recommended for their re-appointment for the year ending December 31, 2018. The Directors endorse recommendation of Audit Committee.

Changes in Board, Audit Committee and Human Resource & Remuneration Committee

On May 19, 2017, Mr. Moin M. Fudda was appointed on the Board and member and Chairman of Audit Committee in place of Mr. Shahid Ghaffar who had resigned as member and Chairman Audit Committee.

Following changes took place in Board, Audit Committee and Human Resource and Remuneration (HR&R) Committee on July 10, 2017:

1. Mr. Hirofumi Nagao resigned as Chief Executive Officer of the Company and member of HR&R committee, however, he continues to be a Director on the Board;
2. Mr. Tetsuya Fujioka resigned as member of Board;
3. Mr. Masafumi Harano was appointed as members of the Board in place of Mr. Tetsuya Fujioka and Chief Executive Officer and member of HR&R committee in place of Mr. Hirofumi Nagao; &
4. Mr. Shigeo Takezawa was appointed as members of the Board, Audit Committee & HR&R committee in place of Mr. Minoru Amano who had resigned.

Mr. Yosuke Yamada resigned as CFO w.e.f. August 29, 2017. In his place Mr. Miki Nakahara was appointed as CFO.

As at December 31, 2017 the Board comprised of the following directors who retired on completion of their term on 6th February 2018:-

1. Mr. Kinji Saito
2. Mr. Masafumi Harano
3. Mr. Hirofumi Nagao
4. Mr. Toshihiro Suzuki
5. Mr. Shigeo Takezawa
6. Mr. Kazuyuki Yamashita
7. Mr. Moin M. Fudda

Subsequent to the year end, the elections of Board were held on February 2, 2018 and following persons were elected as directors of the Company for the period of three (3) years with effect from February 7, 2018:

1.	Mr. Kinji Saito	Non-Executive Director
2.	Mr. Masafumi Harano	Executive Director
3.	Mr. Hirofumi Nagao	Executive Director
4.	Mr. Shigeo Takezawa	Non-Executive Director
5.	Mr. Kazuyuki Yamashita	Non-Executive Director
6.	Mr. Moin M. Fudda	Independent Director
7.	Mrs. Rukhsana Shah	Independent Director

Mr. Kinji Saito and Mr. Masafumi Harano have been re-elected as Chairman of the board and Chief Executive respectively. Consequently, HR&R and Audit Committees have been reorganized and Board nominated the following directors as members of HR&R & Audit Committees:

Audit Committee:

1. Mr. Moin M. Fudda;
2. Mr. Kinji Saito; &
3. Mr. Shigeo Takezawa

Human Resource and Remuneration Committee

1. Mrs. Rukhsana Shah;
2. Mr. Kinji Saito; &
3. Mr. Masafumi Harano.

Further, Mr. Moin M. Fudda has been nominated as Chairman of Audit Committee and Mrs. Rukhsana Shah as Chairman of Human Resource and Remuneration Committee.

It may be noted that in the election of directors in February 2018, requirements of Code of Corporate Governance 2017 have been duly complied with, i.e., 2 independent directors including a female has been elected on the Board.

Corporate Social Responsibility (CSR)

Pak Suzuki, acting as a responsible corporate organization; is committed to well-being of the society through its contribution in the field of education, health, promoting environmental care in particular and to improve quality of life of underprivileged people as a whole.

Education & Technical Support Program

VTI Trainings

The Company has been supporting Vocational Training Institutes in different regions and cities of Pakistan by upgrading their workshops and training facilities with parts, tools and equipment both for 4 wheeler and 2 wheeler facilities. Pak Suzuki conducted training program for VTI's Motorcycle trade students & teachers in different regions and cities in 2017. The purpose was to enhance the confidence level of VTI's students regarding Suzuki and give the technical knowledge about Suzuki brand. Total 995 participants were given trainings and 25 trainings sessions were conducted from January to December 2017.

Scholarship for NED students

NED University of Engineering and Technology is one of the most reputable institution of Pakistan, serving the nation since 1922. The company is committed to support higher education in Pakistan in order to contribute in the economic and socio development of the nation. Continuing the Education Support Program under CSR, total 26 scholarships were awarded among students of NED University of Engineering & Technology on 30th August, 2017, 11 awardees of Batch-2014 have become engineer in 2017, under Pak Suzuki NED Scholarship program.

Lower Secondary Scholarship Program

The Company started Lower Secondary Scholarship Program in 2017 to extend the support to local community. The Idea is to motivate and encourage the needy and talented students to keep continue their education, which empower them to achieve their dreams and lead to become a successful person and productive citizen for country. First Scholarship awarding ceremony held on 21st December, 2017, Company announced 50 scholarships for Grade 6 students, selected from six Government Schools.

Two Suzuki Ravi Pick-ups donation to Karachi Vocational Training Centre (KVTC)

The Company donated two Suzuki Ravi pick-ups to Karachi Vocational Training Centre (KVTC) on 25th October, 2017, so that Centre would cater the need of transportation of Intellectually Disabled students. Karachi Vocational Training Centre (KVTC) is actively playing a vital role in rehabilitation of Intellectually Disabled persons and persons with Learning Difficulties due to Mental Retardation, of age 5 and above through functional academics, vocational and technical trainings as well as therapeutic treatment. It is the first rehabilitation centre of its kind for the intellectually disabled persons in Pakistan.

Used Machines donation to Pak Swiss Training Centre (PSTC)

The Company donated 14 Used Machines (Lathe, Drill, Milling, Boring, Spot Welding & CO2 Welding Machines) to Pak Swiss Training Centre (PSTC) on 6th December, 2017. These machines, after overhauling by PSTC will be used for the training and providing hand on experience to the students.

PSTC came into existence in 1965 in collaboration with SWISSCONTACT Government of Switzerland and PCSIR Government of Pakistan, since then PSTC has been actively playing a vital role in producing skilled manpower by providing education, technical skills and hand on experience to the students. PSTC offers Degree programs, Diploma Associate Engineering and Short Professional Courses in different fields of Technologies.

Tools & Equipment Boards donation to Technical Education & Vocational Training Authority (TEVTA)

The Company donated Motorcycle trade Tools and Equipment Boards to Government Technical Education & Vocational Training Authority (TEVTA), Central Jail Bahawalpur Punjab for developing technical skills, enhancing capabilities and to promote vocational training among youngsters present in Jail, ceremony held on 27th December, 2017 in Bahawalpur. TEVTA is a leading partner in the development of the Punjab by empowering youth through technical education and vocational trainings by running more than 100 institutions to enhance technical knowledge and skills through standardized, dynamic and integrated education and training services, at free of cost.

Environment

Plantation

Plantation Maintenance activity was completed on 19th April, 2017. Spike fencing, sand and fertilizer filling was done for around 1,000 cono carpus trees and some coconut trees, especially trees planted in close proximity of Pak Suzuki plant.

In addition to Plantation Maintenance activity, another Plantation activity was completed in September, 2017 in Government Boys & Girls Higher Secondary School Haji Natho for enhancing the beautification of school and make the environment cleaner and healthier. The Plantation project consist of planting 150 trees, inside and outside school; also grass lawns have been made at several locations.

Health, Safety & Environment (HSE) Awareness Session:

Health, Safety & Environment (HSE) Awareness Session conducted on 21st July, 2017 for company employee's children / brothers and sisters; in which importance of safety & security, environmental issues and tips to stay healthy were highlighted. Total 22 participants attended the awareness session.

Community Health

Blood Donation Camp:

Blood Donation Camp was organized in the company on 27th March, 2017 in collaboration with Indus Hospital. The Indus Hospital Blood Center is the first centralized regional blood center of Pakistan with a vision to provide safest possible blood and bi-product by meeting international standards, to all segments of the society without discrimination. Total 178 donors donated their blood voluntarily. Out of 178 donors, 75 donors were from our nearby vendors and showrooms.

Suzuki Bolan van donation to Indus Hospital

The company donated a Suzuki Bolan Van on 11th August, 2017 to Indus Hospital. Since 2007, Indus Hospital has been playing a vital role in providing free of cost health care services, medical treatments, surgical procedures and having 150 beds specialized consultancy care, etc.

Quality, Environment, Health & Safety Management Systems

Consistent quality of products is prime objective of the Company. We are committed to continually promote a "Quality, Health & Safety and Environment (QHSE) 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 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 ensured to provide quality products at competitive price 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. Company continuously monitor the waste generated from its activities and wherever required, installed Environmental Control Equipment and facilities like waste water treatment plant. 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 effluents, 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

MASAFUMI HARANO
Chief Executive

KINJI SAITO
Chairman

Karachi
March 19, 2018

Statement of Compliance with the Code of Corporate Governance

For the year ended 31 December 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Clause 5.19.24 of Pakistan Stock Exchange Regulations 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 (the Board). As at December 31, 2017 the Board comprised of the following:

Category	Names
Independent Directors	Mr. Moin M Fudda
Executive Directors	Mr. Masafumi Harano
	Mr. Hirofumi Nagao
Non-Executive Directors	Mr. Kinji Saito
	Mr. Toshihiro Suzuki
	Mr. Shigeo Takezawa
	Mr. Kazuyuki Yamashita

   The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including Pak Suzuki (excluding the listed subsidiaries of listed holding companies where applicable).

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 an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year three casual vacancies occurred in the Board due to the resignations which were filled by the continuing directors within 90 day.

5. The Company has prepared a “Code of Conduct” and has appropriately disseminated it 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. A mechanism is in place for annual evaluation of the Board’s own performance

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 and other 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. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. In accordance with the criteria specified in clause (xi) of the Code, three directors of the Company have certification under Directors Training Program, two directors of the Company have the exemption from the requirement of Directors’ Training Program.

10. The board has approved appointments of CFO, Company Secretary and Head of Internal Audit, including their remunerations and terms and conditions of the employment as recommended by Human Resource and Remuneration Committee.

11. The Company has complied with all the corporate and financial reporting requirements of the Code. The Company has continued to present the

details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

12. 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

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

14. 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.

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

16. The Board has formed an Audit Committee. As at December 31, 2017 it comprises three (3) members. Chairman of the Committee is independent director and the other two (2) are non-executive directors.

17. 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.

18. The Board has formed Human Resource and Remuneration Committee. It comprises three (3) members including two non-executive directors, one of whom is also chairman of the Committee.

19. 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.

20. 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.

21. 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.

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

23. Material/price sensitive information is disseminated among all market participants at once through stock exchange.

24. The Company has complied with the requirements of Clause 5.19.23 relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion and exclusion of names of persons from the said list.

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

KINJI SAITO

CHAIRMAN

Dated: March 19, 2018

Notice of Meeting

Notice is hereby given that the 35th Annual General Meeting of the shareholders of Pak Suzuki Motor Company Limited will be held at Ramada Plaza, Karachi on Wednesday, April 25, 2018 at 9:30 a.m. to transact the following business:

ORDINARY BUSINESS

1- To confirm minutes of Annual General Meeting held on April 25, 2017.

2- To confirm minutes of Extra Ordinary General Meeting held on February 02, 2018.

3- To receive, consider and adopt the audited accounts of the Company for the year ended December 31, 2017, together with Directors' and Auditors' reports thereon.

4- To approve payment of cash dividend @ 186% i.e. Rs. 18.60 per share of Rs. 10/- each.

5- To appoint auditors for the year ending December 31, 2018 and fix their remuneration. Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

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

SPECIAL BUSINESS

7- To consider and if thought fit, pass a special resolution to amend the Articles of Association of the Company to authorize the Board of Directors for fixing the remuneration paid to the directors for attending the board meetings as well as allowance in lieu of extra services performed by the directors.

A Statement of Material Facts under Section 134(3) of The Companies Act 2017 covering the above mentioned special businesses is being sent to the shareholders along with a copy of this notice.

BY ORDER OF THE BOARD

ABDUL NASIR
COMPANY SECRETARY

Karachi: April 3, 2018

Notes:

1- The share transfer books of the Company will remain closed from April 19, 2018 to April 25, 2018 (both days inclusive) and no transfer will be accepted for registration during this period. Transfers received in order till close of business on April 18, 2018 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 Computerized National Identity Cards (CNIC) 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 numbers of the shareholders on dividend warrants. Therefore members who have not yet submitted photocopies of their valid CNICs to the Company are again 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.

5- The Government of Pakistan, through Finance Act 2017, has made certain amendments in Section 150 of The Income Tax Ordinance 2001 whereby different rates are prescribed for deduction of withholding tax on amount of dividend paid to shareholders. These tax rates are as under

a. For filers of income tax returns 15%
b. For non-filers of income tax returns 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of @ 20%, all the shareholders whose names are not included in the Active Taxpayers' List (ATL) available on the website of FBR despite of being filers are advised to make sure that their names are added in ATL before the start of book closure.

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as jointholder(s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

Name	Folio/CDS Account Number	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC Number	Shareholding Proportion (No. of Shares)	Name & CNIC Number	Shareholding Proportion (No. of Shares)

The required information must reach our Shares Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

6- Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company, in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/ participant/CDC account services.

7- Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 10 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

"I/We, ____________________ of _____________, being a member of Pak Suzuki Motor Company Limited, holder of __________ ordinary share(s) as per Registered Folio No. ______ hereby opt for video conference facility at _____________."

8. **Statement of Material Facts under Section 134(3) of The Companies Act 2017.**

Item No. 7 of the Notice
Amendment in Articles of Association to authorize Board of Directors to fix remuneration paid to directors for attending the board meetings as well as allowance for extra service

The remuneration paid to the directors of the Company for attending board of directors' meetings is stipulated in Article 9.10. Amendment in Articles of Association is proposed to authorize Board of Directors to fix remuneration paid to directors for attending the board meetings as well as allowance for extra service. The existing article 9.10 is reproduced as under:

"The remuneration of the Director for attending meetings of Board of Directors shall not exceed Rs. 20,000/- (Rupees twenty thousand only) per meeting. Remuneration for attending meetings of Board of Directors shall not be paid to the Chief Executive and other directors who work whole-time on remuneration for the company. Any director appointed to any executive office including for the purpose of this Article the office of Chief Executive, Chairman or who serve on any Committee or devote special attention to the business of the Company or who otherwise preforms extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Directors, may be paid such remuneration by way of salary, fees, percentage of profits or otherwise as shall from time to time be determined by Directors and be subject to provisions of any law for the time being in force applicable to the Company."

It is proposed that the following special resolution be passed to amend the Article of the Articles of Association of the Company:

"Resolved that Article 9.10 be replaced with:
"The remuneration of the Directors for attending Board meetings shall be fixed by the board of directors in their meeting. Any director who performs extra services may be paid such remuneration by way of allowance as shall be determined by Directors and be subject to provisions of any law for the time being in force applicable to the Company.

Remuneration for attending meetings of Board of Directors shall not be paid to the Chief Executive and other directors who work whole-time on remuneration for the company. Any director appointed to any executive office including for the purpose of this Article the office of Chief Executive, Chairman or who serve on any Committee or devote special attention to the business of the Company which in the opinion of the Directors are outside the scope of the ordinary duties of the Directors, may be paid such remuneration by way of salary, fees, percentage of profits or otherwise as shall from time to time be determined by Directors and be subject to provisions of any law for the time being in force applicable to the Company."

MEGA CARRY XTRA

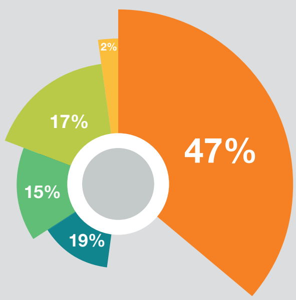
The Ideal Partner

Suzuki Mega Carry Xtra is the ideal choice for modern day requirements of light-commercial and fleet businesses, offering more loading space, outstanding performance, durability and reliability. The Mega Carry Xtra meets the diverse needs of its users.

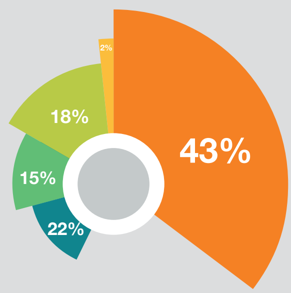
FINANCIAL Statement

Way of Life!

Assets - 2017

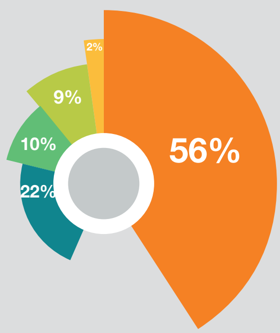


Assets - 2016

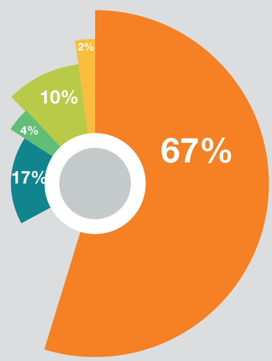


- Cash & Bank Balances
- Other Current Assets
- Property Plant & Equipment
- Other Non Current Assets
- Stock in Trade

Equity & Liabilities - 2017



Equity & Liabilities - 2016



- Trade & Othe Payables
- Advances
- Security Deposits & Other Current
- Paid-up Capital
- Reserves

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Review Report to the Members on statement of compliance with the code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Pak Suzuki Motor Company Limited** ("the Company") for the year ended 31 December 2017 to comply with the requirements of Listing Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange 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 of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

Date: 19 March 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of Pak Suzuki Motor Company Limited ("the Company") as at 31 December 2017 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 as applicable in Pakistan and the requirements of the repealed 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 repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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 repealed 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 2017 and of the profit, its 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.

The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of Chartered Accountants who have expressed an unmodified opinion on those financial statements vide their audit report dated 21 March 2017.

Date: 19 March 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at December 31, 2017

	Note	2017	2016
		------- (Rupees in '000') -------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**8,800,002**	6,672,057
Intangible assets	5	**185,333**	72,619
Long-term investments	6	**208,086**	-
Long-term loans	7	**2,361**	1,160
Long-term deposits, prepayments and other receivables	8	**327,319**	258,103
Long-term installment sales receivables	9	**144,779**	96,033
Deferred taxation	10	**236,500**	233,750
		9,904,380	7,333,722
CURRENT ASSETS			
Stores, spares and loose tools	11	**114,789**	111,006
Stock-in-trade	12	**23,946,058**	16,288,608
Trade debts	13	**211,358**	1,205,269
Loans and advances	14	**37,481**	163,019
Trade deposits and short term prepayments	15	**965,722**	77,129
Current portion of long-term installment sales receivables	9	**320,996**	291,254
Accrued profit on bank deposits		**28,699**	120,761
Other receivables	16	**147,775**	167,306
Taxation - net		**4,899,972**	1,894,297
Sales tax and excise duty adjustable		**1,143,685**	1,651,301
Cash and bank balances	17	**9,189,552**	8,548,293
		41,006,087	30,518,243
TOTAL ASSETS		**50,910,467**	37,851,965

	Note	2017	2016
		------- (Rupees in '000') -------	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (2016: 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		**28,726,717**	25,393,908
		29,549,716	26,216,907
CURRENT LIABILITIES			
Trade and other payables	19	**11,391,952**	6,300,123
Advances from customers		**5,331,948**	1,625,472
Security deposits	20	**4,600,552**	3,673,164
Provision for custom duties and sales tax	21	**36,299**	36,299
		21,360,751	11,635,058
CONTINGENCIES AND COMMITMENTS	22		
TOTAL EQUITY AND LIABILITIES		**50,910,467**	37,851,965

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman | Chief Financial Officer | Chief Executive Officer

Profit and Loss Account

For the year ended 31 December 2017

	Note	2017	2016
		------- (Rupees in '000') -------	
Sales	23	**101,811,611**	76,516,040
Cost of sales	24	**(92,159,038)**	(69,167,463)
Gross profit		**9,652,573**	7,348,577
Distribution and selling costs	25	**(2,804,256)**	(2,004,285)
Administrative expenses	26	**(1,599,815)**	(1,539,590)
Other expenses	27	**(413,997)**	(333,542)
Other income	28	**864,711**	1,039,851
Finance costs	29	**(68,088)**	(95,775)
		(4,021,445)	(2,933,341)
		5,631,128	4,415,236
Share of loss of equity accounted investee	6	**(11,914)**	-
Profit before taxation		**5,619,214**	4,415,236
Taxation	30	**(1,793,393)**	(1,642,601)
Profit after taxation		**3,825,821**	2,772,635
		(Rupees)	
Earnings per share - basic and diluted	31	**46.49**	33.69

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman

Chief Financial Officer

Chief Executive Officer

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017	2016
	------- (Rupees in '000') -------	
Profit after taxation	**3,825,821**	2,772,635
Other comprehensive income		
Items that may not be reclassified subsequently to profit and loss account		
Remeasurement loss on defined benefit plan - net of tax	**(40,363)**	(468)
Total comprehensive income for the year	**3,785,458**	2,772,167

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman | Chief Financial Officer | Chief Executive Officer

Cash Flow Statement

For the year ended 31 December 2017

	Note	2017	2016
		------- (Rupees in '000') -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	32	9,188,578	(751,912)
Finance costs paid		(68,088)	(95,782)
Taxes paid		(4,801,818)	(1,986,266)
Long-term loans		(1,201)	(106)
Long-term deposits, prepayments and other receivables		(69,216)	(224,780)
Long-term installment sales receivables		(48,746)	17,594
Net cash generated from / (used in) operating activities		4,199,509	(3,041,252)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,519,215)	(3,122,862)
Purchase of intangible assets		(195,904)	(62,236)
Proceeds from sales of property, plant and equipment		42,727	71,716
Investment in associates		(220,000)	-
Profit received on bank accounts		787,242	926,642
Net cash used in investing activities		(3,105,150)	(2,186,740)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(453,100)	(1,229,722)
Net increase / (decrease) in cash and cash equivalents		641,259	(6,457,714)
Cash and cash equivalents at beginning of the year		8,548,293	15,006,007
Cash and cash equivalents at end of the year	17	9,189,552	8,548,293

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman

Chief Financial Officer

Chief Executive Officer

Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital	Reserves						
		Capital reserves		Revenue reserves				
	Issued, subscribed and paid-up	Share premium	Reserve on merger	General	Unappropriated profit	Re-measurement loss on defined benefit plan	Total Reserve	Total
	(Rupees in '000)							
Balance as at 01 January 2016	822,999	584,002	260,594	17,214,818	5,846,477	(49,652)	23,856,239	24,679,238
Transaction with owners in the capacity as owners directly recorded in equity								
Final dividend on ordinary shares @ 150% for the year ended 31 December 2015	-	-	-	-	(1,234,498)	-	(1,234,498)	(1,234,498)
Transfer to general reserve	-	-	-	4,610,000	(4,610,000)	-	-	-
Total comprehensive income for the year ended 31 December 2016								
Profit for the year	-	-	-	-	2,772,635	-	2,772,635	2,772,635
Other comprehensive income	-	-	-	-	-	(468)	(468)	(468)
	-	-	-	-	2,772,635	(468)	2,772,167	2,772,167
Balance as at 31 December 2016	822,999	584,002	260,594	21,824,818	2,774,614	(50,120)	25,393,908	26,216,907
Transaction with owners in the capacity as owners directly recorded in equity								
Final dividend on ordinary shares @ 55% for the year ended 31 December 2016	-	-	-	-	(452,649)	-	(452,649)	(452,649)
Transfer to general reserve	-	-	-	2,320,000	(2,320,000)	-	-	-
Total comprehensive income for the year ended 31 December 2017								
Profit for the year	-	-	-	-	3,825,821	-	3,825,821	3,825,821
Other comprehensive income	-	-	-	-	-	(40,363)	(40,363)	(40,363)
	-	-	-	-	3,825,821	(40,363)	3,785,458	3,785,458
Balance as at 31 December 2017	822,999	584,002	260,594	24,144,818	3,827,786	(90,483)	28,726,717	29,549,716

The annexed notes from 1 to 42 form an integral part of these financial statements.

Chairman | Chief Financial Officer | Chief Executive Officer

Notes to the Financial Statements

For the year ended 31 December 2017

1. CORPORATE INFORMATION, OPERATIONS AND LEGAL STATUS

Pak Suzuki Motor Company Limited

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

Tecno Auto Glass Limited

Tecno Auto Glass Limited ("TAG") is a company incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 on 16 March 2017. The registered office of the Company is situated at 255 A, Block 6, P.E.C.H.S, Shahrah-e-Faisal, Karachi. TAG's main area of operations will be manufacturing, development and designing of Auto Glass products to cater local as well as international markets.

TAG is a subsidiary of Tecno Pack Telecom (Private) Limited, which owns 60% of the shares of TAG, while remaining 40% of the shares were acquired by Pak Suzuki Motor Company Limited as more explained in note 6.1 to the financial statements.

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 (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed 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 as stated in note 3.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are described in the following:

- Determining the useful lives and residual value of items of property, plant and equipment (note 3.1 and 4)
- Investement in associate (note 3.3 and 6)
- Provision for slow moving and obsolete store and spares (note 3.4 & 11)
- Provision for slow moving and obsolete stock-in-trade (note 3.5 & 12)
- Provision for doubtful trade debts (note 3.7 and 13)
- Provision for retirement benefits (note 3.11 and 19.4)
- Provision for sales tax and custom duties (note 3.12 and 21)
- Provision for taxation (note 3.12, 10 and 30)
- Provision for warranty obligations (note 3.15 and 19.2)
- Contingencies and commitments (note 22)

2.5 Standards, amendments and interpretations which became effective during the year

During the year, amendments to certain standards became effective which were not relevant to the Company's accounting policies.

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

  Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 January 2018 requires certain additional disclosures which will be incorporated in financial statements for the period ending on or after 1 January 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 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 to profit and loss 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.

The carrying value of the property, plant and equipment and intangible 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.

3.2 Intangible assets

These represent costs which are capitalised when it is probable that future economic benefits attributable to them will flow to the Company. These are stated at cost less accumulated amortisation and any identified impairment loss.

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 written off.

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

3.3 Investment in associate

Associates are those entities in which the Company has significant influence, but not control or joint-control, over the financial and operating policies. Interests in associate is accounted for using the equity method.

These are initially recognised at cost, which include transaction cost, if any. The financial statements include the Company's share of profit or loss and movements in other comprehensive income of the equity accounted associate, after adjustments, if any, from the date that significant influence commences until the date it ceases. Share of post acquisition profit and loss of associates is recognised in the profit or loss and other comprehensive income is recognised in the other comprehensive income. Distributions received from associates reduce the carrying amount of investment. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Company's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount exceeds its recoverable amount and is charged to profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognised. A reversal of impairment loss is recognised in the profit or loss.

3.4 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of net realizable value and cost, calculated on a weighted average basis. Provision is made annually in the financial statements for slow moving and obsolete items.

3.5 Stock-in-trade

Stock- in-trade is 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. 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.

3.6 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.

3.7 Trade debts and installment sales receivable

Trade debts are recognised initially at fair value (original value of invoice amount less any part payment) and subsequently measured at amortised cost or cost, as the case may be, less 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 when they are identified. A general provision at the rate 3.5% of the balance of installment sales receivables is maintained to cater for any bad debts.

3.8 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 invoiced to the Company and subsequently measured at amortised cost using the effective interest rate method.

3.9 Financial instruments

3.9.1 Financial assets

Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of 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-derivatives 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 other 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.

3.9.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recorded at fair value and subsequently measured at amortised cost.

3.9.3 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.

3.9.4 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.

3.9.5 Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Impairment loss on all financial assets is recognised in the profit and loss account. In arriving at the provision in respect of any diminution in long-term financial assets, consideration is given only if there is a permanent impairment in the value of the financial assets.

3.10 Provisions

Provisions are recognised in the balance sheet where the Company has a present legal or constructive obligation as a result of past event, 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.

3.11 Employees benefit schemes

3.11.1 Gratuity scheme

The Company operates an unfunded Gratuity Scheme (the Plan) for eligible employees of the Company. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Interest cost and current service cost are recognised in profit and loss account. The latest actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

3.11.2 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.

3.11.3 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.

3.12 Taxation

3.12.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

3.12.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on 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 utilised. Deferred tax liabilities are recognised for all taxable temporary differences.

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 utilised.

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.

3.12.3 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.

3.13 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.

3.14 Revenue recognition

Revenue is recognised when goods are sold and services are rendered. Goods are treated as sold when they are delivered and invoiced. Warranty and insurance claims are recognised when the claims in respect thereof are lodged with the respective parties.

Profit on bank accounts is accounted for on accrual basis using effective interest rate method.

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.

Commission income is recognised as and when such service is provided.

Miscellaneous income is recognised on receipt basis.

3.15 Warranty obligations

The Company accounts for its warranty obligations on accrual basis.

3.16 Cash and cash equivalents

These are carried at cost and include cash / cheques in hand and balance with banks.

3.17 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.

3.18 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 assets. 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.

3.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of the business separately for the purpose of making decisions regarding resource allocation and performance assessment. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer and Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The business of the Company has two reportable operating segments i.e., Automobiles segment and Motorcycles segment.

Segment results that are reported for review and performance evaluation include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, certain other operating income and expenses, certain finance costs, tax assets and liabilities and income tax expense.

Segment capital expenditure is the total cost incurred during the year to acquire tangible fixed assets and intangible assets other than goodwill.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2017	2016
		------- (Rupees in '000') -------	
Operating fixed assets	4.1	7,068,071	4,175,966
Capital work-in-progress	4.4	1,731,931	2,496,091
		8,800,002	6,672,057

4.1 OPERATING FIXED ASSETS

The following is a statement of operating fixed assets:

	Cost as at 01 January 2017	Additions	Deletions / written off	Cost as at 31 December 2017	Accumulated depreciation as at 01 January 2017	Charge for the Year	Depreciation on deletion / written off	Accumulated depreciation as at 31 December 2017	Book value as at 31 December 2017	Years / Rate %
	-----	-----	-----	-----	(Rupees in '000)	-----	-----	-----	-----	
Leasehold land	934,620	-	-	934,620	121,304	15,854	-	137,158	797,462	60-75 Years
Freehold land	371,514	-	-	371,514	-	-	-	-	371,514	
Leasehold improvements	27,938	-	(27,938)	-	27,938	-	(27,938)	-	-	5-9 Years
Buildings on leasehold land										
- Factory	1,542,378	508,559	-	2,050,937	1,016,119	87,212	-	1,103,331	947,606	10-20
- Office	3,253	-	-	3,253	2,391	172	-	2,563	690	20
Test Tracks other buildings	63,463	-	-	63,463	29,771	6,738	-	36,509	26,954	20
Plant and machinery	7,224,221	707,810	(75,948)	7,856,083	6,206,612	339,495	(74,047)	6,472,060	1,384,023	8 Years
Welding guns	354,219	47,248	-	401,467	327,213	31,339	-	358,552	42,915	4 Years
Waste water treatment plant	120,222	-	-	120,222	120,222	-	-	120,222	-	8 Years
Permanent and special tools	435,043	145,688	(5,252)	575,479	401,155	39,497	(5,233)	435,419	140,060	4 Years
Dies	2,802,114	522,334	(2,694)	3,321,754	2,479,749	223,262	(2,694)	2,700,317	621,437	5 Years
Jigs and fixtures	779,259	557,364	-	1,336,623	619,936	155,660	-	775,596	561,027	5 Years
Vendor Tooling (Note 4.1.1)	626,561	1,474,016	(320)	2,100,257	151,957	333,733	(203)	485,487	1,614,770	5 Years
Electrical installations	263,970	50,322	-	314,292	206,879	20,151	-	227,030	87,262	8 Years
Furniture and fittings	20,501	4,081	-	24,582	13,175	2,143	-	15,318	9,264	20
Vehicles	545,182	194,466	(69,361)	670,287	302,744	67,508	(43,197)	327,055	343,232	20
Air conditioners and refrigerators	43,029	13,876	(1,786)	55,119	14,498	7,767	(1,589)	20,676	34,443	20
Office equipment	86,529	10,814	(643)	96,700	53,296	7,752	(580)	60,468	36,232	20
Computers	151,132	46,797	(268)	197,661	124,223	24,518	(260)	148,481	49,180	20
	16,395,148	**4,283,375**	**(184,210)**	**20,494,313**	**12,219,182**	**1,362,801**	**(155,741)**	**13,426,242**	**7,068,071**	

	Cost as at 01 January 2016	Additions	Deletions / written off	Cost as at 31 December 2016	Accumulated depreciation as at 01 January 2016	Charge for the Year	Depreciation on deletion / written off	Accumulated depreciation as at 31 December 2016	Book value as at 31 December 2016	Years / Rate %
					(Rupees in '000)					
Leasehold land	806,263	128,357	-	934,620	106,287	15,017	-	121,304	813,316	60-75 Years
Freehold land	371,514		-	371,514	-	-	-	-	371,514	
Leasehold improvements	27,938	-	-	27,938	27,938	-	-	27,938	-	5-9 Years
Buildings on leasehold land - Factory	1,439,493	102,147	738	1,542,378	962,589	51,928	1,602	1,016,119	526,259	10-20
- Office	5,402	-	(2,149)	3,253	4,299	215	(2,123)	2,391	862	20
Test Tracks other buildings	62,052	-	1,411	63,463	20,827	8,423	521	29,771	33,692	20
Plant and machinery	7,176,669	113,004	(65,452)	7,224,221	5,955,836	316,228	(65,452)	6,206,612	1,017,609	8 Years
Welding guns	356,114	-	(1,895)	354,219	304,484	24,624	(1,895)	327,213	27,006	4 Years
Waste water treatment plant	120,222	-	-	120,222	120,222	-	-	120,222	-	8 Years
Permanent and special tools	430,708	7,876	(3,541)	435,043	384,910	19,763	(3,518)	401,155	33,888	4 Years
Dies	2,791,459	10,655	-	2,802,114	2,311,519	168,230	-	2,479,749	322,365	5 Years
Jigs and fixtures	774,330	6,264	(1,335)	779,259	551,782	69,450	(1,296)	619,936	159,323	5 Years
Vendor Tooling (Note 4.1.1)	-	626,561	-	626,561	-	151,957	-	151,957	474,604	5 Years
Electrical installations	263,787	183	-	263,970	191,259	15,620	-	206,879	57,091	8 Years
Furniture and fittings	17,370	3,312	(181)	20,501	11,826	1,519	(170)	13,175	7,326	20
Vehicles	590,344	45,805	(90,967)	545,182	312,473	57,371	(67,100)	302,744	242,438	20
Air conditioners and refrigerators	25,080	21,419	(3,470)	43,029	12,436	4,995	(2,933)	14,498	28,531	20
Office equipment	83,014	12,339	(8,824)	86,529	53,391	7,479	(7,574)	53,296	33,233	20
Computers	167,720	7,374	(23,962)	151,132	125,137	22,895	(23,809)	124,223	26,909	50
	15,509,479	1,085,296	(199,627)	16,395,148	11,457,215	935,714	(173,747)	12,219,182	4,175,966	

4.1.1 Vendor tooling having book value of Rs. 1,614.77 million (2016: 474.604 million) are in the possession of seventy eight (78) vendors dispersed all over Pakistan.

Notes to the Financial Statements

For the year ended 31 December 2017

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

	Note	2017	2016
		(Rupees in '000)	
Cost of goods manufactured	24.1	**1,239,912**	838,988
Administrative expenses	26	**122,889**	96,726
		1,362,801	935,714

4.3 Disposal of operating fixed assets

	Cost	Accumulated depreciation	Written down value	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
	----------	----------	(Rupees in '000)	----------	----------		
Aggregate value of items where book value having book value exceeding Rs. 50,000							
Vehicles							
Suzuki Vehicles Cars & Motorcycles (31 Vehicles)	30,989	20,858	10,131	18,947	8,816	Company Policy	Company Employees
Suzuki Vehicles Cars & Motorcycles (28 Vehicles)	33,285	19,902	13,383	19,657	6,274	Negotia-tions	Various parties
Suzuki Vehicles Cars & Motorcycles (3 Vehicles)	3,087	1,144	1,943	2,913	970	Insurance claim	EFU
Plant and Machinery							
Parts & Tools for Cylinder machining centre	5,879	5,083	796	-	(796)	Scrapped	-
Cylinder Machining Centre engine shop	8,157	7,053	1,104	-	(1,104)	Scrapped	-
Dies							
Tuner Assy (MC)	320	203	117	-	(117)	Scrapped	-
Aggregate value of items where WDV is less than Rs. 50,000							
	5,026	4,194	832	1,210	378	Company policies / negotiations /tender	Company employees /various parties
	97,467	97,304	163	-	(163)	Scrapped	-
2017	**184,210**	**155,741**	**28,469**	**42,727**	**14,258**		
2016	199,627	173,747	25,880	71,716	45,836		

4.4 Capital work-in-progress

	2017	2016
	(Rupees in '000)	
Plant and machinery	1,171,576	1,889,499
Civil works	516,583	606,592
Advance for capital expenditure	43,772	-
	1,731,931	2,496,091

4.4.1 Movement in capital work-in-progress

	2017	2016
Opening balance	2,496,091	458,525
Additions during the year	3,396,350	2,427,357
Transfer to operating fixed assets	(4,160,510)	(389,791)
Closing balance	1,731,931	2,496,091

5. INTANGIBLE ASSETS

	Years	Cost as at 01 January 2017	Additions	Cost as at 31 December 2017	Accumulated amortisation at 01 January 2017	Charge for the year	Accumulated amortisation as at 31 December 2017	Book value as at 31 December 2017
		(Rupees in '000)						
License fees and drawings	3	191,920	191,020	382,940	181,257	58,417	239,674	143,266
Softwares	3	83,383	4,884	88,267	21,427	24,773	46,200	42,067
2017		275,303	195,904	471,207	202,684	83,190	285,874	185,333

	Years	Cost as at 01 January 2016	Additions	Cost as at 31 December 2016	Accumulated amortisation at 01 January 2016	Charge for the year	Accumulated amortisation as at 31 December 2016	Book value as at 31 December 2016
		(Rupees in '000)						
License fees and drawings	3	191,920	-	191,920	117,284	63,973	181,257	10,663
Softwares	3	21,147	62,236	83,383	12,495	8,932	21,427	61,956
2016		213,067	62,236	275,303	129,779	72,905	202,684	72,619

5.1 Amortisation charge has been allocated as under:

	Note	2017	2016
		------- (Rupees in '000') -------	
Cost of goods manufactured	24.1	58,417	63,973
Administrative expenses	26	24,773	8,932
		83,190	72,905

	Note	2017	2016
		------- (Rupees in '000') -------	
6. LONG-TERM INVESTMENTS			
Investment in related party (equity accounted)			
Investment in associate - unquoted			
Tecno Auto Glass Limited	6.1	**208,086**	-
Other investments			
Available for sale - unquoted			
- Arabian Sea Country Club Limited (ASCCL)	6.2	**5,000**	5,000
- Provision for impairment in the value of investment		**(5,000)**	(5,000)
		-	-
- Automotive Testing & Training Centre (Private) Limited (AT & TC)	6.3	**1,250**	1,250
- Provision for impairment in the value of investment		**(1,250)**	(1,250)
		-	-
		208,086	-

6.1 The shareholders of the Company in their extra-ordinary general meeting held on 16 February 2017 approved the proposal for long term equity investment of Rs. 344.4 million for setting up "Tecno Auto Glass Limited (TAG)" for the manufacturing of automobile glass under Technical Assistance Agreement with Asahi India Solutions Limited. TAG was incorporated on 16 March 2017 and has not yet commenced commercial operations. The incorporation and principle place of business of TAG is Islamic Republic of Pakistan. TAG is a joint venture company between Tecno Pack Telecom (Private) Limited (TPT) and the Company where the Company holds 40% shareholding and balance 60% is held by the TPT. TAG is an associated company of the Company due to 40% shareholding. Upto balance sheet date, the Company has made investment of Rs. 220 million. Shares amounting to Rs. 220 million were issued in the name of the Company. Remaining balance of Rs. 124.4 million will be injected as and when required.

The associate's share of loss has been included in these financial statement based on the unaudited condensed interim financial information of the investee company as at 31 December 2017.

	Note	2017	2016
		------- (Rupees in '000') -------	
6.1.1 22,000,000 (2016: Nil) fully paid ordinary shares of Rs. 10/- each (Shareholding 40%)	6.1	**220,000**	-
Share of loss of equity accounted investee		**(11,914)**	-
		208,086	-
		208,086	-

6.1.2 Summarised balance sheet

	2017	2016
Non-current assets	**835,459**	-
Current assets	**83,242**	-
Non-current liabilities	**(319,727)**	-
Current liabilities	**(3,760)**	-
	595,214	-

6.1.3 Summarised statement of profit or loss and comprehensive income

	2017	2016
	------- (Rupees in '000') -------	
Revenue	-	-
Loss for the period	29,785	-
Other comprehensive income	-	-
Total comprehensive income	(29,785)	-

6.2 Investment in ASCCL (unquoted) represents 0.5 million (2016: 0.5 million) fully paid ordinary shares of Rs. 10 each, representing 6.45% (2016: 6.45%) of ASCCL's paid up share capital as at 31 December 2017.

6.3 Investment in AT & TC (unquoted) represents 0.125 million (2016: 0.125 million) fully paid ordinary shares of Rs. 10 each, representing 6.94% (2016: 6.94%) of AT & TC's paid up share capital as at 31 December 2017.

7. LONG-TERM LOANS - secured, considered good

	Note	2017	2016
		------- (Rupees in '000') -------	
Loans to employees	7.1	4,327	2,636
Less: Receivable within one year	14	(1,966)	(1,476)
		2,361	1,160

7.1 This represents interest free personal loans to employees. These are repayable in maximum thirty six equal monthly installments.

8. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017	2016
		------- (Rupees in '000') -------	
Deposits and prepayments		30,681	28,747
Other receivables from employees	8.1	351,372	267,667
less: Receivable within one year		(54,734)	(38,311)
		296,638	229,356
		327,319	258,103

8.1 This represent receivables against vehicles given to employee under the Vehicle Ownership Employee Scheme. These receivables are secured against the personnel guarantees and provident fund balances of the respective employees. These are receivables in maximum eighty-four equal monthly installments.

Notes to the Financial Statements

For the year ended 31 December 2017

	Note	2017	2016
9. LONG TERM INSTALLMENT SALES RECEIVABLES - secured, considered good		------- (Rupees in '000') -------	
Installment sales receivables	9.1	**509,639**	441,630
Less: Unearned finance income		**(28,961)**	(42,740)
		480,678	398,890
Less: Provision for doubtful receivables	9.2	**(14,903)**	(11,603)
		465,775	387,287
Less: Current maturity		**(320,996)**	(291,254)
		144,779	96,033

9.1 This represent balances receivable under various installment sale agreements in equal monthly installments. It includes installment sales to customers (motorcycles) and registered vendors of the Company. In case of installment sales to customers, the Company retains the title and registers the documents of the motorcycles in its name as a security. For installment sales to vendors, vehicles are lien marked and registered in joint names of vendor and the Company. Such documents are retained in Company's custody and transferred in the name of customer / vendor after the entire dues are cleared. Mark-up on installment sales receivables ranges from 12% to 28% (2016: 12% to 28%) per annum, excluding up to 18 months installment sales which are subject to 0% markup. However, overdue rentals are subject to additional surcharge. The gross amount and the present value of the installment sales receivables are as follows:

	Gross amount of installment sales receivables		Present value of installment sales receivables	
	2017	2016	**2017**	2016
	--------------------- (Rupees in 000) ---------------------			
Less than one year	**343,024**	323,759	**320,996**	291,254
One to five years	**166,615**	117,871	**159,682**	107,636
	509,639	441,630	**480,678**	398,890
Less: Provision for doubtful receivables	**(14,903)**	(11,603)	**(14,903)**	(11,603)
	494,736	430,027	**465,775**	387,287

9.1.1 Includes an overdue portion of installment sales receivables of Rs. 4.335 million (2016: Rs. 9.265 million).

9.2 Provision for doubtful installment sales receivables	Note	2017	2016
		------- (Rupees in '000') -------	
Balance at beginning of the year		**11,603**	21,765
Provision / (reversal) during the year	26	**3,300**	(466)
Written-off during the year		**-**	(9,696)
Balance at end of the year		**14,903**	11,603

10. DEFERRED TAXATION

	Note	2017	2016
		------- (Rupees in '000') -------	
Deductible temporary differences arising from:			
Provisions		338,000	105,500
Local development costs		17,500	38,500
Accelerated tax depreciation		-	89,750
		355,500	233,750
Taxable temporary differences arising from:			
Accelerated tax depreciation		(119,000)	-
		236,500	233,750

11. STORES, SPARES AND LOOSE TOOLS

	Note	2017	2016
Stores		72,531	66,607
Spares		80,708	69,558
Loose tools		17,498	19,564
		170,737	155,729
Less: Provision for slow moving and obsolete items			
- at beginning of the year		44,723	42,235
- provision for the year	24.1	11,225	2,488
		55,948	44,723
		114,789	111,006

12. STOCK-IN-TRADE

	2017		2016	
Raw material and components [including items in transit Rs. 5,732.93 million (2016: Rs. 2,974.72 million)]	11,785,859		8,147,650	
Less: Provision for slow moving and obsolete items				
- at beginning of the year	35,639		35,326	
- (reversal) / provision for the year	(4,195)		313	
	31,444		35,639	
	11,754,415		8,112,011	
Work-in-process	70,600		83,499	
Finished goods	8,499,570		6,479,613	
Trading stocks [Including items in transit Rs. 742.71 million (2016: Rs. 28.63 million)]	3,687,259		1,635,225	
Less: Provision for slow moving and obsolete items				
- at beginning of the year	21,740		50,040	
- provision / (reversal) for the year	44,046		(28,300)	
	65,786		21,740	
	3,621,473		1,613,485	
	23,946,058		16,288,608	

12.1 Of the aggregate amount, stock in trade worth Rs. 7,867.55 million (2016: Rs. 5,381.95 million) were in the custody of dealers and vendors dispersed all over Pakistan.

12.2 Raw material and components, work-in-process and trading stocks have been written down by Rs. Nil, Rs. Nil and Rs. 106.38 million (2016: Rs. 1.55 million, Rs. 0.03 million and Rs. 2.62 million) respectively to arrive at net realizable value.

13. TRADE DEBTS

	Note	2017	2016
		------- (Rupees in '000') -------	
Considered good - secured		162,594	1,124,867
Considered good - unsecured		48,764	80,402
Considered doubtful		60,512	88,440
		271,870	1,293,709
Less: Provision for doubtful debts	13.1	(60,512)	(88,440)
		211,358	1,205,269

13.1 Provision for doubtful trade debts

	Note	2017	2016
Balance at the beginning of the year		88,440	9,371
(Reversal) / provision for the year	26	(27,928)	79,069
Balance at the end of the year		60,512	88,440

13.2 Ageing of trade debts

	2017		
	Gross	Impairment	Total
	------------ (Rupees in '000) ------------		
Not past due	10,139	-	10,139
Past due 91-180 days	4,137	-	4,137
Past due 181-360 days	812	(12,329)	(11,517)
Past due over 360 days	256,782	(48,183)	208,599
	271,870	(60,512)	211,358

	2016		
	Gross	Impairment	Total
	------------ (Rupees in '000) ------------		
Not past due	356,525	-	356,525
Past due 91-180 days	652,301	-	652,301
Past due 181-360 days	143,904	-	143,904
Past due over 360 days	140,979	(88,440)	52,539
	1,293,709	(88,440)	1,205,269

14. LOANS AND ADVANCES

	Note	2017	2016
		------- (Rupees in '000') -------	
Loans - secured, considered good			
Current portion of loans to employees	7	**1,966**	1,476
Advances - unsecured, considered good			
- Suppliers / vendors	14.1	**32,168**	161,034
- Employees		**3,347**	509
		35,515	161,543
		37,481	163,019

14.1 This includes advances to vendors of Rs. Nil (2016: Rs. 12.846 million, which carry mark-up ranging from 12% - 12.58% per annum).

15 TRADE DEPOSITS AND PREPAYMENTS

	Note	2017	2016
		------- (Rupees in '000') -------	
Trade deposits		**12,437**	2,575
Prepayments:			
- Collector of customs		**637,593**	34,373
- Rent		**33,461**	28,489
- Insurance		**2,371**	2,200
- Others		**26,599**	9,492
		700,024	74,554
Margin against letter of credit		**253,261**	-
		965,722	77,129

16 OTHER RECEIVABLES - considered good

	Note	2017	2016
Due from related parties	16.1	**42,403**	84,705
Due from vendors for material / components returned		**9,420**	11,573
Duty draw back		**1,604**	3,019
Expenses recoverable from dealers		**21,107**	5,401
Current portion of long term other receivables	8	**54,734**	38,311
Others		**18,507**	24,297
		147,775	167,306

16.1 This includes receivable from SMC - Japan amounting to Rs. 41.709 million (2016: Rs. 84.011 million) and from Suzuki Indomobil Company amounting to Rs. 0.694 million (2016: 0.694 million).

17 CASH AND BANK BALANCES

	Note	2017	2016
		------- (Rupees in '000') -------	
Cash in hand		**9,332**	8,217
Cheques in hand	17.1	**1,254,462**	915,784
Cash at bank:			
- In deposit accounts	17.2	**7,713,688**	6,995,812
- In a special deposit account	17.3	**102,955**	96,955
- In current accounts		**109,115**	531,525
		7,925,758	7,624,292
		9,189,552	8,548,293

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

17.2 These carry profits rates ranging from 5.80% to 6.75% (2016: 6% to 7.2%) per annum.

17.3 A special account is maintained in respect of security deposits (note 20) in accordance with the requirements of Section 217 of the Companies Act, 2017.

18 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Fully paid ordinary shares of Rs. 10/- each

2017	2016		2017	2016
(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 The Holding Company held 60,154,091 (2016: 60,154,091) ordinary shares of Rs. 10/- each, constituting 73.09% (2016: 73.09%) holding in the Company.

19 TRADE AND OTHER PAYABLES

	Note	2017	2016
		------- (Rupees in '000') -------	
Creditors		1,991,718	1,353,778
Bills payable	19.1	3,755,163	1,142,642
Accrued liabilities		2,075,261	1,446,937
Royalties and technical fee payable to the Holding Company		908,110	593,254
Mark-up on waiting for delivery of vehicles		3,679	3,679
Provision for unexpired free service and warranty period	19.2	87,197	67,862
Dealers' commission payable		1,082,129	618,732
Provision for Infrastructure Development Cess		790,783	487,481
Workers' profit participation fund	19.3	1,660	17,443
Workers' Welfare Fund		114,631	96,100
Retention money		6,818	3,628
Unclaimed dividend		14,137	14,588
Deposits from employees against purchase of vehicles		48,452	51,603
Payable to gratuity fund	19.4	94,920	61,902
Un-earned income - extended warranty		81,784	101,636
Others		335,510	238,858
		11,391,952	6,300,123

19.1 Include Rs. 1,861.425 million (2016: Rs. 776.995 million) due to the Holding Company and Rs. 1,848.936 million (2016: Rs. 310.065 million) due to other related parties.

19.2 Provision for unexpired free service and warranty period

	Note	2017	2016
		------- (Rupees in '000') -------	
Balance at the beginning of the year		67,862	84,753
Provision / (reversal) for the year	25	19,335	(16,891)
Balance at the end of the year		87,197	67,862

19.3 Workers' Profit Participation Fund

	Note	2017	2016
Balance at beginning of the year		17,443	16,876
Interest on funds utilised in the Company's business	29	1,597	2,601
		19,040	19,477
Allocation for the year	27	301,660	237,442
		320,700	256,919
Less: Paid during the year		319,040	239,476
Balance at end of the year		1,660	17,443

19.4 Payable to gratuity fund

	2017	2016
Payable to gratuity fund	94,920	61,902

19.4.1 The latest actuarial valuation was carried out as at 31 December 2017 using the Projected Unit Credit Method.

19.4.2 Amount recognised in the balance sheet

	2017	2016
	------- (Rupees in '000') -------	
Present value of defined benefit obligation	536,351	483,074
Fair value of plan assets	(452,257)	(421,172)
Benefits due but not paid (payables)	10,826	-
	94,920	61,902

19.4.3 Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

	2017	2016
	------- (Rupees in '000') -------	
Component of defined benefit costs recognised in profit and loss account		
Current service cost	39,736	35,131
Interest cost on defined benefit obligation	36,228	36,566
Return on plan assets	(33,694)	(33,060)
	42,270	38,637
Component of defined benefit costs (re-measurement) recognised in other comprehensive income		
Re-measurements: Actuarial (gain) / loss on obligation		
- (Gain) / loss due to change in financial assumptions	(13,842)	(496)
- (Gain) / loss due to change in demographic assumptions	-	-
- (Gain) / loss due to change in experience adjustments	51,596	21,740
	37,754	21,244
Return on plan assets excluding interest income	2,609	(20,776)
	40,363	468
Total defined benefit cost recognised in profit and loss account and other comprehensive income	40,363	468
Expected contribution in the following year	50,793	47,702
Weighted average duration of the defined benefit obligation (years)	9	9

19.4.4 Movement in net liability recognised in the balance sheet

	2017	2016
Opening balance	61,902	55,117
Expense recognised during the year	42,270	38,637
Re-measurement loss recognized in other Comprehensive income	40,363	468
Contribution made by the Company during the year	(49,615)	(32,320)
Closing balance	94,920	61,902

	2017	2016
	------- (Rupees in '000') -------	

19.4.5 Movement in present value of defined benefit obligation

	2017	2016
Opening balance	483,074	422,453
Current service cost	39,736	35,131
Interest cost on defined benefit obligation	36,228	36,566
Benefits due but not paid (payables)	(10,826)	-
Benefit paid	(49,615)	(32,320)
Remeasurement loss on defined benefit obligation	37,754	21,244
Closing balance	536,351	483,074

19.4.6 Movement in fair value of plan assets

	2017	2016
Opening balance	421,172	367,336
Contributions	(49,615)	32,320
Return on plan assets	33,694	33,060
Benefit paid	49,615	(32,320)
Remeasurement (loss) / gain on plan assets	(2,609)	20,776
Closing balance	452,257	421,172

------- (Percentage) -------

19.4.7 Principle actuarial assumption used are as follows

	2017	2016
Discount rate used for profit and loss charge	8.00	9.00
Discount rate used for year-end obligation	8.25	8.00
Expected rate of eligible salaries increase in future years	8.25	8.00

19.4.8 Actual return on plan assets

------- (Rupees in '000') -------

	2017	2016
Expected return on plan assets	33,694	33,060
Remeasurement (loss) / gain on plan assets	(2,609)	20,776
	31,085	53,836

19.4.9 Analysis of present value of defined benefit obligation

	2017	2016
Type of Members:		
- Management	442,311	393,548
- Non - management	94,040	89,526
	536,351	483,074

19.4.10 Major categories / composition of plan assets are as follows

	2017	2016
Government securities	340,287	287,446
Mutual funds	76,615	107,157
Term deposit receipts	34,373	26,328
Bank balances	982	241
	452,257	421,172

19.4.11 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Note	2017	2016
		------- (Rupees in '000') -------	
Discount rate + 1%		489,601	442,226
Discount rate - 1%		591,044	530,892
Long term salary increase + 1%		591,232	530,948
Long term salary decrease - 1%		488,561	441,407

20 SECURITY DEPOSITS

	Note	2017	2016
Deposits against display of vehicles	20.1	4,430,397	3,540,609
Dealership deposits	17.3	102,955	96,955
Others		67,200	35,600
		4,600,552	3,673,164

20.1 Represents the amount deposited by the dealers as security against the vehicles delivered to them for display.

21 PROVISION FOR CUSTOM DUTIES AND SALES TAX

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. The Company paid Rs. 33.677 million after reconciliation with the Collector - Customs in prior years. Despite reconciliation, Deputy Collector – Customs adjudicated to pay balance amount of Rs. 86.323 million. The Company filed an appeal before the Customs Appellate Tribunal which was disallowed in the year 2015. Consequently, the Company filed Reference Application in the Sindh High Court which is pending for adjudication. Further, in 2015, the Customs Authorities adjusted Rs. 50.02 million against the above demand.

22 CONTINGENCIES AND COMMITMENTS

22.1 Capital expenditure contracted for but not incurred amounted to Rs. 4,408.498 million (2016: Rs. 1,344.793 million).

22.2 The facilities for opening letters of credit as at 31 December 2017 amounted to Rs. 12,608 million (2016: 12,496 million) of which the amount remaining unutilised at December end was Rs. 9,835.882 million (2016: 11,316.704 million).

22.3 Guarantees issued by three commercial banks on behalf of the Company amounted to Rs. 965.048 million (2016: Rs. 562.503 million).

22.4 The Company has issued a corporate guarantee on behalf of Tecno Auto Glass Limited, associated company, amounting to Rs. 600 million to Meezan Bank Limited in relation to borrowing facilities granted to the associated company.

23 SALES

	Note	2017	2016
		------- (Rupees in '000') -------	
Manufactured goods	23.1	**96,072,235**	74,048,034
Trading stocks	23.2	**5,739,376**	2,468,006
		101,811,611	76,516,040

23.1 Manufactured goods

	Note	2017	2016
- Vehicles		**118,485,949**	90,716,888
- Spare parts		**498,824**	410,087
	23.3	**118,984,773**	91,126,975
Less: Sales tax		**17,309,530**	13,225,981
Discounts		**426,491**	197,470
Sales commission to dealers		**5,176,517**	3,655,490
		22,912,538	17,078,941
		96,072,235	74,048,034

23.2 Trading stocks

	2017	2016
- Vehicles	**4,377,976**	611,987
- Spare parts	**2,322,580**	2,142,036
	6,700,556	2,754,023
Less: Sales tax	**806,870**	239,106
Discounts	**46,851**	37,364
Sales commission to dealers	**107,459**	9,547
	961,180	286,017
	5,739,376	2,468,006

23.3 These include export sales of Rs. 64.435 million (2016: Rs. 55.722 million).

24 COST OF SALES

	Note	2017	2016
		------- (Rupees in '000') -------	
Manufactured goods			
Finished goods at beginning of the year		6,479,613	4,742,602
Cost of goods manufactured	24.1	89,284,726	68,939,831
Export expenses		23,468	3,911
		95,787,807	73,686,344
Less: Finished goods at end of the year		8,499,570	6,479,613
		87,288,237	67,206,731
Trading stocks			
Stocks at beginning of the year		1,613,485	511,165
Purchases during the year		6,878,789	3,063,052
		8,492,274	3,574,217
Less: Stocks at end of the year		3,621,473	1,613,485
		4,870,801	1,960,732
		92,159,038	69,167,463

24.1 Cost of goods manufactured

	Note	2017	2016
		------- (Rupees in '000') -------	
Raw materials and components at beginning of the year		8,112,011	7,663,315
Purchases during the year	24.1.1	86,441,330	64,257,884
		94,553,341	71,921,199
Less: Raw materials and components at end of the year		11,754,415	8,112,011
Raw materials and components consumed		82,798,926	63,809,188
Stores and spares consumed		67,347	48,559
Provision for slow moving and obsolete stores, spares and loose tools	11	11,225	2,488
Utilities		401,955	311,438
Vehicle running expenses		23,023	21,184
Salaries, wages and other benefits	24.1.2	1,291,041	1,177,230
Outsourced job contractor charges		958,360	765,352
Rent, rates and taxes		19,660	19,403
Travelling		65,002	62,547
Training		17,915	6,295
Insurance		9,650	7,989
Repairs and maintenance		461,045	373,429
Royalty		1,231,754	850,791
Technical fee		222,621	224,985
Travelling expenses of supervisors		2,792	2,771
Provision / (reversal) of provincial sales tax on royalty and technical fees		160,094	(146,324)
Depreciation	4.2	1,239,912	838,988
Amortisation	5.1	58,417	63,973
Conveyance and transportation		298,750	258,815
Communication		2,966	3,440
Hired security guards services		14,921	14,630
Local development costs		39,143	161,589
Printing and stationery		587	5,818
Others		10,967	6,755
		6,609,147	5,082,145
		89,408,073	68,891,333
Add: Work-in-process at beginning of the year		83,499	167,365
		89,491,572	69,058,698
Less: Work-in-process at end of the year		70,600	83,499
		89,420,972	68,975,199
Less: Cost of own used vehicles		136,246	35,368
		89,284,726	68,939,831

24.1.1 Purchases are stated net of proceeds from the sale of packing materials Rs. 184.219 million (2016: Rs. 182.265 million).

24.1.2 Include Rs. 21.231 million (2016: Rs. 19.361 million) and Rs. 26.320 million (2016: Rs. 24.422 million) in respect of provident fund and gratuity fund respectively.

25 DISTRIBUTION AND SELLING COSTS

	Note	2017	2016
		------- (Rupees in '000') -------	
Transportation and handling charges		**1,386,950**	1,145,162
Advertising and sales promotion		**1,049,997**	568,268
Free service		**223,901**	219,023
Warranty claims		**75,765**	53,475
Provision / (reversal) for unexpired free service and warranty period	19.2	**19,335**	(16,891)
Royalty on trading spare parts		**45,809**	39,615
Provision / (reversal) of provincial sales tax on royalty and technical fees		**2,499**	(4,367)
		2,804,256	2,004,285

26 ADMINISTRATIVE EXPENSES

	Note	2017	2016
Salaries, wages and other benefits	26.1	**772,697**	719,531
Outsourced job contractor charges		**176,957**	147,627
Travelling		**92,504**	96,856
Training		**9,722**	3,414
Hired security guards services		**38,021**	35,364
Rent, rates and taxes		**83,548**	82,128
Utilities		**23,481**	21,348
Vehicle running expense		**56,181**	46,173
Insurance		**12,782**	13,288
Repairs and maintenance		**43,258**	36,206
Depreciation	4.2	**122,889**	96,726
Amortization	5.1	**24,773**	8,932
Auditors' remuneration	26.2	**3,683**	3,056
Legal and professional charges		**15,287**	25,847
Conveyance and transportation		**54,515**	42,743
Entertainment		**2,134**	567
Celebration of special events		**14,538**	15,070
Printing and stationery		**31,274**	25,158
Communication		**16,090**	14,251
Directors' fees		**190**	67
Provision / (reversal) for doubtful:			
- installment sales receivables	9.2	**3,300**	(466)
- trade debts	13.1	**(27,928)**	79,069
- other receivables		**3,255**	-
Trade debts written-off		**897**	1,724
Computer software licence fee and ERP maintenance charges		**10,306**	11,261
CSR contribution		**3,932**	4,057
Public relation activities		**174**	6,345
Others		**11,355**	3,248
		1,599,815	1,539,590

26.1 Includes Rs. 13.350 million (2016: Rs. 11.581 million) and Rs 15.950 million (2016: Rs.14.215 million) in respect of defined contributory provident fund and gratuity fund respectively.

26.2 Auditors' remuneration

	Note	2017	2016
		------- (Rupees in '000') -------	
Audit fee		**1,500**	1,500
Half-yearly review		**450**	450
Fee for corporate governance certificate		**110**	110
Fee for special certifications		**1,428**	878
Out of pocket expenses		**195**	118
		3,683	3,056

27 OTHER EXPENSES

	Note	2017	2016
Workers' Profit Participation Fund	19.3	**301,660**	237,442
Workers' Welfare Fund		**112,337**	96,100
		413,997	333,542

28 OTHER INCOME

	Note	2017	2016
Income from financial assets			
Profit on bank accounts		**695,180**	853,974
Commission income	28.1	**500**	-
Finance income on installment sales		**42,242**	61,274
		737,922	915,248
Income from non-financial assets			
Gain on disposal of fixed assets	4.3	**14,258**	45,836
Extended warranty income		**50,833**	20,662
Scrap sales		**11,717**	15,987
Miscellaneous income		**49,981**	42,118
		126,789	124,603
		864,711	1,039,851

28.1 This represent commission income on corporate guarantee provided to Meezan Bank Limited on behalf of Tecno Auto Glass Limited, associated company, amounting to Rs. 600 million in relation to borrowing facilities granted to the associated company.

29. FINANCE COSTS

	Note	2017	2016
		------- (Rupees in '000') -------	
Mark-up on short term borrowings		**-**	593
Markup on Workers' Profit Participation Fund	19.3	**1,597**	2,601
Exchange loss - net		**38,634**	76,356
Bank charges		**27,857**	16,225
		68,088	95,775

30. TAXATION

	Note	2017	2016
		------- (Rupees in '000') -------	
Current			
- for the year		**1,465,000**	1,688,000
- prior year	30.3	**331,143**	(6,149)
Deferred		**(2,750)**	(39,250)
		1,793,393	1,642,601

30.1 Income tax assessment of the Company has been deemed to be finalised upto and including tax year 2017 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

30.2 Reconciliation between tax expense and accounting profit

	2017	2016
	------- (Rupees in '000') -------	
Accounting profit for the year before taxation	**5,619,214**	4,415,236
Corporate tax rate	**30%**	31%
Tax on accounting profit at applicable rate	**1,685,764**	1,368,723
Tax effect of:		
- Prior year	**331,143**	(6,149)
- tax credits, rebates etc.	**(350,478)**	(79,830)
- income assessed under Final Tax Regime	**43,917**	31,334
- effect of super tax	**145,000**	277,000
- others	**(61,953)**	51,523
	1,793,393	1,642,601

30.3 The Finance Act, 2017 has introduced tax on every public company at the rate of 7.5% of its profit before tax from the accounting year 2016. However, this tax shall not apply incase of a public company which distribute atleast 40% of its after tax profit within six month of the end of the tax year through cash or bonus shares. The Company has obtained an interim stay order from the Honorable Sindh High Court against the said provision of the law. However, as a matter of prudence, the Company has provided tax provision at the rate of 7.5% on the profit before tax of accounting year 2016 (tax year 2017).

	2017	2016
	------- (Rupees in '000') -------	

31. EARNINGS PER SHARE - basic and diluted

31.1 Basic

	2017	2016
Profit for the year	3,825,821	2,772,635
	(Number of shares in '000)	
Weighted average number of ordinary shares in issue during the year	82,300	82,300
	(Rupees)	
Basic earnings per share	46.49	33.69

31.2 A diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at balance sheet date which would have any effect on the earnings per share if the option to convert is exercised.

32. CASH GENERATED FROM OPERATIONS

	Note	2017	2016
		------- (Rupees in '000') -------	
Profit before taxation		5,619,214	4,415,236
Adjustments for non cash charges and other items:			
Depreciation		1,362,801	935,714
Amortisation		83,190	72,905
Gain on disposal of fixed assets		(14,258)	(45,836)
Share of loss of equity accounted investee		11,914	-
Profit on bank accounts		(695,180)	(853,974)
Finance costs		68,088	95,775
		816,555	204,584
Working capital changes	32.1	2,752,809	(5,371,732)
		9,188,578	(751,912)

32.1 Working capital changes

	2017	2016
	------- (Rupees in '000') -------	
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(3,783)	(12,205)
Stock in trade	(7,657,450)	(3,204,161)
Current portion of long-term installment sales receivables	(29,742)	56,722
Trade debts	993,911	356,554
Loans and advances	125,538	31,913
Trade deposits and short-term prepayments	(888,593)	(6,267)
Other receivables	19,531	(77,860)
Sales tax and excise duty adjustable	507,616	(1,373,500)
	(6,932,972)	(4,228,804)
Increase / (decrease) in current liabilities		
Trade and other payables	5,051,917	(146,862)
Security deposits	927,388	1,604,803
Advance from customers	3,706,476	(2,600,869)
	9,685,781	(1,142,928)
	2,752,809	(5,371,732)

33 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company include the Holding Company and related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties are entered into at commercial terms, as per the terms of employment and actuarial advice, as the case may be.

Amount due from and to related parties and remuneration of directors and executives are disclosed in the relevant notes to the financial statements. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

For the year ended 31 December 2017	Holding company	Other related parties	Total
	------------ (Rupees in '000) ------------		
Purchases of components	26,428,989	20,470,455	46,899,444
Purchases of operating fixed assets	388,089	187,485	575,574
Purchases of intangible assets	191,020	-	191,020
Export sales	36,996	20,739	57,735
Royalties and technical fee	1,579,870	-	1,579,870
Travelling expenses of supervisors	6,606	-	6,606
Staff retirement benefits	-	76,852	76,852
Sales promotional expenses and development expenses	22,578	-	22,578

For the year ended 31 December 2016	Holding company	Other related parties	Total
	------------ (Rupees in '000)		------------
Purchases of components	25,131,250	5,572,219	30,703,469
Purchases of operating fixed assets	461,079	36,423	497,502
Export sales	19,168	1,302	20,470
Royalties and technical fee	1,115,391	-	1,115,391
Travelling expenses of supervisors	2,771	-	2,771
Staff retirement benefits	-	69,579	69,579
Sales promotional expenses and development expenses	32,824	4,623	37,447

34 PLANT CAPACITY AND ACTUAL PRODUCTION

	2017	2016
	------ (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	**132,725**	111,979
Actual production - Motorcycle	**19,603**	18,374

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

35 REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

The aggregate amounts charged in these financial statements in respect of remuneration including all benefits to chief executive, directors and executives of the Company are as follows:

	2017			2016		
	Chief Executive	**Directors**	**Executives**	Chief Executive	Directors	Executives
	------------------------------------		(Rupees in '000)			------------------------------------
Directors fees	**-**	**196**	**-**	-	67	-
Managerial remuneration	**14,597**	**14,340**	**350,688**	13,273	9,032	270,341
Bonus	**6,182**	**4,373**	**189,865**	5,280	3,735	172,048
Retirement benefits	**-**	**-**	**22,142**	-	-	16,070
	20,779	**18,909**	**562,695**	18,553	12,834	458,459
Number of persons	**2**	**4**	**157**	1	2	110

35.1 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 the Company's policy.

36 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:

36.1 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. As of the balance sheet date, the Company had following interest bearing financial instruments:

	2017	2016
	(Rupees in '000)	
Fixed rate financial instruments		
Installment sales receivables	465,775	387,287
Advances to vendors	-	12,846
Bank balances in deposit accounts	7,816,643	7,092,767
	8,282,418	7,492,900

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

(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:

	2017	2016
	(Rupees in '000)	
JPY - Japanese Yen		
Bills payable	1,903,314	888,384
Royalty and technical fees payable to the holding company	468,744	502,422
Due from related parties	(8,256)	(39,613)
Net exposure	2,363,802	1,351,193
USD - US Dollar		
Bills payable	16,811	2,954
Export sales receivables	(834)	-
Net exposure	15,977	2,954
RMB - Chinese Ren-Min-Bi		
RMB - bills payable	1,432	2,263

At December 31, 2017 if Pak Rupee had depreciated / appreciated by 1% against JPY, US Dollar and RMB with all other variables held constant, Company's profit before tax would have been Rs. 16.67 million (2016: Rs. 14.495 million) higher / lower as a result of exchange loss/gain on translation of foreign currency denominated financial instruments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is not exposed to other price risk.

36.2 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:

Trade debts	**211,358**	1,205,269
Installment sales receivable	**465,775**	387,287
Loans, advances, deposits and other receivables	**1,153,339**	666,717
Accrued profit on bank deposits	**28,699**	120,761
Bank balances	**7,925,758**	7,624,292
	9,784,929	10,004,326

Trade debts and installment sales receivables

For trade debts and installment sales receivables, internal risk assessment process determines the credit quality of the customers. Taking into account their past experience, consideration of financial position, past track records and recoveries, the Company believes that appropriate impairment has been made and no impairment allowance is necessary in respect of unprovided amounts as there are reasonable grounds to believe that the amounts will be recovered in due course of time. 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 when they are identified. A general provision at the rate 3.5% of the balance of installment sales receivables is maintained to cater for any bad debts.

Bank balances

Bank balances are held with reputable banks with high quality credit ratings. At year end, the Company has bank balances with banks having credit ratings ranging from A1+ to A1.

36.3 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:

	Less than 3 month	Over 3 month	Total
31 December 2017			
Trade and other payables	**9,814,041**	**1,577,911**	**11,391,952**
Advances from customers	**2,864,778**	**2,467,170**	**5,331,948**
Deposits against display of vehicles	**50,651**	**4,379,746**	**4,430,397**
Security deposits	**-**	**220,806**	**220,806**
	12,729,470	**8,645,633**	**21,375,103**
31 December 2016			
Trade and other payables	5,172,786	1,127,337	6,300,123
Advances from customers	1,625,472	-	1,625,472
Deposits against display of vehicles	-	3,540,609	3,540,609
Security deposits	-	132,555	132,555
	6,798,258	4,800,501	11,598,759

36.4 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 maximize 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 its operations through equity.

36.5 Fair value of financial instruments

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	2017					
	Carrying amount			Fair Value		
	Loan and receivables	Fair value-liabilities	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)					
Financial assets not measured at fair value						
Trade debts	211,358	-	-	-	-	-
Installment sales receivable	465,775	-	-	-	-	-
Loans, advances, deposits and other receivables	1,153,339	-	-	-	-	-
Accrued profit on bank deposits	28,699	-	-	-	-	-
Bank balances	7,925,758	-	-	-	-	-
Financial liabilities not measured at fair value						
Trade and other payables	-	-	11,391,952	-	-	-
Security deposits	-	-	4,651,203	-	-	-

	2016					
	Carrying amount			Fair Value		
	Loan and receivables	Fair value- liabilities	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)					
Financial assets not measured at fair value						
Trade debts	1,205,269	-	-	-	-	-
Installment sales receivable	387,287	-	-	-	-	-
Loans, advances, deposits and other receivables	666,717	-	-	-	-	-
Accrued profit on bank deposits	120,761	-	-	-	-	-
Bank balances	7,624,292	-	-	-	-	-
Financial liabilities not measured at fair value						
Trade and other payables	-	-	6,300,123	-	-	-
Security deposits	-	-	3,673,164	-	-	-

The estimated fair value of all financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

37 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.

37.1 Segment revenue and results

Following is an analysis of the Company's revenue and results by reportable segment:

	2017			2016		
	Automobile	**Motorcycle**	**Total**	Automobile	Motorcycle	Total
	---------- (Rupees in '000') ----------					
Net sales	**99,257,509**	**2,554,102**	**101,811,611**	74,467,968	2,048,072	76,516,040
Gross profit	**9,457,590**	**194,983**	**9,652,573**	7,294,183	54,394	7,348,577
Distribution expenses	**(2,775,083)**	**(29,173)**	**(2,804,256)**	(1,937,848)	(66,437)	(2,004,285)
Administration expenses	**(1,481,995)**	**(117,820)**	**(1,599,815)**	(1,313,804)	(225,786)	(1,539,590)
Operating profit	**5,200,512**	**47,990**	**5,248,502**	4,042,531	(237,829)	3,804,702
Other income	**815,954**	**48,757**	**864,711**	971,705	68,146	1,039,851
Finance cost	**(66,851)**	**(1,237)**	**(68,088)**	(94,436)	(1,339)	(95,775)
Segment results	**5,949,615**	**95,510**	**6,045,125**	4,919,800	(171,022)	4,748,778
Unallocated corporate expenses						
Other operating expenses			**(413,997)**			(333,542)
Share of loss of equity accounted investee			**(11,914)**			-
Taxation			**(1,793,393)**			(1,642,601)
			(2,219,304)			(1,976,143)
Profit after tax			**3,825,821**			2,772,635

Revenue from sale of Automobiles represent 98% (2016: 97.50%) of the gross sales of the Company.

99.99% (2016: 99.93%) of the gross sales of the Company are made to customers located in Pakistan.

All non-current assets of the Company at 31 December 2017 are located in Pakistan.

The Company's customer base is diverse with no single customer accounting for more than 10% of sales.

Notes to the Financial Statements
For the year ended 31 December 2017

37.2 Segment assets and liabilities

	2017			2016		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	(Rupees in '000')					
Segment assets	33,369,277	16,686,921	35,056,198	23,330,467	1,944,101	25,274,568
Unallocated corporate assets	-	-	15,854,269	-	-	12,577,397
	33,369,277	1,686,921	50,910,467	23,330,467	1,944,101	37,851,965
Liabilities						
Segment liabilities	21,209,327	151,424	21,360,751	11,593,386	41,672	11,635,058
Unallocated corporate liabilities	-	-	-	-	-	-
	21,209,327	151,424	21,360,751	11,593,386	41,672	11,635,058

37.3 Other segment information

Capital expenditure	3,428,516	90,699	3,519,215	3,022,847	100,015	3,122,862
Depreciation	1,244,152	118,649	1,362,801	798,100	137,614	935,714

38 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. 4,800 million (2016: Rs. 4,800 million).

39 PROVIDENT FUND

39.1 General disclosures

	2017 (Unaudited)	2016 (Audited)
	------- (Rupees in '000) -------	
Size of the fund	764,427	740,172
Cost of investments	631,386	517,706
Fair value of investments	757,220	732,012
Percentage of investments	99.06%	98.90%

39.2 Categories of investments as a percentage of total assets of provident fund:

	2017	2016	2017	2016
	----- (Rupees in 000) -----		----- Percentage (%) -----	
Bank balances	11,710	10,171	2%	1%
National savings	248,357	411,733	33%	56%
Govt securities	103,560	73,270	14%	10%
Certificates of deposit	10,044	10,046	1%	1%
Term finance certificates	290,778	42,151	38%	6%
Listed securities	92,771	184,641	12%	25%
Total	757,220	732,012	100%	100%

39.3 Investments of provident fund have been made in accordance with the provisions of the section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

40 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 19, 2018.

41 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

41.1 The Board of Directors in its meeting held on March 19, 2018 has recommended a final cash dividend on ordinary shares at the rate of 186% (2016: 55%). The Board of Directors have further approved the transfer of Rs. 2,295 million (2016: 2,320 million) from unappropriated profit to general reserves. The approval of the members for the said appropriations will be obtained at the Annual General Meeting of the Company to be held on April 25, 2018.

41.2 Under section 5A of Income Tax Ordinance, 2001 (as amended by the Finance Act 2017), a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors in their meeting held on March 19, 2018 have recommended sufficient cash dividend for the year ended 31 December 2017 for the consideration and approval of the shareholders of the Company in the forthcoming general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 31 December 2017.

42 GENERAL

42.1 Number of persons employed as at year end were 1,345 (2016: 1,269) and the average number of persons employed during the year were 1,307 (2016: 1,303).

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

42.3 Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.

Chairman	Chief Financial Officer	Chief Executive Officer

Pattern of Shareholding

As at 31 December 2017

No. of Shareholders	Shareholdings' Slab			Total Shares Held
4037	1	to	100	72,448
864	101	to	500	245,884
326	501	to	1000	241,149
315	1001	to	5000	681,725
68	5001	to	10000	507,836
27	10001	to	15000	338,095
22	15001	to	20000	398,010
8	20001	to	25000	185,359
6	25001	to	30000	167,348
3	30001	to	35000	98,875
8	35001	to	40000	302,287
6	40001	to	45000	256,419
2	45001	to	50000	97,850
3	50001	to	55000	160,250
2	55001	to	60000	112,800
4	60001	to	65000	255,836
2	65001	to	70000	137,530
5	70001	to	75000	366,950
3	75001	to	80000	232,250
4	80001	to	85000	332,880
3	85001	to	90000	261,450
2	90001	to	95000	184,750
3	95001	to	100000	296,400
1	100001	to	105000	100,100
1	105001	to	110000	106,700
3	110001	to	115000	336,596
1	115001	to	120000	117,500
2	120001	to	125000	241,700
1	140001	to	145000	142,338
3	155001	to	160000	473,050
2	165001	to	170000	334,100
1	175001	to	180000	176,300
1	180001	to	185000	183,662
1	190001	to	195000	192,400
2	195001	to	200000	395,400

No. of Shareholders	Shareholdings'Slab			Total Shares Held
1	200001	to	205000	203,950
1	215001	to	220000	218,650
1	225001	to	230000	228,364
1	230001	to	235000	234,250
1	245001	to	250000	250,000
1	255001	to	260000	255,900
1	335001	to	340000	340,000
1	345001	to	350000	350,000
1	355001	to	360000	358,700
1	380001	to	385000	383,200
2	450001	to	455000	903,825
1	455001	to	460000	457,100
1	500001	to	505000	504,595
1	525001	to	530000	525,750
1	545001	to	550000	545,862
1	565001	to	570000	568,523
1	595001	to	600000	600,000
1	795001	to	800000	795,500
1	835001	to	840000	835,900
1	900001	to	905000	902,860
1	945001	to	950000	947,500
1	1120001	to	1125000	1,122,140
1	1160001	to	1165000	1,160,574
1	1620001	to	1625000	1,621,250
1	59250001	to	59255000	59,251,231
5768				**82,299,851**

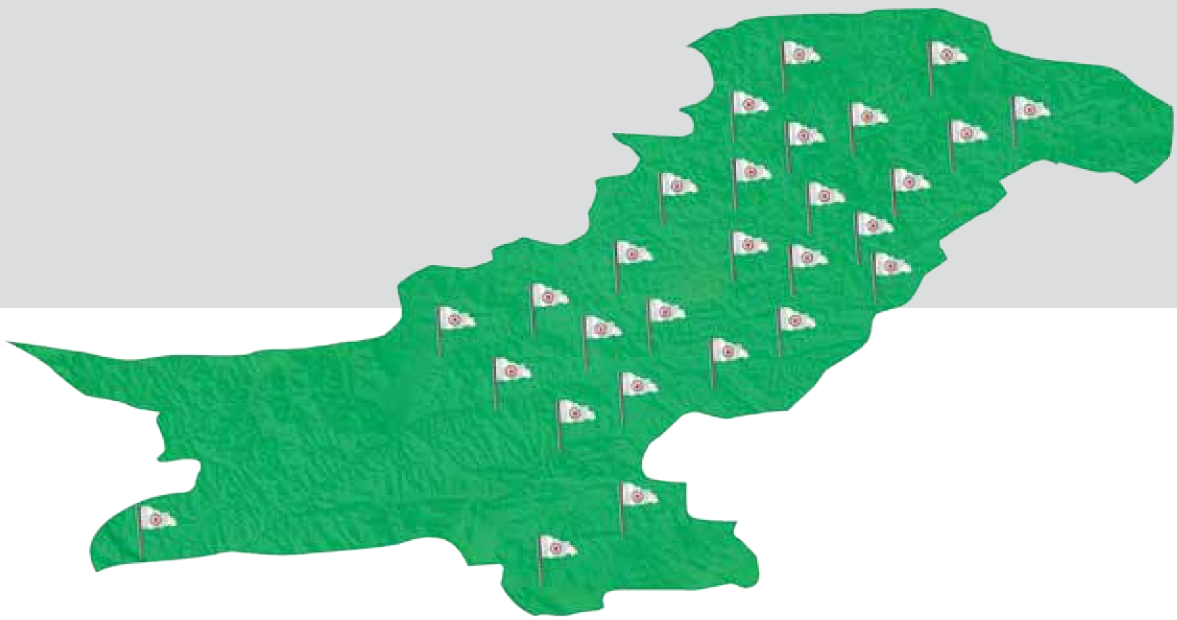
Pattern of Shareholding

As at 31 December 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. HIROFUMI NAGAO	1	119	0.00
MOIN M FUDDA	1	500	0.00
Associated Companies, undertakings and related parties			
M/S SUZUKI MOTOR CORPORATION, JAPAN	2	60,154,091	73.09
Executives	-	-	-
Public Sector Companies and Corporations	10	1,339,196	1.63
Banks, development finance institutions, non-banking finance, companies insurance companies, takaful, modarabas and pension funds	37	1,241,425	1.51
Mutual Funds			
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1	228,364	0.28
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	85,850	0.10
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	56,700	0.07
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	568,523	0.69
CDC - TRUSTEE ABL STOCK FUND	1	71,700	0.09
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	29,000	0.04
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	1	1,000	0.00
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	1	74,700	0.09
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	7,000	0.01
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	200	0.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,122,140	1.36
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	1	27,500	0.03
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	1	176,300	0.21
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	1	4,000	0.00
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	1	51,700	0.06
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	1	18,400	0.02
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	1	85,600	0.10
MC FSL - TRUSTEE JS GROWTH FUND	1	43,450	0.05
CDC - TRUSTEE LAKSON EQUITY FUND	1	16,700	0.02
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1	84,000	0.10
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1	15,000	0.02
CDC - TRUSTEE LAKSON TACTICAL FUND	1	3,520	0.00
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	1	802	0.00
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	1	64,586	0.08
CDC - TRUSTEE JS LARGE CAP. FUND	1	14,500	0.02
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	1	44,950	0.05
CDC - TRUSTEE MEEZAN BALANCED FUND	1	60	0.00
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	1,500	0.00
CDC - TRUSTEE JS ISLAMIC FUND	1	54,750	0.07

Categories of Shareholders	Shareholders	Shares Held	Percentage
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	74,950	0.09
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	22,000	0.03
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	4,720	0.01
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	117,500	0.14
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	110,700	0.13
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	19,400	0.02
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	17,050	0.02
CDC - TRUSTEE NAFA STOCK FUND	1	21,550	0.03
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	3,800	0.00
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1	27,100	0.03
General Public			
a. Local	5523	4,355,939	5.29
b. Foreign	7	23,501	0.03
Foreign Companies	47	9,848,947	11.97
Others	101	1,964,868	2.39
Totals	**5768**	**82,299,851**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
M/S SUZUKI MOTOR CORPORATION, JAPAN	60,154,091	73.09



Dealer Network

Azad Kashmir	
Kotli	1
Mirpur	1
Muzaffarabad	1
Baluchistan	
Gwadar	1
Quetta	2
Khyber Pakhtun Khwa	
Abbottabad	1
Dera Ismail Khan	1
Haripur	1
Mansehra	1
Mardan	1
Nowshera	1
Peshawar	4
Swat	1
Talagang	1
Kohat	1
Swabi	1
Punjab	
Mandi Bahauddin	1
Bahawalnagar	1
Bahawalpur	1
Chakwal	1
Dera Ghazi Khan	1
Faisalabad	3
Gujranwala	1
Gujrat	1
Islamabad	5
Jhang	1
Kasur	1
Khanewal	1
Lahore	16
Layyah	1
Mianwali	1
Multan	3
Okara	1
Pakpattan	1
Rahim Yar Khan	2
Rawalpindi	3
Sadiqabad	1
Sahiwal	1
Sargodha	1
Sialkot	3
Taxila	1
Vehari	1
Chunian	1
Sindh	
Hyderabad	4
Karachi	16
Larkana	1
Makli	1
Mirpur Khas	1
Nawabshah	1
Sukkur	1
Moro	1
	101

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 35th Annual General Meeting of the Company to be held on 25th day of April 2018 at 9:30 am at Ramada Plaza Hotel Karachi and at any adjourment thereof.

As witness my/our hand this _______ day _______ 2018

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.

Pak Suzuki Motor Company Limited

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

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