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Auditor's Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Pak Suzuki Motor Company Limited** as at **30 June 2009** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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



Chartered Accountants

Audit Engagement Partner: Muhammad Basheer Juma

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PAK SUZUKI MOTOR COMPANY LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2009

	Note	June 30, 2009 (Unaudited) (Rupees in thousands)	December 31, 2008 (Audited)
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	4,268,930	4,578,436
Intangible assets	5	421,826	383,808
		4,690,756	4,962,244
Long-term investments		4,449	4,449
Long-term loans		7,530	11,078
Long-term deposits and prepayments		21,228	24,683
Long-term installment sales receivables		87,710	146,077
		120,917	186,287
CURRENT ASSETS			
Stores, spares and loose tools	6	87,107	94,468
Stock-in-trade	7	5,937,439	7,732,518
Current portion of long-term installment sales receivable		288,695	340,951
Trade debts		322,485	286,697
Loans and advances		240,599	128,080
Trade deposits and prepayments		37,380	51,480
Accrued income on bank deposits		37,319	29,432
Other receivables		103,336	98,667
Sales tax and excise duty adjustable		-	111,754
Advance income tax		419,225	434,423
Cash and bank balances		4,686,224	2,499,142
		12,159,809	11,807,612
TOTAL ASSETS		16,971,482	16,956,143
SHARE CAPITAL AND RESERVES			
Authorised share capital		1,500,000	1,500,000
Issued, subscribed and paid-up share capital		823,000	823,000
Reserves		13,408,679	13,329,681
		14,231,679	14,152,681
NON-CURRENT LIABILITY			
Deferred tax liability		99,000	146,000
CURRENT LIABILITIES			
Trade and other payables		1,334,368	1,315,584
Short-term borrowing - export refinancing	8	55,000	-
Security deposits		85,278	84,278
Deposits against display vehicles		690,441	742,718
Advance from customers		226,718	371,596
Sales tax payable		110,523	-
Provision for custom duties and sales tax		138,475	143,286
		2,640,803	2,657,462
COMMITMENTS	9	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		16,971,482	16,956,143

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

PAK SUZUKI MOTOR COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	Note	Half-year ended		Quarter ended	
		June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
----- (Rupees in thousands) -----					
Turnover		9,747,726	25,265,698	5,607,424	13,440,575
Cost of sales		9,409,381	24,275,709	5,459,935	12,892,645
Gross profit		<u>338,345</u>	<u>989,989</u>	<u>147,489</u>	<u>547,930</u>
Distribution costs		84,695	170,557	37,421	63,691
Administrative expenses		<u>226,069</u>	<u>273,480</u>	<u>112,354</u>	<u>154,692</u>
		27,581	545,952	(2,286)	329,547
Finance costs		4,769	56,901	2,861	2,103
Other operating income		<u>280,602</u>	<u>494,610</u>	<u>156,742</u>	<u>315,515</u>
		303,414	983,661	151,595	642,959
Workers' profits participation fund		15,171	49,183	7,580	32,148
Workers' welfare fund		10,000	18,690	7,115	12,217
		25,171	67,873	14,695	44,365
Profit before taxation		<u>278,243</u>	<u>915,788</u>	<u>136,900</u>	<u>598,594</u>
Taxation					
- Current		169,500	307,000	101,030	195,982
- Prior year		(5,555)	-	(5,555)	-
- Deferred		(47,000)	10,000	(28,000)	10,000
		116,945	317,000	67,475	205,982
Profit after taxation		<u>161,298</u>	<u>598,788</u>	<u>69,425</u>	<u>392,612</u>
		Rupees	Rupees	Rupee	Rupees
Earnings per share – basic	10	<u>1.96</u>	<u>7.28</u>	<u>0.84</u>	<u>4.77</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

PAK SUZUKI MOTOR COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	Half-year ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	----- (Rupees in thousands) -----			
Profit for the period	161,298	598,788	69,425	392,612
Other comprehensive income:				
Gain realized on disposal of available for sale investment taken to profit and loss account	-	(37,978)	-	(37,978)
Total comprehensive income for the period	161,298	560,810	69,425	354,634

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

PAK SUZUKI MOTOR COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	Note	Half-year ended	
		June 30, 2009	June 30, 2008
(Rupees in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	2,479,227	3,885,163
Finance costs paid		(8,798)	(56,180)
Taxes paid		(148,747)	(491,283)
Long-term loans		3,548	2,598
Long-term deposits and prepayments		3,455	1,364
Long-term installment sales receivables		58,367	35,331
Net cash inflow from operating activities		2,387,052	3,376,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(143,402)	(607,231)
Acquisition of intangible assets		(150,637)	(73,297)
Sale proceeds on disposal of fixed assets		7,970	2,625
Sale proceeds on sale of investments		-	143,920
Mark-up on bank balances		166,480	321,950
Net cash used in investing activities		(119,589)	(212,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(80,381)	(409,154)
Net increase in cash and cash equivalents		2,187,082	2,755,806
Cash and cash equivalents at beginning of the period		2,499,142	5,484,052
Cash and cash equivalents at end of the period		4,686,224	8,239,858

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

PAK SUZUKI MOTOR COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF -YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	Reserves							Total reserves	Total
	Capital reserves			Revenue reserves					
	Share capital	Share premium	Merger reserve	General	Unrealised gain on available for sale investments	Unappropriated profit			
	(Rupees in thousand)								
Balance as at January 01, 2008	823,000	584,002	260,594	9,449,818	37,639	2,821,982	13,154,035	13,977,035	
Profit for the period	-	-	-	-	-	598,788	598,788	598,788	
Other comprehensive income	-	-	-	-	(37,978)	-	(37,978)	(37,978)	
Total comprehensive income	-	-	-	-	(37,978)	598,788	560,810	560,810	
Cash dividend @ 50%	-	-	-	-	-	(411,499)	(411,499)	(411,499)	
Transferred to general reserve	-	-	-	2,400,000	-	(2,400,000)	-	-	
Balance as at June 30, 2008	823,000	584,002	260,594	11,849,818	(339)	609,271	13,303,346	14,126,346	
Balance as at January 01, 2009	823,000	584,002	260,594	11,849,818	-	635,267	13,329,681	14,152,681	
Profit for the period	-	-	-	-	-	161,298	161,298	161,298	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	-	161,298	161,298	161,298	
Cash dividend @ 10%	-	-	-	-	-	(82,300)	(82,300)	(82,300)	
Transferred to general reserve	-	-	-	550,000	-	(550,000)	-	-	
Balance as at June 30, 2009	823,000	584,002	260,594	12,399,818	-	164,265	13,408,679	14,231,679	

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR

PAK SUZUKI MOTOR COMPANY LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UN-AUDITED)

1. LEGAL STATUS AND OPERATIONS

Pak Suzuki Motor Company Limited (the Company) was incorporated in Pakistan as a public limited company in August 1983 and started commercial production in January 1984. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The principal share holding of the company is held by Suzuki Motor Corporation, Japan (the Holding Company) which constitutes 73.09% of equity. The Company is principally engaged in assembling, progressive manufacturing and marketing of Suzuki cars, Pickups, Vans and 4x4s, Suzuki motorcycles and related spare parts. The registered office of the Company is situated at DSU-13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

2. BASIS OF PREPARATION

These condensed interim financial statements are unaudited but subject to limited scope review by the auditors. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) – 34, "Interim Financial Reporting", as applicable in Pakistan. 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 financial statements for the year ended December 31, 2008.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2008.

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowings Costs (Revised)

IAS 32 – Financial Instruments – Presentation – Amendments regarding Puttable Financial Instruments

IAS 39 – Financial Instruments: Recognition and measurement – Amendments regarding Eligible Hedge items

IFRS 2 – Share-Based Payments – Vesting Conditions and Cancellations

IFRS 4 - Insurance Contracts

IFRS 7 - Financial Instruments: Disclosures

IFRS 8 - Operating segments

IFRIC 13 - Customer Loyalty Programs

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFAS 2 - Ijarah

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Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Company as disclosed in the annual financial statements for the year ended December 31, 2008 other than as stated below:

IAS-1 "Presentation of Financial Statements"

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owners changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income. It presents all items of recognised income and expense, either in one single statement, or in two linked statements. Accordingly, Company has prepared two statements; a condensed interim profit and loss account and condensed interim statement of comprehensive income. The Company will consider the requirements of IFRS-7 in annual financial statements.

IFRS-7 "Financial Instruments: Disclosures"

This standard prescribes presentation and disclosure requirements in respect of financial instruments including qualitative and quantitative information about exposure to risks arising from financial instruments such as credit risk, liquidity risk and market risk. The Company will consider the requirements of IFRS-7 in the annual financial statements.

	Note	June 30, 2009 Unaudited (Rupees in thousands)	December 31, 2008 Audited
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	3,829,569	3,987,322
Capital work-in-progress		439,361	591,114
		<u>4,268,930</u>	<u>4,578,436</u>
4.1 Operating fixed assets			
Opening book value		3,987,322	4,207,347
Additions during the period / year		244,154	759,689
Disposals during the period / year		(8,515)	(13,850)
Depreciation charged during the period / year		(393,392)	(965,864)
		<u>3,829,569</u>	<u>3,987,322</u>
4.2 Capital work-in-progress			
Plant and machinery		439,031	569,676
Advance for capital expenditure		330	21,438
		<u>439,361</u>	<u>591,114</u>
4.2.1 Movement in capital work-in-progress			
Opening balance		591,114	150,804
Additions during the period / year		143,402	1,199,999
Transfer to fixed assets		(244,154)	(759,689)
Transfer to development cost		(51,001)	-
Closing balance		<u>439,361</u>	<u>591,114</u>
5. INTANGIBLE ASSETS			
Designing fee for development of a component and initial royalty	5.1	331,045	309,267
Software	5.2	90,781	74,541
		<u>421,826</u>	<u>383,808</u>
5.1 Designing fee for development of a component and initial royalty			
Opening book value		309,267	314,601
Additions during the period / year		116,241	70,933
Amortisation charged during the period / year		(49,574)	(76,267)
Transfer to development cost		(44,889)	-
		<u>331,045</u>	<u>309,267</u>

	June 30, 2009 Unaudited (Rupees in thousands)	December 31, 2008 Audited
5.2 Software		
Opening book value	74,541	72,178
Additions during the period / year	34,396	2,363
Amortization charged during the period / year	(18,156)	-
	<u>90,781</u>	<u>74,541</u>
6. STORES, SPARES AND LOOSE TOOLS		
Stores	27,702	30,550
Spares	65,541	67,461
Loose tools	23,261	21,716
	<u>116,504</u>	<u>119,727</u>
Less: Provision for slow moving and obsolete items:		
- at beginning of the period / year	25,259	25,092
- during the period / year	4,138	167
	<u>29,397</u>	<u>25,259</u>
	<u>87,107</u>	<u>94,468</u>
7. STOCK-IN-TRADE		
Raw material and components [including items in transit Rs. 1,087.767 million (2008: Rs. 888.487 million)]	4,242,145	5,725,291
Less: Provision for slow moving and obsolete items:		
- at beginning of the period / year	46,702	46,011
- for the period / year	2,803	691
	<u>49,505</u>	<u>46,702</u>
	<u>4,192,640</u>	<u>5,678,589</u>
Work-in-process	49,935	31,012
Finished goods	1,387,946	1,673,510
Trading stocks [including items in transit Rs. 4.751 million (2008: Rs. 62.184 million)]	356,211	402,231
Less: Provision for slow moving and obsolete items		
- at beginning of the period / year	52,824	26,491
- (reversal) / provision for the period / year	(3,531)	26,333
	<u>49,293</u>	<u>52,824</u>
	<u>306,918</u>	<u>349,407</u>
	<u>5,937,439</u>	<u>7,732,518</u>

7.1 Of the aggregate amount, stocks worth Rs. 362.943 million (2008: Rs. 1,149 million) were in the custody of dealers and vendors.

7.2 Raw material and components, finished goods and trading stocks have been written down by Rs. 11.750 million, Rs. 1.527 million and Rs. Nil million (2008: Rs. 34.067 million, Rs. 8.711 million and Rs. 12.338 million) to arrive at the net realizable value of Rs. 505.033 million, Rs. 129.491 million and Rs. 154.331 million (2008: Rs. 816.831 million, Rs. 147.261 million and Rs. 110.538 million) respectively.

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8. SHORT-TERM BORROWING

- 8.1 This represents export refinance facility arranged by the company from a bank repayable by January 03, 2010.

The loan carries mark-up at State Bank of Pakistan (SBP) Export Finance Rate + 1% determined on six monthly basis and payable quarterly, and is secured against the registered charge over stock-in-trade, stores and spares and book debts, aggregating to Rs. 55 million.

9. COMMITMENTS

- 9.1 Capital expenditure contracted for but not incurred amounted to Rs. 63.610 million (2008: Rs. 95.324 million).
- 9.2 The facilities for opening letters of credit as at June 30, 2009 amounted to Rs. 4,422 million (2008: Rs. 4,300 million) of which the amount remaining unutilised at the period end was Rs. 2,031 million (2008: Rs. 2,551 million).
- 9.3 Counter guarantees issued by the Company against guarantees issued by various commercial banks on behalf of the Company amounted to Rs. 138.154 million (2008: Rs. 117.760 million).

Half-year ended		Quarter ended	
June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
----- (Unaudited) -----			

10. EARNINGS PER SHARE - Basic

Net profit for the period (Rupees in thousand)

161,298	598,788	69,425	392,612
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Weighted average number of ordinary shares issued during the period

82,300,000	82,300,000	82,300,000	82,300,000
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----- (Rupees) -----

Earnings per share – basic

1.96	7.28	0.84	4.77
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- 10.1 There is no diluted effect on the basic earnings per share.

Note	Half-year ended	
	June 30, 2009	June 30, 2008
----- (Unaudited) -----		
(Rupees in thousands)		

11. CASH GENERATED FROM OPERATIONS

Profit before taxation 278,243 915,788

Adjustments for non-cash charges and other items:

Depreciation	393,392	472,820
Amortization	67,730	38,134
(Reversal) / provision for custom duties and sales tax	(4,811)	(175,377)
Provision for sales tax	-	10,189
Gain / (loss) on disposal of fixed assets	545	(247)
Gain on sale of investment	-	(43,920)
Mark-up on cash deposits with banks	(174,367)	(359,465)
Development cost	95,890	-
(Reversal) / mark-up on waiting for delivery of vehicles	(22,728)	(15,135)
Finance costs	4,134	56,901
	359,785	(16,100)
Working capital changes	11.1 1,841,199	2,985,475
	<u>2,479,227</u>	<u>3,885,163</u>

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	Half-year ended	
	June 30, 2009 ----- (Unaudited) ----- (Rupees in thousands)	June 30, 2008
11.1 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	7,361	445
Stock-in-trade	1,795,079	1,970,309
Current portion of long-term installment sales receivables	52,256	(25,478)
Trade debts	(35,788)	30,923
Loans and advances	(112,519)	(52,794)
Trade deposits and prepayments	14,100	(138,261)
Other receivables	(4,669)	(32,093)
Sales tax and excise duty adjustable	111,754	503,134
	<u>1,827,574</u>	<u>2,256,185</u>
Increase / (decrease) in current liabilities		
Security deposits	(52,277)	(200)
Bank loan against export refinancing	55,000	-
Trade and other payables	44,257	(346,206)
Deposits against display units	1,000	-
Provision for custom duty	-	(76,785)
Sales tax payable	110,523	19,159
Advance from customers	(144,878)	1,133,322
	<u>13,625</u>	<u>729,290</u>
	<u>1,841,199</u>	<u>2,985,475</u>

12. 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 executives. The Company in the normal course of business carries out transactions with various related parties. Material transactions with related parties during the period are given below:

	Half-year ended June 30, 2009 ----- (Unaudited) -----		
	Holding Company	Other related parties	Total
	----- (Rupees in thousand) -----		
Purchase of components	1,879,494	173,607	2,053,098
Purchase of fixed assets	2,172	-	2,172
Sales including exports	3	17,729	17,732
Royalties and technical fee	140,558	-	140,558
Staff retirement benefits	-	9,973	9,973
Sales promotional and development expenses	5,223	20,104	25,327
Remuneration of key management personnel	-	27,668	27,668
Due from related parties	46,058	232	46,290
Due to related parties	481,011	568	481,579
	<u>2,554,519</u>	<u>249,881</u>	<u>2,804,397</u>
	Half-year ended June 30, 2008 ----- (Unaudited) -----		
	Holding Company	Other related parties	Total
	----- (Rupees in thousand) -----		
Purchase of components	7,383,319	513,438	7,896,757
Purchase of fixed assets	7,756	-	7,756
Sales including exports	142	15,195	15,337
Royalties and technical fee	353,042	-	353,042
Sales promotional and development expenses	1,954	24,588	26,542
Staff retirement benefits	-	10,528	10,528
Remuneration of key management personnel	-	15,046	15,046
Due from related parties	25,120	3,983	29,103
Due to related parties	884,893	14,285	899,178
	<u>8,656,226</u>	<u>597,063</u>	<u>9,253,289</u>

As approved by the Board, the above transactions with the related parties were entered into at arm's length determined in accordance with the approved valuation method.

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13. DATE OF AUTHORISATION OF ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on August ____, 2009.

14. GENERAL

14.1 The figures of the profit and loss account for the quarters ended June 30, 2009 and June 30, 2008 have not been subject to a limited scope review, as the scope of the review covered only the cumulative figures for the half-years ended June 30, 2009 and June 30, 2008.

14.2 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

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CHAIRMAN & CHIEF EXECUTIVE

DIRECTOR