

**QUARTERLY
REPORT
SEPTEMBER 2022**





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

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Company Information

As at 30 September 2022

Board of Directors

Kinji Saito	Chairman
Masafumi Harano	Chief Executive
Tadashi Homma	Dy. Managing Director
Motohiro Atsumi	Director
Kensaku Imaizumi	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
Motohiro Atsumi	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

CDC Share Registrar Services Limited
CDC House, 99 - B, Block "B", S.M.C.H.S, Main
Shahrah-e-Faisal Karachi-74400.

Legal Advisors

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

Bankers

Bank Alfalah Ltd.
Bank Al Habib Ltd.
Citibank N.A.
Habib Bank Ltd.
Habib Metropolitan Bank Limited
MCB Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) 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

Regional 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

Karachi Office:

Plot No. 49-B, Block No. 6, P.E.C.H.S Shahra-e-Faisal
Karachi.
Tel No. (021)-34316312

Director's Report

On behalf of the Board, I present my review on the performance of the Company for the period ended September 30, 2022.

The Economy

Ongoing Ukraine war, global monetary policy tightening, increase in commodity prices, sharp devaluation of Pak Rupee, hike in interest rate, political instability, rise in inflation and government's initiatives to control imports had adversely impacted the economy of Pakistan. Recent floods in country have further aggravated the economic outlook. Large Scale Manufacturing Industries (LSMI) posted a negative growth of 0.4% during July & August 2022 over same period of last year (SPLY). Measures taken by the monetary and fiscal authorities to slow-down the aggregate demand along with rising cost of doing business led to decline of LSMI. Exports have grown by 1.8% YoY to US\$ 7 billion during the quarter Jul-Sep 2022. Remittances of US\$ 7,685 million were received in quarter ended September 30, 2022 as compared to US\$ 8,198 million SPLY, registering decline of 6.3%. Due to restrictions on imports, trade deficit controlled to US\$ 9,209 million for the quarter ended September 30, 2022, declined by 7% as compared to SPLY. Consequently, Pakistan's current account deficit restricted to US\$ 2.2 billion during the quarter ended September 30, 2022. Massive devaluation of Pak Rupee was recorded in current quarter. All-time low parity of PKR with US\$ exceeded to PKR 240 in July 2022. In the last month of the quarter there was slight improvement in PKR US\$ parity.

Impact of higher global commodity prices and recent PKR depreciation resulted in further inflation. Average inflation during financial year 2021 – 22 recorded at 21% YoY vis-à-vis 12% SPLY. Inflation during quarter ended Sep 2022 arrives at 23.2% YoY vis-à-vis 9% SPLY. Inflation is expected to remain elevated in near future mainly on the back of surge in Food, Housing, and Transport indices. State Bank of Pakistan (SBP) initiated steps for monetary tightening to counter these trends with increase in policy rate from 7% to 15% in 'Monetary Policies' announced during Sep 2021 – Jul 2022. Policy rate maintained at 15% in monetary policies announced in subsequent periods. Political instability, high inflation, rising commodity prices, impact of floods and weakening of PKR remained potential factors impacting economic growth of the country.

Director's Report

Industry Outlook

Sales volume had substantially declined in third quarter, primarily due to import restrictions imposed by SBP on import of CKDs of vehicles. Sales volume drastically declined from 68,897 units (Jul – Sep 2021) to 34,472 units (Jul – Sep 2022), registering decline of 50% in sales volume in current quarter. SBP allowed monthly import quota to OEMs in proportion to actual import remittances made during the period from Jan – Apr 2022. Due to continuing restrictions, there is acute shortage of material for production. Consequently, OEMs are forced to opt for temporary plant shut downs. Further, these restrictions have resulted in abnormal delays in remittances to foreign suppliers and imported consignments remain blocked at ports, causing huge detention and demurrage charges.

Company witnessed decline in sales volume in current quarter from 38,463 units (July – September 2021) to 16,639 units (July – September 2022), registering 57% decline in sales volume, in line with industry trend. During the quarter under review, the organized market (PAMA member companies) for motorcycles and three wheelers decreased from 450,913 units to 293,830 units. Decrease of 157,083 units represents 35% decline in sales volume over SPLY. Company achieved sales volume of 10,022 units as compared to sales volume of 8,585 units in corresponding quarter of last year, registering growth of 17%, mainly attributed to sales strategy to develop a new channel of nationwide 2-wheeler franchises.

Operating Results of the Company

Company incurred net loss of Rs 2,489 million during the quarter July – September 2022 compared to net profit of Rs 994 million in SPLY. Net sales revenues declined by Rs 20,463 million from Rs 50,263 million (Jul-Sep 2021) to Rs 29,800 million (Jul-Sep 2022). Sales revenue decline by 41% in current period due to low sales volume in current quarter. Gross profit declined in absolute terms by Rs 1,102 million from gross profit of Rs 2,663 million (Jul-Sep 2021) to Rs 1,561 million (Jul-Sep 2022). Further, financial charges increased by Rs 4,722 million from Rs 77 million (Jul-Sep 2021) to Rs 4,798 million (Jul-Sep 2022), primarily due to financial compensation to customers on delayed delivery of vehicles, detention and demurrage charges and exchange loss incurred during the quarter.

Director's Report

Future Outlook & Conclusion

Macroeconomic indicators of the country are very challenging for auto industry. Further, continued restrictions on imports of CKDs by SBP would adversely affect production planning and increase the cost of doing business for OEMs. Despite the monetary and supply chain challenges, the Company is endeavoring to improve sales, profitability and diversity in its operations in Pakistan.



KINJI SAITO
Chairman

Karachi: October 26, 2022

Condensed Interim Statement of Financial Position

As at 30 September 2022

	Note	30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	14,863,243	15,544,426
Intangible assets	6	475,541	384,360
Right-of-use assets	7	132,164	112,459
Long-term investments	8	101,324	190,492
Long-term loans		6,554	5,553
Long-term deposits, prepayments and other receivables	9	742,838	566,714
Long-term installment sales receivables	10	590,593	777,145
Deferred taxation-net		9,902,276	7,345,367
		26,814,533	24,926,516
Current assets			
Stores, spares and loose tools		539,701	363,922
Stock-in-trade	11	53,089,529	26,225,464
Trade debts	12	238,510	197,287
Loans and advances		791,417	164,107
Trade deposits and short-term prepayments	13	15,989,710	2,685,376
Current portion of installment sales receivables	10	2,421,781	2,027,931
Other receivables	14	1,037,807	937,781
Taxation - net		5,464,171	4,615,527
Sales tax and excise duty		8,202,746	6,575,018
Cash and bank balances	15	7,458,863	23,271,041
		95,234,235	67,063,454
TOTAL ASSETS		122,048,768	91,989,970
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital of 500,000,000 (31 December 2021: 500,000,000) ordinary shares of Rs.10 each		5,000,000	5,000,000
Issued, subscribed and paid-up capital		822,999	822,999
Capital reserves		844,596	844,596
Revenue reserves		22,111,577	25,158,602
		23,779,172	26,826,197
Non-current liabilities			
Payable against purchase of assets		177,038	2,211
Security deposits		307,315	229,200
Lease liabilities		110,865	89,022
Long term loan	16	1,799,299	1,689,013
Deferred Government Grant	17	655,195	746,144
Employee Benefit Obligations		628,893	568,513
		3,678,605	3,324,103
Current liabilities			
Trade and other payables	18	53,638,369	20,053,569
Lease liabilities		43,886	40,565
Current portion of long term loan	16	45,783	47,544
Current portion of deferred government grant	17	134,468	123,432
Advance from customers		36,607,392	35,355,675
Security deposits		3,396,660	3,828,605
Provision for custom duties and sales tax		332,997	2,371,443
Unclaimed dividend		391,436	18,837
		94,590,991	61,839,670
TOTAL LIABILITIES		98,269,596	65,163,773
TOTAL EQUITY AND LIABILITIES		122,048,768	91,989,970
Contingencies and commitments	19		

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Unaudited)

For the nine months period ended 30 September 2022

	Note	Nine months period ended		Three months period ended	
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Sales	20	142,425,086	116,373,589	29,800,472	50,263,203
Cost of sales	21	(136,654,523)	(109,755,663)	(28,239,490)	(47,599,962)
Gross profit		5,770,563	6,617,926	1,560,982	2,663,241
Distribution and marketing expenses		(2,150,881)	(2,012,093)	(504,601)	(746,437)
Administrative expenses		(2,278,382)	(2,052,120)	(797,163)	(719,378)
Reversal / (provision) of impairment losses		45,322	(67,257)	12,539	(2,024)
		(4,383,941)	(4,131,470)	(1,289,225)	(1,467,839)
		1,386,622	2,486,456	271,757	1,195,402
Other expenses		-	(234,209)	55,150	(105,347)
Other income	22	2,629,011	1,290,175	1,064,640	423,301
Finance costs	23	(6,640,769)	(369,247)	(4,798,445)	(76,664)
Share of loss of equity accounted investee		(89,168)	(87,992)	(58,012)	(37,177)
(Loss) / profit before taxation		(2,714,304)	3,085,183	(3,464,910)	1,399,515
Taxation	24	207,859	(894,644)	975,703	(405,800)
(Loss) / profit after taxation		(2,506,445)	2,190,539	(2,489,207)	993,715
		----- (Rupees) -----		----- (Rupees) -----	
(Loss) / Earnings per share - basic and diluted		(30.46)	26.62	(30.25)	12.07

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine months period ended 30 September 2022

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
(Loss) / profit for the period	(2,506,445)	2,190,539	(2,489,207)	993,715
Other comprehensive Income				
<i>Items that will never be reclassified to statement of profit or loss</i>				
Re-measurement loss on defined benefit plan	(5,631)	(10,322)	5,619	(2,630)
Total comprehensive (loss) / profit for the period	<u>(2,512,076)</u>	<u>2,180,217</u>	<u>(2,483,588)</u>	<u>991,085</u>

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended 30 September 2022

	Share Capital				Reserves				Total
	Issued, subscribed and paid-up capital	Capital reserves			General	Revenue reserves		Total revenue reserve	
		Share premium	Reserve on merger	Total capital reserve		Un-appropriated profit/(accumulated loss)	Re-measurement loss on defined benefit plan		
	(Rupees in '000)								
Balances as at 1 January 2021	822,999	584,002	260,594	844,596	24,558,818	(1,611,312)	(265,651)	22,681,855	24,349,450
Transaction with owners in the capacity as owners directly recorded in equity-distribution									
Transfer from general reserve	-	-	-	-	(1,588,922)	1,588,922	-	-	-
Total comprehensive income for the period ended 30 September 2021									
Income for the period	-	-	-	-	-	2,190,539	-	2,190,539	2,190,539
Other comprehensive loss	-	-	-	-	-	-	(10,322)	(10,322)	(10,322)
	-	-	-	-	-	2,190,539	(10,322)	2,180,217	2,180,217
Balance as at 30 September 2021	822,999	584,002	260,594	844,596	22,969,896	2,168,149	(275,973)	24,862,072	26,529,667
Balances as at 1 January 2022	822,999	584,002	260,594	844,596	22,969,896	2,600,077	(411,371)	25,158,602	26,826,197
Final dividend for the year ended December 31, 2021 at the rate of Rs. 6.50 per share	-	-	-	-	-	(534,949)	-	(534,949)	(534,949)
Total comprehensive loss for the period ended 30 September 2022									
Loss for the period	-	-	-	-	-	(2,506,445)	-	(2,506,445)	(2,506,445)
Other comprehensive loss	-	-	-	-	-	-	(5,631)	(5,631)	(5,631)
	-	-	-	-	-	(2,506,445)	(5,631)	(2,512,076)	(2,512,076)
Balance as at 30 September 2022	822,999	584,002	260,594	844,596	22,969,896	(441,317)	(417,002)	22,111,577	23,779,172

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited)

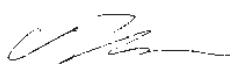
For the nine months period ended 30 September 2022

	<i>Note</i>	30 September 2022	30 September 2021
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	26	(11,075,853)	30,393,984
Markup paid on loans and borrowings		(39,855)	-
Income tax payment		(3,197,694)	(2,392,006)
Long-term loans - net		(1,001)	(1,797)
Payments to employee benefit funds		(42,652)	-
Markup paid on late delivery of vehicle		(1,143,316)	-
Long-term deposits, prepayments and other receivables		(176,124)	10,130
Long-term installment sales receivables		186,552	(145,123)
Net cash (used in) / generated from operating activities		(15,489,943)	27,865,188
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(2,049,592)	(4,569,913)
Acquisition of intangible assets		(202,197)	(277,788)
Proceeds from disposal of property, plant and equipment		54,411	20,605
Profit received on bank deposits		2,054,491	947,567
Net cash used in investing activities		(142,887)	(3,879,529)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(45,608)	(41,012)
Loan paid		-	(12,621,368)
Loan received		28,612	2,305,818
Mark-up paid on loan and borrowings		-	(51,373)
Dividend paid		(162,352)	(82)
Net cash used in financing activities		(179,348)	(10,408,017)
Net increase / (decrease) in cash and cash equivalents		(15,812,178)	13,577,642
Cash and cash equivalents at beginning of the period		23,271,041	17,818,607
Cash and cash equivalents at end of the period		7,458,863	31,396,249

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

1. STATUS AND NATURE OF BUSINESS

Pak Suzuki Motor Company Limited ("the Company") was incorporated in Pakistan as a public limited company in August 1983 and started commercial production in January 1984. The Company was formed in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited ("PACO") and Suzuki Motor Corporation (SMC), Japan (the Holding Company) having registered address of 300 Takatsuka-Cho, Minami-Ku, Hamamatsu City. In 1996, the joint venture agreement was ended and PACO divested its entire shareholding to SMC. 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 Limited. 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 repealed Companies Ordinance, 1984 (now Companies Act, 2017) 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. The manufacturing plant of TAG is set up at Bin Qasim National Industrial Parks - Special Economic Zone for manufacturing of auto glass. TAG had entered into a technical assistance agreement with Asahi India Glass Limited ("AIS") under which AIS has granted to the company a right and license to use technical information to manufacture its products.

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.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements for the nine months period ended 30 September 2022 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of changes in Company's financial position and performance since the last annual financial statements.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except as otherwise disclosed.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional and presentational currency. Figures in these condensed interim financial statements have been rounded off to the nearest thousand rupees, unless stated otherwise.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 clarifies that the 'cost of fulfilling a contract' for the purposes of the onerous contract assessment comprises the costs that relate directly to the contract, including both the incremental costs and an allocation of other direct costs to fulfil the contract. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

2.5 Standards, interpretations and amendments to accounting and reporting standards that are effective

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This amendment enables the fair value measurement of biological assets on a post-tax basis.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 01 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

Classification of liabilities as current or non-current (Amendments to IAS 1) apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring entities to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above improvements are not likely to have significant impact on these condensed interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements of the Company as at and for the year ended 31 December 2021.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements for the year ended 31 December 2021.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements as at and for the year ended 31 December 2021.

5. PROPERTY, PLANT AND EQUIPMENT

		30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
Operating fixed assets	5.1	12,760,215	9,917,235
Capital work in progress	5.2	<u>2,103,028</u>	<u>5,627,191</u>
		<u>14,863,243</u>	<u>15,544,426</u>

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

	<u>Nine months period ended</u>	
	30 September 2022	30 September 2021
	(Rupees in '000)	
<i>Additions / transfer from CWIP</i>		
Tooling at Vendor premises	2,504,134	-
Jigs and fixtures	1,386,996	6,992
Plant and machinery	1,016,889	78,837
Vehicles	356,254	45,885
Dies - Vendor premises	233,528	163,605
Buildings on leasehold land - factory building	60,598	10,620
Electrical installations	29,254	4,650
Welding guns	9,916	-
Permanent and special tools	9,490	19,941
Office Building	9,422	-
Office equipments	6,382	2,793
Furniture and fittings	-	1,244
Air conditioners and refrigerators	-	1,624
Computers	-	5,183
	<u>5,622,863</u>	<u>341,374</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

Disposal - at book value

Vehicles	58,267	2,922
Air conditioners and refrigerators	150	1,571
Office equipments	138	400
Plant and machinery	-	924
Jigs and fixtures	-	1,287
Furniture and fittings	-	9
Permanent and special tools	-	65
Computers	-	107
	<u>58,555</u>	<u>7,285</u>

- 5.1.1 Dies include assets having book value of Rs. 3,621 million (31 December 2021: Rs. 2,169.16 million) which are in the possession of vendors for contract manufacturing of components.

5.2 Capital Work in Progress

30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
---	----------------------------------

Plant and machinery	2,065,579	5,608,356
Civil works	<u>37,449</u>	<u>18,835</u>
	<u>2,103,028</u>	<u>5,627,191</u>

- 5.2.1 During current period, additions to capital work-in-progress amounted to Rs. 1,733 million (30 September 2021: Rs. 4,620 million) and transfer to fixed assets amounted to Rs. 5,257 million (30 September 2021: Rs. 437 million).

6. INTANGIBLE ASSETS

30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
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Intangible assets	277,821	49,654
Capital work-in-progress	<u>197,720</u>	<u>334,706</u>
	<u>475,541</u>	<u>384,360</u>

7. RIGHT-OF-USE ASSETS

During the period, additions in right-of-use-assets made amounting to Rs. 59.802 million (30 September 2021: 35 million).

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

8. LONG TERM INVESTMENTS	30 September 2022 (Unaudited)	31 December 2021 (Audited)
	Note	(Rupees in '000)
Investment in related party (equity accounted)		
Investment in joint venture - unquoted		
Tecno Auto Glass Limited (TAG)	101,324	190,492
Other long term investments		
Equity securities - at FVOCI	8.2 <u>-</u>	<u>-</u>
	<u>101,324</u>	<u>190,492</u>

8.1 Investment in joint venture - unquoted

TAG was incorporated on 16 March 2017 and commenced its commercial operations in the third quarter of year ended 31 December 2020. The incorporation and principal place of business of TAG is The 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 TPT. The joint venture's share of loss has been included in these condensed interim financial statements based on the unaudited financial information of the joint venture company for the three months period ended September 30, 2022.

8.1.1 The summarized financial information in respect of Tecno Auto Glass Limited is set out below. The summarized financial information represents the amounts shown in the joint venture's financial statements for the respective period.

	30 September 2022	31 December 2021
	(Rupees in '000)	
Current assets	693,742	457,928
Non-current assets	2,963,665	2,899,599
Current liabilities	(2,898,981)	(2,241,563)
Non-current liabilities	(505,116)	(639,735)
Net Assets	<u>253,310</u>	<u>476,229</u>
Revenue	<u>139,560</u>	<u>326,705</u>
Loss for the year / period	<u>(145,028)</u>	<u>(303,829)</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

- 8.1.2** Reconciliation of the above summarized financial information to the carrying amount of the interest in the Tecno Auto Glass Limited recognized in the financial statements:

	30 September 2022	31 December 2021
	(Rupees in '000)	
Net assets of the joint venture	<u>253,310</u>	<u>476,229</u>
Proportion of the Company's ownership	<u>40%</u>	<u>40%</u>
Carrying amount of interest	<u>101,324</u>	<u>190,492</u>
Movement		
34,440,000 (2020: 34,440,000) fully paid ordinary shares of Rs. 10/- each (Shareholding 40%)	190,492	344,400
Share of loss of equity accounted investee	<u>(89,168)</u>	<u>(153,908)</u>
	<u>101,324</u>	<u>190,492</u>

8.2	Equity securities - at fair value through OCI	2022	
		Shares (Number)	Fair value (Rupees in '000)
	- Arabian Sea Country Club Limited (ASCCL)	8.2.1 500,000	-
	- Automotive Testing & Training Centre (Private) Limited (AT & TC)	8.2.2 125,000	-
			<u>-</u>

- 8.2.1** Investment in ASCCL (unquoted) represents 0.5 million (2021: 0.5 million) fully paid ordinary shares of Rs. 10 each, representing 6.45% (2021: 6.45%) of ASCCL's paid up share capital as at period end.

- 8.2.2** Investment in AT & TC (unquoted) represents 0.125 million (2021: 0.125 million) fully paid ordinary shares of Rs. 10 each, representing 6.94% (2021: 6.94%) of AT & TC's paid up share capital as at period end.

- 8.2.3** Investment in ASCCL (unquoted) and AT & TC (unquoted) were fully impaired in previous years and no change in fair value is recognised in current year Condensed Interim financial statements.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

9. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
Deposits		61,250	57,484
Other receivable from employees at amortised cost	9.1	958,554	653,952
Less: Receivable within one year	14	(276,966)	(144,722)
		681,588	509,230
		742,838	566,714

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

10. LONG TERM INSTALLMENT SALES RECEIVABLES		30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
Gross amount of Installment sales receivables	10.1	3,357,815	3,064,519
Less: Unearned finance income		(10,425)	(6,028)
Gross amount of installment sales receivables		3,347,390	3,058,491
Less: Impact of discounting		(261,920)	(188,075)
Installment Sales Receivables		3,085,470	2,870,416
Less: Provision of impairment allowance on receivables		(73,096)	(65,340)
		3,012,374	2,805,076
Less: Current maturity		(2,421,781)	(2,027,931)
		590,593	777,145

- 10.1 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, Company retains the title and registers the documents of the motorcycles in its name as a security. For installment sales to vendors, no mark-up is charged on 12 months installment sales and mark-up is charged at 12% per annum on installment sales exceeding 12 month period (2021: 12% per annum). Further, vehicles are lien marked 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. Overdue rentals are subject to additional surcharge.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

11. STOCK IN TRADE	30 September 2022 (Unaudited)	31 December 2021 (Audited)
	(Rupees in '000)	
Raw material and components [including items in transit Rs. 26,211 million (2021: Rs. 8,896 million)]	44,795,721	20,875,587
Less: Provision for slow moving and obsolescence		
- at beginning of the period	357,594	281,345
- provision during the period	19,569	76,249
	377,163	357,594
	44,418,558	20,517,993
Work-in-process	78,383	1,763,567
Finished goods	7,505,055	3,001,546
Trading stocks [including items in transit Rs. 24 million (2021: Rs. 81 million)]	1,173,643	1,031,289
Less: Provision for slow moving and obsolescence		
- at beginning of the period	88,931	187,262
- provision during the period	(2,821)	(98,331)
	86,110	88,931
	1,087,533	942,358
	53,089,529	26,225,464

11.1 Of the aggregate amount, stocks worth Rs. 4,744 million (2021: Rs. 1,625 million) were in the custody of dealers and vendors dispersed all over Pakistan.

11 Raw material and components, work-in-process, finished goods and trading stocks have been written down by Rs. 157 million, Rs. 1 million, Rs. 25 million and Rs. 0.4 million (2021: Rs. 332million, Rs. 29.4 million, Rs. 24.9 million and Rs. 1 million) respectively to arrive at net realizable value.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

12. TRADE DEBTS	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<i>Note</i>	(Rupees in '000)	
Considered good		
- Due from government agencies	64,356	64,384
- Others	174,154	132,903
	238,510	197,287
Considered doubtful	12,337	65,415
Less: Provision for doubtful debts	(12,337)	(65,415)
	-	-
	238,510	197,287
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	30 September 2022 (Unaudited)	31 December 2021 (Audited)
	(Rupees in '000)	
Trade deposits	104,596	76,677
Margin held with banks against letter of credits and imports	13,856,396	2,132,385
	13,960,992	2,209,062
Advance Payments		
- Collector of custom	1,472,028	430,146
- Rent	22,219	23,945
- Insurance	31,900	3,310
- Others	502,571	18,913
	2,028,718	476,314
	15,989,710	2,685,376
14 OTHER RECIEVABLES	30 September 2022 (Unaudited)	31 December 2021 (Audited)
	(Rupees in '000)	
Due from related parties	678,924	553,876
Due from vendors for material and components returned	11,853	19,572
Duty draw back	486	486
Expenses recoverable from dealers	1,001	109
Current portion of long term other receivables	276,966	144,722
Accrued profit on bank deposits	29,326	169,260
Others	39,251	49,756
	1,037,807	937,781

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

15. CASH AND BANK BALANCES	30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
	Note	
Cash in hand		45,935
Cash at banks:		
- in deposit accounts - conventional	15.1	247,150
- in a special deposit account - conventional	15.2	117,955
- in term deposit account - conventional	15.3	22,000,000
- in current accounts		860,001
		7,350,226
		7,458,863
		23,225,106
		23,271,041

15.1 These carry profits rates ranging from 13.25% to 15.50% (2021: 5.50% to 9.5%) per annum.

15.2 A special account is maintained in respect of security deposits in accordance with the requirements of Section 217 of the Companies Act, 2017.

15.3 The company does not have any Shariah compliant bank deposits / bank balances as at 30 September 2022.

16 LONG-TERM LOAN

The Company obtained long-term financing from MCB Bank Limited and Bank Al Habib Limited under the "Temporary Economic Refinance Facility" (TERF) refinance scheme by State Bank of Pakistan for imported and locally manufactured new plant and machinery. The facility carries a mark-up at the concessional rate of SBP rate (1%) + 1% per annum payable on quarterly basis. The tenure of the loan is 10 years including grace period of 2 years and is repayable in 32 equal quarterly installments or on demand. The facility is secured against hypothecation charge over plant and machinery of the Company.

The loans are measured at the fair value i.e. present value of the expected future cash flows discounted at the relevant market-related interest rates, determined with reference to respective acquisition dates and to be in the range of 8.99% to 12.95%. The benefit of below market interest is recognized as government grant (refer note 17), which is being amortised to other income over the period of the facility. The reconciliation of the carrying amount is as follows:

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Note	(Rupees in '000)	
Balance as at beginning of the period / year	1,736,557	-
Disbursements during the period / year	28,612	2,606,133
Repayments during the period / year	-	-
	1,765,169	2,606,133
Discounting for recognition at fair value - deferred government grant	(11,825)	(908,192)
Unwinding of discount on liability	91,738	38,616
Balance as at end of the period / year	1,845,082	1,736,557
Current portion	45,783	47,544
Non-Current portion	1,799,299	1,689,013
	1,845,082	1,736,557

17. DEFERRED GOVERNMENT GRANT

As mentioned in note 16, the purpose of the government grant given under TERF is to facilitate the Company in making payments of new plant and machinery to be used for setting-up of new project. The reconciliation of the carrying amount is as follows:

17.1 The reconciliation of the carrying amount is as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Note	(Rupees in '000)	
Balance as at beginning of the period / year	869,576	-
Deferred government grant recognised during the period / year	11,825	908,192
Credited to profit or loss - amortised during the period / year	(91,738)	(38,616)
	789,663	869,576
Current portion shown under current liabilities	(134,468)	(123,432)
Balance as at end of the period / year	655,195	746,144

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

18. TRADE AND OTHER PAYABLES	30 September 2022 (Unaudited) (Rupees in '000)	31 December 2021 (Audited)
Trade creditors - local	2,187,849	4,236,266
Trade creditors - foreign	18.1 34,992,730	3,744,823
Accrued liabilities	1,801,892	2,855,349
Gas Infrastructure Development Cess payable	18.2 5,398	14,453
Royalties and technical fee payable to the Holding Company	4,470,203	3,469,169
Mark-up payable on account of late deliveries of vehicles	2,017,113	245,675
Payable to Dealers	746,521	1,192,134
Accrued markup on Short term borrowing	22,735	19,722
Workers' Welfare Fund	94,906	94,906
Retention money	32,852	1,507
Deposits from employees against purchase of vehicles	182	182
Payable to provident fund	12,941	-
Payable to directors	5,125	4,000
Un-earned income - extended warranty	145,574	101,149
Payable against purchase of asset	42,722	56,790
Provision for unexpired free service and warranty	362,582	384,113
Provision for Sindh Infrastructure Development Cess	18.3 3,516,970	2,493,650
Others	3,180,074	1,139,680
	53,638,369	20,053,569

18.1 This includes Rs. 27,623 million (2021: Rs. 316.38 million) due to the Holding Company and Rs. 7,273 million (2021: Rs. 3258.55 million) due to other related parties.

18.2 The Federal Government issued Gas Infrastructure Development Cess (GIDC) Acts in the years 2011, 2014 and 2015. Over the years the matter of GIDC involved legal debates and court decisions, including the vires of the GIDC law. Supreme Court of Pakistan (SCP) vide its judgement dated 13 August 2020 dismissed all the previous appeals filed by various industrial and commercial entities with respect to the legality and validity of levy and demand of GIDC and decided the case against the industry. Further, on 6th November 2020, the SCP dismissed all the review petitions with a relief for payment of GIDC in 48 instalments.

In August 2020, Sui Southern Gas Company Limited (SSGC) billed the arrears of GIDC and started recovery of all previous GIDC arrears and charged Rs. 2 million out of total outstanding Rs. 51 million as first installment of GIDC. Management has historically been carrying provision amounting to Rs. 57 million against such exposure of GIDC and accordingly assessed that these arrears will be paid within 24 installments .

Accordingly balance of GIDC payable as at period end has been recorded at present value amounting to Rs. 5.6 million.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

18.3 Provision for Sindh Infrastructure Development Cess

Sindh Infrastructure Development Cess was levied in the province of Sindh in 1994 vide section 9 of the Sindh Finance Act on the goods entering or leaving the province from or for outside the country, ostensibly for services rendered in respect of development and maintenance of infrastructure. Levy is applicable on imported goods and it is charged at the time of custom clearance. Group of importers challenged the levy on the grounds that imposing levy on 'import and export' does not fall within legislative competence of the provincial legislature. In 2011, Sindh High Court (SHC) through its order granted an interim relief to all the petitioners directing that the future imports of the petitioners will be cleared on payment of 50% of the disputed Cess while for remaining 50% bank guarantee is to be submitted till the final decision by Court. In May 2014, the Company filed a petition in SHC against Government of Sindh and Court granted same interim relief as was available to other petitioners, i.e., the Company continue to make payment for 50% Cess and provide bank guarantee for 50% balance payable. On 4 June 2021 SHC announced its decision in favour of Sindh Government and against 482 petitioners from the industry. The decision validated the SIDC levy and "The Sindh Development and Maintenance of Infrastructure Cess Act, 2017", retrospectively. Company filed petition in Supreme Court of Pakistan (SCP), challenging the order of SHC. SCP suspended the operation of the SH C's judgment on 1 September 2021 and instructed the petitioners to provide the Bank Guarantee equivalent to the amount of levy claimed by the respondents against release of all future imported consignments. As a matter of prudence, Company fully charged the Sindh Government Infrastructure Cess to cost by providing provision for balance payable, which has been worked out in compliance with directives of Courts.

19. CONTINGENCIES AND COMMITMENTS

- 19.1 Capital expenditure contracted for but not incurred amounted to Rs. 6,770 million (2021 Rs. 1,916 million)
- 19.2 The facilities for opening letters of credit as at 30 September 2022 amounted to Rs. 10,300 million (2021:13,800 million) of which the amount remaining unutilized at year end was Rs. 8,524 million (2020: 11,210 million).
- 19.3 The facilities for opening letters of guarantees as at 30 September 2022 amounted to Rs. 12,126 million (2021: Rs. 4,126 million) of which the amount remaining unutilized at year end was Rs. 7,569 million (2021: Rs. 795.3 million).
- 19.4 The Company has issued a corporate guarantee on behalf of Tecno Auto Glass Limited, joint venture company, amounting to Rs. 1,000 million (2021: Rs. 600 million) to Meezan Bank Limited in relation to borrowing facilities granted to the joint venture company. The same guarantee has been disclosed in the financial statements of Tecno Auto Glass Limited.
- 19.5 Tax contingencies are included in note 24.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

20. SALES

		Nine months period ended	
		30 September 2022	30 September 2021
		(Rupees in '000)	
	<i>Note</i>		
Manufactured goods	20.1	139,546,836	113,963,288
Trading stock	20.2	3,300,017	2,750,533
Extended warranty income		9,838	18,914
Less: Free service		(157,743)	(195,253)
Less: Markup on discounting of financial assets		(273,862)	(163,893)
		142,425,086	116,373,589
20.1 Manufactured goods			
Vehicles		180,807,828	139,622,849
Spare parts		587,832	411,875
		181,395,660	140,034,724
Less: Sales Tax		23,213,382	19,316,111
Federal excise duty		3,418,388	1,440,712
Discounts		9,422,314	280,448
Sales commission to dealers		5,794,740	5,034,165
		41,848,824	26,071,436
		139,546,836	113,963,288
20.2 Trading stock			
Vehicles		597,677	1,257,997
Spare parts		3,414,759	2,367,990
		4,012,436	3,625,987
Less: Sales Tax		682,303	562,848
Federal excise duty		24,811	305,774
Discounts		1,575	1,635
Sales commission to dealers		3,730	5,197
		712,419	875,454
		3,300,017	2,750,533

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

21. COST OF SALES

	Nine months period ended	
	30 September 2022	30 September 2021
	(Rupees in '000)	
Manufactured goods:		
Finished goods at beginning of the period	3,001,546	4,574,565
Cost of goods manufactured	138,652,504	107,408,954
Export expenses	46,553	40,563
	<u>141,700,603</u>	<u>112,024,082</u>
Less: Finished goods at end of the period	<u>(7,505,055)</u>	<u>(4,000,964)</u>
	<u>134,195,548</u>	<u>108,023,118</u>
Trading stock:		
Stock at beginning of the period	942,358	939,994
Purchases during the period	2,604,150	1,783,463
	<u>3,546,508</u>	<u>2,723,457</u>
Less: Stock at end of the period	<u>(1,087,533)</u>	<u>(990,912)</u>
	<u>2,458,975</u>	<u>1,732,545</u>
	<u>136,654,523</u>	<u>109,755,663</u>

- 21.1 In the year 2021, the Company has changed its accounting policy relating to valuation of stock-in-trade. The comparative figures of stock of prior periods in these financial statements have not been restated as the impact was not significant. However, the impact of the change was duly incorporated and explained in detail in note 4.21 to the annual financial statements for the year ended 31 December 2021.

22. OTHER INCOME

	Nine months period ended	
	30 September 2022	30 September 2021
	(Rupees in '000)	
Profit on bank balances	2,054,491	947,567
Income from unwinding of installment sales receivable	201,473	121,858
Income from unwinding of loan to employees	-	33,656
Gain on sale of Fixed Asset	44,962	-
Finance income on installment sales	4,699	2,423
Commission income	3,750	2,250
Scrap sales	30,991	30,909
Government grant	91,738	-
Miscellaneous income	196,907	151,512
	<u>2,629,011</u>	<u>1,290,175</u>

- 22.1 This represents commission income on corporate guarantee provided to Meezan Bank Limited on behalf of Tecno Auto Glass Limited, associated company, amounting to Rs. 1,000 million (2021: Rs.600 million) in relation to borrowing facilities granted to the associated company.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

		Nine months period ended	
		30 September 2022	30 September 2021
23.	FINANCE COSTS	(Rupees in '000)	
	Markup on lease liability	11,764	10,910
	Exchange loss - net	1,271,042	251,340
	Mark-up on long term loan	134,606	66,618
	Demurage & Detention Charges	2,254,076	-
	Markup on late delivery	2,914,754	200.00
	Bank charges	54,527	40,179
		<u>6,640,769</u>	<u>369,247</u>

		Nine months period ended	
		30 September 2022	30 September 2021
24.	TAXATION	(Rupees in '000)	
	- Current	(1,920,628)	1,458,855
	- Prior	(428,422)	-
	- Deferred	2,556,909	(564,211)
		<u>207,859</u>	<u>894,644</u>

- 24.1** This includes super tax at the rate of 4 percent of taxable profit for the current period. This new tax has been enacted and is applicable vide Finance Act 2022.
- 24.2** This represents super tax at the rate of 10 percent of taxable profit applicable on tax year 2022. This new tax has been enacted and is applicable retrospectively vide Finance Act 2022.
- 24.3** Income tax is recognized based on the best estimate of weighted average annual income tax rate expected for the full financial year. The returns of income tax have been filed up to and including tax year 2021.
- 24.4** There is no significant change in the status of tax contingencies as reported in the annual audited financial statements for the year ended 31 December 2021, except for the following:

		Nine months period ended	
		30 September 2022	30 September 2021
	(Loss) / profit for the period	<i>Rupees in '000</i> <u>(2,506,445)</u>	<u>2,190,539</u>
	Weighted average ordinary number of shares	<i>Numbers in '000</i> <u>82,300</u>	<u>82,300</u>
	(Loss) / earning per share - basic and diluted	<i>Rupees</i> <u>(30.46)</u>	<u>26.62</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

26. CASH GENERATED FROM OPERATIONS

	Note	Nine months period ended	
		30 September 2022	30 September 2021
		(Rupees in '000)	
Loss before taxation		(2,714,304)	3,085,183
<i>Adjustments for non cash charges and other items:</i>			
Depreciation		2,721,328	2,453,119
Amortisation of intangible assets		111,016	105,603
Depreciation - right-of-use assets		39,067	35,681
Gain on disposal of fixed assets		(44,962)	-
Loss on disposal of fixed assets		-	1,984
Share of loss of equity accounted investee		89,168	87,992
Profit on bank balances		(2,054,491)	(947,567)
Markup on lease liability		12,000	10,910
Income on Government Grant		(91,738)	-
Markup on late delivery		2,914,754	-
Markup on long term loans		134,606	66,618
		3,830,748	1,814,340
Working capital changes	26.1	(12,192,297)	25,494,461
		(11,075,853)	30,393,984
26.1 Working capital changes			
(Increase) / Decrease in current assets:			
Stores, spares and loose tools		(175,779)	(73,697)
Stock in trade		(26,864,065)	(164,472)
Trade debts		(41,223)	251,259
Current portion of long-term installment sales receivables		(393,850)	(611,595)
Loans and advances		(627,310)	(301,175)
Trade deposits and short term prepayments		(13,304,334)	(266,206)
Other receivables		(100,026)	(16,324)
Sales tax and excise duty adjustable		(1,627,728)	(1,928,083)
		(43,134,315)	(3,110,293)
Increase / (Decrease) in current liabilities			
Trade and other payables		32,082,577	1,799,261
Provision for custom duties and sales tax		(2,038,446)	1,669,600
Short term finance		-	-
Security deposits		(353,830)	80,388
Advances from customers		1,251,717	25,055,505
		30,942,018	28,604,754
		(12,192,297)	25,494,461

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

27. TRANSACTIONS WITH RELATED PARTIES

27.1 Balances with related parties at the end of period / year are as follows:

Due from holding company at the end of period / year	<u>677,040</u>	<u>553,876</u>
Payable to holding company at the end of period / year	<u>(27,622,521)</u>	<u>(316,380)</u>
Royalties and technical fee payable to the Holding Company	<u>(4,470,203)</u>	<u>3,469,169</u>
Payable to other related parties at the end of period / year	<u>(7,273,260)</u>	<u>(3,258,550)</u>

27.2 Transactions with related parties during the period are as follows:

For the nine months period ended 30 September 2022

	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		
Transactions			
Purchases of components	42,506,421	19,987,439	62,493,860
Sales including exports sales	35,505	55,075	90,580
Royalty and technical fee	3,398,367	-	3,398,367
Travelling expense of Supervisors	778	-	778
Commission income from Corporate Guarantee	-	3,750	3,750
Remuneration to Key Management Personnel	-	98,795	98,795
Disposal of vehicle to Key Management Personnel	-	3,516	3,516
Purchase of operating fixed assets including supervisors fee	174,543	6,393	180,936
Purchase of Intangible Asset	309,040	-	309,040
Staff retirement benefits	-	175,374	178,890
	Holding company	Other related parties	Total
	----- (Rupees in '000') -----		

For the nine months period ended 30 September 2021

Transactions

Purchases of components	25,936,606	24,436,221	50,372,827
Purchase of operating fixed assets	43,141	2,637	45,778
Sales including exports sales	54,031	26,407	80,438
Royalty and technical fee	2,149,022	-	2,149,022
Commission income from Corporate Guarantee	-	2,250	2,250
Staff retirement benefits	-	143,623	143,623
Travelling expenses of supervisors	19,438	-	19,438
Sales promotional and development expenses	14,644	6,112	20,756
Mark-up to parent company	45,747	-	45,747

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company classifies fair value measurements of its investments using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

28.1 Accounting classifications and fair values

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

		30 September 2022 (Unaudited)				Fair Value			
		Carrying Amount		Fair Value					
Note	Financial asset at amortized cost	Fair value liabilities	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total	
(Rupees in '000)									
Financial assets not measured at fair value									
	28.2	101,324	-	-	101,324				
	28.2	6,554	-	-	6,554				
	28.2	742,838	-	-	742,838				
	28.2	238,510	-	-	238,510				
	28.2	3,012,374	-	-	3,012,374				
	28.2	791,417	-	-	791,417				
	28.2	13,960,992	-	-	13,960,992				
	28.2	1,037,807	-	-	1,037,807				
	28.2	7,458,863	-	-	7,458,863				
		27,350,679	-	-	27,350,679				
Other Financial liabilities not measured at fair value									
	28.2	-	-	177,038	177,038				
	28.2	-	-	3,703,975	3,703,975				
	28.2	-	-	154,751	154,751				
	28.2	-	-	1,799,299	1,799,299				
	28.2	-	-	53,638,369	53,638,369				
	28.2	-	-	391,436	391,436				
		-	-	59,864,868	59,864,868				
		31 December 2021 (Audited)				Fair Value			
		Carrying Amount		Fair Value					
	Financial asset at amortized cost	Fair value liabilities	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total	
(Rupees in '000)									
Financial assets not measured at fair value									
	28.2	197,287	-	-	197,287				
	28.2	2,805,076	-	-	2,805,076				
	28.2	13,232	-	-	13,232				
	28.2	2,266,546	-	-	2,266,546				
	28.2	1,447,011	-	-	1,447,011				
	28.2	23,225,106	-	-	23,225,106				
		29,954,258	-	-	29,954,258				

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

Other Financial liabilities not measured at fair value

Payable against purchase of asset	28.2	-	-	59,001	59,001
Security deposits	28.2	-	-	4,057,605	4,057,605
Lease liabilities	28.2	-	-	129,587	129,587
Long-term loan	28.2	-	-	1736557	1,736,557
Trade and other payables	28.2	-	-	17,868,883	17,868,883
Unclaimed dividend	28.2	-	-	18,837	18,837
		-	-	<u>23,870,470</u>	<u>23,870,470</u>

28.2 The Company has not disclosed fair values for these financial assets and financial liabilities because their carrying amounts are reasonable approximation of fair value.

29. SEGMENT ANALYSIS

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

	30 September 2022 (Unaudited)			30 September 2021 (Unaudited)		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
(Rupees in '000')						
Segment results						
Sales	<u>136,636,046</u>	<u>5,789,040</u>	<u>142,425,086</u>	<u>112,340,364</u>	<u>4,033,225</u>	<u>116,373,589</u>
Gross profit	<u>5,680,514</u>	<u>90,049</u>	<u>5,770,563</u>	<u>6,307,273</u>	<u>310,653</u>	<u>6,617,926</u>
Distribution and marketing expenses	(2,052,978)	(97,903)	(2,150,881)	(1,944,718)	(67,375)	(2,012,093)
Administrative expenses	(2,015,237)	(263,145)	(2,278,382)	(1,866,954)	(185,166)	(2,052,120)
(Provision) / reversal of impairment losses	53,078	(7,756)	45,322	(60,878)	(6,379)	(67,257)
Operating income / (loss)	<u>1,665,377</u>	<u>(278,755)</u>	<u>1,386,622</u>	<u>2,434,723</u>	<u>51,733</u>	<u>2,486,456</u>
Other income	2,241,803	387,208	2,629,011	1,026,672	263,503	1,290,175
Finance cost	(6,630,659)	(10,110)	(6,640,769)	(363,187)	(6,060)	(369,247)
	<u>(2,723,479)</u>	<u>98,343</u>	<u>(2,625,136)</u>	<u>3,098,208</u>	<u>309,176</u>	<u>3,407,384</u>
Unallocated corporate expenses						
Share of loss of equity accounted investee			(89,168)			(87,992)
Other Expense			-			(234,209)
Taxation			207,859			(894,644)
(Loss) / profit after taxation			<u>(2,506,445)</u>			<u>2,190,539</u>
Capital expenditure	<u>1,870,273</u>	<u>179,321</u>	<u>2,049,594</u>	<u>4,870,961</u>	<u>33,097</u>	<u>4,904,058</u>
Depreciation	<u>2,644,561</u>	<u>76,767</u>	<u>2,721,328</u>	<u>2,373,546</u>	<u>79,573</u>	<u>2,453,119</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2022

	30 September 2022 (Unaudited)			31 December 2021 (Audited)		
	Automobile	Motorcycle	Total	Automobile	Motorcycle	Total
	(Rupees in '000')					
Assets						
Segment assets	76,046,792	5,348,480	81,395,272	65,437,898	4,554,534	69,992,432
Unallocated corporate assets	-	-	40,653,496	-	-	21,997,538
	<u>76,046,792</u>	<u>5,348,480</u>	<u>122,048,768</u>	<u>65,437,898</u>	<u>4,554,534</u>	<u>91,989,970</u>
Liabilities						
Segment liabilities	95,223,121	256,979	95,480,100	62,147,582	280,471	62,428,053
Unallocated corporate liabilities	-	-	2,789,496	-	-	2,735,720
	<u>95,223,121</u>	<u>256,979</u>	<u>98,269,596</u>	<u>62,147,582</u>	<u>280,471</u>	<u>65,163,773</u>

30. SIGNIFICANT EVENTS DURING THEIR PERIOD

30.1 The State Bank of Pakistan (SBP) has introduced a mechanism for prior approval for import of certain categories owing to the depleting foreign exchange reserves of the country coupled with the significant depreciation of Rupees against USD. The major raw material of the company falls under said categories which subsequent to the period end has negatively impacted the operations of the Company.

31. GENERAL

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

32. DATE OF AUTHORISATION FOR ISSUE

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



Chairman



Chief Executive Officer



Chief Financial Officer

پرمصارفین کو مالی معاوضہ، مزاحمت اور ڈیبرٹج چارجز اور سہ ماہی کے دوران ہونے والے تبادلے کے نقصان کی وجہ سے مالیاتی چارجز 77 ملین روپے (جولائی تا ستمبر 2021) سے 4,722 ملین بڑھ کر 798 ملین روپے (جولائی تا ستمبر 2022) ہو گئے۔

مستقبل کا آؤٹ لک اور نتیجہ:

ملک کے میکرو اکنامک اشاریے آٹو انڈسٹری کے لیے کافی مشکل ہیں۔ مزید، اسٹیٹ بینک آف پاکستان کی طرف سے CKDs کی درآمدات پر مسلسل پابندیاں پیداواری منصوبہ بندی کو بری طرح متاثر کرے گی اور OEMs کے لیے کاروباری لاگت میں اضافہ کرے گی۔

مالیاتی اور سپلائی چین کے چیلنجوں کے باوجود، کمپنی پاکستان میں اپنے آپریشنز میں فروخت، منافع اور تنوع کو بہتر بنانے کی کوشش کر رہی ہے۔



کنجی سنتو

چیئر مین

کراچی 26 اکتوبر 2022ء

انٹرسٹری آؤٹ لک:

تیسری سہ ماہی میں بنیادی طور پر اسٹیٹ بینک آف پاکستان (SBP) کی جانب سے گاڑیوں کی CKDs کی درآمدات پر عائد درآمدی پابندیوں کی وجہ سے فروخت کے حجم میں خاطر خواہ کمی ہوئی۔ فروخت کا حجم 68,897 یونٹس (جولائی تا ستمبر 2021) سے کم ہو کر 34,472 یونٹس (جولائی تا ستمبر 2022) پر ہو گیا، جو کہ موجودہ سہ ماہی میں فروخت کے حجم میں 50 فیصد کمی ہے۔ اسٹیٹ بینک آف پاکستان نے جنوری تا اپریل 2022 کے دوران کی گئی اصل درآمدی ترسیلات کے تناسب سے OEMs کو ماہانہ درآمدی کوٹہ کی اجازت دی۔ مسلسل پابندیوں کے باعث پیداواری مواد کی شدید قلت ہے۔ نتیجتاً، OEMs عارضی طور پر پلانٹ بند کرنے پر مجبور ہیں۔ مزید، ان پابندیوں کے نتیجے میں غیر ملکی سپلائرز کو ترسیلات زر میں غیر معمولی تاخیر ہوئی اور درآمدی کنسائنمنٹ بندرگاہوں پر بند ہیں، جس کی وجہ سے زیادہ مزاحمت اور ڈیرنگ چارجز عائد ہوئے۔

موجودہ سہ ماہی میں کمپنی کی فروخت کے حجم میں 38,463 یونٹس (جولائی تا ستمبر 2021) سے 16,639 یونٹس (جولائی تا ستمبر 2022) میں کمی ہوئی، صنعت کے رجحان کے مطابق، فروخت کے حجم میں 57 فیصد کمی ہوئی۔

زیر جائزہ مدت کے دوران، موٹر سائیکلوں اور تھری وہیلرز کی منظم مارکیٹ (PAMA رکن کمپنیاں) 1,403,974 یونٹس سے کم ہو کر 1,177,360 یونٹس رہ گئیں۔ SPLY کے مقابلے میں 226,614 یونٹس کی کمی فروخت کے حجم میں 16 فیصد کمی کو ظاہر کرتی ہے۔ کمپنی نے گزشتہ سال کی اسی مدت میں 22,918 یونٹس کی فروخت کے حجم کے مقابلے میں 29,892 یونٹس کی فروخت کا حجم حاصل کیا، جس نے 30 فیصد کی شرح نمود درج کی، جس کی بنیادی وجہ ملک گیر 2 وہیلرز فرنیچائرز کا ایک نیا چینل تیار کرنے کی فروخت کی حکمت عملی سے منسوب ہے۔

کمپنی کے آپریٹنگ نتائج:

دوران سہ ماہی جولائی تا ستمبر 2022 مبلغ 2,489 ملین روپے کا خالص خسارہ ہوا جس کا موازنہ SPLY میں مبلغ 994 ملین روپے سے کیا جاسکتا ہے۔ خالص فروخت کی آمدنی 50,263 ملین روپے (جولائی تا ستمبر 2021) سے 20,463 ملین روپے کم ہو کر 29,800 ملین روپے (جولائی تا ستمبر 2022) ہو گئی۔ موجودہ سہ ماہی میں فروخت کے کم حجم کی وجہ سے موجودہ مدت میں فروخت کی آمدنی میں 41 فیصد کمی ہوئی۔ مجموعی منافع 663 ملین روپے (جولائی تا ستمبر 2021) کے مجموعی منافع سے 561 ملین روپے (جولائی تا ستمبر 2022) تک 102 ملین روپے کی مطلق شرائط میں کمی ہوئی۔ مزید، بنیادی طور پر گاڑیوں کی تاخیر سے ڈیلیوری

ڈائریکٹرز رپورٹ

بورڈ کی جانب سے، میں 30 ستمبر 2022ء کو ختم ہونے والی مدت کیلئے کمپنی کی کارکردگی پر اپنا جائزہ پیش کرتا ہوں۔

معاشی صورتحال:

یوکرین کی جاری جنگ، عالمی مانیٹری پالیسی میں سختی، اشیاء کی قیمتوں میں اضافہ، پاکستانی روپے کی قدر میں تیزی سے کمی، شرح سود میں اضافہ، سیاسی عدم استحکام، مہنگائی میں اضافہ اور درآمدات کو کنٹرول کرنے کے حکومتی اقدامات نے پاکستان کی معیشت کو بری طرح متاثر کیا۔ ملک میں حالیہ سیلاب نے معاشی منظر نامے کو مزید بگاڑ دیا ہے۔ جولائی اور اگست 2022 کے دوران لارج اسکیل مینوفیکچرنگ انڈسٹری (LSMI) کی شرح نمو گذشتہ سال کی اسی مدت (SPLY) کے مقابلے میں منفی 0.4 فیصد رہی۔ مانیٹری اور مالیاتی حکام کی جانب سے بڑھتی ہوئی کاروباری لاگت کے ساتھ مجموعی طلب کو کم کرنے کے لیے اٹھائے گئے اقدامات LSMI میں کمی کا باعث بنے۔ جولائی تا ستمبر 2022 کی سہ ماہی کے دوران برآمدات میں سالانہ 1.8 فیصد اضافہ ہوا جو کہ 7 بلین امریکی ڈالر ہو گیا۔ 30 ستمبر 2022 کو ختم ہونے والی سہ ماہی میں 7,685 بلین امریکی ڈالر کی ترسیلات موصول ہوئیں جبکہ 8,198 بلین امریکی ڈالر SPLY کے مقابلے میں 6.3 فیصد کمی ہوئی۔ درآمدات پر پابندیوں کے باعث، 30 ستمبر 2022 کو ختم ہونے والی سہ ماہی کے لیے تجارتی خسارہ 9,209 بلین امریکی ڈالر تک کنٹرول کیا گیا، جو SPLY کے مقابلے میں 7% کم ہوا۔ نتیجتاً، 30 ستمبر 2022 کو ختم ہونے والی سہ ماہی کے دوران پاکستان کا کرنٹ اکاؤنٹ خسارہ 2.2 بلین امریکی ڈالر تک محدود رہا۔ موجودہ سہ ماہی میں پاکستانی روپے کی قدر میں کمی ریکارڈ کی گئی۔ جولائی 2022 میں پاکستانی روپے کے مقابلے میں امریکی ڈالر 240 روپے سے تجاوز کر گیا۔ سہ ماہی کے آخری مہینے میں پاکستانی روپیہ اور امریکی ڈالر کی برابری میں معمولی بہتری رہی۔

اجناس کی عالمی قیمتوں میں اضافے اور پاکستانی روپے کی حالیہ قدر میں کمی کا اثر مزید مہنگائی کی صورت میں سامنے آیا۔ مالی سال 2021-22 کے دوران اوسط افراط زر 12% SPLY کے مقابلے میں 21% YoY ریکارڈ کیا گیا۔ ستمبر 2022 کو ختم ہونے والی سہ ماہی کے دوران افراط زر 23.2% سالانہ کے مقابلے میں 9% SPLY پر پہنچ گئی۔ مستقبل قریب میں افراط زر کے بلند رہنے کی توقع ہے خاص طور پر خوراک، رہائش اور ٹرانسپورٹ کے اشاریوں میں اضافے کی وجہ سے۔ اسٹیٹ بینک آف پاکستان نے ستمبر 2021 تا جولائی 2022 کے دوران اعلان کردہ ”مانیٹری پالیسی“ میں پالیسی ریٹ میں 7% سے 15% تک اضافے کے ساتھ ان رجحانات کا مقابلہ کرنے کے لیے مالیاتی سختی کے لیے اقدامات شروع کیے ہیں۔ بعد از مدت اعلان کردہ مانیٹری پالیسیوں میں پالیسی ریٹ 15% پر برقرار رکھا گیا ہے۔ سیاسی عدم استحکام، مہنگائی میں اضافہ، اشیاء کی بڑھتی ہوئی قیمتیں، سیلاب کے اثرات اور پاکستانی روپیہ کی قدر میں کمی ملک کی اقتصادی ترقی کو متاثر کرنے والے ممکنہ عوامل رہے ہیں۔



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