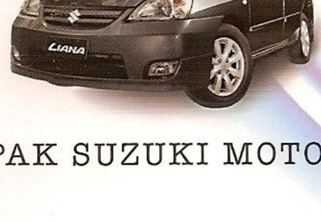
SUZUKI

Way of Life!

annual report 2008



PAK SUZUKI MOTOR COMPANY LIMITED

LIANA 1300 cc and 1600 cc

The Suzuki Liana, available in 1300 cc manual transmission and 1600 cc automatic transmission takes you out of the ordinary and into a realm. Liana is entirely different car, it's style, dimension and comfort will inspire you to see every day as an open door to a new age.

CULTUS 1000 cc

Cultus is a blend of space and craft. Its trim body conceals ample space & flexibility for both passengers and storage. Suzuki Cultus assures everyone, exceptional value and quality.

ALTO 1000 cc

Alto has bright, roomy and comfortable cabin which keeps body relaxed and has a strong and lighter body shell resulting in smooth drive due to reduction of unpleasant noise harshness and vibration. It's small turning radius and compact body make parking a breeze.

MEHRAN 800 cc

Mehran has bright roomy and comfortable cabin which keep body relaxed and has a strong and lighter body shell resulting in smooth drive due to reduction of unpleasent noise harshness and vibration.

Contents

Our Vision

Excellence in all respects.

Our Vision

Our

Mission

Our mission to realize this vision is:

- To provide automobile of international quality at competitive price.
- To improve skills of valued employees by imparting training and inculcating in them a sense of participation.
- To achieve maximum indigenization and promote Pakistan's automobile vending industry.
- To make valuable contribution to social development of Pakistan through development of industry in general and automobile industry in particular.

Highlights of the Accounts
Combined Automobile & Motorcycle

For The Year Ended December 31, 2008

	2008	2007	Increase/(Decrease)	
	(Rupees in Thousand)		Amount	%
Production volume (Nos.)				
- Motorcar	90,421	120,899	(30,478)	(25.2)
- Motorcycle	26,692	30,245	(3,553)	(11.7)
Sales volume (Nos.)				
- Motorcar	93,123	124,233	(31,110)	(25.0)
- Motorcycle	27,023	30,255	(3,232)	(10.7)
Gross Sales	41,114,659	52,830,094	(11,715,435)	(22.2)
Selling Commission & Discount	1,444,929	1,985,462	(540,533)	(27.2)
as a % of gross sales	3.5	3.8		(0.3)
Net Sales	39,669,730	50,844,632	(11,174,902)	(22.0)
Gross profit	590,606	4,760,232	(4,169,626)	(87.6)
as a % of net sales	1.5	9.4	-	(7.9)
Distribution expenses	309,458	427,041	(117,583)	(27.5)
as a % of net sales	0.8	0.8	-	0.0
Administration expenses	504,617	511,055	(6,438)	(1.3)
as a % of net sales	1.3	1.0	-	0.3
Finance Cost	53,470	143,786	(90,316)	(62.8)
as a % of net sales	0.1	0.3	-	(0.2)
WPPF & WWF	73,798	318,098	(244,300)	(76.8)
as a % of net sales	0.2	0.6	-	(0.4)
Other income	1,342,913	921,011	421,902	45.8
as a % of net sales	3.4	1.8	-	1.6
Profit before taxation	992,176	4,281,263	(3,289,087)	(76.8)
as a % of net sales	2.5	8.4	-	(5.9)

	2008	2007	Increase/(Decrease)	
	(Rupees in Thousand)		Amount	%
Profit after taxation	624,785	2,774,532	(2,149,747)	(77.5)
as a % of net sales	1.6	5.5	-	(3.9)
Shareholders' equity	14,152,681	13,977,035	175,646	1.3
Earnings per share (Rs.)	7.59	33.71	(26.12)	(77.5)
Break-up value per share (Rs.)	171.96	169.83	2.13	1.3
Number of shares issued (000)	82,300	82,300	-	-

Highlights of the Accounts Segment Wise

For The Year Ended December 31, 2008

	2 0 0 8		
	Car Division	Motorcycle Division	Total
	(Rupees in thousand)		
Production volume (Nos.)	90,421	26,692	–
Sales volume (Nos.)	93,123	27,023	–
Gross Sales	39,808,720	1,305,939	41,114,659
Selling Commission & Discount	1,431,613	13,316	1,444,929
as a % of gross sales	3.6	1.0	3.5
Net Sales	38,377,107	1,292,623	39,669,730
Gross profit	802,445	(211,839)	590,606
as a % of net sales	2.1	(16.4)	1.5
Distribution expenses	231,717	77,741	309,458
as a % of net sales	0.6	6.0	0.8
Administration expenses	359,220	145,397	504,617
as a % of net sales	0.9	11.2	1.3
Finance Cost	50,522	2,948	53,470
as a % of net sales	0.1	0.2	0.1
WPPF & WWF	73,798		73,798
as a % of net sales	0.2	0.0	0.2
Other income	1,121,120	221,793	1,342,913
as a % of net sales	2.9	17.2	3.4
Profit before taxation	1,208,308	(216,132)	992,176
as a % of net sales	3.1	(16.7)	2.5
Profit after taxation	840,917	(216,132)	624,785
as a % of net sales	2.2	(16.7)	1.6
Earnings per share (Rs.)	10.22	(2.63)	7.59
Number of shares issued (000)	82,300	82,300	82,300

--------------2 0 0 7--------------			----------------Increase/(Decrease)----------------					
Car	Motorcycle		Car Division		Motorcycle Division		Total	
Division	Division	Total	Amount	%	Amount	%	Amount	%
-------------- (Rupees in thousand) ----------------								
120,899	30,245	–	(30,478)	(25.2)	(3,553)	(11.7)	–	–
124,233	30,255	–	(31,110)	(25.0)	(3,232)	(10.7)	–	–
51,414,676	1,415,418	52,830,094	(11,605,956)	(22.6)	(109,479)	(7.7)	(11,715,435)	(22.2)
1,972,238	13,224	1,985,462	(540,625)	(27.4)	92	0.7	(540,533)	(27.2)
3.8	0.9	3.8		(0.2)		0.1		(0.3)
49,442,438	1,402,194	50,844,632	(11,065,331)	(22.4)	(109,571)	(7.8)	(11,174,902)	(22.0)
4,769,283	(9,051)	4760,232	(3,966,838)	(83.2)	(202,788)	(2,240.5)	(4,169,626)	(87.6)
9.6	(0.6)	9.4		(7.5)		(15.8)		(7.9)
347,349	79,692	427,041	(115,632)	(33.3)	(1,951)	(2.4)	(117,583)	(27.5)
0.7	5.7	0.8		(0.1)		0.3		0.0
381,889	129,166	511,055	(22,669)	(5.9)	16,231	12.6	(6,438)	(1.3)
0.8	9.2	1.0		0.1		2.0		0.3
87,928	55,858	143,786	(37,406)	(42.5)	(52,910)	(94.7)	(90,316)	(62.8)
0.2	4.0	0.3		(0.1)		(3.8)		(0.2)
318,098	0	318,098	(244,300)	(76.8)	0		(244,300)	(76.8)
0.6	0.0	0.6		(0.4)		0.0		(0.4)
804,962	116,049	921,011	316,158	39.3	105,744	91.1	421,902	45.8
1.6	8.3	1.8		1.3		8.9		1.6
4,438,981	(157,718)	4,281,263	(3,230,673)	(72.8)	(58,414)	37.0	(3,289,087)	(76.8)
9.0	(11.2)	8.4		(5.9)		(5.5)		(5.9)
2,932,250	(157,718)	2,774,532	(2,091,333)	(71.3)	(58,414)	37.0	(2,149,747)	(77.5)
5.9	(11.2)	5.5		(3.7)		(5.5)		(3.9)
35.63	(1.92)	33.71	(25.41)	(71.3)	(1)	37.0	(26)	(77.5)
82,300	82,300	82,300	–	–	–	–	–	

Company Profile

Cars & Lcvs Plant:

Location : Downstream Industrial Estate of Pakistan Steel Karachi

Total Area : 259,200 m2 (64 acres)

Facilities : Press Shop, Welding Shop, Paint Shop, Plastic Shop, Engine and Transmission Assembly Shop, Final Assembly & Hi-Tech Inspection Shop. The Company has also established a modern Waste Water Treatment Plant as its contribution to the environment.

Cost : Rs. 9.674 billion
Production Capacity : 150,000 units per annum (double shift)

Motorcycles Plant:

Location: Mauripur Link Road Karachi

Total Area: 4 Acres

Cost : Rs. 0.616 billion

Production Capacity : 37,000 units per annum (double shift)

Pak Suzuki Motor Company Limited (PSMC) is 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 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 Company's long term plans inter-alia include tapping of export markets.

The foundation stone laying ceremony of the Company's existing plant located at Bin Qasim was performed in early 1989 by the Prime Minister then in office. By early 1990, on completion of first phase of this plant, in-house assembly of all the Suzuki engines started. In 1992, the plant was completed and production of the Margalla Car commenced. 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 under the Japanese management in September 1992. At the time of privatization, SMC increased its equity from 25% to 40%. Subsequently, SMC progressively increased its equity to 73.09% by purchasing remaining shares from PACO.

The Suzuki Management immediately after privatization started expansion of the existing plant to increase its installed capacity to 50,000 per annum. The expansion was completed in July 1994.

However capacity remained substantially under-utilized until 2002 because of economic recession. Thereafter realizing growth in demand, the Company increased capacity in phases. The first phase was completed in January 2005 when capacity was enhanced to 80,000 vehicles .The second phase was completed in January 2006 and capacity was raised to 120,000. The third phase was completed when on 6th February 2007 Prime Minister of Pakistan Mr. Shaukat Aziz inaugurated 150,000 vehicles capacity expansion facilities.

On 25th April 2007, the Boards of Directors of Pak Suzuki Motor Company Limited (PSMC) and Suzuki Motorcycles Pakistan Limited (SMPL) approved Scheme of Arrangement (The Scheme) to amalgamate SMPL into PSMC with effect from 1st January 2007. The scheme was approved by the shareholders of the respective Companies at the Extra-Ordinary General Meeting held on 30th June 2007. The scheme was sanctioned by the Honourable High Court of Sindh (the court) on 17th September 2007. The certified copy of the Order of the Court sanctioning the scheme was filed with the Registrar Companies Karachi on 1st October 2007, from which date the scheme became operative.

PSMC and Suzuki Motor Corporation (SMC) Japan held 41% and 43% shares in SMPL respectively. Pak Suzuki issued and allotted 1,233,300 ordinary shares of Rs. 10/- each to the qualifying shareholders of SMPL @ one ordinary share in Pak Suzuki for every twenty one shares held by SMPL shareholders as on the date of final book closure i.e. 29th October 2007. The trading of shares of SMPL on Karachi and Lahore Stock Exchanges ceased from the same date.

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.

Company Information

Board of Directors

Hirofumi Nagao
Chairman & Chief Executive

Masaki Sakai
Dy. Managing Director

Akira Utsumi
Senior Director

Abdul Majeed Sheikh
Director

Jamil Ahmed
Director

M.R. Monem
Director

Kenichi Ayukawa
Director

Audit Committee

Akira Utsumi
Chairman

Kenichi Ayukawa
Member

M.R. Monem
Member

Chief Financial Officer

Hidekazu Terada

Company Secretary

Abdul Hamid Bhombal

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Bankers

Bank Alfalah Ltd.
Bank Al Habib Ltd.
Citibank N.A.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropoliton Bank Limited
MCB Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Ltd.
The Royal Bank of Scotland
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hongkong and Shanghai Banking Corp. Ltd.

Legal Advisors

Obaid-ur-Rahman & Co.
Syed Qamaruddin Hassan
Orr Dignam & Company

Registrar

FAMCO Associates (Pvt) Limited
4th Floor, State Life Building
No. 2A, I.I. Chundrigar Road,
Karachi.

Registered Office

DSU-13, Pakistan Steel Industrial Estate, Bin Qasim,
Karachi.
Tel No. (021) 4750788 - 795
Fax No. (021) 4750101 -103
Email: suzuki@www.fascom.com

Area Offices

Lahore Office:
Bungalow No. 2/L, Gulberg-II,
Lahore.
Tel No. (042) 5759008 - 5756002
Fax No. (042) 57541953

Rawalpindi Office:
20, Services Club Building,
Shahrah-e-Quaid-e-Azam,
Rawalpindi.
Tel No. (051) 5567518
Fax No. (051) 5585738

Statement of Ethics and Business Practices

1. Pak Suzuki insists on integrity and honesty of its employees in doing business. Any unfair or corrupt practices to solicit business is fundamentally inconsistent with business codes of Company.

2. Pak Suzuki believes in compliance to regulatory obligations.

3. Pak Suzuki believes in free and fair business practices and open competitive markets. Developing any association with competitors to distort the pricing and supply of products is contradictory to Company's business code of conduct.

4. Pak Suzuki believes in transparency in business transactions and they are to be recorded accurately and fairly in books of accounts in accordance with standard procedures.

5. Pak Suzuki expects its employees to act in Company's best interest while holding confidential information. Company expects its employees neither to solicit internal information from others nor to disclose Company's data or any other material information to any un-authorised person/body.

6. Pak Suzuki believes in individuals respect and growth. Its employment policies do not discriminate on the basis of race, religion, gender or any other factor.

7. Pak Suzuki does not believe in political affiliation.

Six Years at a Glance

	2008	2007	2006	2005	2004	2003
			------------- Rupees in thousand -------------			
OPERATING RESULTS						
Production volume (Nos.)						
- Motorcar	90,421	120,899	114,214	86,421	66,369	49,155
- Motorcycle	26,692	30,245	20,315			
Sales volume (Nos.)						
- Motorcar	93,123	124,233	112,173	86,602	65,120	49,503
- Motorcycle	27,023	30,255	20,201			
Sales revenue	39,669,730	50,844,632	48,203,084	35,374,556	24,461,966	18,484,220
Gross profit	590,606	4,760,232	5,693,710	3,572,956	2,416,663	2,637,354
Profit before taxation	992,176	4,281,263	5,152,044	3,519,541	2,139,816	2,381,603
Profit/(loss) after taxation	624,785	2,774,532	3,353,851	2,236,880	1,403,572	1,570,191
Dividends (cash/bonus shares)	82,300	411,499	270,222*	270,222	49,131*	147,394
Profit retained	542,485	2,363,033	3,083,629	1,966,658	1,403,572	1,422,797
*Includes bonus shares						
CAPITAL EMPLOYED						
Share capital	823,000	823,000	799,433	540,444	491,312	491,312
Reserves	12,694,414	10,332,053	6,973,570	4,947,297	3,580,185	2,155,820
Unappropriated profit	635,267	2,821,982	3,417,673	2,338,403	1,404,221	1,571,043
Shareholders' equity	14,152,681	13,977,035	11,190,676	7,826,144	5,475,718	4,218,175
Deferred liabilities	146,000	99,000	57,939	151,000	0	0
Current Liabilities	2,657,462	7,125,302	12,025,474	10,770,697	7,972,559	5,456,375
	16,956,143	21,201,337	23,274,089	18,747,841	13,448,277	9,674,550
REPRESENTED BY						
Fixed Assets	4,578,436	4,358,151	3,877,969	3,327,486	2,203,452	926,083
Other Non - Current Assets	570,095	627,678	413,450	293,266	211,274	206,927
Net Current Assets	11,807,612	16,215,508	18,982,670	15,127,089	11,033,551	8,541,540
	16,956,143	21,201,337	23,274,089	18,747,841	13,448,277	9,674,550
PROFITABILITY RATIOS						
Gross profit as a % of net sales	1.5	9.4	11.8	10.1	9.9	14.3
Profit before taxation as a % of net sales	2.5	8.4	10.7	9.9	8.7	12.9
Profit after taxation as a % of net sales	1.6	5.5	7.0	6.3	5.7	8.5
Earnings per Share (Rs.)	7.6	33.7	41.4	41.4	28.6	32.0

	2008	2007	2006	2005	2004	2003
			------------- Rupees in thousand -------------			
LIQUIDITY & LEVERAGE RATIOS						
Current ratio	4.44	2.28	1.58	1.40	1.38	1.57
Quick ratio	0.94	0.77	0.68	0.90	0.84	1.05
Liabilities as a % of total assets	17	34	52	58	59	56
Equity as a % of total assets	83	66	48	42	41	44
EFFICIENCY RATIOS						
Inventory turn over ratio	5.1	5.0	4.4	6.4	5.9	7.0
No. of days stock held	72	73	83	57	62	52
No. of days sales in trade debts	2.6	1.3	1.2	1.2	2.1	1.5
Total assets turn over ratio	2.3	2.4	2.1	1.9	1.8	1.9
Net worth turn over ratio	2.8	3.6	4.3	4.5	4.5	4.4
EQUITY RATIOS						
Break up value per share (Rs.)	171.96	169.83	139.98	144.81	111.45	85.86
Cash Dividend as a % of capital	10	50	0.00	50	0.00	30
Stock Dividend as a % of capital	0	0	50	0	10	0.00
Dividend per share	1.00	5.00	5.00	5.00	1.00	3.00
Dividend payout ratio (%)	13	15	8	12	4	9
Plough-back ratio (%)	87	85	92	88	96	91
OTHER DATA						
Permanent employees strength (Nos.)	872	905	824	632	584	569
Number of shares	82,299,851	82,299,851	81,066,567	54,044,378	49,131,252	49,131,252

PRODUCTION VOLUME 2008

Motorcars	90,421
Motorcycles	26,692

SALES VOLUME 2008

Motorcars	93,123
Motorcycles	27,023

Chairman's Review

It is my pleasure to present review on the performance of the Company for the year ended December 31, 2008

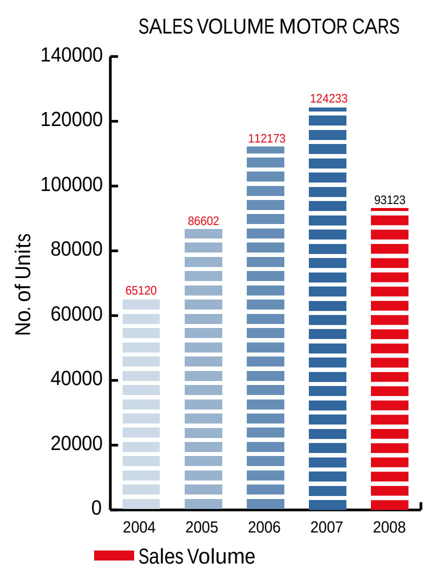
Industry

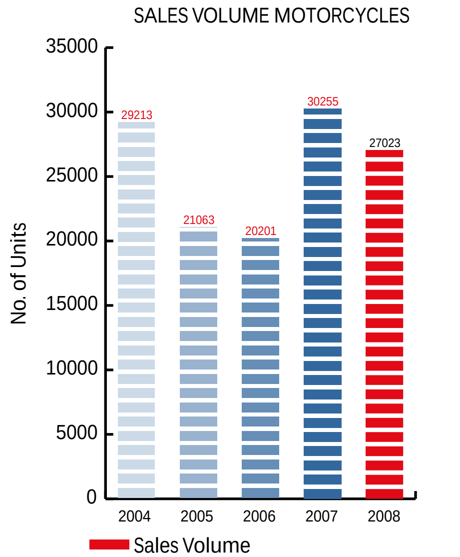
Pakistan's automobile industry has remained a major contributor to GDP. The industry is passing through a critical phase of its history. The domestic industry for cars and light commercial vehicles recorded a phenomenal drop of over 24% in sales volume during the calendar year 2008 compared to last year. The industry sold 152,010 units during the year against 200,795 units the last year. Second half of the year (July-December) was the worst. Sales volume during this period dropped by over 46% compared to first half of the year (January-June). During July–December 53,054 units were sold against 98,956 units sold in the immediate preceding half year (January-June). Demand declined due to a combination of factors like cost-push-inflation resulting mainly from adverse exchange rate, rising interest rates, restricted financing by banks and leasing companies and economic recession.

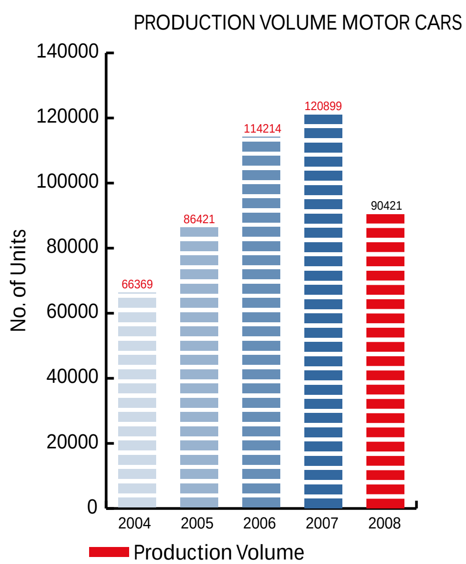
The market size for motorcycles has improved by 7% over last year. During the year 580,604 units were sold against 540,385 units last year. However demand for second half year was 29% lower than first half year. During July–December 2008 units sold were 240,178 against 340,426 units sold during January–June 2008.

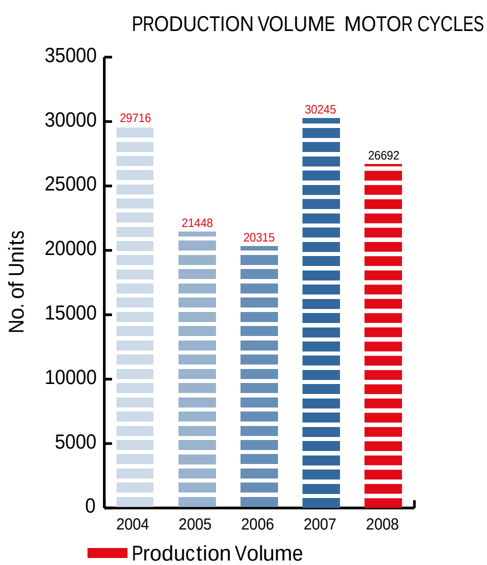
Demand declined due to a combination of factors like cost-push-inflation resulting mainly from adverse exchange rate, rising interest rates, restricted financing by banks and leasing companies and economic recession.

In Pakistan motorization level is seven vehicles per thousand persons. This level is far below than the world norms of around 100 vehicles per thousand persons.









Operating Results

The Company earned after–tax profit Rs. 624.788 million against 2,774.532million last year. The Company could not perform well because of a number of reasons explained hereunder. Sales volume of cars and LCVs dropped by 25% from 124,233 units sold last year to 93,123 units sold during the year. Looking at demand, Company had to curtail its production to 90,421 units against 120,899 units produced last year. Thus forty percent of production capacity remained unutilized.
The demand for Suzuki Motorcycles declined by 10% because of retail prices increases pushed by costs of materials and exchange rate. During the year Company sold 27,023 units against 30,255 units last year.

Sales revenues decreased by 22% (Rs.11.174 bllion) due to lower volume. Gross profit decreased from Rs. 4.760 billion to Rs. 590.606 million. Gross profit margin declined from 9.4% to 1.5% due to unprecedented depreciation of Pak Rupee versus foreign currencies, higher prices of steel and lower production volume. Though Company increased selling prices but could not pass on full impact of cost.

In order to avoid losses Company took all possible measures to curtail controllable expenses. Distribution expenses decreased by Rs.117.583 million from Rs. 427.041 million to Rs. 309.458 million. The saving was recorded in advertising and sales promotion. Administration expenses also marginally decreased from Rs. 511.055 million to Rs. 504.617 million.

Financial charges decreased from Rs. 143.786 million to Rs. 53.470 million. Preceeding year included Rs. 73.431 million for compensation paid to customers for deliveries beyond 60 days. This expense was saved during the period as deliveries were made timely. Other income increased from Rs. 921.011million to Rs. 1,342.913 million. The other income is higher because it included reversals of prior years' provisions for custom duty and sales tax aggregating Rs. 438.206 million. Contributions for Workers' Profit Participation Fund, Workers' Welfare Fund and expense for income tax have decreased consequential to decrease in profit.

Marketing & Exports

Suzuki products remain popular. Despite sluggish market demand for automobile Pak Suzuki could


AS
AREA LEADER
SUZUKI

retain its 61% market share. Imported used cars do not really pose any threat to Suzuki products. Availability of spare parts at economic prices and reliable after sales service are the strength of Suzuki products.

During the year exports of Suzuki Liana Cars to Bangladesh started with a first consignment of twenty units worth Rs. 14 million. The exports of Suzuki Ravi Pickup to Bangladesh and exports of sheet metal parts of Suzuki Cultus to Europe, are going well. During the year three hundred and twelve units of Suzuki Ravi Pickup and parts worth Rs. 86 million and Rs. 28 million respectively were exported.

Localization

The Company continues to pursue localization in order to reduce the cost of product and keep the prices competitive

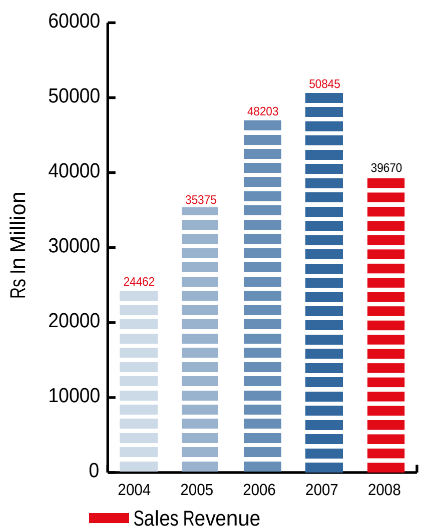
Human Resource

Management and employee relations continued to remain cordial and industrial peace prevailed during the year. Human resource development remains one of the key objectives of the Company.

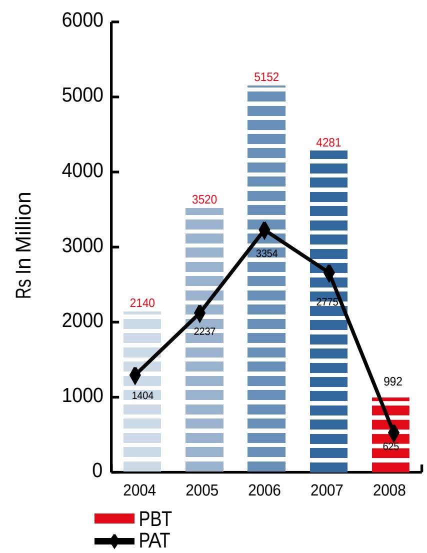
The exports of Suzuki Ravi Pickup to Bangladesh and exports of sheet metal parts of Suzuki Cultus to Europe, are going well.

During the year three hundred and twelve units of Suzuki Ravi Pickup and parts worth Rs.86 million and Rs. 28 million respectively were exported.

SALES REVENUE



PROFIT BEFORE TAX AND AFTER TAX



During the year exports of Suzuki Liana Cars to Bangladesh started with a first consignment of twenty units worth Rs.14 million.

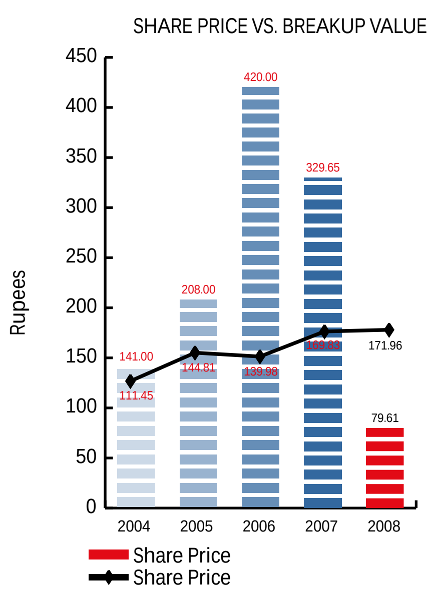
Economic Contribution

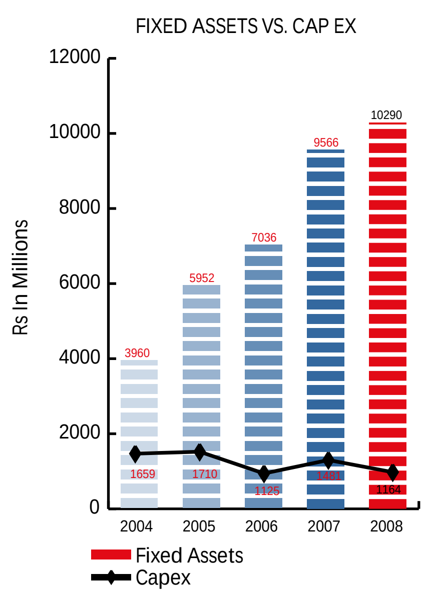
The Company has a distinctive position in the automobile industry as a leading contributor to the public exchequer. The duties and taxes paid and the foreign exchange saved by the Company in its last six years of operations are as follows:

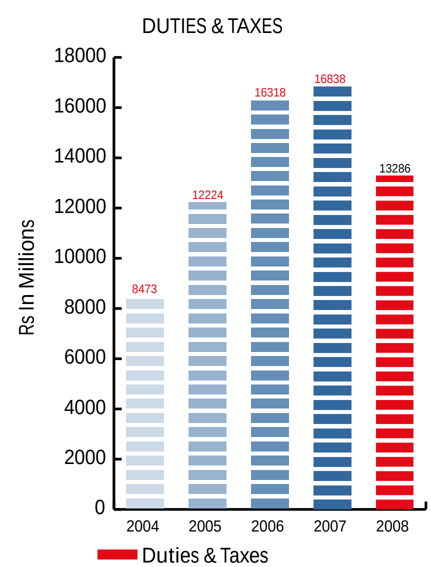
Year	Duties & taxes	Foreign exchange *savings
	(Rupees in billion)	
Jan-Dec 2003	6.286	7.698
Jan-Dec 2004	8.473	13.162
Jan-Dec 2005	12.224	14.983
Jan-Dec 2006	16.318	20.262
Jan-Dec 2007	16.838	23.770
Jan-Dec 2008	13.286	23.537

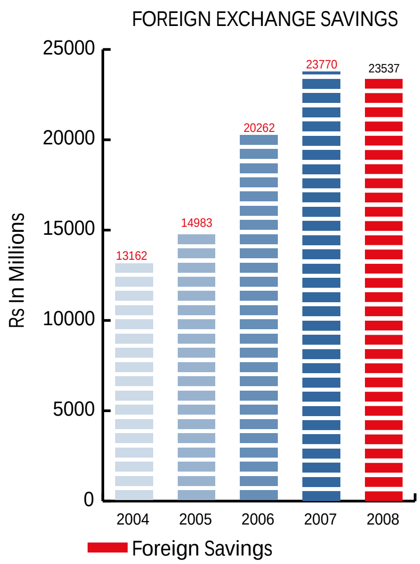
Duties and taxes paid by Company during the year represent 1.06% of total tax estimate forecast in the Federal Budget for the fiscal year 2008-2009.

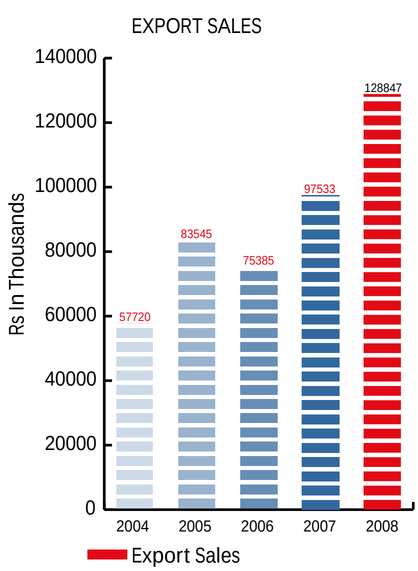
*Converted into Pak Rupees at year end exchange rate.











Future Outlook & Conclusion

The management is optimistic that economic indicators are improving. However it feels that difficult business environments are likely to continue for some time and the profitability will remain under pressure. The management will make all efforts to ensure a reasonable return on equity and retain its market share.

Automobile industry has been a major contributor to GDP. It has enormous potential for growth. In Pakistan motorization level is seven vehicles per thousand persons. This level is far below than the world norms of around 100 vehicles per thousand persons. In the recent past the automobile assemblers and vendors had made substantial investments for capacity expansions and had generated employment opportunities. They are looking towards Government for some bail-out package in order to protect their investment. The with-drawl of 5% Federal Excise duty, 1% additional sales tax and downward revision in slabs of with-holding tax at vehicles registration will help recover declining demand of automobiles and government revenues will increase.

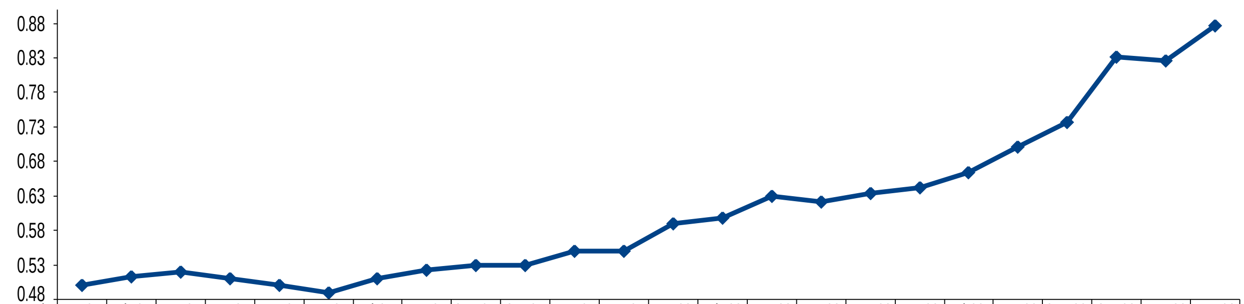
In conclusion, I on behalf of the Board and shareholders would like to express my appreciation to the management, executives, workers, dealers, vendors and Suzuki experts for their efforts and contribution to the affairs of the Company. My sincere gratitude also goes out to all the Government agencies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

HIROFUMI NAGAO
Chairman & Chief Executive

Karachi
March 4, 2009

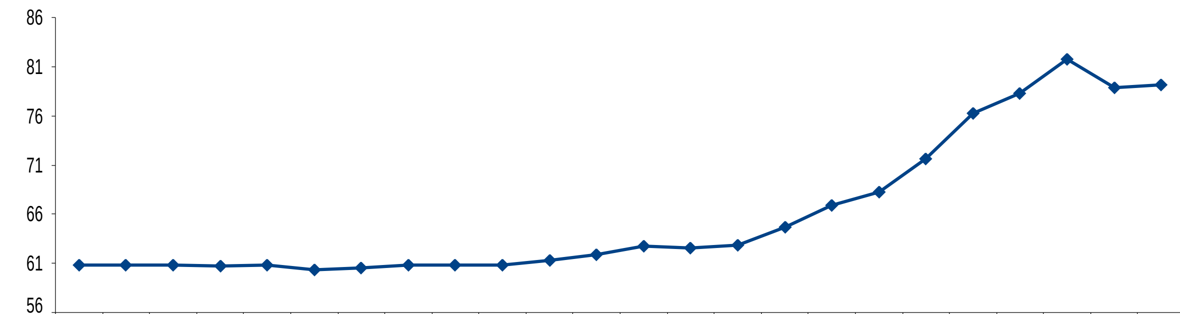

Actual 82
Vari.
50
49
VFA

Yen / Re. Parity



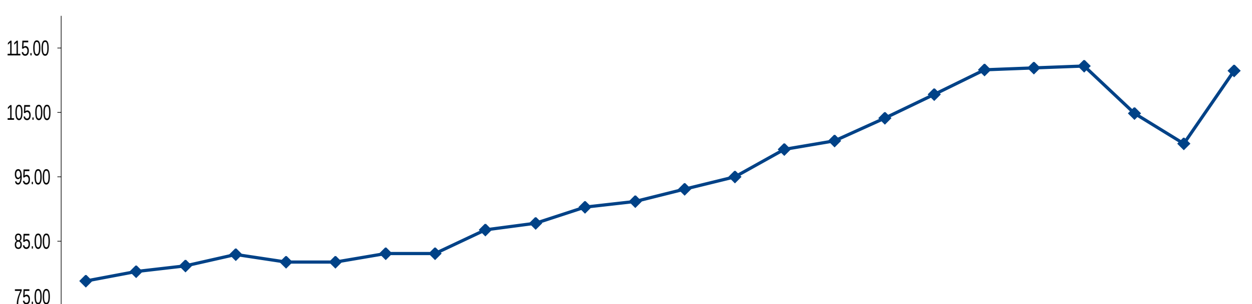
Month	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Re./Yen Parity	0.5	0.51	0.52	0.51	0.5	0.49	0.51	0.52	0.53	0.53	0.55	0.55	0.58	0.59	0.62	0.62	0.63	0.64	0.66	0.70	0.73	0.83	0.82	0.87

US$/Rs Parity



Month	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Rs/USD Parity	60.8	60.8	60.8	60.7	60.8	60.3	60.5	60.8	60.7	60.7	61.2	61.8	62.7	62.5	62.8	64.6	66.9	68.2	71.6	76.2	78.2	81.7	78.8	79.1

Euro/Rs Parity



Month	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Rs/Euro Parity	78.8	80.3	81.2	82.9	81.7	81.7	83.0	83.1	86.7	87.8	90.3	91.2	93.0	94.9	99.2	100.6	104.1	107.7	111.6	111.9	112.2	104.7	100.1	111.4

Milestones

1982 Joint Venture Agreement was signed between Suzuki Motor Corporation-Japan and Pakistan Automobile Corporation to set up Pak Suzuki Motor Co. Ltd. Locally assembled Suzuki SS-80 (FX) car launched.

1983 Pak Suzuki as a public Limited Company incorporated. Industrial Collaboration Agreement executed with SMC - Japan.

1984 The Company started commercial operations.

1985 Mr. Osamu Suzuki, Chairman and CEO of Suzuki Motor Corporation was awarded "Sitara-e-Pakistan" by Government of Pakistan.

1988 1000 cc passenger car SWIFT SA-310, later on called KHYBER introduced through local manufacturing.

1989 Foundation stone of the new plant at Bin Qasim was laid by the then Prime Minister of Pakistan, Mohtarma Benazir Bhutto.

1990 Operation of the first phase of the new plant at Bin Qasim started with engine and transmission assembly.

1992 New plant commissioned with the production of three box Sedan passenger car initially SF-410 later on SF-413, known as MARGALLA. The company was privatized with SMC acquiring additional 15% shares from PACO thus enhancing its shareholding to 40% and taking over the management.

1993 The paid-up capital was doubled with issuance of 100% right shares which increased the capital to Rs. 250 million.

1994 Shifting of Head Office and production of all models to new plant completed.

1995 The paid-up capital was increased again with the issuance of 100% right shares, raising the capital to Rs. 490 million.

1996 Taking initiative to control environmental pollution, the Company set-up waste water treatment plant at a cost of Rs. 40 million. The Joint Venture Agreement ended, PACO divested its entire share holding to SMC, raising SMC's equity to 72.8%.

1997 The 100,000th vehicle rolled out from the Bin Qasim Plant. 1300 cc passenger car SY-413 known as BALENO was introduced replacing MARGALLA

1999 Exports of RAVI pickups to Bangladesh commenced.

2000 1000 cc passenger car SF-310 CULTUS replacing KHYBER was introduced. 1000 cc passenger car RA-410 ALTO was introduced.

2001 Reborn MEHRAN was introduced. CNG version of MEHRAN, BOLAN and RAVI were launched.

2002 New BALENO was introduced. CNG version of BALENO, ALTO and CULTUS launched. The milestone of 250,000th vehicle from the new plant crossed.

2003 The Company received ISO 9001 : 2000 certification from AIB-VINCOTTE International Limited Brussels, Belgium, 20th Anniversary Celebrations. Commencement of Component export to Hungary, Sub-leasing of land to Vendors for setting up Vendor Industry of Pak Suzuki adjacent to its assembly plant.

2004 New Plastic Injection Moulding Shop commenced production of Bumpers, Instrument Pannels, Radiator Grills and Wheel Caps.

2005 Inauguration of first phase of capacity expansion (80,000 vehicles) by the Federal Minister for Production, Industries and Special Initiatives. Achieved milestone of 100,000 online factory fitted CNG Vehicles. The Company received ISO 14001 : 2004 and OHSAS 18001 : 1999 certification from AIB-VINCOTTE International Limited Brussels, Belgium.

2006 Second phase of capacity expansion (120,000 vehicles) completed. Production of locally manufactured LIANA Car. Production of 100,000 vehicles crossed in a calendar year.

2007 Suzuki Motorcycles Pakistan Ltd. merged with Pak Suzuki Motor Company.

Directors' Report

1. The Directors of the Company take pleasure in submitting their report together with audited financial statements and Auditors' Report thereon, for the year ended December 31, 2008

2. **Accounts**

		(Rs in 000)
Profit before taxation		992,176
Taxation		367,391
Profit after taxation		624,785
Retained earnings of prior years		10,483
Net Profit available for appropriation		635,268
Less: Appropriations		
	Transfer to general reserves	550,000
	Proposed cash dividend @ 10%	82,300
		632,300
Retained earnings carried forward		2,968

Directors' Report

3. **Earnings Per Share**
The earnings per share for the year is Rs 7.59.

4. **Holding Company**
Suzuki Motor Corporation, incorporated in Japan, is the holding company of Pak Suzuki Motor Company Limited.

5. **Chairman's Review**
The Chairman's review on page 15-22 to deals with the year's activities and the directors of the Company endorse contents of the same.

6. **Pattern of Shareholding**
The pattern of shareholdings is given on page 80.

Net Profit available for appropriation
635,268

Earnings Per Share
7.59

7. Corporate Governance

We are pleased to report that your Company is fully compliant to the provisions of the Code of Corporate Governance as incorporated in the Listing Rules of the Stock Exchanges.

The following are Statements on Corporate and Financial Reporting Frame Work:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and is continuously reviewed by internal audit and other monitoring procedures. The process of review will continue as on going process with the objective to further improvement in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The key operation and financial data of the Company for six years are included in this report.
- Outstanding taxes and levies have been explained in note 21 to the annexed audited financial statements.
- The following are the values of investments in respect of retirement benefits fund:

	Dec 08	Dec 07
Provident Fund	327.947 million	314.174 million
Gratuity Fund	216.158 million	210.641 million

- The spouse of Mr. M.R. Monem (director) sold 840,000 shares during the year.
- Mr. Hirofumi Nagao – Chief Executive purchased 119 shares from former Chief Executive Mr. Kenichi Ayukawa.
- During the year five (5) meetings of the Board of Directors were held. Attendance of each Director is as follows:

	No of meetings attended
Mr. Hirofumi Nagao/Kenichi Ayukawa	5
Mr. Masaki Sakai	4
Mr. Akira Utsumi/Takashi Ishikawa	5
Mr. Jamil Ahmed/Shinzo Nakanishi	4
Mr. Kenichi Ayukawa/Kinji Saito	4
Mr. Abduil Majeed Sheikh	5
Mr. M.R. Monem	4

Leave of absence was granted to directors who could not attend Board meetings. Attendance includes meeting attended by alternate directors.

8. Board Change

Mr. Hirofumi Nagao was appointed as Director, Chief Executive and Chairman of Board w.e.f. 20th June 2008 in place of Mr. Kenichi Ayukawa who had resigned. Besides Mr. Abdul Majeed Sheikh, Mr. Jamil Ahmed, Mr. Akira Utsumi and Mr. Kencihi Ayukawa were appointed as directors in place of Mr. Sagheer Ahmed, Mr. Shinzo Nakanishi, Mr. Takashi Ishikawa and Mr. Kinji Saito respectively.

9. Auditors

The present Auditors M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee has recommended for their re-appointment.

BY ORDER OF THE BOARD

HIROFUMI NAGAO
Chairman & Chief Executive

Karachi
March 4, 2009

[redacted]

[redacted]

[redacted]

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF THE CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pak Suzuki Motor Company Limited to comply with the listing Regulations of the Karachi Stock Exchange (Guarantee) Limited and the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended December 31, 2008.

Ford Rhodes Sidat Hyder & Co.

Karachi: March 04 2009

CHARTERED ACCOUNTANTS

[redacted]

[redacted]

[redacted]

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAK SUZUKI MOTOR COMPANY LIMITED (the Company) as at December 31, 2008 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 misstatements. 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, investment 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 December 31, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

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

CHARTERED ACCOUNTANTS

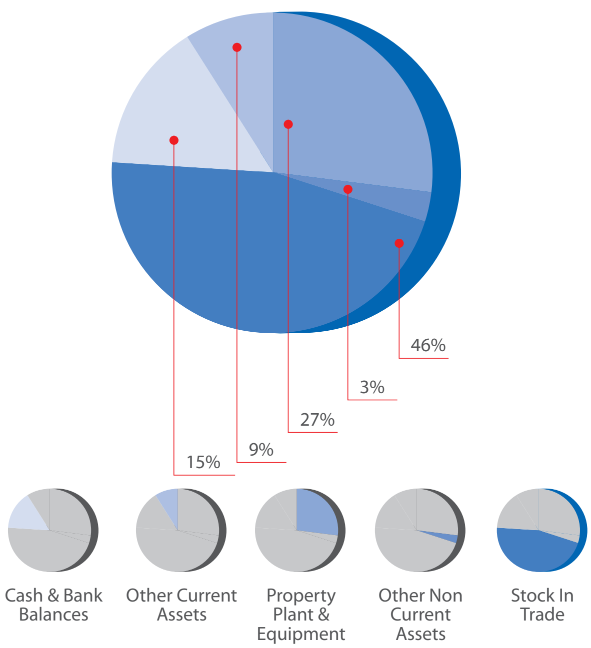
Karachi: March 4 2009

[redacted]

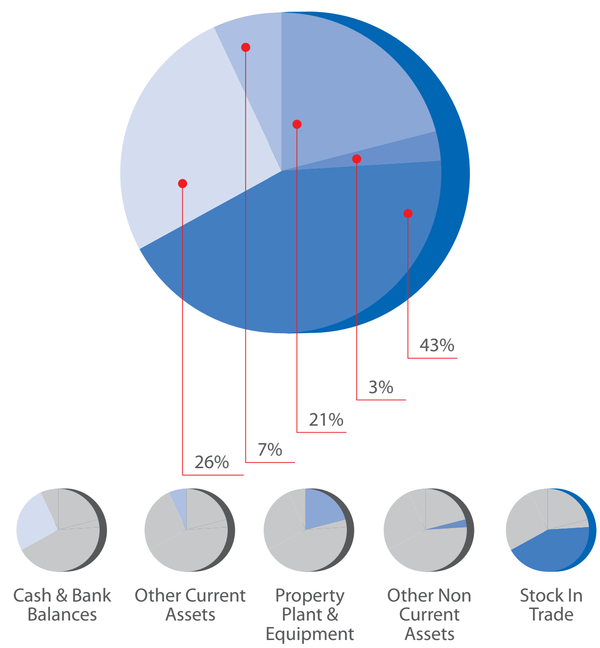
Balance Sheet Composition

as at December 31, 2008

Assets 2008

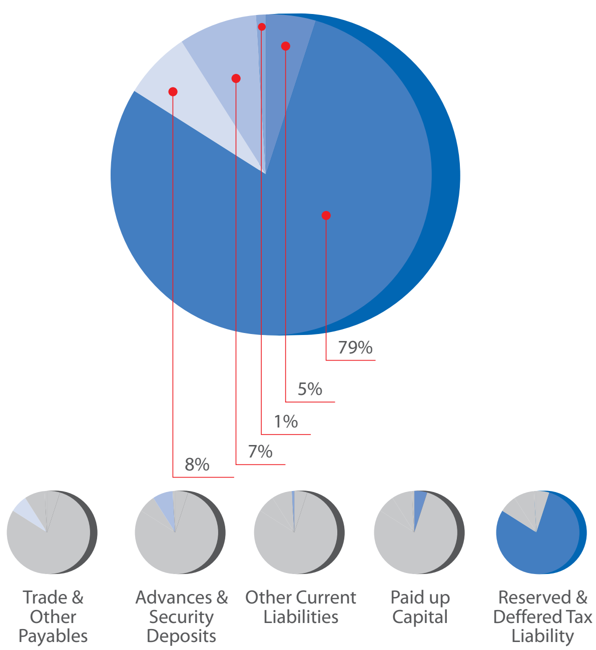


Assets 2007

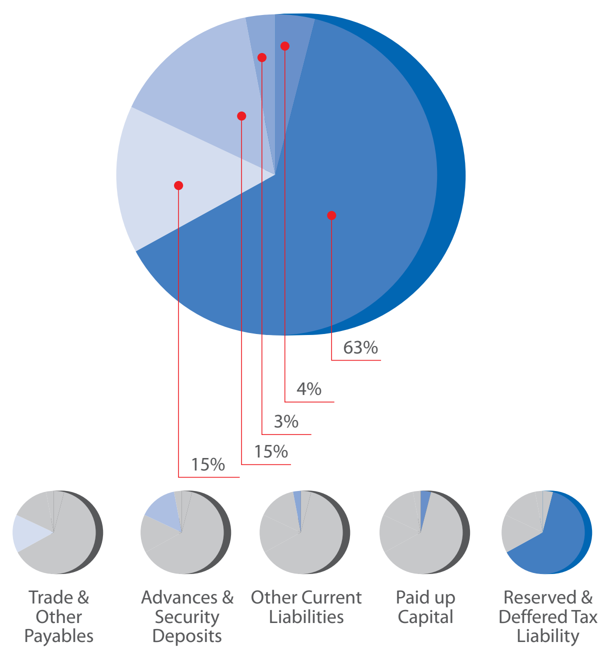


Balance Sheet

Equities 2008



Equities 2007



Balance Sheet

as at December 31, 2008

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	3	4,578,436	4,358,151
Intangible assets	4	383,808	386,779
		4,962,244	4,744,930
Long-term investments	5	4,449	5,323
Long-term loans	6	11,078	18,015
Long-term deposits and prepayments	7	24,683	26,341
Long-term installment sales receivables	8	146,077	191,220
CURRENT ASSETS			
Stores, spares and loose tools	9	94,468	74,554
Stock-in-trade	10	7,732,518	9,182,019
Current portion of long-term installment sales receivables	8	340,951	356,238
Trade debts	11	286,697	185,739
Loans and advances	12	128,080	154,567
Trade deposits and short-term prepayments	13	51,480	23,569
Interest accrued		29,432	49,210
Other receivables	14	98,667	39,386
Short-term investment		-	137,978
Sales tax and excise duty adjustable		111,754	503,134
Tax refunds due from Government - net		434,423	25,062
Cash and bank balances	15	2,499,142	5,484,052
		11,807,612	16,215,508
TOTAL ASSETS		16,956,143	21,201,337
SHARE CAPITAL AND RESERVES			
Authorised share capital			
150,000,000 (2007: 150,000,000) ordinary shares of Rs.10/- each		1,500,000	1,500,000
Issued, subscribed and paid-up share capital	16	823,000	823,000
Reserves		13,329,681	13,154,035
		14,152,681	13,977,035
NON-CURRENT LIABILITY			
Deferred tax liability	17	146,000	99,000
CURRENT LIABILITIES			
Trade and other payables	18	1,315,584	3,173,554
Deposits against display of vehicles		742,718	799,006
Security deposits	19	84,278	75,978
Advances from customers	20	371,596	2,409,418
Provision for custom duties, sales tax and others	21	143,286	667,346
		2,657,462	7,125,302
COMMITMENTS	22	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		16,956,143	21,201,337

The annexed notes from 1 to 41 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Masaki Sakai
Deputy Managing Director

Balance Sheet

Profit and Loss Account

For the year ended December 31, 2008

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Turnover - net	24	39,669,730	50,844,632
Cost of sales	25	39,079,124	46,084,400
Gross profit		590,606	4,760,232
Distribution costs	26	309,458	427,041
Administrative expenses	27	504,617	511,055
		(223,469)	3,822,136
Finance costs	28	53,470	143,786
Other operating income	29	1,342,913	921,011
		1,065,974	4,599,361
Workers' profit participation fund	18.1	53,298	229,968
Workers' welfare fund	30	20,500	88,130
		73,798	318,098
Profit before taxation		992,176	4,281,263
Taxation	31	367,391	1,506,731
Profit after taxation		624,785	2,774,532
		-----(Amount in Rupees)-----	
Earnings per share - Basic and diluted	32	7.59	33.71

The annexed notes from 1 to 41 form an integral part of these financial statements.

Profit and Loss

Hirofumi Nagao
Chairman & Chief Executive

Masaki Sakai
Deputy Managing Director

Cash Flow Statement

For the year ended December 31, 2008

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	(1,439,744)	168,476
Finance costs paid		(35,602)	(163,155)
Taxes paid		(729,752)	(1,677,472)
Long-term loans		6,937	(5,890)
Long-term deposits and prepayments		1,658	(1,103)
Long-term installment sales receivables		45,143	(48,529)
Net cash used in operating activities		(2,151,360)	(1,727,673)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,199,999)	(1,576,842)
Acquisition of intangible asset		(73,297)	(265,293)
Sale proceeds on disposal of investments		143,923	-
Sale proceeds on disposal of fixed assets		14,384	8,497
Mark-up on cash deposits with banks		691,571	831,076
Net cash used in investing activities		(423,418)	(1,002,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(410,132)	(50)
Net decrease in cash and cash equivalents		(2,984,910)	(2,730,285)
Cash and cash equivalents at beginning of the year		5,484,052	8,214,337
Cash and cash equivalents at end of the year	15	2,499,142	5,484,052

The annexed notes from 1 to 41 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Masaki Sakai
Deputy Managing Director

Statement of Changes in Equity

For the year ended December 31, 2008

	Share capital	Capital reserves: Share premium	Capital reserves: Merger reserve	Revenue reserves: General	Revenue reserves: Unrealised gain / (loss) on available for sale investments	Accumulated profit	Total reserves	Shareholders' equity
	----------	----------	----------	----------	(Rupees in '000')	----------	----------	
Balance as at January 01, 2007	799,433	584,002	13,938	6,349,818	25,812	3,417,673	10,391,243	11,190,676
*Cancellation of SMPL balance shares	(258,989)	-	258,989	-	-	-	258,989	-
*Issuance of PSMC shares to SMPL shareholders	12,333	-	(12,333)	-	-	-	(12,333)	-
Bonus shares issued @ 50%	270,223	-	-	-	-	(270,223)	(270,223)	-
Transferred to General Reserve	-	-	-	3,100,000	-	(3,100,000)	-	-
Net profit for the year	-	-	-	-	-	2,774,532	2,774,532	2,774,532
Unrealised gain on available for sale investment	-	-	-	-	11,827	-	11,827	11,827
Balance as at December 31, 2007	823,000	584,002	260,594	9,449,818	37,639	2,821,982	13,154,035	13,977,035
Balance as at January 01, 2008	823,000	584,002	260,594	9,449,818	37,639	2,821,982	13,154,035	13,977,035
Cash Dividend @ 50%	-	-	-	-	-	(411,500)	(411,500)	(411,500)
Transferred to General Reserve	-	-	-	2,400,000	-	(2,400,000)	-	-
Net profit for the year	-	-	-	-	-	624,785	624,785	624,785
Unrealised gain on available for sale investment	-	-	-	-	(37,639)	-	(37,639)	(37,639)
Balance as at December 31, 2008	823,000	584,002	260,594	11,849,818	-	635,267	13,329,681	14,152,681

*Represent effects of scheme of arrangement for amalgamation.

The annexed notes from 1 to 41 form an integral part of these financial statements.

Hirofumi Nagao
Chairman & Chief Executive

Masaki Sakai
Deputy Managing Director

1. COMPANY'S BACKGROUND, OPERATIONS AND LEGAL STATUS

Pak Suzuki Motor Company Limited (the Company / PSMC) 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 shareholder 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. The registered office of the Company is situated at DSU – 13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

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 73.09%.

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.

As on January 01, 2007 Suzuki Motorcycles Pakistan Limited (SMPL) was amalgamated into the Company. SMPL was incorporated in Pakistan as a public limited company on June 17, 1962 and its shares were quoted on the Karachi and Lahore Stock Exchanges. SMPL was principally engaged in the manufacturing, assembling and sale of Suzuki motorcycles and related spare parts, which business has been transferred to the Company.

As on the date of amalgamation, the Company and SMC Japan held 41% and 43% shares in SMPL respectively. As per the scheme of arrangement for amalgamation, the Company issued one ordinary share of Rs. 10/- each for every twenty one SMPL's ordinary shares of Rs. 10/- each held by each SMPL qualifying shareholder. The Company issued 1,233,284 ordinary shares to SMC Japan and minority shareholders under the scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value.

2.3 Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements;

- Useful life and residual values of fixed assets (note 2.4)
- Employees benefit schemes (note 2.14)
- Taxation (note 2.15)
- Provision for custom duty, sales tax and others (note 2.9 and 21)

2.4 Fixed assets

Property, plant and equipment

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

Capital work-in-progress is stated at cost less impairment, if any, and represents expenditures incurred and advances made in respect of specific assets during the construction / erection period. These are transferred to specific assets as and when assets are available for use.

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

Depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceeding the deletion.

Useful life is determined by the management based on expected usage of assets, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of assets and other similar factors.

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.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Cost in relation to intangible asset is amortised using straight line method spread over a period not exceeding three years.

2.5 Investments

Available for sale:

Investments, which are not classified as (a) held-to-maturity investments or (b) financial assets at fair value through profit or loss or (c) loan and advances, are classified as available for sale.

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, investments which are classified as available for sale are remeasured at fair value. Unrealised gains and losses, on available for sale investments, are recognised in equity until the investment is sold, collected or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Fair value is determined by reference to quoted market price. Investments for which a quoted market price is not available or the fair value can not be reasonably calculated, are measured at cost, subject to review for impairment at each balance sheet date.

2.6 Stores, spares and loose tools

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

2.7 Stock-in-trade

Stocks, except for those in transit, are valued at the lower of cost and net realizable value. Cost is calculated on a weighted average or specific consignment basis, depending upon their categories. Stocks-in-transit are stated at invoice value plus other charges accrued thereon to the balance sheet date. The Company assumes title to stocks-in-transit after shipments.

Vehicles on wheels are taken as work-in-process until they are approved by the quality control department. After such approval the vehicles are classified as finished goods. The engines assembled are included in raw material. The cost of engines assembled , work-in-process and finished goods consists of landed cost of imported materials, average local material cost, factory overhead and direct labour.

Net realisable value is determined by considering the prevailing selling prices of products in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale. The net realisable values are determined on the basis of each line of product. Provision is made annually in the financial statements for slow moving and obsolete items.

2.8 Trade debts and installment sales receivable

Trade debts are recognised and carried at original value of invoice amount less provision for doubtful debts, Installment sales receivables are recognised at original invoice amount and are subsequently reduced by the principal portion of installments received. When the recovery of the amount is considered uncertain by the management, a provision is made for the same. Known bad debts are written-off as incurred. A general provision at the rate 3.5% of the balance of installment receivables is maintained to cater for any bad debts.

2.9 Provisions

Provisions are recognised in the balance sheet where the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.10 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated and impairment losses are recognised in the profit and loss account currently.

2.11 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is taken to income currently.

2.12 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously, if any.

2.13 Derivative financial instruments

In relation to fair value hedges, which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the profit and loss account. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss account.

2.14 Employees 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, except that employee of Motorcycle Division (Formally Suzuki Motorcycles Pakistan Limited) are not entitled for gratuity benefits. Equal monthly contributions are made to the provident fund by the Company and the employees in accordance with the provident fund's rules. 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 the minimum recommended approach under IAS – 19 "Employee Benefits".

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.

2.15 Taxation

Current

Provision for current taxation in the financial statements is based on taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any, and under final tax regime of the Income Tax Ordinance, 2001 on commercial imports.

Deferred

Deferred tax is recognised using the liability method, on major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences to the extent that the temporary differences will reverse in the future and taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part for the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of assets or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.16 Foreign currency translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated at the rates ruling on the balance sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in income along with any related hedge effects.

2.17 Revenue recognition

Revenue is recognised when goods are sold and services are 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 with the respective parties. Indenting and agency commission is recognised when the shipments are made by the principal.

Return on bank deposits is accounted for on accrual basis.

Dividend income is recognised when the Company's right to receive such dividend is established.

2.18 Transactions with related parties

The Company enters into transactions with related parties for sale / purchase of goods and these are priced on arm's length basis using Transactional Net Margin Method. Royalty and fee for technical services are accounted for at the rates mentioned in the respective agreements, duly registered with the State Bank of Pakistan.

2.19 Warranty obligations

The Company accounts for its warranty obligations on accrual basis.

2.20 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks net off book overdrafts and short-term running finances.

2.21 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved, and dividend distribution to shareholders of the Company is accounted for as a liability when the dividend is declared.

2.22 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred.

2.23 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.24 Accounting standards not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	01 January 2009
IAS 23 - Borrowing Costs (Revised)	01 January 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	01 January 2009
IFRS 3 - Business Combinations (Revised)	01 July 2009
IFRS 4 - Insurance Contracts	01 January 2009
IFRS 7 - Financial Instruments: Disclosures	01 July 2008
IFRS 8 - Operating segments	01 January 2009
IFRIC 13 - Customer Loyalty Programs	01 July 2008
IFRIC 15 - Agreements for the Construction of Real Estate	01 January 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	01 October 2008
IFRIC 17 - Distributions of Non-cash Assets to owners	01 July 2009
IFRIC 18 - Transfers of Assets from Customers	01 July 2009
IFAS 2 - Ijarah	01 January 2009

The Company expects that the above standards and interpretations are either not relevant or will have no material impact on the Company's financial statements in the period of initial application other than as stated below:

IAS 1 “Presentation of Financial Statements”

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owners changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income. It presents all items of recognised income and expense, either in one single statement, or in two linked statements.

IFRS 7 "Financial Instruments: Disclosures"

This standard prescribes presentation and disclosure requirements in respect of financial instruments including qualitative and quantitative information about exposure to risks arising from financial instruments such as credit risk, liquidity risk and market risk.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after 1 January 2009. The management is in the process of evaluating the impact of such amendments and improvements on the Company's financial statements for the ensuing periods.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
3. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	3,987,322	4,207,347
Capital work-in-progress	3.7	591,114	150,804
		4,578,436	4,358,151

3.1 Operating fixed assets

	Note	Cost as at January 01, 2008	Additions / (deletions)	Cost as at December 31, 2008	Accumulated depreciation as at January 01, 2008	Charge for the year / (depreciation on deletions)	Accumulated depreciation* as at December 31, 2008	Book value as at December 31, 2008	Years / Rate %
		(Rupees in `000')							
Leasehold land		643,807	2,919	646,726	23,567	10,754	34,321	612,405	60 & 62.75
Freehold Land		-	373,223	373,223	-	-	-	373,223	-
Leasehold Improvements		39,637	-	39,637	31,494	2,232	33,726	5,911	Lease term
Buildings on leasehold land	3.4								
- Factory		1,078,995	44,974	1,123,969	552,631	63,720	616,351*	507,618	10 & 20
- Office		2,063	-	2,063	2,063	-	2,063	-	20
- Test Tracks and other buildings		13,503	-	13,503	10,558	589	11,147	2,356	20
Plant and machinery	3.4 & 3.5	4,800,618	189,128 (304)	4,989,442	2,861,757	523,323 (295)	3,384,785*	1,604,657	25 & 35
Welding guns		220,126	7,933	228,059	102,069	42,746	144,815*	83,244	35
Waste water treatment plant		120,222	13,954	134,176	56,035	18,647	74,682	59,494	25
Permanent and special tools		321,416	33,404	354,820	199,473	49,113	248,586*	106,234	10, 35 & 40
Dies	3.6	1,272,924	27,640	1,300,564	907,872	133,702	1,041,574*	258,990	35 & 40
Jigs and fixtures		420,385	376	420,761	330,890	31,641	362,531*	58,230	35 & 40
Electrical installations	3.4 & 3.5	135,971	10,479	146,450	58,707	16,683	75,390	71,060	20
Furniture and fittings		16,124	508	16,632	7,156	1,823	8,979	7,653	20
Vehicles		293,732	38,918 (33,188)	299,462	104,663	42,042 (20,336)	126,369	173,093	20
Air conditioners and refrigerators		16,955	802 (306)	17,451	11,318	1,186 (224)	12,280	5,171	20
Office equipments		63,871	7,250 (68)	71,053	28,278	7,776 (14)	36,040	35,013	20
Computers		106,078	8,181 (2,168)	112,091	70,549	19,887 (1,315)	89,121*	22,970	50
2 0 0 8		9,566,427	759,689 (36,034)	10,290,082	5,359,080	965,864 (22,184)	6,302,760	3,987,322	

Financial Statements

	Note	Cost as at January 01, 2007	Additions / (deletions)	Cost as at December 31, 2007	Accumulated depreciation as at January 01, 2007	Charge for the year / (depreciation on deletions)	Accumulated depreciation* as at December 31, 2007	Book value as at December 31, 2007	Years / Rate %
		----- (Rupees in `000') -----							
Leasehold land		44,493	599,314	643,807	12,838	10,729	23,567	620,240	60 & 62.75
Leasehold Improvements		39,637	-	39,637	28,167	3,327	31,494	8,143	Lease term
Buildings on leasehold land	3.4								
- Factory		968,035	110,960	1,078,995	488,273	64,358	552,631*	526,364	10 & 20
- Office		2,063	-	2,063	2,063	-	2,063	-	20
- Test Tracks and other buildings		13,503	-	13,503	9,822	736	10,558	2,945	20
Plant and machinery	3.4 & 3.5	4,076,211	792,311 (67,904)	4,800,618	2,303,583	620,766 (62,592)	2,861,757*	1,938,861	25 & 35
Welding guns		122,624	97,910 (408)	220,126	72,375	30,078 (384)	102,069*	118,057	35
Waste water treatment plant		44,928	75,294	120,222	43,205	12,830	56,035	64,187	25
Permanent and special tools		238,518	85,634 (2,736)	321,416	159,404	42,742 (2,673)	199,473*	121,943	10, 35 & 40
Dies	3.6	1,109,261	165,349 (1,686)	1,272,924	748,876	160,669 (1,673)	907,872*	365,052	35 & 40
Jigs and fixtures		418,674	6,992 (5,281)	420,385	289,080	47,001 (5,191)	330,890*	89,495	35 & 40
Electrical installations	3.4 & 3.5	94,003	41,968	135,971	41,940	16,767	58,707	77,264	20
Furniture and fittings		21,222	765 (5,863)	16,124	10,443	2,266 (5,553)	7,156	8,968	20
Vehicles		211,931	98,404 (16,603)	293,732	79,030	36,158 (10,525)	104,663	189,069	20
Air conditioners and refrigerators		16,279	833 (157)	16,955	10,115	1,328 (125)	11,318	5,637	20
Office equipments		51,531	13,727 (1,387)	63,871	21,888	7,511 (1,121)	28,278	35,593	20
Computers		77,074	32,776 (3,772)	106,078	47,115	27,112 (3,678)	70,549*	35,529	50
2007		7,549,987	2,122,237 (105,797)	9,566,427	4,368,217	1,084,378 (93,515)	5,359,080	4,207,347	

*Includes accumulated impairment loss amounting to Rs. 43.363 million (2007: Rs. 43.363 million)

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
3.2 Depreciation charge for the year has been allocated as under:			
Cost of goods manufactured	25.1	890,295	1,006,377
Administrative expenses	27	75,569	78,001
		965,864	1,084,378

3.3 Particulars of operating fixed assets having written down value (WDV) exceeding Rs. 50,000 disposed of during the year are as follows:

	Cost	Accumulated depreciation	WDV	Sales proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
			---------------- Rupees in '000' --------				
Plant and machinery							
Stationary Spot Welder	304	295	9	37	28	Scrapped	
Vehicles							
Suzuki Vehicles (53 Vehicles)	31,627	19,819	11,808	12,116	308	Company Policy	Company Employees
Suzuki Mehran (4 Vehicles)	1,561	517	1,044	1,320	276	Insurance Claim	EFU Insurance, Karachi
AC and refrigerator							
1.5 Ton Spilt A/C	57	21	36	36	-	Company Policy	Company Employees
Computers							
Toshiba Note Book Tecra M-5	105	39	66	81	15	Insurance Claim	EFU Insurance, Karachi
Toshiba Note Book Tecra M-3	118	89	29	29	-	Company Policy	Company Employees
Note Book	80	60	20	20	-	Company Policy	Company Employees
APC Symmetra PX UPS	1,609	897	712	563	(149)	Insurance Claim	EFU Insurance, Karachi
Sony Vaio VGN S260	130	119	11	70	59	Insurance Claim	EFU Insurance, Karachi
Aggregate value of items where WDV is less than Rs. 50,000	443	328	115	112	(3)		
2008	36,034	22,184	13,850	14,384	534		
2007	105,797	93,515	12,282	8,497	(3,785)		

3.4 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 tenures 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 leases 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. No formal hearing has been conducted to-date.

3.5 The immovable assets lying at West Wharf have been impaired by the action of KPT as explained in note 3.4 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.

3.6 Certain dies of book value Rs. 1.055 million (2007: Rs. 1.622 million) were lying with vendor for production of components to be supplied to the Company.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
3.7 Capital work-in-progress			
Advance for capital expenditure		21,438	26,642
Plant and machinery		569,676	124,162
		591,114	150,804
4. INTANGIBLE ASSETS			
Drawings			
Cost at beginning of the year		552,651	334,253
Additions during the year		70,933	218,398
Written-off during the year		(4,838)	-
Cost at end of the year		618,746	552,651
Less:			
Accumulated amortisation at beginning of the year		238,050	126,551
Amortisation for the year	25.1	76,267	111,499
Accumulated amortisation on assets written-off		(4,838)	-
Accumulated amortisation at end of the year		309,479	238,050
Book value		309,267	314,601
Software			
Cost at beginning of the year		72,178	25,283
Addition during the year		2,363	46,895
Book value		74,541	72,178
Total Book Value		383,808	386,779
Amortisation period		3 years	3 years

4.1 During the year, no amortisation has been charged on intangible assets amounting to Rs. 286.809 million (2007: Rs. 89.123 million) as the assets have not yet been put to use.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
5. LONG-TERM INVESTMENTS			
Others - available for sale			
Unquoted			
Arabian Sea Country Club Limited			
500,000 (2007: 500,000) fully paid ordinary shares of Rs. 10/- each		5,000	5,000
Equity held 6.45% (2007: 6.45%)			
Value based on net assets as at June 30, 2008 Rs. 3.926 million (2007: Rs. 4.679 million)			
Less: Provision for impairment in the value of investment		1,074	321
		3,926	4,679
Automotive Testing & Training Centre (Pvt.) Limited (AT & TC)			
125,000 (2007: 125,000) fully paid ordinary shares of Rs. 10/- each		1,250	1,250
Equity held 6.94% (2007: 6.94%)			
Value based on net assets as at June 30, 2008 Rs. 0.523 million (2007: Rs. 0.644 million)			
Less: Provision for impairment in the value of investment		727	606
		523	644
		4,449	5,323
6. LONG-TERM LOANS - considered good			
Loans to employees		19,353	28,105
Loans to executives	6.2, 6.3	1,909	1,887
	6.1,6.4 - 6.6	21,262	29,992
Less: Receivable within one year	12	10,184	11,977
		11,078	18,015

6.1 These represent house building, motorcycle and personal loans granted to executives and employees. These are granted in accordance with the terms of their employment and are secured against their balances of the provident fund.

	2008 (Rupees in '000)	2007 (Rupees in '000)
6.2 Movement of loans to executives		
Opening balance	1,887	2,471
Disbursement during the year	976	-
Repayment during the year	(954)	(584)
	1,909	1,887

6.3 The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.909 million (2007: Rs. 1.887 million).

6.4 Rs. 20.666 million (2007: Rs. 27.50 million) given to employees, against personal guarantees of any two employees of the Company or against balance of provident fund. These loans are repayable in ten to forty eight equal monthly installments free of any finance cost.

6.5 Rs. 0.561 million (2007: Rs. 2.372 million) given to employees, against personal guarantees of any two employees of the Company markup is charged at the rate of 15% after the recovery of first ten installments.

6.6 Rs. 0.035 million (2007: Rs. 0.119 million) given to employees for purchase of motorcycle. As security, the Company retains the title and registers the document in its name. Markup is charged at the rate ranging from 9% to 10%.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
7. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits		20,398	20,504
Prepayments		4,285	5,837
		24,683	26,341
8. LONG-TERM INSTALLMENT SALES RECEIVABLES – secured			
Installment sales receivables	8.4 & 8.5	613,269	671,164
Less: Provision for doubtful receivables	8.3	(28,533)	(19,856)
		584,736	651,308
Less: Unearned finance income		(97,708)	(103,850)
		487,028	547,458
Less: Current Maturity		(340,951)	(356,238)
		146,077	191,220

8.1

	Note	Gross amount of installment sales receivables 2008 (Rupees in '000)	2007 (Rupees in '000)	Present value of installment sales receivables 2008 (Rupees in '000)	2007 (Rupees in '000)
Less than one year	8.2	421,992	439,021	340,951	356,238
One to five year		191,277	232,143	174,610	211,076
Less: Provision for doubtful receivables		(28,533)	(19,856)	(28,533)	(19,856)
		162,744	212,287	146,077	191,220
		584,736	651,308	487,028	547,458

8.2 Includes an overdue portion of installment sales receivables of Rs. 15.751 million (December 31, 2007: Rs.13.665 million).

8.3 The movement in provision against doubtful debts during the year is as follows:

	2008 (Rupees in '000)	2007 (Rupees in '000)
Balance at beginning of the year	19,856	15,186
Provision made during the year	8,677	4,670
	28,533	19,856

8.4 Represents balances receivable under various installment sale agreements in equal monthly installments. As a security, the Company retains the title and registers the documents of such motorcycles in its name. Such documents are transferred in the name of customers after the entire dues are realised. Overdue rentals are subject to additional surcharge.

8.5 Mark-up on installment sales receivables ranges from 20% to 38.5% (2007: 20% to 38.5%) per annum.

9. STORES, SPARES AND LOOSE TOOLS

	2008 (Rupees in '000)	2007 (Rupees in '000)
Stores	30,550	25,688
Spares	67,461	45,966
Loose tools	21,716	27,992
	119,727	99,646
Less:		
Provision for slow moving and obsolete items		
- at beginning of the year	25,092	24,478
- for the year	167	614
	25,259	25,092
	94,468	74,554

	2008 (Rupees in '000)	2007 (Rupees in '000)
10. STOCK-IN-TRADE		
Raw material and components [including items in transit Rs. 888.487 million (2007: Rs. 2,049.861 million)]	5,725,291	6,592,411
Less:		
Provision for slow moving and obsolete items		
- at beginning of the year	46,011	36,606
- for the year	25,002	9,405
- reversal for the year	(24,311)	-
	46,702	46,011
	5,678,589	6,546,400
Work-in-process	31,012	88,091
Finished goods	1,673,510	2,309,295
Trading stocks [Including items in transit Rs. 62.184 million (2007: Rs.36.014 million)]	402,231	264,724
Less:		
Provision for slow moving and obsolete items		
- at beginning of the year	26,491	8,655
- for the year	26,333	17,836
	52,824	26,491
	349,407	238,233
	7,732,518	9,182,019

10.1 Of the aggregate amount, stocks worth Rs. 1,149 million (2007: Rs. 1,662 million) were in the custody of dealers and vendors.

10.2 Raw material and components, work-in-process, finished goods and trading stocks have been written down by Rs. 34.067 million, Rs. Nil, Rs. 8.711 million and Rs. 12.338 million (2007: Rs. 73.427 million, Rs. 1.728 million, Rs. 24.690 million and Rs. 1.242 million) to arrive at the net realizable value of Rs. 816.831 million, Rs. 1.503 million, Rs. 147.261 million and Rs. 110.538 million (2007: Rs. 798.530 million, Rs. 46.660 million, Rs. 541.845 million and Rs. 1.889 million) respectively. The write downs have been recognised as an expense.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
11. TRADE DEBTS - unsecured			
Considered good			
- Due from Government Agencies		17,770	44,618
- Others		268,927	141,121
		286,697	185,739
Considered doubtful		2,706	4,538
Less: Provision for doubtful debts		(2,706)	(4,538)
		-	-
		286,697	185,739
11.1 The movement in provision against doubtful debts during the year is as follows:			
Balance at beginning of the year		4,538	4,218
(Reversal) / provision made during the year		(1,832)	320
		2,706	4,538
12. LOANS AND ADVANCES - considered good			
Current portion of loans to employees		9,234	11,277
Current portion of loans to executives		950	700
	6	10,184	11,977
Advances to:			
- Suppliers / vendors	12.1	109,847	138,728
- Gratuity fund	12.2.1	8,012	3,819
- Employees		37	43
		128,080	154,567

12.1 Includes advances to vendors of Rs. 33.221 million (2007: Rs. 28.239 million), which carry mark-up ranging from 13% - 15% per annum (2007: 10% - 15%) per annum.

12.2 Employees gratuity fund

The latest actuarial valuation was carried out as at December 31, 2008 using the Projected Unit Credit Method, according to which present value of gratuity obligation and fair value of gratuity assets were Rs. 137.380 million and Rs. 216.158 million respectively.

		2008 (Rupees in '000)	2007 (Rupees in '000)
12.2.1	**Amount recognised in the balance sheet**		
	Present value of defined benefit obligation	(137,380)	(144,140)
	Fair value of plan assets	216,158	212,792
	Un-recognised actuarial gains	(70,766)	(64,833)
		8,012	3,819
12.2.2	**Expense recognised in the profit and loss account**		
	Current service cost	7,000	9,875
	Interest cost	14,414	12,896
	Expected return on plan assets	(21,279)	(18,171)
	Actuarial gain	(4,355)	(2,769)
		(4,220)	1,831
12.2.3	**Movement asset recognised in the balance sheet**		
	Opening balance - asset	3,819	6,896
	Income / (expense) recognised in the financial statements	4,220	(1,831)
	Contribution made by the Company during the year	19,473	8,754
	Payment made to the Company from the fund	(19,500)	(10,000)
		8,012	3,819
12.2.4	**Movement in present value of defined benefit obligation**		
	Opening balance - Present value of defined benefit obligation	144,140	128,957
	Current service cost for the year	7,000	9,876
	Interest cost for the year	14,414	12,896
	Benefit paid during the year	(16,795)	(8,754)
	Benefit due but not settled	-	(2,678)
	Actuarial loss on present value of defined benefit obligation	(11,379)	3,843
		137,380	144,140
12.2.5	**Movement in fair value of plan assets**		
	Opening balance - Fair value of plan assets	212,792	181,715
	Expected return on plan assets	21,279	18,171
	Contribution during the year	19,473	8,754
	Benefit paid during the year	(16,795)	(8,754)
	Benefit due but not settled	-	(2,678)
	Payment made to the Company from the fund during the year	(19,500)	(10,000)
	Actuarial loss on plan assets	(1,091)	25,584
		216,158	212,792
12.2.6	**Principal actuarial assumption used are as follows**		
	Valuation discount rate	15%per annum	10%per annum
	Expected rate of eligible salaries increase in future years	15%per annum	10%per annum
	Expected rate of return on plan assets	10%per annum	10%per annum

	2008 (Rupees in '000)	2007 (Rupees in '000)
12.2.7 Actual return on plan assets		
Expected return on plan assets	21,279	18,171
Actuarial gain on plan assets	(1,091)	25,583
Actual return on plan assets	20,188	43,754

12.2.8 Comparison for past years

As at December 31	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	137,380	144,140	128,957	106,417	100,972
Fair value of plan assets	216,158	212,792	181,715	151,593	128,458
Surplus	(78,778)	(68,652)	(52,758)	(45,176)	(27,486)
Experience adjustment on plan liabilities	(11,379)	3,843	8,984	(3,824)	(2,636)
Experience adjustment on plan assets	(1,091)	25,583	15,109	10,187	16,741
	(12,470)	29,426	24,093	6,363	14,105

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
12.2.9 Major categories / composition of plan assets are as follows:			
Defence Saving Certificate (Include accrued interest less Zakat)		73,056	59,062
Mutual Funds (Income based)		39,089	150,355
Term Deposit		104,000	-
Cash at bank		13	6,053
Less: Payable		-	(2,678)
		216,158	212,792
13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		4,715	4,297
Prepayments		46,765	19,272
		51,480	23,569
14. OTHER RECEIVABLES - considered good			
Due from Suzuki Motor Corporation, Japan holding company	14.1	43,559	16,609
Due from vendors for material / components returned		25,066	10,392
Others		30,042	12,385
		98,667	39,386

14.1 The maximum aggregate amount due from the holding company at the end of any month during the year was Rs. 43.559 million (2007: Rs. 17.869 million).

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
15. CASH AND BANK BALANCES			
Cash in hand		7,092	6,267
Cash at bank:			
On deposit	15.1 - 15.2	2,344,532	5,369,987
In a special deposit account	15.2 - 15.3	84,278	75,978
In current accounts	15.1	63,240	31,820
		2,492,050	5,477,785
		2,499,142	5,484,052

15.1 The above balances are net of book overdraft amounting to Rs. 27.135 million (2007: Rs. 115.911 million).

15.2 The mark-up on funds placed on deposit accounts ranges from 8.75% to 17% (2007: 8.1% to 11%) per annum.

15.3 A special account is maintained in respect of security deposits (note 19) in accordance with the requirements of Section 226 of the Companies Ordinance, 1984.

16. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Fully paid ordinary shares of Rs. 10/- each

2008 (Number of Shares)	2007 (Number of Shares)		2008 (Rupees in '000)	2007 (Rupees in '000)
		Issued for cash		
		Opening balance		
45,517,401	44,284,117	PSMC	455,174	442,841
-	25,898,958	Former SMPL	-	258,989
45,517,401	70,183,075		455,174	701,830
-	(25,898,958)	Cancellation of Shares - Former SMPL	-	(258,989)
45,517,401	44,284,117		455,174	442,841
-	1,233,284	Shares issued under the scheme of arrangement for amalgamation	-	12,333
		Issued for consideration other than cash		
2,800,000	2,800,000	PSMC	28,000	28,000
		Issued as bonus shares		
33,982,450	6,960,261	Opening Balance - PSMC	339,826	69,603
-	27,022,189	Issued during the year - PSMC	-	270,223
33,982,450	33,982,450		339,826	339,826
82,299,851	82,299,851		823,000	823,000

16.1 Suzuki Motor Corporation, Japan (holding company) held 60,154,091 Ordinary shares of Rs. 10/- each (2007: 60,154,091 Ordinary shares) in the Company.

16.2 Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may regulate the amount of dividends paid to shareholders, issue new shares and other measures commensurating to the circumstances. The Company is currently financing its operation through equity and working capital. The Company has no gearing risk in current year.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
17. DEFERRED TAX LIABILITY			
Deferred taxation comprise of:			
Difference between accounting and tax depreciation		228,000	356,000
Provision for custom duty and sales tax		(48,000)	(228,000)
Provision for compensated absences		(10,000)	(9,000)
Provision for warranty claims		(12,000)	(11,000)
Provision for doubtful debts		(11,000)	(8,000)
Others		(1,000)	(1,000)
		146,000	99,000
18. TRADE AND OTHER PAYABLES			
Creditors		189,356	626,115
Bills payable		115,402	656,408
Accrued liabilities:			
Accrued expenses		280,403	526,833
Royalties and technical fee payable to SMC Japan - holding company		259,834	338,104
Mark-up on waiting for delivery of vehicles		85,501	105,694
Dealers' commission		304,887	542,391
Workers' profit participation fund	18.1	5,298	229,955
Workers' welfare fund		20,500	88,000
		956,423	1,830,977
Retention money		12,157	18,199
Unclaimed dividend		4,475	3,107
Others		37,771	38,748
		54,403	60,054
		1,315,584	3,173,554

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
18.1 Workers' profit participation fund			
Balance at beginning of the year		229,955	276,631
Mark-up on funds utilised in the Company's business	28	2,599	-
		232,554	276,631
Allocation for the year		53,298	229,968
		285,852	506,599
Less: Paid during the year		280,554	276,644
Balance at end of the year		5,298	229,955

19. SECURITY DEPOSIT

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Dealership deposits		71,853	69,353
Deposits against contractual obligation		12,425	6,625
		84,278	75,978

19.1 The above deposits are not liable to finance cost.

20. ADVANCES FROM CUSTOMERS

Mark-up is payable for delayed period if the delivery is made after sixty days from the date of booking. The rate of mark-up varies from month to month subject to weighted average rate of last three months treasury bills.

21. PROVISION FOR CUSTOM DUTIES, SALES TAX AND OTHERS

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Provision for custom duties and sales tax	21.1 - 21.3	138,475	607,377
Provision for sales tax		-	59,969
Provision for loss on pending orders	25	4,811	-
		143,286	667,346

21.1 Includes Rs. 52.153 million (2007: Rs. 52.153 million) being provision against demand raised by the Custom Authorities on account of alleged short payment of custom duties. The Company's appeal against the order passed in above case is pending at the High Court of Sindh. In view of the inherent delays that are associated and the element of uncertainty inherent in legal matters, provision has been continued as a matter of prudence.

21.2 Includes Rs. 86.323 million (2007: Rs. 86.323 million) for custom duty and sales tax against royalty. Revenue Receipts Auditors – Government of Pakistan conducted an audit in the year 2001 and alleged that the Company short paid Rs.120 million on account of custom duties and sales tax against royalty during the period from July 1997 to February 1999. According to clause 2(d) of Section 25 of the Custom Act 1969, payment in the nature of royalty without which goods cannot be legitimately imported and sold or used in Pakistan are to be included in value for import purpose. Subsequent to audit observation the Company paid Rs. 33.677 million after reconciliation with the Collector of Customs. Despite reconciliation, Deputy Collector – Customs has adjudicated to pay balance amount of Rs. 86.323 million. Though the Company disputes calculation of the amount, provision has been continued, as a matter of prudence in view of the inherent uncertainties in such matters.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
21.3 The movement in provision for custom duties, and sales tax is as under:			
Balance brought forward		667,346	667,595
Provision made during the year			
- Sales tax		-	28,046
Payment made during the year - Custom duty		(76,784)	-
- Federal excise duty		-	(14,937)
Reversal of provision during the year	21.3.1		
- Custom duty		(378,237)	-
- Federal excise duty		-	(13,358)
- Sales tax on imported components		(13,881)	-
- Sales tax against transportation charges		(59,969)	-
		138,475	667,346

21.3.1 During the year an appeal in respect of demand for custom duty was finally decided by the Supreme Court in favour of the Company. Therefore the provision for Rs. 164.087 million has been reversed.

During the year the management had formed a Committee which reviewed the status of provisions made by the Company in prior years on account of custom duties and sales tax. The review indicated that the provisions aggregating to Rs. 288 million would not turn out to be present obligation and were not likely to require an outflow of resources. Therefore the provisions aggregating 288 million have been reversed.

22. COMMITMENTS

22.1 Capital expenditure contracted for but not incurred amounted to Rs. 95.324 million (2007: Rs. 259.219 million).

22.2 The facilities for opening letters of credit as at December 31, 2008 amounted to Rs. 4,300 million (2007: Rs. 2,885 million) of which the amount remaining unutilised at the year end was Rs. 2,551 million (2007: Rs. 2,192 million).

22.3 Counter guarantees issued by the Company against guarantees issued by various commercial banks on behalf of the Company amounted to Rs. 117.760 million (2007: Rs. 245.806 million).

23. FINANCING FACILITIES

Habib Bank Limited

The facility for running finance / bank guarantee available to Company Rs. 1,000 million (2007: Rs. 271 million). The facility is secured by registered joint pari passu hypothecation charge over stocks and book debts. The mark-up rate is base rate plus 150 basis points (2007: Base rate plus 200 basis points). Base rate is one month Karachi Inter Bank Offer Rate (KIBOR). Base rate is to be reset on monthly basis as prevailing on last working day of every month. The facility is for one year and is renewable on agreed terms. The facility availed at the balance sheet date was Rs. Nil (2007: Rs.Nil).

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

The facility for running finance available to Company Rs. 300 mi llion (2007: Rs. 385 million). The facility is secured by registered joint pari passu hypothecation charge over stocks and book debts. The mark-up rate is base rate plus 100 basis points (2007: base rate plus 226 basis points). Base rate is six months average Karachi Inter Bank Offer Rate (KIBOR). The facility is for one year and is renewable on agreed terms. The facility availed at the balance sheet date was Rs. Nil (2007: Rs.Nil).

Bank Al Habib Limited

The facility for running finance / bank guarantee available to Company Rs. 1,000 million (2007: Rs. Nil million). The facility is secured by registered joint pari passu hypothecation charge over stocks and book debts. The mark-up rate is base rate plus 100 basis points (2007: Nil). Base rate is one month Karachi Inter Bank Offer Rate (KIBOR). Base rate is to be reset on monthly basis as prevailing on last working day of every month. The facility is for one year and is renewable on agreed terms. The facility availed at the balance sheet date was Rs. Nil (2007: Rs.Nil).

		Note	2008 (Rupees in '000)	2007 (Rupees in '000)
24.	TURNOVER			
	Manufactured goods	24.1	37,998,717	48,960,986
	Trading stocks	24.2	1,671,013	1,883,646
			39,669,730	50,844,632
24.1	Manufactured goods			
	- Vehicles		46,032,922	58,295,265
	- Spare parts		247,612	216,445
		24.3	46,280,534	58,511,710
	Less: Sales tax and excise duties		6,847,258	7,625,281
	Commission paid to selling agents		1,434,559	1,925,443
			8,281,817	9,550,724
			37,998,717	48,960,986

		Note	2008 (Rupees in '000)	2007 (Rupees in '000)
24.2	Trading stocks			
	- Vehicles		1,207,333	1,483,504
	- Spare parts		752,816	752,615
		24.3	1,960,149	2,236,119
	Less: Sales tax and excise duties		278,766	292,454
	Commission paid to selling agents		10,370	60,019
			289,136	352,473
			1,671,013	1,883,646

24.3 These include export sales of Rs. 128.847 million (2007: Rs. 97.533 million).

25. COST OF SALES

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Manufactured goods:			
Finished goods at beginning of the year		2,309,295	3,200,131
Cost of goods manufactured	25.1	36,730,782	43,507,341
Export expenses		24,146	18,887
		39,064,223	46,726,359
Less: Finished goods at end of the year		1,673,510	2,309,295
		37,390,713	44,417,064
Trading stocks:			
Stocks at beginning of the year		238,233	698,896
Purchases during the year		1,794,774	1,206,673
		2,033,007	1,905,569
Less: Stocks at end of the year		349,407	238,233
		1,683,600	1,667,336
Provision for loss on pending orders	21	4,811	-
		39,079,124	46,084,400

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
25.1 Cost of goods manufactured:			
Raw materials and components at beginning of the year		6,546,400	5,586,760
Purchases during the year	25.1.1	32,894,113	41,194,295
		39,440,513	46,781,055
Less: Raw materials and components at end of the year		5,678,589	6,546,400
Raw materials and components consumed		33,761,924	40,234,655
Stores and spares consumed		170,669	164,494
Provision for slow moving and obsolete stocks	9	167	614
Power		152,176	154,029
Vehicle running expenses		15,044	11,277
Salaries, wages and other benefits	25.1.2	273,588	291,136
Outsourced job contractor charges		158,283	292,490
Rent, rates and taxes		5,999	5,074
Travelling and training		51,763	55,981
Insurance		8,455	14,694
Repairs and maintenance		231,698	255,280
Royalty charges		464,911	480,952
Technical fee		247,752	211,200
Depreciation	3.2	890,295	1,006,377
Amortisation of intangible assets	4	76,267	111,499
Compensation to vendor		13,201	-
Conveyance and transportation		98,030	110,476
Communication		6,841	6,863
Hired security guards services		5,016	4,927
Local development		26,190	45,327
Printing and stationery		10,216	7,482
Others		5,218	2,454
		2,911,779	3,232,626
		36,673,703	43,467,281
Add: Work-in-process at beginning of the year		88,091	128,151
		36,761,794	43,595,432
Less: Work-in-process at end of the year		31,012	88,091
		36,730,782	43,507,341

25.1.1 Purchases are stated net of proceeds from the sale of packing materials Rs. 263.688 million (2007: Rs. 242.743 million).

25.1.2 Includes Rs. (2.662) million (2007: Rs. 1.170 million) in respect of defined benefit gratuity fund and Rs. 7.067 million (2007: Rs. 5.714 million) in respect of defined contributory provident fund.

		Note	2008 (Rupees in '000)	2007 (Rupees in '000)
26.	DISTRIBUTION COSTS			
	Advertising and sales promotion		170,595	290,354
	Free service		56,759	76,530
	Warranty claims		48,558	26,959
	Transportation and handling charges		18,656	22,009
	Royalty and spare parts		14,890	11,189
			309,458	427,041
27.	ADMINISTRATIVE EXPENSES			
	Salaries, wages and other benefits	27.1	180,785	164,379
	Outsourced job contractor charges		31,785	35,422
	Travelling and training		38,511	31,285
	Hired security guards services		8,814	7,894
	Rent, rates and taxes		30,954	26,345
	Utilities		9,891	10,823
	Vehicle running expense		36,230	28,943
	Insurance		7,664	10,888
	Repairs and maintenance		12,339	12,681
	Depreciation	3.2	75,569	78,001
	Auditors' remuneration	27.2	1,349	1,981
	Legal and professional charges		7,888	13,558
	Conveyance and transportation		12,662	14,863
	Entertainment		3,831	4,117
	Printing and stationery		11,033	11,878
	Communication		11,304	12,661
	Directors' fees		22	12
	Donations	27.3	621	1,456
	Provision for doubtful debts	8.3 &11.1	6,845	4,990
	Provision for sales tax		-	28,046
	Provision / (reversal) for impairment in the value of investment		1,213	(4,912)
	Bad debts written-off		2,387	-
	Security deposit written-off		1,086	-
	Celebration of special event		-	7,562
	Others		11,834	8,182
			504,617	511,055

27.1 Includes Rs. (1.558) million (2007: Rs. 0.660 million) in respect of defined benefit gratuity fund and Rs. 3.813 million (2007: Rs. 3.177 million) in respect of defined contributory provident fund.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
27.2 Auditors' remuneration			
Audit fee		700	650
Code of corporate governance review		50	50
Half-yearly review		300	385
Fee for special certifications and advisory services		285	771
Out of pocket expenses		14	125
		1,349	1,981

27.3 No directors and their spouse had any interest in any donee to which donations are made.

28. FINANCE COSTS

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Mark-up on bank overdraft		280	-
Interest on short-term loan from related parties		-	30,837
Fee for forward exchange contract		-	21,820
Mark-up on waiting for delivery of vehicles		-	73,431
Mark-up on workers' profit participation fund	18.1	2,599	-
Exchange loss - net		38,062	-
Bank charges		12,529	17,698
		53,470	143,786

29. OTHER OPERATING INCOME

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Income from financial assets			
Mark-up on cash deposits with banks		671,793	756,211
Finance income on installment sales		112,770	99,022
Exchange gain - net		-	2,241
Gain on sale of available for sale investments		43,920	-
		828,483	857,474
Income from non-financial assets			
Gain / (loss) on disposal of fixed assets		534	(3,785)
Reversal of prior years' provision for mark-up on waiting for delivery of vehicles		25,815	-
Reversal of provision for custom duty	21.3	378,237	-
Reversal of provision for sales tax	21.3	59,969	-
Miscellaneous income		49,875	67,322
		514,430	63,537
		1,342,913	921,011

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
30. WORKERS' WELFARE FUND			
For the current year		20,500	88,000
For the prior years'		-	130
		20,500	88,130
31. TAXATION			
For the year:			
- Current		330,000	1,465,000
- Deferred		47,000	41,061
		377,000	1,506,061
For prior years' - current		(9,609)	670
	31.1	367,391	1,506,731
31.1 Reconciliation of tax charge for the year:			
Accounting profit		992,176	4,281,263
Corporate tax rate		35%	35%
Tax on accounting profit at applicable rate		347,262	1,498,442
Tax effect of income assessed under Final Tax Regime		35,137	(1,862)
Tax effect of expenses that are not allowable in determining taxable income		7,423	11,200
Net effect of income tax provision relating to prior years		(9,609)	670
Capital gain on sale of investment being exempt from tax		(15,372)	-
Tax effect of reversal of provision for impairment in investment		-	(1,719)
Tax effect of adjustments in respect of deferred taxation		2,550	-
		367,391	1,506,731
32. EARNINGS PER SHARE (EPS) - BASIC AND DILUTED			
Net profit for the year		624,785	2,774,532
		Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the year		82,300	82,300
		(Rupees)	(Rupees)
Basic earnings per share		7.59	33.71

32.1 Basic earnings per share has no dilution effect.

33. CASH GENERATED FROM OPERATIONS

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Profit before taxation		992,176	4,281,263
Adjustments for non cash charges and other items:			
Depreciation		965,864	1,084,378
Amortisation of intangible asset		76,267	111,499
(Reversal) / provision for custom duties and sales tax	21.3	(452,087)	14,688
Provision for loss on pending orders		4,811	-
(Gain) / loss on disposal of fixed assets		(534)	3,785
Provision / (reversal) for impairment in the value of investment		1,213	(4,912)
Mark-up on cash deposits with banks		(671,793)	(756,211)
Gain on sale of short-term investment		(43,920)	-
Finance costs		15,408	143,786
		(104,771)	597,013
Working capital changes	33.1	(2,327,149)	(4,709,800)
		(1,439,744)	168,476

33.1 Working capital changes

	2008 (Rupees in '000)	2007 (Rupees in '000)
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(19,914)	(7,824)
Stock-in-trade	1,449,501	429,553
Current portion of long-term installment sales receivables	15,287	(80,218)
Trade debts	(100,958)	(32,882)
Loans and advances	26,487	(38,204)
Trade deposits and prepayments	(27,911)	1,056
Other receivables	(59,281)	976
Sales tax adjustable	391,380	(273,556)
	1,674,591	(1,099)
Increase / (decrease) in current liabilities:		
Trade and other payables	(1,839,146)	(209,533)
Security deposits	8,300	(650)
Deposits against display of vehicles	(56,288)	49,956
Advance from customers	(2,037,822)	(3,777,466)
Short-term borrowing	-	(756,071)
Payment for custom duty	(76,784)	(14,937)
	(4,001,740)	(4,708,701)
	(2,327,149)	(4,709,800)

34. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company include Suzuki Motor Corporation – Japan (holding company) and related group companies, local associated companies, staff retirement funds, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amount due from and to related parties, amount due from executives and remuneration of directors and executives are disclosed in the relevant notes to the financial statements. Other material transactions with related parties are given below:

	Holding company	Other related parties	Total
For the year ended December 31, 2008	--------------------(Rupees in '000)----------------		
Purchases of components	12,907,344	850,730	13,758,074
Purchases of fixed assets	139,239	-	139,239
Sales including exports	142	24,364	24,506
Royalties and technical fee	673,180	-	673,180
Staff retirement benefits	-	6,784	6,784
Sales promotional and development expenses	8,038	32,499	40,537
Due from related parties	43,559	4,726	48,285
Due to related parties	283,118	43,548	326,666

	Holding company	Other related parties	Total
For the year ended December 31, 2007	--------------------(Rupees in '000)----------------		
Purchases of components	16,566,824	723,671	17,290,495
Purchases of fixed assets	4,954	-	4,954
Sales including exports	3,797	34,782	38,579
Royalties and technical fee	762,487	-	762,487
Sub-assembly revenues and other claims	37,438	-	37,438
Interest against short-term loans	30,223	-	30,223
Staff retirement benefit	-	10,722	10,722
Sales promotional and development expenses	9,324	14,225	23,549
Due from related parties	12,715	190	12,905
Due to related parties	924,528	3,821	928,349

The above transactions with related parties were entered into at arm's length determined in accordance with approved valuation method.

	2008 (Number of vehicles)	2007 (Number of vehicles)
35. PLANT CAPACITY AND ACTUAL PRODUCTION		
Plant capacity - Motorcar (double shifts basis)	150,000	150,000
Plant capacity - Motorcycle (double shifts basis)	37,000	37,000
Actual production - Motorcar	90,421	120,899
Actual production - Motorcycle	26,692	30,250

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

36. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

The aggregate amounts charged in the financial sta tements for remuneration, including benefits, to the directors, chief executive and executives of the Company are given below:

	2008			2007		
	Chief Executive	Directors	Executives	Chief Executives	Directors	Executives
	(Rupees in '000')					
Directors fees	-	22	-	-	12	-
Managerial remuneration	4,526	10,749	30,667	4,392	7,488	28,573
Bonus	1,647	3,612	7,463	1,680	2,670	7,430
Retirement benefits	-	630	1,716	-	264	1,534
	6,173	15,013	39,846	6,072	10,434	37,537
Number of persons	1	5	19	1	4	19

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

36.2 Executive means an employee whose annual basic salary exceeds five hundred thousand as defined in the Companies Ordinance, 1984.

37. FINANCIAL ASSETS AND LIABILITIES

37.1 Yield / mark-up rate risk exposure

Yield / mark-up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield / mark-up rates. Sensitivity to yield / mark-up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies. The Company is exposed to yield / mark-up rate risk in respect of the following:

	2008					2007				
	Interest bearing		Non interest bearing		Total	Interest bearing		Non interest bearing		Total
	Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year		Maturity upto one year	Maturity after one year	Maturity upto one year	Maturity after one year	
Financial assets										
Investments	-	-	-	4,449	4,449	-	-	137,978	5,323	143,301
Loans	556	5	9,628	11,074	21,263	2,171	321	9,805	17,695	29,992
Deposits	-	-	4,715	20,398	25,113	-	-	4,297	20,504	24,801
Trade debts	-	-	286,697	-	286,697	-	-	185,739	-	185,739
Installment sales receivables	340,951	146,077	-	-	487,028	356,238	191,220	-	-	547,458
Accrued income on bank deposits	29,432	-	-	-	29,432	49,210	-	-	-	49,210
Other receivables	-	-	92,423	-	92,423	-	-	34,088	-	34,088
Bank balances	2,428,810	-	63,239	-	2,492,049	5,445,965	-	31,820	-	5,477,785
	2,799,749	146,082	456,702	35,921	3,438,454	5,853,584	191,541	403,727	43,522	6,492,374
Financial liabilities										
Trade and other payables	-	-	1,289,785	-	1,289,785	-	-	2,855,600	-	2,855,600
Security deposits	-	-	84,278	-	84,278	-	-	75,978	-	75,978
Deposits against display vehicles	-	-	742,718	-	742,718	-	-	799,006	-	799,006
	-	-	2,116,781	-	2,116,781	-	-	3,730,584	-	3,730,584
	2,799,749	146,082	(1,660,079)	35,921	1,321,673	5,853,584	191,541	(3,326,857)	43,522	2,761,790

The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

37.2 Fair value of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates. 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 financial statements.

37.3 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 insura nce guarantee from the suppliers, security deposits from the dealers and generally retains the title till final recovery of debts.

37.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer. As at December 31, 2008, the Company has unavailed run ning finance facility from banks amounting to Rs. 2,300 million (2007: Rs. 793.113 million).

37.5 Foreign exchange risk management

Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings. Payables to be matured after 30 days are covered through foreign exchange contracts.

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the Company in its meeting held on 4th March 2009.

39. SUBSEQUENT EVENT

In their meeting held on 4th March 2009 the Board of Directors of the Company have proposed Cash Dividend @ 10% (2007: Cash Dividend @ 50%). The approval of the members for the said appropriation will be obtained at the Annual General Meeting to be held at Pearl Continental Hotel, Club Road, Karachi on 15th April 2009.

40. CORRESPONDING FIGURES

There were no material reclassifications that could affect the financial statements materially.

41. GENERAL

Figures in these financial statements have been rounded off to the nearest thousand of rupees, unless other wise stated.

Hirofumi Nagao
Chairman & Chief Executive

Masaki Sakai
Deputy Managing Director

Pattern of Shareholding

As at December 31, 2008

SIZE OF HOLDING Rs. 10 SHARES			NUMBER OF SHAREHOLDERS	NUMBER OF Rs. 10 SHARES HELD
1	-	100	3,365	76,078
101	-	500	1,112	319,603
501	-	1000	509	398,070
1001	-	5000	454	996,822
5001	-	10000	82	608,855
10001	-	15000	35	414,220
15001	-	20000	11	202,041
20001	-	25000	10	223,588
25001	-	30000	10	283,567
30001	-	35000	12	391,600
35001	-	40000	5	193,120
40001	-	45000	2	82,385
45001	-	50000	8	384,950
55001	-	60000	6	352,256
60001	-	65000	2	125,900
65001	-	70000	1	69,450
70001	-	75000	1	75,000
75001	-	80000	2	155,700
80001	-	85000	1	82,500
85001	-	90000	3	263,525
90001	-	95000	2	184,250
95001	-	100000	2	193,500
100001	-	105000	2	203,300
105001	-	110000	2	219,100
110001	-	115000	3	337,850
120001	-	125000	1	124,000
125001	-	130000	1	128,100
140001	-	145000	1	143,800
155001	-	160000	1	159,305
160001	-	165000	3	491,475
165001	-	170000	2	337,400
180001	-	185000	1	181,900
185001	-	190000	1	185,980
200001	-	205000	1	204,500
205001	-	210000	1	206,100
215001	-	220000	1	218,700
225001	-	230000	1	228,125
230001	-	235000	1	232,000
235001	-	240000	1	238,725
265001	-	270000	1	268,500
275001	-	280000	1	275,370
280001	-	285000	1	285,000
310001	-	315000	1	311,685
335001	-	340000	1	337,800
380001	-	385000	1	383,592
385001	-	390000	1	389,000
405001	-	410000	1	407,510
460001	-	465000	1	462,150
480001	-	485000	1	485,000
545001	-	550000	1	548,500
715001	-	720000	1	719,250
720001	-	725000	1	720,600
1190001	-	1195000	1	1,190,050
1285001	-	1290000	1	1,289,574
2065001	-	2070000	1	2,069,334
2085001	-	2090000	1	2,085,505
59250001	-	59255000	1	60,154,091
	TOTALS		5,679	82,299,851

Pattern of Shareholding

As at December 31, 2008

Categories of shareholders	Number of shareholders	Number of shares held	Percentage
Associated Companies, Undertakings and Related parties			
M/s. Suzuki Motor Corporation - Japan	1	60,154,091	73.09
NIP and ICP (name wise detail)			
National Bank of Pakistan, Trustee Deptt./(NIT)	1	4,154,839	
M/s. Investment Corporation of Pakistan	1	209	
	2	4,155,048	5.05
Directors, CEO and their spouse and minor children			
Mr. Hirofumi Nagao (Chief Executive)	1	119	-
Executives (as defined in Companies Ordinance)	1	8	0.00
Public Sector Companies and Corporations	4	1,289,935	1.57
Banks, Developemnt Finance Institutions, Non-Banking Finance Institutions Insurance Companies, Modaraba and Mutual Funds	75	6,070,479	7.38
Shareholders holding 10% or more voting interest	-	-	-
Individuals	5,450	5,373,182	6.53
Others	143	5,256,989	6.38
	5,677	82,299,851	100.00

Form of Proxy

I/We ____

of ____

(Full Address)

being member(s) of Pak Suzuki Motor Co. Limited and holder of __________ shares under Folio No. __________

and/or CDC participant I.D. No. ____________________ and Sub Account No. ____________________

hereby appoint ____

of ____

(Full Address)

Folio No. ________ and/or CDC participant I.D. No. __________ and Sub Account No. ____________________

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 26th Annual General Meeting of the Company to be held on 15th day of April 2009 at 12:00 Noon at Pearl Continental Hotel, Club Road, Karachi and at any adjourment thereof.

As witness my/our hand this ____________ day of ______ 2009

Signed by the Said ______________________________

Witnesses:

Signature ______________________________ ______________________________

Name ______________________________ ______________________________

Address ______________________________ ______________________________

CNIC No./Passport No. ______________________ ______________________________

(Signature should agree with the SPECIMEN signature registered with the Company)

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy to attend and vote instead of him/her.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his constituted attorney or if such appointer is a corporation/company either under the common seal of such corporation/company or under the hand of an officer or attorney so authorized.

3. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

4. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

5. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

6. The Proxy Form, duly completed, must be deposited with the Company's registrar, FAMCO Associates (Pvt) Ltd. State Life Building 2-A, 4th Floor, I.I. Chundrigar Road, Karachi not less than 48 hours before the time for holding the meeting.

AFFIX
CORRECT
POSTAGE

Company Secretary:
Pak Suzuki Motor Company Limited
DSU-13, Pakistan Steel Industrial Estate,
Bin Qasim, Karachi.