

Pak Suzuki Motors Company Limited

Annual Report 2000

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COMPANY PROFILE

Pak Suzuki Motor Company Limited (PSMC) is a public limited company with its shares quoted on Stock Exchanges in Pakistan. The Company was formed in August 1983 in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited (representing Government of Pakistan) and Suzuki Motor Corporation (SMC) - Japan. The Company started commercial production in January 1984 with the primary objective of progressive manufacturing, assembling and marketing of Cars, Pickups, Vans and 4 x 4 vehicles in Pakistan.

The foundation stone laying ceremony of the company's existing plant located at Bin Qasim was performed in early 1989 by the Prime Minister then in office. By early 1990, on completion of first phase of this plant, in-house assembly of all the Suzuki engines started. In 1992, the plant was completed and production of the Margalla Car commenced. Presently the entire range of Suzuki products currently marketed in Pakistan are being produced at this Plant.

Under the Government's privatization policy, the Company was privatized and placed directly under the Japanese management in September 1992.

At the time of privatization, SMC increased its equity from 25% to 40%. Subsequently, SMC progressively increased its equity to 72.8% by purchasing remaining shares from PACO. The total foreign investment brought in by SMC - Japan since inception stands at Rs.1026.36 million.

The Suzuki Management immediately after privatization started expansion of the Bin Qasim Plant to increase its installed capacity to 50,000 vehicles per year. The expansion was completed in July 1994. Keeping this in view, the company's long term plans inter-alia include tapping of export markets. The company has acquired additional land measuring about 30 acres from Pakistan Steel Mills Corporation in proximity to its Bin Qasim Plant to set up production facilities for manufacture of some local components.

The Company continues to be in the fore-front of automobile industry of Pakistan. Over a period of time, the company has developed an effective and comprehensive network of sales, service and spare parts dealers who cater to the needs of customers and render effective after sale service country wide. PSMC is serviced by over 182 active vendors who are engaged in the local manufacture and supply of automotive parts to the company.

BIN QASIM PLANT IN BRIEF:

LOCATION	Downstream Industrial Estate of Pakistan Steel
TOTAL AREA	259,200 M ² (64 acres)
COVERED AREA	41,000 M ²
FACILITIES	Press Shop, Welding Shop, Paint Shop, Engine and Transmission Assembly Shop, Final Assembly & Hi-Tech Inspection Shop. The Company has also established a modern Waste Water Treatment Plant as its contribution to the environment.
COST	Rs. 2.8 billion

PRODUCTION CAPACITY 50,000 units per annum (double shift)

COMPANY INFORMATION

BOARD OF DIRECTORS

Yasuo Suzuki	Chairman & Chief Executive
Capt. (Retd) Bashir Ahmed	Deputy Managing Director
Katsuichiro Ota	Director
Sokichi Nakano	Director
Yoshio Saito	Director
Istaqbal Mehdi	Director
Koki Imamura	Director

COMPANY SECRETARY

Abdul Harold Bhombal

AUDITORS

Sidat Hyder Qamar & Co.
Chartered Accountants

BANKERS

ABN-AMRO Bank
Allied Bank of Pakistan Limited
Bank Alfalah Limited
Citibank N.A.
Deutsche Bank AG
Habib Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
The Bank of Tokyo-Mitsubishi Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISORS

Syed Qamaruddin Hassan
Industrial Relations Advisor

Orr Digham & Company
Advocates & Legal Consultants

REGISTERED OFFICE

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

REGISTRAR

Ferguson Associates (Pvt) Limited
State Life Building I-A,
I.I. Chundrigar Road,
Karachi.

NOTICE OF MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of the shareholders of Pak Suzuki Motor Company Limited will be held at Pearl Continental Hotel, Club Road, Karachi on Saturday December 16, 2000 at 10.00 a.m. to transact the following business:

1. To confirm minutes of Sixteenth Annual General Meeting and Extra-Ordinary General Meeting held on December 27, 1999.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2000 together with Directors' and Auditors' reports thereon.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2001.
4. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

ABDUL HAMID BHOMBAL
COMPANY SECRETARY

Karachi: November 17, 2000

Notes:

1. The share transfer books of the Company shall remain closed from December 9, 2000 to December 16, 2000 (both days inclusive) and no transfer will be accepted for registration during this period. Transfers received in order till close of business on December 8, 2000 will be accepted for transfer.
2. A member entitled to attend and vote at this meeting may appoint another person as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Shareholders are requested to immediately notify the change in their address, if any, to our registrar, Ferguson Associates (Pvt.) Limited, State Life Building, I-A, I. I. Chundrigar Road, Karachi.
4. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

Appointment of Proxies:

1. In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall submit the proxy form as per requirement notified by the Company.
2. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
3. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his original NIC or original passport at the time of the meeting.
5. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the Company.

**HIGHLIGHTS OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000**

	2000	1999	Increase/(Decrease)	
			Amount	%
----- (Rupees in thousand) -----				
Production volume (units)	20,404	32,805	(12,401)	(37.8)
Sales volume (units)	19,616	31,296	(11,480)	(36.7)
Net sales	6,889,145	8,914,017	(2,024,872)	(22.7)
Gross profit	310,247	663,093	(352,846)	(53.2)
as a % of net sales	4.5	7.4	--	(2.9)
Expenses - Selling & admin.	234,790	252,841	(18,051)	(7.1)
- Financial & other charges	221,971	189,061	32,910	17.40
- Total	456,761	441,902	14,859	3.40
as a % of net sales	6.60	5.00	--	1.60
Other income	74,168	109,211	(35,023)	(32.1)
as a % of net sales	1.10	1.20	--	(0.1)
Reversal of provision for diminution in value of WAPDA Bonds/Investments	74,250	8,756	65,494	748
Profit before taxation	1,924	339,158	(337,234)	(99.4)
as a % of net sales	0.03	3.80	--	(3.77)

(Loss) / profit after taxation	(26,600)	263,347	(289,947)	(110)
as a % of net sales	(0.4)	3.00	--	3.40
Stocks	1,913,050	2,320,589	(407,539)	(17.6)
as a % of net sales	27.60	26.00	--	1.80
number of days stock held	106	103	3	--
inventory turn over ratio	3.40	3.60	--	(0.2)
Cash and bank balances - net	(1,056,666)	(2,155,787)	1,097,121	(50.9)
Trade debts	578,362	741,790	(163,428)	(22.0)
Shareholders' equity	1,760,132	1,786,732	(26,600)	(1.5)
Debt Equity ratio	0: 100	0:100	--	--
Current ratio	1.16: 1	1.15: 1	--	--
(Loss) / profit per share (Rs.)	(0.54)	5.36	--	--
Break-up value per share (Rs.)	35.83	36.37	--	--
Capital expenditure	262,651	100,586	162,065	161
No. of permanent employees				
- Officers	289	293	(4)	(1.4)
- Staff/workers	322	326	(4)	(1.2)
- Total	611	619	(8)	(1.3)

CHAIRMAN'S REVIEW

I am pleased to present my review on the performance of the Company for the year ended June 30, 2000.

PRODUCTION & SALES

During the year 20,404 units were produced against 32,805 units produced in the preceding year. Economic recession and depressed market demand forced the Company to reduce production by 38%. The production volume decreased by 12,401 units as compared to the preceding year. Plant capacity remained substantially un-utilized.

Sales dropped substantially to 19,816 units this year as against 31,296 units sold in the previous year. The decrease was mainly observed in Suzuki Mehran 800 cc car, the volume of which dropped by over 50%. During the year 7,838 units of Suzuki Mehran were sold against 15,841 units sold last year. The steep fall in demand of Suzuki Mehran 800 cc car was due to the reduced buying power of the middle class which has been adversely affected.

OPERATING RESULTS

The operating results of the Company present a rather depressing picture as compared to last year. The Company incurred a loss of Rs. 26.6 million against a net profit of Rs. 263.347 million recorded last year.

Sales revenues decreased by Rs. 2,024.872 million in absolute terms, which represents reduction of 22.7% as a result of decrease in sales volume by 36.7% over the previous year.

Gross profit as a percentage of sales declined from 7.4% to 4.5%. In absolute terms it decreased by Rs. 352.846 million which represents a reduction of 53.2%. The main reasons for drop in gross profit were increase in fixed overheads per unit as a result of reduced production and the impact of Yen appreciation vis-a-vis Pak Rupee which could not be passed on fully in the price.

The selling and administration expenses decreased by 7.1% from Rs. 252.841 million to Rs. 234.790 million.

However as a percentage of sales they increased from 2.84% to 3.41% because of lower sales volume. Savings arose mainly from advertising, sales promotion, depreciation and repair & maintenance.

The other income declined from Rs. 109.211 million to Rs. 74.188 million due to drop in income from surplus bank deposits. During the year WAPDA Bonds matured at face value. Accordingly provision for diminution in market value of Rs. 74.250 million created there against in prior years has been added back to income.

The financial and other charges rose from Rs. 189.061 million to Rs. 221.971 million. Borrowings from banks had been higher because of higher inventory levels during the year and capital expenditures incurred for two new models Suzuki Cultus and Suzuki Alto. Besides adverse profitability also depleted working capital. Higher inventory level resulting from sluggish demand has been gradually rationalized.

MARKETING

The Company programmed a well-planned strategy to counter competition. Two new models Suzuki Cultus and Suzuki Alto both of 1000 cc were successfully launched in March 2000 and September 2000

respectively. Both the models have been very well accepted by the customers and continue to penetrate the market segment.

The exports of Suzuki Ravi Pickups progressively increased during the period. Export of Ravi Pickups registered a growth of 26% over the volume of the preceding year and Bangladesh has emerged as the main importer. A total of 159 units have been exported upto June 30, 2000. The response is encouraging and it is hoped that number will increase in the near future.

After the change of Government in October 1999, the financing by the banks to Taxi customers stopped and as a result stock of 365 units of Taxis was held up which reduced to 357 units by June 30, 2000. The funds stuck-up in the stock of Taxi resulted in increase of financial charges.

DELETION

The Company is strictly adhering to Deletion Programmes and would continue to meet the deletion targets set by the Government. The Company's resolve and commitment to localization is evidenced with the achievement of higher deletion levels in the Mehran Car, Ravi Pickup, Bolan Van and Baleno Car. Higher deletion in the recently introduced Cultus and Alto is being actively pursued.

PERSONNEL

Management and employee relations continued to remain cordial and industrial peace prevailed during the year. The new charter of demand by the CBA has been submitted to the management after the previous agreement expired on June 30, 2000.

During the year a batch of 18 employees was sent to Japan for six months on-the-job training. The batch has returned after successful training and a fresh batch will be despatched in December, 2000.

ECONOMIC CONTRIBUTION

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

Year	<i>Duties and taxes (Rupees in million)</i>	<i>Foreign exchange savings</i>
1995-96	2,600	2,555
1996-97	2,728	2,539
1997-98	2,571	2,924
1998-99	3,203	3,751
1999-2000	2,064	2,594

FUTURE PROSPECTS & CONCLUSION

The Company would strive to earn reasonable return on equity. However Rupee/Yen parity, economic conditions, Government policies and growing competition would play a vital role in this achievement.

Company's key objectives continue to remain:

- To provide automobiles of international quality at reasonable prices;
- To improve skills of employees by imparting training and by inculcating in them a sense of participation; and
- To abide by the deletion policy of the Government, achieve maximum indigenisation and promote the automobile vending industry.

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

Yasuo Suzuki
Chairman & Chief Executive

DIRECTORS' REPORT

1. The Directors of the Company take pleasure in submitting their report with audited accounts of the Company, together with Auditors' Report thereon, for the year ended June 30, 2000.

2. ACCOUNTS

(Rs. in 000)

Profit before taxation	1,924
Taxation	(28,524)
Loss after taxation	(26,600)
Un-appropriated profit brought forward	1,418
Net loss	(25,182)
Transfer from general reserve	25,182
Loss carried forward	Nil

3. LOSS PER SHARE

The loss per share for the year is Re 0.54

4. HOLDING COMPANY

The Company is a subsidiary of Suzuki Motor Corporation which is incorporated in Japan.

5. ASSOCIATED COMPANIES

- Arabian Sea Country Club Limited is associated company of Pak Suzuki Motor Co. Ltd. because of common directorship. Mr. Yasuo Suzuki- Chairman and Chief Executive of Pak Suzuki Motor Co. Ltd. is also director of Arabian Sea Country Club Limited. Pak Suzuki holds 7.22% shares of the total share capital of Arabian Sea Country Club Limited,

- Suzuki Motorcycles Pakistan Limited is an associated company of Pak Suzuki Motor Co. Ltd. as Pak Suzuki holds 41% shares of the total share capital of Suzuki Motorcycles Pakistan Limited.

6. CHAIRMAN'S REVIEW

The Chairman's review on page 7 to 9 deals with the year's activities and the directors of the Company endorse contents of the same.

7. PATTERN OF SHAREHOLDING

The pattern of shareholdings is given on page 41.

8. BOARD CHANGES

Mr. Yasuo Suzuki was appointed as Chief Executive and Chairman in place of Mr. Hirofumi Nagao who resigned upon his transfer to Suzuki Motor Corporation, Japan.

9. AUDITORS

Messrs. Sidat Hyder Qamar & Co. Chartered Accountants retire and being eligible offer themselves for appointment as the auditors of the Company for the year ending June 30, 2001.

BY ORDER OF THE BOARD

Yasuo Suzuki
Chairman & Chief Executive

Karachi
November 15, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAK SUZUKI MOTOR COMPANY LIMITED as at 30 June 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

an opinion on these statements based on our audit.

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

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2000 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Sidat Hyder Qamar & Co.

Chartered Accountants

Karachi: November 15, 2000

**BALANCE SHEET
AS AT JUNE 30, 2000**

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
SHARE CAPITAL AND RESERVES			
Authorised share capital 150,000,000 (1999: 150,000,000) ordinary shares of Rs. 10/- each		1,500,000	1,500,000
Issued, subscribed and paid-up share capital	3	491,312	491,312
Reserves		1,268,820	1,295,420
Shareholders' equity		1,760,132	1,786,732
LIABILITIES			
Deferred taxation	18.2	97,000	102,000
Current liabilities	4	2,709,778	3,633,560
COMMITMENTS			
	5		
Total shareholders' equity and liabilities		4,566,910	5,522,292
ASSETS			
Tangible fixed assets	6	1,353,158	1,279,773
Deferred cost	7	15,797	31,593

Long-term investments	8	35,675	7,506
Long-term loans	9	2,832	3,373
Long-term deposits and prepayments	10	7,394	5,614
Current assets	11	3,152,054	4,194,433
		-----	-----
Total assets		4,566,910	5,522,292
		=====	=====

The annexed notes form an integral part of these accounts.

YASUO SUZUKI
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000

	NOTE	2000	1999
		<i>(Rupees in thousand)</i>	
Net sales	12	6,889,145	8,914,017
Cost of sales	13	6,578,898	8,250,924
		-----	-----
Gross profit		310,247	663,093
Selling and administration expenses	14	234,790	252,841
		-----	-----
Operating profit		75,457	410,252
Other income	15	74,188	109,211
		-----	-----
		149,645	519,463
Financial and other charges	16	221,971	189,061
Reversal of provision for diminution in market value of investments	17	(74,250)	(8,756)
		-----	-----
		147,721	180,305
		-----	-----
Profit before taxation		1,924	339,158
Taxation	18	28,524	75,811
(Loss) / profit after taxation		(26,600)	263,347
Unappropriated profit brought forward		1,418	3,616
		-----	-----
(Accumulated loss) / profit available for appropriation		(25,182)	266,963
Appropriations			
Transfer to / (from) general reserve		(25,182)	155,000
Proposed cash dividend - Nil (1999: 22.5%)		--	110,545
		-----	-----
		(25,182)	265,545
		-----	-----
Unappropriated profit carried forward		--	1,418
		=====	=====
		<i>Rupee</i>	<i>Rupees</i>
(Loss) / earnings per share - basic and diluted	19	(0.54)	5.36
		=====	=====

The annexed notes form an integral part of these accounts.

YASUO SUZUKI
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	NOTE	2000	1999
		<i>(Rupees in thousand)</i>	
Cash flow from operating activities			

Cash generated from / (used in) operations	20	1,406,705	(2,040,316)
Financial charges paid		(241,507)	(73,681)
Taxes paid		(197,003)	(276,085)
Long-term loans (net)		541	(362)
Deferred cost		--	(47,390)
Long-term deposits & prepayments - net		(1,780)	252
		-----	-----
Net cash inflow / (out flow) from operating activities		966,956	(2,437,582)
Cash flow from investing activities			
Fixed capital expenditure		(262,651)	(100,586)
Investment in shares		(29,175)	(1,500)
Sale proceeds on disposal of fixed assets		8,500	7,463
Sale proceeds of WAPDA Bearer Bonds		450,000	47,262
Sale proceeds of investment		2,923	--
Mark-up on cash deposits, advances to suppliers and income from investment		68,692	149,350
		-----	-----
Net cash inflow from investing activities		238,289	101,989
Cash flow from financing activities			
Repayment of long-term loans		--	(41,694)
Advances from customers - net		73,873	(585,611)
Dividends paid		(181,997)	(26,503)
		-----	-----
Net cash outflow from financing activities		(108,124)	(653,808)
		-----	-----
Net increase / (decrease) in cash & cash equivalents		1,097,121	(2,989,401)
Cash and cash equivalents at beginning of the year		(2,155,787)	833,614
		-----	-----
Cash and cash equivalents at end of the year	21	(1,058,666)	(2,155,787)
		=====	=====

YASUO SUZUKI
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<i>Share Capital</i>	<i>Share Premium</i>	<i>General Reserve</i>	<i>Unappro- priated Profit</i>	<i>Total Reserves</i>	<i>Shareholder's Equity</i>
-----Rupees in thousands-----						
Balance at July 1, 1998	491,312	584,002	555,000	3,616	1,142,618	1,633,930
Net profit for the year	--	--	--	263,347	263,347	263,347
Transfer to general reserve	--	--	155,000	(155,000)	--	--
Dividend declared	--	--	--	(110,545)	(110,545)	(110,545)
	-----	-----	-----	-----	-----	-----
Balance at June 30, 1999	491,312	584,002	710,000	1,418	1,295,420	1,786,732
Net loss for the year	--	--	--	(26,600)	(26,600)	(26,600)
Transfer to/(from) general reserve	--	--	(25,182)	25,182	--	--
Proposed dividend	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Balance at June 30, 2000	491,312	584,002	684,818	--	1,268,820	1,760,132
	=====	=====	=====	=====	=====	=====

YASUO SUZUKI
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. COMPANY BACKGROUND, OPERATIONS AND LEGAL STATUS

The Company was formed in accordance with the terms of a joint venture agreement concluded between Pakistan Automobile Corporation Limited (PACO) and Suzuki Motor Corporation, Japan

(SMC) - the principal shareholders of the Company, for the purposes of assembling, progressive manufacturing and marketing of Suzuki cars, pickups, vans and 4x4s. Under the joint venture agreement, the net assets of Awami Autos Limited (AAL), a subsidiary of PACO, now liquidated, were taken over by the Company in August 1983 in consideration for which shares in the Company were issued to PACO.

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.

In accordance with the terms of a sale agreement dated September 19, 1992 between SMC and PACO, SMC increased its shareholding to 40% in the Company by purchasing shares from PACO and took over its management with effect from September 21, 1992. Since then SMC progressively increased its equity to 72.8%.

In July 1996, PACO had disinvested its remaining shareholding. These shares were acquired by SMC in terms of the joint venture agreement between PACO and SMC - Japan which since came to an end. The total foreign investment brought in by SMC - Japan since inception stands at Rs. 1,026.36 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and accounting convention

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards, as applicable in Pakistan. These accounts have been prepared on the basis of historical cost convention.

2.2 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Capital work-in-progress is stated at cost. Items of fixed assets costing Rs. 10,000/- or less are not capitalised and charged off in the year of purchase.

Depreciation on all operating fixed assets, except leasehold land, is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Leasehold land is depreciated using the straight line method whereby the cost of the leasehold land is written off over its lease term. The full year's depreciation is charged on additions while no depreciation is charged on assets deleted during the year.

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

2.3 Capitalisation of borrowing cost

The borrowing cost during construction period, on loans obtained for a specific project, is capitalised as part of fixed asset additions or included in capital work-in-progress.

2.4 Investments

Long-term investments in shares are stated at cost. However, provision is made for permanent diminution in value of investment, if any. Short-term investments are stated at the lower of cost and market value.

2.5 Deferred costs

Deferred costs are charged to income over a period of three years.

2.6 Stores, spares and loose tools

Stores, spares and loose tools, except items-in-transit, are valued at cost calculated on a first-in-first-out basis. Items in-transit are valued at cost comprising invoice values plus other charges accrued thereon to the balance sheet date. Provision is made annually in the accounts for slow moving and obsolete items.

2.7 Stocks

Stocks, except items-in-transit, are valued at the lower of cost and net realisable value. Cost is calculated on a first-in-first-out or specific consignment basis, depending upon their categories. Stocks-in-transit are stated at invoice values plus other charges accrued thereon to the balance sheet date. The Company assumes title to stocks-in-transit after the relevant documents are retired.

Vehicles on wheels are taken as work-in-process until they are approved by the quality control department. After such approval the vehicles are classified as finished goods. The assembled engines are included in raw material. The cost of assembled engines, work-in-

process and finished goods consists of landed cost of imported materials, average local material cost, factory overhead and direct labour. Cost in relation to CKD vehicles represents landed cost.

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

Provision is made annually in the accounts for slow moving and obsolete items.

2.8 Trade Debts

Bad debts are written off and provision is made for debts considered doubtful.

2.9 Employees retirement benefit schemes

The Company operates an approved contributory provident fund scheme as well as an approved defined benefit funded gratuity scheme covering all its permanent employees. The gratuity benefits are payable to staff on completion of prescribed qualifying period of service at the time of retirement as laid down in the scheme.

Contributions are payable to the gratuity fund on yearly basis as per actuarial recommendations. Actuarial gains and losses are accounted for in accordance with guideline of International Accounting Standard 19. The latest actuarial valuation was carried out as at June 30, 2000 using the Projected Unit Credit Method. The rate of 12% was assumed for discount, return on investment and increase in salaries.

The valuation results are as follows:-

	<i>(Rs in 000)</i>
Fair value of gratuity assets	78,814
Present value of the gratuity obligation	(76,626)
Unrecognized net actuarial gain	(320)

Surplus in the fund to be recognized in the balance sheet	1,868
	=====
Current service cost	5,236
Interest cost	8,795 1
Return on investment	(9,836)

	(1,041)

Gratuity expense for the year	4,195
	=====

Movement in net liability/(assets) of gratuity fund recognized in the balance sheet is as under :-

Opening balance	12,754
Expense for the year	4,195

	16,949
Contribution paid	18,049

Closing balance as on balance sheet date	(1,100)
	=====

2.10 Taxation

Current

Provision for current taxation in the accounts is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax at 0.5 percent of turnover, whichever is higher.

Deferred

The Company accounts for deferred taxation arising on major timing differences using the liability method.

2.11 Foreign currencies

Foreign currency transactions are converted at the rates of exchange ruling on the dates of those transactions or forward exchange contract rates. Assets and liabilities expressed in foreign currencies are translated into Pak rupees at the rates of exchange prevailing on the balance sheet date except those liabilities covered under forward exchange contracts which are translated

at the contractual rates. Exchange differences are included in income currently. Material exchange differences in respect of unpaid liabilities arising from devaluation subsequent to balance sheet date are provided for in the accounts.

2.12 Revenue recognition

Revenue is recognised when goods are sold and services rendered. Goods are treated as sold when they are specified and invoiced.

Warranty and insurance claims are recognised when the claims in respect thereof are lodged whereas indenting and agency commission is recognised when the shipments are made by the principals.

2.13 Accounting for compensated absences

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

2.14 Research and development costs

Research and development costs are charged in the year in which they are incurred.

2.15 Warranty obligations

The Company accounts for its warranty obligations on accrual basis.

2000 1999
(Rupees in thousand)

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

44,284,117 (1999:44,284,117) ordinary shares of Rs. 10/- each fully paid in cash	442,841	442,841
2,800,000 (1999:2,800,000) ordinary shares of Rs.10/-each fully paid-up for consideration other than cash	28,000	28,000
2,047,135 (1999: 2,047,135) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	20,471	20,471
	-----	-----
	491,312	491,312
	=====	=====

3.1 At June 30, 2000 Suzuki Motor Corporation, Japan held 35,780,338 ordinary shares of Rs 10/- each (1999:35,780,338 ordinary shares).

NOTE 2000 1999
(Rupees in thousand)

4. CURRENT LIABILITIES

Running finance / short term loans from banks under mark-up arrangements-secured	4.1	1,291,202	2,338,354
Bills payable		644,480	--
Creditors		155,082	231,696
Accrued liabilities		68,642	153,242
Advances from customers		241,327	167,454
Security deposits	4.2	61,703	64,955
Customs duties		2,157	15,335
Provision for sales tax demand	4.3	22,276	50,465
Provision for customs duties demand	4.4	133,494	87,208
Rebate accrued on late delivery of vehicles		7,183	8,586
Royalties and technical fee payable to SMC, Japan - an associated undertaking		48,569	231,172
Markup accrued on secured running finance		26,507	54,727
Proposed dividend		--	110,545
Unpaid dividend	4.5	763	72,235
Capital value tax		240	712
Workers' profit participation fund	4.6	102	19,010
Workers' welfare fund		--	7,224
Others		6,011	20,640
		-----	-----
		2,709,778	3,633,560

=====

4.1 The facilities for running finance available from various banks amounted to Rs. 2,402 million (1999 :Rs. 2,405 million). These facilities are secured by hypothecation charge on stocks, dies, plant and machinery. The markup rates on these facilities are ranging from Re. 0.297 to Re. 0.36 per Rs. 1000 per diem or part thereof on balance outstanding. These facilities are normally for a period of one year and are renewable on agreed terms.

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
4.2 Security deposits		
Repayable on demand	58,753	62,100
Other deposits	2,950	2,855
	-----	-----
	61,703	64,955

=====

The above deposits are not liable to financial charges.

4.3 The sales tax authorities had issued demand notice for recovery of sales tax, additional tax and surcharge for Rs 50.465 million in July 1993 for alleged incorrect adjustment of input sales tax amounting to Rs. 19.804 million on components locally procured for consumption in the assembly of Suzuki taxis against output sales tax of other taxable vehicles during the period from February 1992 to August 1992, which were otherwise exempted from the levy of sales tax under the Prime Minister's Public Transport Scheme. The Company had disputed the contention of the sales tax authorities and had filed appeal against the order of the sales tax authorities with the Collector (Appeals) which was decided against the Company. The Company subsequently filed a writ petition in the High Court of Sindh. The Company was granted status quo by the High Court of Sindh till the final disposal of the writ petition. In view of the inherent delays that are associated in litigation and the element of uncertainty inherent in such matters, the provision was made as a matter of prudence. During the year the stay order was vacated by the High Court of Sindh. However no hearing has been conducted. After vacation of stay order, Sales Tax Department enhanced the demand to Rs. 523.609 million from the original demand of Rs. 50.465 million. The enhancement represents the additional tax for the period (August 93 to December 99), writ petition was pending in the High Court of Sindh. Under the General Amnesty Scheme announced in December 1999 the Company paid Rs. 28.189 million on the basis of original demand of Rs. 50.465 million. The Company has made representation to the Minister of Finance - Government of Pakistan against the enhanced demand and the favourable response is expected. Accordingly, no further provision is considered necessary in these accounts in this respect.

4.4 The Custom authorities had issued various demand notices aggregating Rs. 88.208 million (1999: Rs. 88.208 million) on account of alleged short payment of customs duties, additional surcharge on goods overstayed in bond and customs duties on loading for association charges in respect of material imported in prior years. The Company's appeals against the orders passed in above cases are pending at Customs Appellate Tribunal/Sindh High Court. In view of the inherent delays that are associated and the element of uncertainty inherent in legal matters, provisions were made in prior years as a matter of prudence. The Company had to pay on account Rupees one million against one of the demands pending disposal of appeal. During the year an appeal against demands aggregating Rs. 6.290 million has been finally disposed off at Rs. 3.268 million and payment was made accordingly.

Customs department has issued another Show Cause Notice dated 9th March 1999 to pay Rs. 193.106 million alleging that Pak Suzuki has short paid customs duties and sales tax by not adding 2.5% cost. of association to the values declared in bill of entries of related CKD imported from SMC - Japan during the period July 95 - Dec 97: The subject bill of entries were assessed as per CRF (Clean Report of Finding) issued by a Pre-Shipment Inspection Company which was the agent of Customs department, duly appointed by the Government of Pakistan.

The Company's contention is that show cause notice was time barred, without authority and legal jurisdiction. The impugned demand is for period July 95 thru Dec 97 while show cause notice was issued on 09 March 1999. Since stipulated period of six months expired in all the instances under dispute, demand is not enforceable. There is no concept of Cost of Association in law. Charging cost of association was unlawful, illegal and not binding on the Company. It was recognized rule of assessment that CRF always carried element of special pricing and the Company had a bonafide belief that increase in declared value covered the element of value slip. Any further addition to declared value would have caused double taxation which was neither fair nor warranted. As per CBR's own notification, CRF was binding on the assessing authorities. CRF got protection and binding force unless the same was disputed within 72 hours of the assessment. Thus no dispute could be raised in that respect.

As per directives of the Collector Appeal, the Customs department officials are presently re-working the demand and as a result the demand is expected to be reduced to Rs. 52.576 million. The Company has preferred appeal before Appellate Tribunal against the order passed by Collector of Customs - Appraisal in the above referred Show Cause Notice. The Company is confident that appeal would be decided in its favour, however, in view of the inherent delays and uncertainty that are associated in the legal matters, provision for Rs. 52.576 million has been made during the year as a matter of prudence.

	<i>2000</i>	<i>1999</i>
	<i>(Rupees in thousand)</i>	
Provision for customs duties	88,208	70,067
Payment made during the year	(3,268)	--
Provision written back	(3,022)	--
Provision during the year	52,576	18,141
	-----	-----
Payment on account in prior years	134,494	88,208
	(1,000)	(1,000)
	-----	-----
	133,494	87,208
	=====	=====

4.5 UNPAID DIVIDEND

Payable to Suzuki Motor Corporation, Japan - an associated undertaking

	--	71,561
Unclaimed	783	674
	-----	-----
	783	72,235
	=====	=====

4.6 Workers' profit participation fund

Balance at beginning of the year
Interest on funds utilised in the Company's business

	19,010	23,484
	1,213	772
	-----	-----
	20,223	24,256
Allocation for the year	102	19,010
	-----	-----
	22,039	43,266
Less: Paid during the year	20,223	24,256
	-----	-----
Balance at end of the year	102	19,010
	=====	=====

4.7 The facility for opening letters of credit as at June 30, 2000 amounted to Rs.2,470 million (1999: Rs. 3,320 million) of which the amount remaining unutilised at the year end was Rs. 2,417 million (1999: Rs. 2,830 million).

5. COMMITMENTS

Capital expenditure contracted for but not incurred amounted to Rs.8.972 million (1999:Rs.8.93 million).

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
6. TANGIBLE FIXED ASSETS			
Operating fixed assets	6.1	1,177,370	1,257,881
Capital work-in-progress	6.7	175,788	21,892
		-----	-----
		1,353,158	1,279,773
		=====	=====

6.1 Operating fixed assets

The following is a statement of operating fixed assets:

<i>Cost as at July 01, 1999</i>	<i>Addition/ (deletion)</i>	<i>Cost as at June 30, 2000</i>	<i>Accumulated depreciation as at July 01, 1999</i>	<i>Charge for the year/ (depreciation on deletion)</i>	<i>Accumu- lated depreci- ation as at June</i>	<i>Book value as at June 30, 2000</i>	<i>Rate %</i>
---	---------------------------------	---	---	--	--	---	-------------------

30, 2000

(Rupees in thousand)

Leasehold land	60,494	--	60,494	8,606	1,008	9,614	50,880	60 Years
Buildings on leasehold land - notes 6.4 & 6.5								
- Factory	503,675	4,402	508,077	148,995	17,954	341,128	166,949	5
- Office	2,063	--	2,063	2,063	--	--	2,063	5
- Test tracks & other buildings	7,780	--	7,780	3,797	797	3,186	4,594	20
Plant and machinery	1,352,536	38,665 (800)	1,390,401	757,009	95,043 (222)	851,830	538,571	15
Waste water treatment plant	44,928	--	44,928	30,176	3,688	33,864	11,064	25
Permanent & special tools	69,654	1,900	71,554	31,221	4,091	35,312	36,242	10 & 25
Dies-(note 6.6)	379,091	38,830	417,921	293,703	31,055	324,758	93,163	25
Jigs & fixtures	120,369	6,745	127,114	86,467	10,162	96,629	30,485	25
Electrical installations	16,885	--	16,885	11,640	1,049	12,689	4,196	20
Furniture and fittings	10,151	86	10,237	6,704	706	7,410	2,827	20
Vehicles	96,216	16,537 (12,293)	100,460	41,755	13,037 (6,481)	48,311	52,149	20
Airconditioners and refrigerators	17,091	426 (49)	17,468	11,080	1,286 (42)	12,324	5,144	20
Office equipment	11,031	166 (162)	11,035	7,320	754 (58)	8,016	3,019	20
Computers	17,721	998 (817)	17,902	11,268	1,709 (391)	12,586	5,316	20 & 25
2000	2,709,685	108,755 (14,121)	2,804,319	1,451,804	182,339 (7,194)	1,626,949	1,177,370	
1999	2,635,965	87,312 (13,592)	2,709,685	1,265,226	195,056 (8,478)	1,451,804	1,257,881	

NOTE
2000 **1999**
(Rupees in thousand)

6.2 Depreciation charge for the period has been allocated as under:

Cost of goods manufactured	13.1	164,844	176,112
Selling and administration expenses	14	17,495	18,944
		182,339	195,056

6.3 The following fixed assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Net book value	Sales proceeds	Profit/(loss)	Mode of disposal	Particulars of buyers & insurance company
----- (Rupees in thousand) -----							
Vehicles							
Suzuki Vitara	587	432	155	549	394	Tender	Mr. S. Riaz Ahmed, Ittehad Motors, Show Room No.13, Plot No. 55, Muslimabad New M.A. Jinnah Road, Karachi.
Suzuki Mehran	128	111	17	120	103	Tender	Mr. Mohd. Ismail, 4/63 Liaquatabad, Karachi.
Suzuki Khyber	194	168	26	181	155	Tender	Mr. Aijaz A. Qureshi, H. No C 109, Gulshan-e-Hadid, Phase I, Karachi.
Suzuki Van	114	99	15	169	154	Tender	Mr. M. Mohsin Raza, F-107/4, Martin Road, Karachi.

Honda Motor cycle CD-70	27	23	4	26	22	Tender	Mr. Arshad Ahmed, 15-A 4 House No. R-423, Buffer Zone, Karachi.
Suzuki Pickup	45	44	1	67	66	Tender	Mr. M. Irfan, H. No.L-12/3, Street Town, Bin Qasim, Karachi.
Suzuki Pickup	41	40	1	68	67	Tender	Mr. Abdul Haq H.No.22/6, Street No.2B, Landhi, Karachi.
Suzuki Pickup	89	77	12	106	94	Tender	Mr. Mohd. Ismail, 4/63 Liaquatabad, Karachi.
Suzuki Margalla	3,753	2,324	1,429	1,788	359	Negotiation	Company employees, as per policy.
Suzuki Margalla	469	229	240	240		Negotiation	M/s Motorways (Pvt.) Ltd., Shahrah-e-Faisal, Karachi.
Suzuki Margalla	499	180	319	319		Negotiation	M/s Mandiviwalla Motors, Old Queens Road, Karachi.
Suzuki Margalla	336	226	110	110		Negotiation	M/s Central Motors, Opposite Kohinoor Mills, Peshawar Road, Rawalpindi.
Suzuki Margalla	485	286	199	199		Negotiation	M/s. Oriental Trading Corporation, Near Chowk, Pakpattan, Lahore Multan Road, Sahiwal.
Suzuki Margalla	485	286	199	199		Negotiation	M/s. Zeeshan Autos, Shop# 22,23 & 24, Unit# 7, Latifabad, Hyderabad.
Suzuki Margalla	485	286	199	199		Negotiation	M/s Federal Motors, Plot# 8, Khayaban-e-Suharwardy, Sector G-6/1, Highway, Islamabad.
Suzuki Margalla	485	286	199	199		Negotiation	M/s. Ali Motors, 40-Waris Road Lahore.
Suzuki Baleno	533	107	426	426		Negotiation	M/s. Layallpur Motors, West Canal Road, Faisalabad.
Suzuki Baleno	533	107	426	426		Negotiation	M/s. Sethi Motors, 16-Shahrah-e-Fatima Jinnah, Lahore.
Suzuki Margalla	485	286	199	199		Negotiation	M/s. Qaiser Sultan, 2nd Floor, Flat No. 3, Block 24, Sea View Appartments, DHA, Karachi.
Suzuki Margalla	485	286	199	199		Negotiation	M/s. Carcahi Motors Co., 1 Bangalore Town Main, Karachi.
Suzuki Mehran	270	132	138	240	102	Insurance claim	EFU General Insurance Co. Ltd. PECHS Branch,964-965 Central Commercial Area, BI.2, PECHS, Karachi.
Suzuki Mehran	251	148	103	225	122	Insurance claim	-do-
Suzuki Mehran	306	61	245	300	55	Insurance claim	-do-
Suzuki Mehran	306		306	306	--	Insurance claim	-do-
Suzuki Khyber	340	68	272	364	92	Insurance claim	-do-
Suzuki Cars	562	189	373	373		Negotiation	Company employees, under the Executive Car Scheme.
Sub Total	12,293	6,481	5,812	7,597	1,785		
Office Equipments	162	58	104	120	16	Insurance claim	EFU General Insurance Co. Ltd., PECHS, Branch,964-945

Central Commercial Area, B1.2,
PECHS, Karachi.

Airconditioner & Refrigerator	49	42	7	7	--	Negotiation	Company employees, under the Executive Scheme.
Plant & Machinery	800	222	578	350	(228)	Trade-in	Gemco Co. Ltd., 2nd Floor, Cantonment Board Building, 259 Sarwar Shaheed Road, Karachi.
Computers	817	391	426	426	--	Negotiation	Company employees, under the Executive Scheme.
	-----	-----	-----	-----	-----		
2000	14,121	7,194	6,927	8,500	1,573		
	=====	=====	=====	=====	=====		
	-----	-----	-----	-----	-----		
1999	13,592	8,478	5,114	7,463	2,349		
	=====	=====	=====	=====	=====		

6.4 The buildings on leasehold land at West Wharf are situated at three plots numbered 16, 20 and 21. These plots are owned by Karachi Port Trust (KPT). The lease tenure of plots numbered 16, 20 and 21 expired on July 31, 1998, March 31, 1998 and September 30, 1998 respectively. Except for plot No. 20, lease agreements of plot Nos. 16 and 21 are registered in the name of Sind Engineering (Private) Limited and Republic Motors (Private) Limited respectively, both subsidiary companies of PACO. Despite persistent efforts, KPT has not issued mutation letter in respect of plot No. 20 neither have they effected transfer and or renewed lease in respect of plot Nos. 16 and 21. On the other hand KPT without any notice, intimation or warning forcibly took possession of plot Nos. 20 and 21. The Company had filed writ petitions in the Honourable High Court of Sindh praying for restoration of possession and renewal of leases in favour of the Company. Status quo had been granted and notices issued to the respondents by the Court in this respect.

6.5 The immovable assets lying at West Wharf have been impaired by the action of KPT as explained in note 6.4 above. Such assets included buildings, electric installations and immovable plant.

The book value of these assets was Rs. 14.604 million. This impairment had necessitated charging off the entire book value of these assets to the said extent and accordingly it was fully charged in the year 1998.

6.6 Certain dies of book value Rs. 15.721 million were lying with vendor for production of components to be supplied to the Company.

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in thousand)</i>	
6.7 Capital work-in-progress			
Plant and machinery		175,245	--
Advance for capital expenditure		543	21,892
		-----	-----
		175,788	21,892
		=====	=====

7. DEFERRED COST

Licence fee for manufacturing of Baleno car		47,390	47,390
Charged in prior years		15,797	--
		-----	-----
		31,593	47,390
Less: Charged during the year	13.1	15,796	15,797
		-----	-----
		15,797	31,593
		=====	=====

The licence fee is carried forward because the enduring benefit accrues over more than one year.

8. LONG-TERM INVESTMENTS

Quoted			
Bolan Castings Limited			
100,000 fully paid ordinary shares of Rs. 10/- each		--	1,006
(market value as at June 30, 1999 Rs.1.800 million)			

Suzuki Motorcycles Pakistan Limited

- an associated company

1,800,000 fully paid ordinary shares of Rs. 10/~
each representing 41% holding (market value as
at June 30, 2000 Rs. 22.500 million)

8.1	28,800	--
	-----	-----
	28,800	1,006

Unquoted

Arabian Sea Country Club Limited

- an associated company

500,000 (1999: 500,000) fully paid
ordinary shares of Rs. 10/- each

5,000	5,000
-------	-------

Automotive Testing & Training Centre (Pvt.) Limited

(AT & TC) - an associated company

187,500 (1999: 150,000) fully paid
ordinary shares of Rs. 10/-each

1,875	1,500
-----	-----
6,875	6,500
-----	-----
35,675	7,506
=====	=====

8.1 The shares were registered in the name of the Company subsequent to 30th June 2000.

9. LONG-TERM LOANS- secured

Loans-considered good, due from employees

9.1	5,706	6,084
-----	-------	-------

Less: Receivable within one year

11.5	2,874	2,711
	-----	-----
	2,832	3,373
	=====	=====

9.1 These represent loans given to employees, against guarantees of three employees of the
Company, for purchase of motorcycles. These loans are repayable in thirty six equal monthly
instalments free of any financial charges.**10. LONG-TERM DEPOSITS AND PREPAYMENTS**

Long-term trade deposits

5,958	5,614
-------	-------

Long-term prepayments

1,436	--
-----	-----
7,394	5,614
=====	=====

11. CURRENT ASSETS

Stores, spares and loose tools

11.1	41,122	37,002
------	--------	--------

Stocks

11.2	1,913,050	2,320,589
------	-----------	-----------

Trade debts

11.3	578,362	741,790
------	---------	---------

Sales tax adjustable

11.4	6,635	216,778
------	-------	---------

Loans and advances

11.5	51,178	54,512
------	--------	--------

Prepayments

5,045	6,382
-------	-------

Advance income tax - net

305,250	141,771
---------	---------

Accrued income

2,072	10,468
-------	--------

Other receivables

11.6	16,804	109,074
------	--------	---------

WAPDA bearer bonds

11.7	--	373,500
------	----	---------

Cash & bank balances

11.8	232,536	182,567
	-----	-----
	3,152,054	4,194,433
	=====	=====

11.1 Stores, spares and loose tools

Stores

25,387	27,860
--------	--------

Spares

15,753	13,586
--------	--------

Loose tools

11,324	6,428
-----	-----
52,464	47,874

Less: Provision for slow moving and obsolete items

11,342	10,872
-----	-----

41,122 37,002

11.2 StocksRaw material and components [including items in transit
Rs. 165.764 million (1999: Rs. 0.508 million)]

1,235,411 1,751,625

Less: Provision for obsolete items

13,460 19,075

1,221,951 1,732,550

Work-in-process

3,585 28,366

Finished goods

610,444 516,309

Trading stocks

112,709 81,598

Less: Provision for slow moving and
obsolete items

35,639 38,234

77,070 43,364

1,913,050 2,320,589

11.2.1 Of the aggregate amount, stocks worth Rs. 78.067 million (1999: Rs. 63.158 million)
were in the custody of dealers and vendors.**11.3 Trade debts**

Considered good

- secured

545,367 650,366

unsecured

32,995 91,424

578,362 741,790

11.4 Sales tax adjustable

Considered good

6,635 216,778

Considered doubtful

- Sales tax paid on purchase of local
components for Suzuki taxis

11.4.1

22,386 22,386

29,021 239,164

Provision for doubtful sales tax refundable

22,386 22,386

6,635 216,778

11.4.1 This represents sales tax paid on purchase of local components for consumption in the
assembly of Suzuki taxis. The grounds for this claim are similar as that of the matter stated
in note 4.3 above which is under litigation in the High Court of Sindh. However, in view of the
delays that are usually associated with matters in litigation and the element of uncertainty
inherent in such matters, as a matter of prudence a provision was made.**11.5 Loans and advances**

Considered good

Loans to employees

9

2,874 2,711

Advances to

- Employees

4,007 4,342

- Suppliers

44,297 47,459

51,178 54,512

11.6 Other receivables

Recoverable exchange difference

under Exchange Risk Cover Scheme

-- 53,370

Due from Suzuki Motor Corporation, Japan

an associated undertaking

5,912 33,663

Insurance claims

378 7,897

Due from vendors for material/components supplied -

considered good	7,954	11,976
Others - considered good	2,560	2,168
	-----	-----
	16,804	109,074
	=====	=====

11.6.1 The maximum amount outstanding from the associated undertaking at the end of any month during the year was Rs. 8.020 million (1999: Rs. 33.663 million)

11.7 WAPDA bearer bonds (111 issue)

Cost	--	447,750
Less: Provision for diminution in market value	--	74,250
	-----	-----
	--	373,500
	=====	=====

WAPDA Bonds were matured during the year and full value was realized. Provision for diminution was reversed,

11.8 Cash and bank balances

Cash in hand		1,764	1,083
Cheques in hand		121,678	69,376
Cash at bank			
In current accounts		7,157	4,059
On deposit		40,080	43,094
In special accounts	11.8.1	61,857	64,955
		-----	-----
		109,094	112,108
		-----	-----
		232,536	182,567
		=====	=====

11.8.1 The special account is maintained in respect of security deposits (note 4.2) in accordance with the requirements of section 226 of the Companies Ordinance, 1984.

11.8.2 The markup on funds placed on deposit accounts ranges between 5% to 7%.

12. NET SALES

Manufactured goods - Vehicles

Sales	12.1	6,965,760	9,043,614
Less: Commission paid to selling agents		155,979	2,016,581
Discounts		25	157
		-----	-----
		156,004	201,815
		-----	-----
		6,809,756	8,841,799
Trading stocks			
Sales		82,385	73,496
Less: Commission paid to selling agents		2,996	1,278
		-----	-----
		79,389	72,218
		-----	-----
		6,889,145	8,914,017
		=====	=====

12.1 This includes export sales of Rs. 14.511 million (1999:8.985 million).

13. COST OF SALES

Manufactured goods - Vehicles

Finished goods at beginning of the year		516,309	27,157
Cost of goods manufactured	13.1	6,607,306	8,638,333
		-----	-----
		7,123,615	8,665,490
Finished goods at end of the year		610,444	516,309
		-----	-----
		6,513,171	8,149,181
Trading stocks			
Stocks at beginning of the year		43,364	69,715

Purchases during the year		99,433	75,392
		-----	-----
		142,797	145,107
Stocks at end of the year		77,070	43,364
		-----	-----
		65,727	101,743
		-----	-----
		6,578,898	8,250,924
		=====	=====

13.1 Cost of goods manufactured

Raw materials and components at beginning of the year		1,732,550	958,021
Purchases during the year	13.1.1	5,394,190	8,663,186
		-----	-----
		7,126,740	9,621,207
Less: Raw materials and components at end of the year		1,221,951	1,732,550
		-----	-----
		5,904,789	7,888,657
Stores and spares consumed		46,324	63,451
Provision for slow moving and obsolete stores, spares and loose tools		470	(668)
Fuel and power		43,505	52,267
Salaries, wages and other benefits	13.1.2	172,391	191,627
Rent, rates and taxes		1,679	2,145
Insurance		13,346	13,831
Repairs and maintenance		38,730	49,428
Royalties and technical fee		97,825	151,224
Depreciation	6.2	164,844	176,112
Licence fee for Baleno car	7	15,796	15,797
Provision for customs duties & sales tax demand	4.4	49,554	18,141
Conveyance and travelling		29,796	32,812
Communications		746	1,006
Others		2,730	5,971
		-----	-----
		677,736	773,144
		-----	-----
		6,582,525	8,661,801
Add: Work-in-process at beginning of the year		28,366	4,898
		-----	-----
		6,610,891	8,666,699
Less: Work-in-process at end of the year		3,585	28,366
		-----	-----
		6,607,306	8,638,333
		=====	=====

13.1.1 Purchases are stated net of proceeds from the sale of packing materials Rs. 29.475 million (1999: Rs 47.101 million).

13.1.2 Includes Rs.2.348 million (1999: Rs. 7.975 million) in respect of defined benefit gratuity fund and Rs. 2.532 million (1999: Rs. 2.368 million) in respect of defined contributory provident fund.

NOTE **2000** **1999**
(Rupees in thousand)

14. SELLING AND ADMINISTRATION EXPENSES

Salaries, wages and other benefits	14.1	82,070	79,112
Hired security guards services		4,894	5,027
Rent, rates and taxes		4,522	5,484
Utilities		5,235	3,256
Insurance		4,288	3,187
Repairs and maintenance		5,219	7,928
Depreciation	6.2	17,495	18,944
Auditors' remuneration	14.2	731	698
Legal and professional charges		2,028	3,242
Conveyance and travelling		16,423	17,328
Entertainment		757	713
Printing and stationery		3,443	3,007
Advertising and sales promotion		64,315	76,539
Free service and warranty claims		10,754	9,804

Y2K conversion cost	--	6,016
Communications	7,619	7,656
Reversal of provision for doubtful advances	(329)	(1,383)
Others	5,326	6,283
	-----	-----
	234,790	252,841
	=====	=====

14.1 Includes Rs. 1.847 million (1999: Rs. 5.553 million) in respect of defined benefit gratuity fund and Rs. 1.852 million (1999: Rs. 1.668 million) in respect of defined contributory provident fund.

14.2 Auditors' remuneration

Audit fee	300	300
Special certifications and sundry advisory services	394	365
Out of pocket expenses	37	33
	-----	-----
	731	698
	=====	=====

15. OTHER INCOME

Mark-up on cash deposits with banks		6,143	41,828
Mark-up on advances to suppliers		3,528	3,323
Income on WAPDA bearer bonds		50,625	58,836
Net profit on disposal of fixed assets	6.3	1,573	2,349
Profit on maturity of WAPDA bonds		2,250	--
Profit on sale of investment		1,917	--
Others		8,152	2,875
		-----	-----
		74,188	109,211
		=====	=====

16. FINANCIAL AND OTHER CHARGES

Mark-up on running finances		210,671	118,170
Interest and other borrowing costs			
on secured long-term loans		--	3,957
Net exchange loss		8,860	19,824
Loss on sale of WAPDA bearer bonds		--	2,488
Bank charges		1,716	2,798
Worker's profit participation fund (W.P.P.F)		102	19,010
Workers welfare fund	16.1	(591)	22,042
Interest on W.P.P.F.		1,213	772
		-----	-----
		221,971	189,061
		=====	=====

16.1 Workers' Welfare Fund

For the current year		--	7,224
For the prior years		(591)	14,818
		-----	-----
		(591)	22,042
		=====	=====

17. REVERSAL OF PROVISION FOR DIMINUTION IN MARKET VALUE OF INVESTMENTS

Reversal of provision for diminution in value of WAPDA bearer bonds sold		(74,250)	(8,250)
Reversal of provision for diminution in market value of shares in Bolan Castings Limited		--	(506)
		-----	-----
		(74,250)	(8,756)
		=====	=====

18. TAXATION

Current - for the year	18.1	35,500	120,000
- for prior years		(1,976)	(41,189)
Deferred	18.2	(5,000)	(3,000)

-----	-----
28,524	75,811
=====	=====

18.1 Current

The provision of income tax for the year represents turnover tax as per Section 80D of the Income Tax Ordinance, 1979.

18.2 Deferred

The deferred tax liability, computed under the liability method on account of timing differences at June 30, 2000 amounted to approximately Rs 97.000 million (1999: Rs. 102.000 million).

19. LOSS/EARNINGS PER SHARE

EPS =	Net (loss) / profit for the year after tax	(26,600)	263,347
	-----	-----	-----
	Ordinary shares in issue during the year	49,131	49,131
(Loss) / earnings per share - basic and diluted	Rs.	(0.54)	5.36
		=====	=====

20. CASH GENERATED FROM OPERATIONS

Profit before taxation		1,924	339,158
Adjustments for non cash charges and other items:			
Depreciation		182,339	195,056
Amortization of licence fee for Baleno car		15,796	15,797
Net profit on disposal of fixed assets		(1,573)	(2,349)
Gain on sale of investment		(1,917)	--
(Profit) / loss on maturity/sale of WAPDA bonds		(2,250)	2,488
Mark-up on cash deposits and advances to suppliers and income from investment		(60,296)	(103,987)
Financial charges		211,864	122,899
Reversal of provision for diminution in the market value of WAPDA bonds/investments		(74,250)	(8,756)
Working capital changes	20.1	1,135,048	(2,600,622)
		-----	-----
		1,406,705	(2,040,316)
		=====	=====

20.1 Working capital changes

Decrease / (increase) in current assets:			
Stocks, stores, spares and loose tools		403,419	(1,271,034)
Trade debts		163,428	(733,509)
Loans and advances		3,334	(12,039)
Short-term deposits, prepayments and others		303,750	(287,071)
		-----	-----
		873,931	(2,303,653)
Increase / (decrease) in current liabilities - net		261,117	(296,969)
		-----	-----
		1,135,048	(2,600,622)
		=====	=====

21. CASH AND CASH EQUIVALENTS

Cash and bank balance		232,536	182,567
Running finance & short term loans from banks		(1,291,202)	(2,338,354)
		-----	-----
		(1,058,666)	(2,155,787)
		=====	=====

22. FINANCIAL ASSETS AND LIABILITIES

As required by International Accounting Standard 32, given below are details of the financial assets and liabilities which may be subject to interest rate and credit risk.

	Interest/Markup bearing		Non Interest bearing		Total
	Maturity upto one year	Maturity upto one	Maturity after one	Sub - total	

	2000	1999	year	year	2000	1999	2000	1999
----- (Rupees in thousand) -----								
Financial assets								
Investments		--		35,675	35,675	7,506	35,675	7,506
Loans & advances	44,297	47,459	6,881	2,832	9,713	6,084	54,010	53,543
Trade debts		--	578,362		578,362	741,790	578,362	741,790
WAPDA bearer bonds		373,500				--		373,500
Accrued income & other receivables		--	18,876		18,876	85,879	18,876	85,879
Cash & bank balances	101,937	108,049	130,600		130,600	74,518	232,537	182,567
	-----	-----	-----	-----	-----	-----	-----	-----
	146,234	529,008	734,719	38,507	773,226	915,777	919,460	1,444,785
	=====	=====	=====	=====	=====	=====	=====	=====
Financial liabilities								
Running finance & shod term loans from banks	1,291,202	2,338,354				--	1,291,202	2,338,354
Bills payable		--	644,480		644,480	--	644,480	--
Creditors & accrued liabilities including royalty and accrued markup		--	298,820		298,820	670,837	298,820	670,837
Security deposits		--	61,703		61,703	64,955	61,703	64,955
Proposed & unpaid dividend		--	783		783	182,780	783	182,780
Others		--	6,011		6,011	20,640	6,011	20,640
	-----	-----	-----	-----	-----	-----	-----	-----
	1,291,202	2,338,354	1,011,797		1,011,797	939,212	2,302,999	3,277,566
	=====	=====	=====	=====	=====	=====	=====	=====

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value except where it is separately disclosed in the notes to the accounts.

24. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if the counter part fails completely to perform as contracted. The Company does not have any significant exposure to any individual customer or vendor. To reduce the exposure to credit risk the Company obtains insurance guarantee from the suppliers, security deposits from the dealers and generally retains the title of goods till final recovery of debts.

25. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	2000			1999		
	<i>Executives</i>	<i>Directors</i>	<i>Chief Executive</i>	<i>Executives</i>	<i>Directors</i>	<i>Chief Executive</i>
----- (Rupees in thousand) -----						
Managerial remuneration	23,730	6,102	2,411	19,135	5,133	1,886
Retirement benefits	3,139	513		6,858	601	--
Perquisites						
Rent	8,314	2,289	912	6,722	1,877	696
Utilities and upkeep	3,212	430	192	2,886	468	192
Telephone	393	229		289	274	--
Entertainment	1,877	80		1,542	68	--
	-----	-----	-----	-----	-----	-----
	40,665	9,643	3,515	37,432	8,421	2,774
	=====	=====	=====	=====	=====	=====
Number of persons	105	4	1	86	4	1

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

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	NOTE	2000	1999
(Rupees in thousand)			
Purchase of components		2,798,177	3,992,106
Purchase of fixed assets		123,819	11,595
Sale of vehicles		2,118	3,056
Royalties and technical fee		97,825	151,224
Licence fee for Baleno car		--	47,390
Sub-assembly revenues and other claims		595	854

The transactions with associated companies are undertaken at commercial terms and conditions and at market price.

27. PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>2000</i>	<i>1999</i>
	<i>(Number of units)</i>	
Plant capacity (double shifts)	50,000	50,000
Actual production	20,404	32,805

The under utilization of capacity was due to lower demand during the year.

28. NUMBER OF EMPLOYEES

The Company had 611 employees at the year end (1999:619).

29. CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, for the purpose of comparison.

YASUO SUZUKI
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

SELECTED FINANCIAL DATA 6 YEARS AT A GLANCE

	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
	----- <i>(Rupees in thousand)</i> -----					
OPERATING RESULTS						
Production volume (Nos.)	20,404	32,805	31,302	30,513	28,040	22,202
Sales volume (Nos.)	19,816	31,296	32,601	29,067	28,217	25,336
Sales revenue	6,889,145	8,914,017	8,680,931	7,710,453	7,904,301	5,703,785
Gross profit	310,247	663,093	578,623	661,118	917,709	297,753
Operating profit	75,457	410,252	357,992	485,616	772,470	199,941
Profit before taxation	1,924	339,158	488,753	402,920	743,261	22,828
Profit/(loss) after taxation	(26,600)	263,347	357,753	391,390	574,502	(5,918)
Dividends	--	110,545	98,263	98,263	34,392	--
Profit retained	--	152,802	259,490	293,127	540,110	--
CAPITAL EMPLOYED						
Share capital	491,312	491,312	491,312	491,312	491,312	491,312
Reserves	1,268,820	1,294,002	1,139,002	879,002	584,002	584,002
Unappropriated profit/(adverse balance)	--	1,418	3,616	4,126	5,999	(534,111)
Shareholders' equity	1,760,132	1,786,732	1,633,930	1,374,440	1,081,313	541,203
Long - term and deferred liabilities	97,000	102,000	105,000	139,194	528,463	779,264
	1,857,132	1,888,732	1,738,930	1,513,634	1,609,776	1,320,467
Represented by:						
Fixed assets	1,353,158	1,279,773	1,379,357	1,346,181	1,471,713	1,590,692
Other non - current assets	61,698	46,586	14,377	14,000	13,376	9,655
Net current assets	442,276	562,373	345,196	153,453	124,687	(279,880)
	1,857,132	1,888,732	1,738,930	1,513,634	1,609,776	1,320,467
PROFITABILITY RATIOS						
Gross profit as a % of net sales	4.5	7.4	6.7	8.6	11.6	5.2
Operating profit as % of net sales	1.1	4.6	4.1	6.3	9.8	3.5
Profit before taxation as a % of net sales	0.0	3.8	5.6	5.2	9.4	0.4
Profit/(Loss) after taxation as a % of net sales	(0.4)	3.00	4.10	5.10	7.30	(0.1)
Earning/(Loss) per share (Rs.)	(0.54)	5.36	7.30	8.00	11.70	(0.1)
LIQUIDITY & LEVERAGE RATIOS						
Current ratio	1.16:1	1.15:1	1.16:1	1.06:1	1.04:1	0.92:1
Quick ratio	0.09:1	0.15:1	0.58:1	0.29:1	0.34:1	0.29:1

Liabilities as % of total assets	61	68	58	68	76	88
Equity as % of total assets	39	32	42	32	24	12
Debt equity ratio	0:100	0:100	0:100	3:97	13:87	33:67

EFFICIENCY RATIOS

Inventory turn over ratio	3.4	3.6	7.6	3.5	4.1	3.5
No. of days stock held	106	103	48	104	103	173
No. of days sales in trade debts	30.6	30.4	0.3	-	3	2
Total assets turn over ratio	1.5	1.6	2.2	1.8	1.8	1.2
Net worth turn over ratio	3.9	5.0	5.3	5.6	7.3	10.5

EQUITY RATIOS

Break up value per share (Rs.)	35.83	33.26	33.26	27.97	22.0	11.02
Dividend as a % of capital	--	22.5	20	20	7	--
Dividend per share (Rs.)	--	2.25	2	2	0.7	--
Dividend payout ratio (%)	--	42	27	25	6	--
Dividend cover	--	2.38	3.64	3.98	16.7	--
Plough-back ratio (%)	--	58	73	75	94	--

OTHER DATA

Permanent employees strength (Nos.)	611	619	601	549	552	540
Deletion achieved (%)						
Mehran Car SB 308 800cc	* 68.01	* 66.04	* 64.09	61.73	59.35	57.90
Khyber Car SA 310 1000cc	Phase out	*48.0	* 45.33	46.03	43.85	42.58
Cultus Car SF 310 1000cc	* 48.02					
Margalla Car SF 413 1300cc		--	Phase out	37.74	35.83	34.16
Margalla Car SF 413 (Power Pack)		--	Phase out	34.14	30.52	30.43
Baleno Car SY 413 1300cc	* 46.06	*42.01				
Ravi Pickup 800cc	* 59.62	57.76	56.52	55.34	53.51	52.14
Bolan Van 800cc	* 54.35	52.53	51.64	50.21	48.46	47.11
Potohar 4 x 4 1000cc	* 40.07	40.07	39.12	38.13	37.56	35.31

Number of shares issued	49,131,252	49,131,252	49,131,252	49,131,252	49,131,252	49,131,252
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*As per ISDP

**PATTERN OF SHAREHOLDINGS
AS AT JUNE 30, 2000**

<i>NO. OF SHAREHOLDERS</i>		<i>CATEGORY</i>		<i>NO. OF SHARES</i>	
875	From	1	to	100	38,686
1,098	From	101	to	500	316,578
425	From	501	to	1000	337,783
317	From	1001	to	5000	786,814
56	From	5001	to	10000	409,180
12	From	10001	to	15000	152,144
7	From	15001	to	20000	115,508
8	From	20001	to	25000	185,500
5	From	25001	to	30000	142,856
2	From	30001	to	35000	65,500
1	From	35001	to	40000	40,000
1	From	40001	to	45000	42,700
5	From	45001	to	50000	246,164
2	From	55001	to	60000	116,000
1	From	70001	to	75000	74,000
1	From	90001	to	95000	91,206
2	From	95001	to	100000	199,500
1	From	105001	to	110000	109,000
1	From	120001	to	125000	123,800
1	From	135001	to	140000	137,200
1	From	230001	to	235000	232,480
1	From	285001	to	290000	290,000
1	From	495001	to	500000	500,000
1	From	530001	to	535000	531,560

1	From	570001	to	575000	572,900
1	From	740001	to	745000	745,000
1	From	1180001	to	1185000	1,183,000
1	From	1285001	to	1290000	1,285,500
1	From	1580001	to	1585000	1,580,818
1	From	2695001	to	2700000	2,699,537
1	From	35780001	to	35785000	35,780,338

 Total 2,832 49,131,252
 =====

Shareholder's

Category	No. of Shareholders			No. of Shares			%
	NON-CDC	CDC	TOTAL	NON-CDC	CDC	TOTAL	
Suzuki Motor Corporation	1	--	1	35,780,338	--	35,780,338	72.83
National Development Finance Corp.	--	1	1	--	1,580,818	1,580,818	3.22
National Bank of Pakistan	1	1	2	91,206	2,699,537	2,790,743	5.68
Individuals	2,397	346	2,743	1,433,858	983,251	2,417,109	4.90
Investment Companies	3	7	10	45,348	1,084,120	1,129,468	2.30
Insurance Companies	9	1	10	787,224	34,500	821,724	1.67
Joint Stock Companies	9	16	25	73,432	52,392	125,824	0.26
Financial Institutions	3	8	11	1,087,376	462,980	1,550,356	3.16
Banks	1	4	5	10,000	32,676	42,676	0.09
Modaraba Companies	4	2	6	3,600	119,500	123,100	0.25
Foreign Investors	11	3	14	4,700	2,508,500	2,513,200	5.12
Co-Operative Societies	3	--	3	23,416	--	23,416	0.05
Charitable Trusts	1	--	1	232,480	--	232,480	0.47
Totals:	2,443	389	2,832	39,572,978	9,558,274	49,131,252	100.00