

Pak Suzuki Motor Company Limited

Annual Report 2001

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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 180 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 M2 (64acres)

COVERED AREA : 41,000 M2

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.3.0billion

PRODUCTION CAPACITY: 50,000units 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
Tariq Iqbal Khan	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
Bank AL Habib 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 1-A,
I.I. Chundrigar Road, Karachi.

NOTICE OF MEETING

Notice is hereby given that the Eighteenth Annual General Meeting of the shareholders of Pak Suzuki Motor Company Limited will be held at Pearl Continental Hotel, Club Road, Karachi on Wednesday December 05, 2001 at 10.00 a.m. to transact the following business:

1. To confirm minutes of Seventeenth Annual General Meeting held on December 16, 2000.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2001 together with Directors' and Auditors' reports thereon.
3. To approve payment of cash dividend @ 8% i.e. Re. 0.80 per share of Rs. 10/- each.
4. To appoint auditors and fix their remuneration for the next accounting year.
5. To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

ABDUL HAMID BHOMBAL
COMPANY SECRETARY

Karachi: November 9, 2001

Notes:

1. The share transfer books of the Company shall remain closed from December 01, 2001 to December 07, 2001 (both days inclusive) and no transfer will be accepted for registration during this period. Transfers received in order till close of business on November 30, 2001 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 1-A, I.I. Chundrigar Road, Karachi.

4. Account holders and sub-account holders holding book entry securities of the Company in Central Depository System of Central Depository Company of Pakistan Limited who wish to attend the Annual General Meeting are requested to please bring original I.D. Card with copy thereof duly attested by their Bankers for identification purpose.

**HIGHLIGHTS OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2001**

	2001	2000	Increase/(Decrease)	
			Amount	%
----- (Rupees in thousand) -----				
Production volume (units)	19,139	20,404	(1,265)	(6.2)
Sales volume (units)	20,434	19,816	618	(3.1)
Net sales	7,976,122	6,889,145	1,086,977	15.80
Gross Profit	376,683	310,247	66,436	21.4
as a % of net sales	4.7	4.5	--	0.2
Expenses - Selling & admin.	201,729	234,790	(33,061)	(14.1)
- Financial & other charges	72,480	221,971	(149,491)	(67.3)
- Total	275,209	456,761	(182,552)	(40.0)
as a % of net sales	3.40	6.60	--	(3.2)
Other income	27,688	74,188	(46,500)	(62.7)
as a % of net sales	0.3	1.1	--	(0.8)
Provision / (reversal of provision) for diminution in value of investments / WAPDA Bonds	5,600	(74,250)	79,850	107.5
Profit before taxation	124,562	1,924	122,638	6,374
as a % of net sales	1.6	0.03	--	1.57
Profit / (loss) after taxation	87,013	(26,600)	113,613	427.1
as a % of net sales	1.10	(0.4)	--	1.5
Stocks	1,535,836	1,913,050	(377,214)	(19.7)
as a % of net sales	19.3	27.8	--	(8.5)
number of days stocks held	74	106	(32)	--
inventory turn over ratio	4.9	3.4	--	1.5
Cash and bank balances - net	729,243	(1,058,666)	1,787,909	168.90
Shareholders' equity	1,807,840	1,760,132	47,708	2.70

Current ratio	1.33:1	1.16: 1	--	--
Profit / (loss) per share (Rs.)	1.77	(0.54)	--	--
Break-up value per share (Rs.)	36.80	35.83	--	--
Capital expenditure	35,645	262,651	(227,006)	(86.4)
No. of permanent employees				
- Officers	254	288	(34)	(11.8)
- Staff/workers	321	322	(1)	(0.3)
- Total	575	610	(35)	(5.7)

CHAIRMAN'S REVIEW

I am pleased to present my review on the performance of the Company for the year ended June 30, 2001.

PRODUCTION & SALES

During the year 19,139 units were produced as compared to 20,404 units produced in the previous year. The lower production was due to depressed market demand resulting from persistent economic recession particularly experienced in the first half and some competition from new entrants.

Sales volume marginally increased by 618 units.

During the year 20,434 units were sold against 19,816 units sold in the preceding year. Plant capacity utilization stood at 38%.

OPERATING RESULTS

The Company earned a net profit of Rs. 87.013 million against a loss of Rs. 26.600 million incurred last year. This achievement accrued from savings in financial cost and selling and admin expenses.

Gross profit as a percentage of sales marginally improved from 4.5 to 4.7. In absolute terms it increased by Rs. 66.436 million over the previous year. The main reasons of improvement were increase in sale revenues and savings accruing from reduction in production overheads.

The selling and administration expenses as a percentage of sales declined from 3.4 to 2.5. In absolute terms a saving of Rs. 33.061 million was recorded which represented a reduction of 14.1% over the previous year. Savings arose mainly in the areas of advertising, sales promotion, depreciation, salaries and travelling.

Other income decreased by Rs. 46.500 million from Rs. 74.188 million to Rs. 27.688 million since income from WAPDA Bonds of Rs. 50.625 million which matured in May 2000 had been included last year. The other income mainly represents income from surplus deposits.

The financial and other charges reduced substantially by 67.3% from Rs. 221.971 million to Rs. 72.480 million. The saving in financial charges arose from improved liquidity as a result of maturity of WAPDA Bonds, supply of CKD by SMC Japan on 90 days credit and reduced inventory levels.

MARKETING

Company's products are well placed viz-a-viz new competitors and continue to enjoy confidence of

potential customers.

In September 2000, the Company introduced Suzuki Alto 1000cc and in January 2001, Company launched Re-born Mehran with some improvements. The customers' response was very encouraging. The Company also introduced Mehran with CNG in June 2001. The product has been well accepted in the market. The Company has plans to progressively introduce CNG in all models.

Your Company made a modest beginning with export of Ravi Pickups. The product has been well accepted and Bangladesh has emerged as the importer. Exports have gradually increased and a cumulative 239 units have been exported since commencement.

During the year Company sold all the taxis which were stuck up after the discontinuation of the scheme by the present government.

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 its products including the recently introduced Cultus and Alto Cars.

PERSONNEL

Management and employee relations continued to remain cordial and industrial peace prevailed during the year. The new charter of demand by the CBA was negotiated in a congenial atmosphere and agreement was entered into with CBA for two years for the period July 2000 to June 2002.

Improving efficiency and skill of workers in order to improve productivity and quality of products continues to be the key objective of personnel management. During the year, 38 employees were sent to Japan for six months on-the-job training.

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 the Company in its last five years of operations are as follows:

Year	<i>Duties and taxes</i>	<i>Foreign exchange savings</i>
	<i>(Rupees in million)</i>	
1996-97	2,728	2,539
1997-98	2,571	2,924
1998-99	3,203	3,751
1999-2000	2,064	2,594
2000-2001	2,446	2,700

FUTURE PROSPECTS & CONCLUSION

The present disturbed regional condition poses a threat to the economy. However the management is

optimistic that the country's economy would benefit in the long run. In fact the situation has created new business opportunities.

Pakistan has been pursuing policy of progressive local manufacture of automobiles. Under this programme, the local manufactures have been encouraged to pursue their indigenisation plans through concessional customs tariffs. As a result a high level of cost effective local manufacturing has been achieved and your company has remained in the forefront with achievements of higher deletion level in its products.

However the automobile industry is now faced with a major threat with the application of W.T.O. conditionalities which would lead to the elimination of Trade Related Investment Measures (TRIMs). In July 2001, the W.T.O allowed Pakistan an extension in the transition period upto December 31, 2001 and has recently also allowed another extension for further two years upto December 2003. The industry has been seeking a longer extension of atleast upto December 2006.

The Company would earn reasonable return on equity. However Rupee / Yen parity, economic conditions viz-a-viz impending conditions in the country / region, 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, 2001.

2. ACCOUNTS

(Rupees in thousand)

Profit before taxation	124,562
Taxation	(37,549)

Profit after taxation	87,013
Unappropriated profit brought forward	--
Net profit available for appropriation	87,013
Less: Appropriations	
Proposed cash dividend @ 8%	39,305
Transfer to general reserve	47,000
	86,305
Unappropriated profit carried forward	708

3. PROFIT PER SHARE

The profit per share for the year is Rs. 1.77

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 an 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.

Automotive Testing & Training Centre (Pvt) Ltd. is an associated company of Pak Suzuki Motor Co. Ltd. because of common directorship. Capt. (Retd) Bashir Ahmed - Deputy Managing Director is Chairman of Automotive Testing & Training Centre (Pvt) Ltd. Pak Suzuki holds 12.5% shares of the total share capital of Automotive Testing & Training Centre (Pvt) Ltd.

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 40.

8. BOARD CHANGES

Mr. Tariq Iqbal Khan was appointed director in place of Mr. Istaqbal Mehdi who resigned.

9. CHANGE OF ACCOUNTING YEAR

The management has decided to adopt calendar year as the accounting year w.e.f. January 2002. In order to implement this change the next accounting year would be closed on 31st December 2001. However the change in accounting year is subject to approval by competent authority.

10. AUDITORS

Messrs. Sidat Hyder Qamar & Co. Chartered Accountants retire and being eligible offer themselves for appointment as the auditors of the Company for the next accounting year.

BY ORDER OF THE BOARD

YASUO SUZUKI
Chairman & Chief Executive

Karachi
November 07, 2001

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAK SUZUKI MOTOR COMPANY LIMITED as at 30 June 2001 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, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Sidat Hyder Qamar & Co.

Chartered Accountant

Karachi: November 07, 2001

BALANCE SHEET AS AT JUNE 30, 2001

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
SHARE CAPITAL AND RESERVES			
Authorised share capital 150,000,000 (2000: 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		1,316,528	1,268,820
		-----	-----
LIABILITIES			
Deferred taxation	4	1,807,840	1,760,132
Current liabilities			
Bills payable		926,032	644,480
Short term running finances	5	--	1,290,619

Security deposits	6	60,316	61,703
Creditors, accrued and other liabilities	7	393,545	316,666
Advances from customers		515,122	241,325
Provision for customs duties and sales tax	8	152,770	155,770
Proposed dividend		39,305	--
		-----	-----
		2,087,090	2,710,563
COMMITMENTS	9		
		-----	-----
Total share holders' equity and liabilities		3,993,930	4,567,695
		=====	=====
ASSETS			
Tangible fixed assets	10	1,185,857	1,353,158
Long-term investments	11	30,075	35,675
Long-term loans, deposits and prepayments	12	9,292	10,226
Deferred costs	13	--	15,797
Current assets			
Stores, spares and loose tools	14	29,279	41,122
Stocks	15	1,535,836	1,913,050
Trade debts	16	44,456	577,264
Loans, advances and prepayments	17	47,217	57,591
Advance income tax - net		325,351	305,250
Sales tax adjustable	18	32,165	6,635
Accrued income and other receivables	19	25,159	19,974
Cash and bank balances	20	729,243	231,953
		-----	-----
		2,768,706	3,152,839
		-----	-----
Total assets		3,993,930	4,567,695
		=====	=====

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, 2001

	NOTE	2001	2000
		<i>(Rupees in thousand)</i>	
Net sales	21	7,976,122	6,889,145
Cost of sales	22	7,599,439	6,578,898
		-----	-----
Gross profit		376,683	310,247
Selling and administration expenses	23	201,729	234,790
		-----	-----
Operating profit		174,954	75,457
Other income	24	27,688	74,180
		-----	-----
		202,642	149,645
Financial and other charges	25	72,480	221,971
Reversal of provision for diminution in market value of WAPDA Bonds		--	(74,250)
Provision for diminution in the value of investments	11	5,600	--
		-----	-----
Profit before taxation		78,080	147,721
		124,562	1,924
Taxation	26	37,549	28,524
		-----	-----
Profit/(loss) after taxation		87,013	(26,600)
Unappropriated profit brought forward		--	1,418

Profit/(Loss) available for appropriation	87,013	(25,182)
Appropriations		
Transfer to/(from) general reserve	47,000	(25,182)
Proposed cash dividend @ 8% (2000: Nil)	39,305	--
	86,305	(25,182)
Unappropriated profit carried forward	708	--
Earnings/(Loss) per share	27	1.77
		(0.54)

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, 2001

	<i>NOTE</i>	<i>20001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
Cash flow from operating activities			
Cash generated from operations	28	1,672,861	1,406,705
Financial charges paid		(88,213)	(241,507)
Taxes paid		(55,651)	(197,003)
Long-term loans (net)		(299)	541
Long-term deposits and prepayments - net		1,233	(1,780)
Net cash inflow from operating activities		1,529,931	966,956
Cash flow from investing activities			
Fixed capital expenditure		(35,645)	(262,651)
Investment in shares		--	(29,175)
Sale proceeds on disposal of fixed assets		4,148	8,500
Sale proceeds of WAPDA Bearer Bonds		--	450,000
Sale proceeds of investment		--	2,923
Mark-up on cash deposits, advances to suppliers and income from investment		15,757	68,692
Net cash (outflow)/inflow from investing activities		(15,740)	238,289
Cash flow from financing activities			
Advances from customers - net		273,797	73,873
Dividends paid		(79)	(181,997)
Net cash inflow/(outflow) from financing activities		273,718	(108,124)
Net increase in cash and cash equivalents		1,787,909	1,097,121
Cash and cash equivalents at beginning of the year		(1,058,666)	(2,155,787)
Cash and cash equivalents at end of the year	29	729,243	(1,058,666)

The annexed notes form an integral part of these accounts.

YASUO SUZUKI
Chairman & Chief Executive

CAPT. (RETD) BASHIR AHMED
Deputy Managing Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	<i>Share capital</i>	<i>Share premium</i>	Reserves		<i>Total reserves</i>	<i>Shareholder's equity</i>
			<i>General reserve</i>	<i>Unappropriated profit</i>		
----- (Rupees in thousand) -----						
Balance at July 01, 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 from general reserves	--	--	(25,182)	25,182	--	--
Proposed dividend	--	--	--	--	--	--
Balance at June 30, 2000	491,312	584,002	684,818	--	1,268,820	1,760,132
Net profit for the year	--	--	--	87,013	87,013	87,013
Transfer to general reserves	--	--	47,000	(47,000)	--	--
Proposed dividend	--	--	--	(39,305)	(39,305)	(39,305)
Balance at June 30, 2001	491,312	584,002	731,818	708	1,316,528	1,807,840

The annexed notes form an integral part of these accounts.

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, 2001

1. COMPANY'S 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 share holders 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 1963 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 paid 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

Known 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.

Contribution 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, 2001 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:-

(Rupees in thousand)

Present value of the gratuity obligation	80,421
Fair value of gratuity assets	94,271

	13,850
Unrecognized actuarial gain	9,582

Assets recognized in Balance Sheet	4,268
Current Service Cost	5,432
Interest Cost	9,195
Expected return on plan assets	(9,653)
Recognition of actuarial gain	(859)

Gratuity expenses for the year	4,115
	=====

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

Opening balance	--
Expense recognized in the accounts	4,115
Contribution paid	(3,636)

Closing balance	479
	=====

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 tax liability arising on major timing differences using liability method. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the foreseeable future and the taxable profits will be available against which deductible temporary differences can be utilized.

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 these 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 principal.

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.

2001 2000
(Rupees in thousand)

3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

44,284,117 (2000:44,284,117) ordinary shares of Rs. 10/- each fully paid in cash	442,841	442,841
2,800,000 (2000:2,800,000) ordinary shares of Rs.10/- each fully paid-up for consideration other than cash	28,000	28,000
2,047,135 (2000: 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, 2001 Suzuki Motor Corporation, Japan held 35,780,338 ordinary shares of Rs 10/- each (2000 '35,780,338 ordinary shares).

2001 2000
(Rupees in thousand)

4 DEFERRED TAXATION

On account of -		
Accelerated tax depreciation allowance	102,000	100,000
Provision for compensatory leave	(3,000)	(3,000)
	-----	-----
	99,000	97,000
	=====	=====

5 The facilities for running finance available from various banks amounted to Rs 2,567 million (2000: Rs. 2,402 million). These facilities are secured by hypothecation charge on stocks, dies, plant and machinery. The markup rates on these facilities are ranging from Re 0.322 to Re 0.397 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.

6 SECURITY DEPOSITS

Repayable on demand	57,741	58,753
Other deposits	2,575	2,950
	-----	-----
	60,316	61,703
	=====	=====

The above deposits are not liable to financial charges.

NOTE **2001 2000**
(Rupees in thousand)

7 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	216,734	155,082
Accrued liabilities		
Accrued expenses	73,626	70,238
Royalties and technical fee payable to Suzuki Motor Corporation, Japan - an associated undertaking	43,177	48,589
Dealers' commission	42,079	5,587
Markup accrued on secured running finance	136	26,507
Workers' profit 7.10	6,751	102
Workers' welfare fund	3,500	--
	-----	-----
	169,269	151,023
Unpaid dividend	704	783
Other liabilities	6,838	9,778
	-----	-----
	393,545	316,666
	=====	=====

7.1 Workers' profit participation fund

Balance at beginning of the year	102	19,010
Mark up on funds utilised in the Company's business	5	1,213
	-----	-----
	107	20,223
Allocation for the year	6,751	102
	-----	-----
	6,858	20,325
Less: Paid during the year	107	20,223
	-----	-----
Balance at end of the year	6,751	102
	=====	=====

8 PROVISION FOR CUSTOMS DUTIES AND SALES TAX

Provision for customs duties	8.1	130,494	133,494
Provision for sales tax	8.2	22,276	22,276
		-----	-----
		152,770	155,770
		=====	=====

8.1 The Customs authorities had issued various demand notices aggregating Rs. 130.494 million (2000:Rs.133.494 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 above amount include Rs. 52.576 million on accounts of customs duties on loading for association charges in respect of CKD material imported in prior years. The original demand was Rs. 193.106 million which after reconciliation by customs staff reduced to Rs. 52.576 million. However after the reconciliation no formal hearing was held.

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousand)</i>	
Provision for customs duties brought forward	133,494	87,208
Payment made during the year	(3,000)	(3,268)
Provision written back	--	(3,022)
Provision during the year	--	52,576
	-----	-----
	130,494	133,494
	=====	=====

8.2 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.

In December 1999 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 1993 to December 1999), 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.

9 COMMITMENTS

9.1 Capital expenditure contracted for but not incurred amounted to Rs. 0.281 million (2000: Rs.8.972 million).

9.2 The facility for opening letters of credit as at June 30, 2001 amounted to Rs 2,069 million (2000: Rs. 2,470 million) of which the amount remaining unutilised at the year end was Rs. 1,994 million (2000: Rs 2,417 million).

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
10 TANGIBLE FIXED ASSETS			
Operating fixed assets	10.1	1,183,646	1,177,370
Capital work-in-progress	10.7	2,211	175,788

1,185,857 1,353,158
=====

10.1 Operating fixed assets

The following is a statement of operating fixed assets:

	<i>Cost as at July 01, 2000</i>	<i>Additions/ (deletions)</i>	<i>Cost as at June 30, 2001</i>	<i>Accumulated depreciation as at June 30, 2000</i>	<i>Charge for the year / (depreciation) on deletion</i>	<i>Accumulated depreciation as at June 30, 2001</i>	<i>Book value as at June 30, 2001</i>	<i>Rate %</i>
----- (Rupees in thousand) -----								
Leasehold land	60,494	--	60,494	9,614	1,008	10,622	49,872	60 Years
Buildings on leasehold land - Note 10.4 & 10.5								
- Factory	508,077	--	508,077	166,949	17,057	184,006	324,071	5
- Office	2,063	--	2,063	2,063	--	2,063	--	5
- Test Tracks & ether building	7,780	--	7,780	4,594	637	5,231	2,549	20
Plant and machinery	1,390,401	37,415 (520)	1,427,296	851,830	86,364 (289)	937,905	489,391	15
Waste water treatment plant	44,928	--	44,928	33,864	2,766	36,630	8,298	25
Permanent & Special tools	71,554	41,650	113,204	35,312	14,080	49,392	63,812	10 & 25
Dies	417,921	739	418,660	324,758	23,476	348,234	70,426	25
Jigs & Fixtures	127,114	123,881 (5,912)	245,083	96,629	38,556 (5,773)	129,412	115,671	25
Electrical installations	16,885	--	16,885	12,689	839	13,528	3,357	20
Furniture and fittings	10,237	76	10,313	7,410	580	7,990	2,323	20
Vehicles	100,460	4,561 (6,869)	98,152	48,311	10,685 (3,583)	55,413	42,739	20
Airconditioners and refrigerat	17,468	-- (69)	17,399	12,324	1,020 (25)	13,319	4,080	20
Office equipment	11,035	126	11,161	8,016	629	8,645	2,516	20
Computers	17,902	774 (155)	18,521	12,586	1,469 (75)	13,980	4,541	20 & 25
2001	2,804,319	209,222 (13,525)	3,000,016	1,626,949	199,166 (9,745)	1,816,370	1,183,646	
2000	2,709,685	108,755 (14,121)	2,804,319	1,451,804	182,339 182,339	1,177,370		

NOTE **2001** **2000**
(Rupees in thousand)

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

Cost of goods manufactured	22.1	184,783	164,844
Selling and administration expenses	23	14,383	17,495
		-----	-----
		199,166	182,339
		=====	=====

10.3 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 Bolan	260	127	133	260	127	Insurance claim	EFU General Insurance Co. Ltd., PECHS Branch, 964-965 Central Commercial Area, BI. 2, PECHS, Karachi.
Suzuki Bolan	284	167	117	200	83	Insurance claim	EFU General Insurance Co. Ltd., PECHS Branch, 964-965 Central

						Commercial Area, BI. 2, PECHS, Karachi.	
Suzuki Margalla P/P	523	309	214	214	--	Negotiation	Mr. Barzeen Kavasji- Ex - employee
Suzuki Mehran - Dlx	270	132	138	138	--	Negotiation	Mr. Javed Iqbal - Ex - employee
Suzuki Baleno P/P	532	192	340	340	--	Negotiation	Mr. Harold Hassan Syed- Ex - employee
Suzuki Cars	5,000	2,657	2,343	2,437	94	Negotiation	Company employees, under Executive Car Scheme
	-----	-----	-----	-----	-----		
	6,869	3,584	3,285	3,589	304		
Plant & Machinery	520	289	231	177	(54)	Tender	M/s Bashir A. Khan & Sons
Jigs & Fixtures	5,912	5,772	140	258	118	Negotiation	M/s Bashir A. Khan & Sons
Airconditioner & Refrigerator	69	25	44	44	--	Negotiation	Company employees, under Executive Scheme
Computers	155	75	80	80	--	Negotiation	Company employees, under Executive Scheme
	-----	-----	-----	-----	-----		
2001	13,525	9,745	3,780	4,148	368		
	=====	=====	=====	=====	=====		
2000	14,121	7,194	6,927	8,500	1,573		
	=====	=====	=====	=====	=====		

10.4 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.

10.5 The immovable assets lying at West Wharf have been impaired by the action of KPT as explained in note 10.4 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.

10.6 Certain dies of book value Rs. 17.830 million (2000: Rs. 15.721 million) were lying with vendor for production of components to be supplied to the Company.

2001 2000
(Rupees in thousand)

10.7 Capital work-in-progress

Plant and machinery	2,143	175,245
Advance for capital expenditure	68	543
	-----	-----
	2,211	175,788
	=====	=====

11 LONG-TERM INVESTMENTS- at cost

Quoted

Suzuki Motor Cycles Pakistan Limited - an associated company
18,000,000 (2000: 18,000,000) fully paid ordinary shares of
Rs. 10/- each representing 41% holding [market value as at
June 30, 2001 Rs. 27 million]

28,800	28,800
--------	--------

Unquoted

Arabian Sea Country Club Limited - an associated company

500,000 (2000: 500,000) fully paid ordinary shares of Rs. 10/- each I

Less: Provision for diminution in the value of investment

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

Automotive Testing & Training Centre (Pvt.) Limited

(AT & TC) - an associated company

187,500 (2000: 187,500) fully paid ordinary shares of Rs. 10/-each I

Less: Provision for diminution in the value of investment

1,875	1,875
600	--
-----	-----
1,275	1,875
-----	-----
30,075	35,675
=====	=====

Provision for diminution in the value of investments is based on net assets of the investee as on the date of balance sheet.

2001 2000
(Rupees in thousand)

12 LONG-TERM LOANS, DEPOSITS AND PREPAYMENTS

Loans - considered good, due from employees

12.1

5,665

5,706

Less: Receivable within one year

17

2,534

2,874

-----	-----
3,131	2,832
6,101	5,958
60	1,436
-----	-----
9,292	10,226
=====	=====

Deposits

6,101

5,958

Prepayments

60

1,436

12.1 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.

2001 2000
(Rupees in thousand)

13 DEFERRED COSTS

Licence fee for manufacturing of Baleno car

47,390

47,390

Charged in prior years

31,593

15,797

-----	-----
15,797	31,593

Less: Charged during the year

22.1

15,797

15,796

-----	-----
--	15,797
=====	=====

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

14 STORES, SPARES AND LOOSE TOOLS

Stores

19,806

25,387

Spares

13,332

15,753

Loose tools

12,132

11,324

-----	-----
45,270	52,464

Less: Provision for slow moving and obsolete items

15,991

11,342

-----	-----
29,279	41,122
=====	=====

15 STOCKS

Raw material and components [including items in transit

Rs. 283.680 million (2000: Rs. 165.764 million)]

1,169,653

1,235,411

Less: Provision for obsolete items	12,687	13,460
	-----	-----
	1,156,966	1,221,951
Work-in-process	403	3,585
Finished goods	319,989	610,444
Trading stocks	81,332	112,709
Less: Provision for slow moving and obsolete items	22,854	35,639
	-----	-----
	58,478	77,070
	-----	-----
	1,535,836	1,913,050
	=====	=====

15.1 Of the aggregate amount, stocks worth Rs.163.726 million (2000: Rs. 78.067 million) were in the custody of dealers and vendors.

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
16 TRADE DEBTS			
Considered good			
- secured		8,756	536,058
- unsecured		35,700	41,206
		-----	-----
		44,456	577,264
Considered doubtful		792	--
		-----	-----
		45,248	577,264
Less: Provision for doubtful debts		792	--
		-----	-----
		44,456	577,264
		=====	=====

17 LOANS, ADVANCES AND PREPAYMENTS

Considered good			
Loans to employees	12	2,534	2,873
Advances to			
- Employees		5,234	4,004
- Provident/gratuity fund		5,158	1,371
- Suppliers		29,328	44,297
		-----	-----
		42,254	52,545
Considered doubtful - Advances to suppliers		8,000	--
		-----	-----
		50,254	52,545
Less: Provision for doubtful advances to suppliers		8,000	--
		-----	-----
		42,254	52,545
Short term prepayments		4,963	5,046
		-----	-----
		47,217	57,591
		=====	=====

18 SALES TAX ADJUSTABLE

Considered good		32,165	6,635
Considered doubtful			
Sales tax paid on purchase of local components for Suzuki taxis	18.1	22,386	22,386
		-----	-----
		54,551	29,021
Provision for doubtful sales tax refundable		22,386	22,386
		-----	-----
		32,165	6,635
		=====	=====

18.1 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 8.2 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.

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousand)</i>	
19 ACCRUED INCOME AND OTHER RECEIVABLES		
Considered good		
Accrued income	6,173	2,072
Due from Suzuki Motor Corporation, Japan an associated undertaking	6,719	5,912
Due from vendors for material/components supplied	7,604	7,954
Others	4,663	4,036
	-----	-----
	25,159	19,974
	=====	=====

19.1 The maximum amount outstanding from the associated undertaking at the end of any month during the year was Rs. 26.498 million (2000: Rs. 8.020 million).

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in thousand)</i>	
20 CASH AND BANK BALANCES		
Cash in hand	4,476	1,764
Cheques in hand	98,316	121,678
Cash at bank		
In current accounts	62,700	9,819
On deposit	503,435	36,989
In a special account	20.1 60,316	61,703
	-----	-----
	626,451	108,511
	-----	-----
	729,243	231,953
	=====	=====

20.1 The special account is maintained in respect of security deposits (note 6) in accordance with the requirements of Section 226 of the Companies Ordinance, 1984.

20.2 The markup on funds placed on deposit accounts ranges between 5% to 12%.

	<i>NOTE</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in thousand)</i>	
21 NET SALES			
Manufactured goods - Vehicles			
Sales	21.1	8,038,913	6,965,760
Less: Commission paid to selling agents		149,441	155,979
Discounts		1,447	25
		-----	-----
		150,888	156,004
		-----	-----
		7,888,025	6,809,756
Trading stocks			
Sales		88,713	82,385
Less: Discount		616	2,996
		-----	-----
		88,097	79,389
		-----	-----
		7,976,122	6,889,145
		=====	=====

21.1 This includes export sales of Rs. 16.560 million (2000: Rs. 14.511 million).

22 COST OF SALES

Manufactured goods - Vehicles

Finished goods at beginning of the year	610,444	516,309
---	---------	---------

Cost of goods manufactured	22.1	7,238,494	6,607,306
		-----	-----
		7,848,938	7,123,615
Finished goods at end of the year		319,989	610,444
		-----	-----
		7,528,949	6,513,171
Trading stocks			
Stocks at the beginning of the year		77,070	43,364
Purchases during the year		51,898	99,433
		-----	-----
		128,968	142,797
Stocks at the end of the year		58,478	77,070
		-----	-----
		70,490	65,727
		-----	-----
		7,599,439	6,578,898
		=====	=====

22.1 Cost of goods manufactured

Raw materials and components at beginning of the year		1,221,951	1,732,550
Purchases during the year	22.1.1	6,535,444	5,394,190
		-----	-----
		7,757,395	7,126,740
Less: Raw materials and components at end of the year		1,156,966	1,221,951
		-----	-----
Raw materials and components consumed		6,600,429	5,904,789
Stores and spares consumed		43,503	46,324
Provision for slow moving and obsolete stores, spares and loose tools		4,649	470
Fuel and power		41,188	43,505
Salaries, wages and other benefits	22.1.2	166,636	172,391
Rent, rates and taxes		16,731	1,679
Insurance		9,365	13,346
Repairs and maintenance		36,176	38,730
Royalties and technical fee		83,820	97,825
Depreciation	10.2	184,783	164,844
Licence fee for Baleno car	13	15,797	15,796
Provision for customs duties & sales tax demand		--	49,554
Compensation to supplier for change in process technology		6,914	--
Provision for doubtful advances to suppliers		8,000	--
Conveyance and travelling		27,191	29,796
Communications		1,021	746
Others		4,167	2,730
		-----	-----
		634,883	677,736
		-----	-----
		7,235,312	6,582,525
Add: Work-in-process at beginning of the year		3,585	28,366
		-----	-----
		7,238,897	6,610,891
Less: Work-in-process at end of the year		403	3,585
		-----	-----
		7,238,494	6,607,306
		=====	=====

22.1.1 Purchases are stated net of proceeds from the sale of packing materials Rs. 28.061 million (2000: Rs. 29.475 million).

22.1.2 Includes Rs. 2.418 million (2000: Rs. 2.348 million) in respect of defined benefit gratuity fund and Rs. 2.597 million (2000: Rs. 2.532 million) in respect of defined contributory provident fund.

23 SELLING AND ADMINISTRATION EXPENSES

Salaries, wages and other benefits	23.1	75,576	82,070
Hired security guards services		4,714	4,894
Rent, rates and taxes		3,835	4,522
Utilities		6,628	5,235

Insurance		3,439	4,288
Repairs and maintenance		5,162	5,219
Depreciation	10.2	14,383	17,495
Auditors' remuneration	23.2	950	731
Legal and professional charges		1,574	2,028
Conveyance and travelling		14,643	16,423
Entertainment		478	757
Printing and stationery		2,712	3,443
Advertising and sales promotion		47,047	64,315
Free service and warranty claims		9,482	10,754
Communications		6,793	7,619
Provision for doubtful receivables		792	--
Reversal of provision for doubtful advances		(891)	(329)
Others		4,412	5,326
		-----	-----
		201,729	234,790
		=====	=====

23.1 Includes Rs. 1.697 million (2000: Rs. 1.847 million) in respect of defined benefit gratuity fund and Rs. 2.093 million (2000: Rs. 1.852 million) in respect of defined contributory provident fund.

23.2 Auditors' remuneration

Audit fee		400	300
Special certifications and sundry advisory services		501	394
Out of pocket expenses		49	37
		-----	-----
		950	731
		=====	=====

24 OTHER INCOME

Mark-up on cash deposits with banks and on advances		19,858	9,671
Income on WAPDA bearer bonds		--	50,625
Net profit on disposal of fixed assets	10.3	368	1,573
Profit on maturity of WAPDA bonds		--	2,250
Profit on sale of investment		--	1,917
Miscellaneous income		7,462	8,152
		-----	-----
		27,688	74,188
		=====	=====

25 FINANCIAL AND OTHER CHARGES

Mark-up on running finances		60,562	210,671
Net exchange (gain)/loss		(1,014)	8,860
Bank charges		2,488	1,716
Workers' profit participation fund (W.P.P.F.)		6,751	102
Workers' welfare fund	25.1	3,688	(591)
Mark up on W.P.P.F.		5	1,213
		-----	-----
		72,480	221,971
		=====	=====

25.1 Workers' welfare fund

For the current year		3,500	--
For the prior years/(Reversal of provision)		188	(591)
		-----	-----
		3,688	(591)
		=====	=====

26 TAXATION

Current - for the year	26.1	39,888	35,500
- for prior years		(4,339)	(1,976)
Deferred		2,000	(5,000)
		-----	-----
		37,549	28,524
		=====	=====

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

27 EARNINGS/(LOSS) PER SHARE (EPS)

EPS =	Net profit/(Loss) for the year after tax	87,013	(26,600)
		-----	-----
	Ordinary shares in issue during the year	49,131	49,131
Earnings/(Loss) per share - basic and diluted	Rs.	1.77	(0.54)
		=====	=====

28 CASH GENERATED FROM OPERATIONS

Profit before taxation		124,562	1,924
Adjustments for non cash charges and other items:			
Depreciation		199,166	182,339
Provision for diminution in the value of investment		5,600	--
Provision for doubtful advances to suppliers		8,000	--
Amortization of licence fee for Baleno		15,797	15,796
Profit on disposal of fixed assets		(368)	(1,573)
Gain on sale of investments		--	(1,917)
Profit on maturity of WAPDA Bonds		--	(2,250)
Mark-up on cash deposits and advances to suppliers and income from investments		(19,858)	(60,296)
Financial charges		60,567	211,884
Reversal of provision for diminution in the market value of WAPDA Bonds		--	(74,250)
Working capital changes	28.1	1,279,395	1,135,048
		-----	-----
		1,672,861	1,406,705
		=====	=====

28.1 Working capital changes

(Increase) / decrease in current assets			
Stocks, stores, spares and loose tools		389,057	403,419
Trade debts		532,808	163,428
Loans and advances		2,374	3,334
Short-term deposits, prepayments and others		(26,614)	303,750
		-----	-----
		897,625	873,931
Increase in current liabilities - net		381,770	261,117
		-----	-----
		1,279,395	1,135,048
		=====	=====

29 CASH AND CASH EQUIVALENTS

Cash and bank balances		729,243	231,953
Running finance & short term loans from banks		--	(1,290,619)
		-----	-----
		729,243	(1,058,666)
		=====	=====

30 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of components		3,623,386	2,798,177
Purchase of fixed assets		931	123,819
Sale of vehicles		3,043	2,118
Royalties and technical fee		83,820	97,825
Sub-assembly revenues and other claims		985	595

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

31 PLANT CAPACITY AND ACTUAL PRODUCTION

		2001	2000
		-- (Number of units)--	
Plant capacity (double shifts)		50,000	50,000
Actual production		19,139	20,404

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

32 NUMBER OF EMPLOYEES

The Company had 575 employees at the year end (2000:610)

33 REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

	2001			2000		
	<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	37,997	7,928	3,705	32,044	8,391	3,323
Retirement benefits	3,493	352	-	3,139	513	-
Utilities and upkeep	3,335	317	243	3,212	430	192
Telephone	543	74	-	393	229	-
Entertainment	43	34	-	1,877	80	-
	-----	-----	-----	-----	-----	-----
	45,411	8,705	3,948	40,665	9,643	3,515
	=====	=====	=====	=====	=====	=====
Number of persons	106	3	1	105	4	1

33.1 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.

34. 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		Sub- total		Total	
	<i>Maturity upto one year</i>		<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	----- (Rupees in thousand) -----							
Financial Assets								
investments	-	-	-	30,075	30,075	35,675	30,075	35,675
Loans & advances	29,328	44,297	12,926	3,131	16,057	11,080	45,385	55,377
Trade debts	--	--	44,456	--	44,456	577,264	44,456	577,264
Accrued income & other receivables	--	--	25,159	--	25,159	19,974	25,159	19,974
Cash & bank balances	563,751	98,692	165,492	--	165,492	133,261	729,243	231,953
	-----	-----	-----	-----	-----	-----	-----	-----
	593,079	142,989	248,033	33,206	281,239	777,254	874,318	920,243
	=====	=====	=====	=====	=====	=====	=====	=====
Financial Liabilities								
Running finance & short term loans from banks	--	1,290,619	--	--	--	--	--	1,290,619
Bills payable	--	--	926,032	--	926,032	644,480	926,032	644,480
Creditors & accrued liabilities including royalty and accrued markup	--	--	375,752	--	375,752	306,003	375,752	306,003
Security Deposits	--	--	60,316	--	60,316	61,703	60,316	61,703
Proposed & unpaid dividend	--	--	40,009	--	40,009	783	40,009	783
Others	--	--	6,839	--	6,839	7,621	6,839	7,621
	-----	-----	-----	-----	-----	-----	-----	-----
	--	1,290,619	1,408,946	--	1,408,948	1,020,590	1,408,948	2,311,209
	=====	=====	=====	=====	=====	=====	=====	=====

35 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.

36 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.

37 FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings. Payables exposed to foreign currency risks are covered through foreign exchange contracts.

38 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

	2001	2000	1999	1998	1997	1996
----- (Rupees in thousand) -----						
OPERATING RESULTS						
Production volume (Nos.)	19,139	20,404	32,805	31,302	30,513	28,040
Sales volume (Nos.)	20,434	19,816	31,296	32,601	29,067	28,217
Sales revenue	7,976,122	6,889,145	8,914,017	8,680,931	7,710,453	7,904,301
Gross profit	376,683	310,247	663,093	578,623	661,118	917,709
Operating profit	174,954	75,457	410,252	357,992	485,616	772,470
Profit before taxation	124,562	1,924	339,158	488,753	402,920	743,261
Profit/(loss) after taxation	87,013	(26,600)	263,347	357,753	391,390	574,502
Dividends .	39,305	--	110,545	98,263	98,263	34,392
Profit retained	47,708	--	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	1,315,820	1,268,820	1,294,002	1,139,002	879,002	584,002
Unappropriated profit	708	--	1,418	3,616	4,126	5,999
Shareholders' equity	1,807,840	1,760,132	1,786,732	1,633,930	1,374,440	1,081,313
Long - term and deferred liabilities	99,000	97,000	102,000	105,000	139,194	528,463
	1,906,840	1,857,132	1,888,732	1,738,930	1,513,634	1,609,776
Represented By:						
Fixed assets	1,185,857	1,353,158	1,279,773	1,379,357	1,346,181	1,471,713
Other non - current assets	39,367	61,698	46,586	14,377	14,000	13,376
Net current assets	681,616	442,276	562,373	345,196	153,453	124,687
	1,906,840	1,857,132	1,888,732	1,738,930	1,513,634	1,609,776
PROFITABILITY RATIOS						
Gross profit as a % of net sales	4.70	4.50	7.4	6.7	8.6	11.6
Operating profit as a % of net sales	2.20	1.10	4.6	4.1	6.3	9.8
Profit before taxation as a % of net sales	1.60	0.03	3.8	5.6	5.2	9.4
Profit/(Loss) after taxation as a % of net sales	1.10	(0.4)	3.0	4.1	5.1	7.3
Earning/(Loss) per Share (Rs.)	1.77	(0.54)	5.36	7.28	7.97	11.69
LIQUIDITY & LEVERAGE RATIOS						
Current ratio	1.33:1	1.1 6:1	1.1 5:1	1.1 6:1	1.06:1	1.04:1
Quick ratio	0.35:1	0.09:1	0.15:1	0.58:1	0.29:1	0.34:1
Liabilities as a % of total assets	55	61	68	58	68	76
Equity as a % of total assets	45	39	32	42	32	24
EFFICIENCY RATIOS						
Inventory turn over ratio	4.90	3.40	3.60	7.60	3.50	4.10

No. of days stock held	74	106	103	48	104	103
No. of days sales in trade debts	2.00	30.60	30.40	0.30	--	3.40
Total assets turn over ratio	2.00	1.50	1.60	2.20	1.80	1.80
Net worth turn over ratio	4.40	3.90	5.00	5.30	5.60	7.30

EQUITY RATIOS

Break up value per share (Rs.)	36.80	35.83	36.37	33.26	27.97	22.01
Dividend as a % of capital	8	--	22.50	20	20	7
Dividend per share	0.80	--	2.25	2	2	0.70
Dividend payout ratio (%)	45	--	42	27	25	6
Dividend cover	2.21	--	2.38	3.64	3.98	16.70
Plough-back ratio (%)	55	--	58	73	75	94

OTHER DATA

Permanent employees strength (Nos.)	575	610	619	601	549	552
Deletion achieved (%)						
Mehran Car SB 308 800cc	* 70.05	* 68.01	* 66.04	* 64.09	61.73	59.35
Khyber Car SA 310 1000cc	--	Phase out	* 48.00	* 45.33	46.03	43.85
Cultus Car SF 310 1000cc	* 55.01	* 48.02	--	--	--	--
Alto Car RA 410 1000cc	* 49.48	--	--	--	--	--
Margalla Car SF 413 1300cc	--	--	--	Phase out	37.74	35.83
Margalla Car SF 413 (PP)	--	--	--	Phase out	34.14	30.52
Baleno Car SY 413 1300cc	* 50.01	* 46.06	* 42.01	--	--	--
Ravi Pickup 800cc	* 63.09	* 59.62	57.76	56.52	55.34	53.51
Bolan Van 800cc	* 55.51	* 54.35	52.53	51.64	50.21	48.46
Potohar Jeep 1000cc	* 40.07	* 40.07	40.07	39.12	38.13	37.56
Number of shares	49,131,252	49,131,252	49,131,252	49,131,252	49,131,252	49,131,252

*As per ISDP

**PATTERN OF SHAREHOLDINGS
AS AT JUNE 30, 2001**

<i>NO. OF SHAREHOLDERS</i>	<i>CATEGORY</i>			<i>NO. OF SHARES</i>
908 From	1	to	100	39,154
1,077 From	101	to	500	314,301
413 From	501	to	1000	328,121
304 From	1001	to	5000	749,489
58 From	5001	to	10000	418,816
15 From	10001	to	15000	183,050
9 From	15001	to	20000	151,708
8 From	20001	to	25000	183,466
5 From	25001	to	30000	142,176
2 From	30001	to	35000	65,500
2 From	35001	to	40000	78,000
1 From	40001	to	45000	42,932
7 From	45001	to	50000	346,500
2 From	55001	to	60000	116,000
1 From	85001	to	90000	89,906
2 From	95001	to	100000	199,500
2 From	110001	to	115000	225,500
1 From	135001	to	140000	137,200
1 From	230001	to	235000	232,480
1 From	355001	to	360000	360,000
1 From	400001	to	405000	403,000
1 From	420001	to	425000	422,500
1 From	495001	to	500000	500,000
1 From	530001	to	535000	531,560
1 From	605001	to	610000	607,500
1 From	1315001	to	1320000	1,317,900
1 From	2460001	to	2465000	2,463,818
1 From	2700001	to	2705000	2,700,837
1 From	35780001	to	35785000	35,780,338

 Total 2,828 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 Bank of Pakistan	1	1	2	89,906	2,700,837	2,790,743	5.68
Individuals	2,344	391	2,735	1,190,390	2,081,812	3,272,202	6.66
Investment Companies	2	4	6	15,348	495,500	510,848	1.04
Insurance Companies	8	2	10	757,848	63,876	821,724	1.67
Joint Stock Companies	7	27	34	65,412	606,521	671,933	1.37
Financial Institutions	2	11	13	503,772	1,843,602	2,347,374	4.78
Banks	1	4	5	10,000	2,495,994	2,505,994	5.10
Modaraba Companies	3	4	7	3,400	127,200	130,600	0.26
Foreign Investors	10	1	11	3,600	40,000	43,600	0.09
Co-Operative Societies	3	--	3	360,023,416	--	23,416	0.05
Charitable Trusts	1	--	1	232,480	--	232,480	0.47
Totals:	2,383	445	2,828	38,675,910	10,455,342	49,131,252	100.00