



**HALF YEARLY
REPORT
JUNE 2023**







OUR VISION

To be recognized as a leading organization that values customers' needs and provides motoring solutions with strong customer care

OUR MISSION

Develop products of superior value by focusing on the customer
Establish a refreshing and innovative company through teamwork
Strive for individual excellence through continuous improvement



TABLE OF CONTENT

- 02 Company Information
- 03 Directors' Report
- 05 Auditors' Report
- 06 Condensed Interim Statement of Financial Position
- 07 Condensed Interim Statement of Profit or Loss (Unaudited)
- 08 Condensed Interim Statement of Comprehensive Income (Unaudited)
- 09 Condensed Interim Statement of Changes in Equity (Unaudited)
- 10 Condensed Interim Statement of Cash Flows (Unaudited)
- 11 Notes to the Condensed Interim Financial Statements (Unaudited)

Company Information

Board of Directors

Kinji Saito	Chairman
Hiroshi Kawamura	Chief Executive
Tadashi Homma	Dy. Managing Director
Motohiro Atsumi	Director
Masafumi Harano	Director
Moin M. Fudda	Director
Rukhsana Shah	Director

Chief Financial Officer

Toshiyuki Ikuma

Company Secretary

Abdul Nasir

Audit Committee

Moin M. Fudda	Chairman
Kinji Saito	Member
Motohiro Atsumi	Member

Human Resource and Remuneration

(HR & R) Committee

Rukhsana Shah	Chairman
Kinji Saito	Member
Hiroshi Kawamura	Member

Auditors

A. F. Ferguson & Co. Chartered Accountant

Registrar

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

Legal Advisors

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

Bankers

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

Registered Office

DSU-13, Pakistan Steel Industrial
Estate, Bin Qasim, Karachi.
Tel No. (021) 34723551 - 58
Fax No. (021) 34723521 - 22
Website: www.suzukipakistan.com

Regional Offices

Karachi Office:

REGIONAL OFFICE SOUTH, PLOT # 49-B, Block # 6,
PECHS MAIN SHAHRA-E-FAISAL, KARACHI.
Tel No. (021) 34541101, (021) 34541102

Lahore Office:

1st Floor, Silver Star Mall, Fortress Stadium, Lahore.
Tel No. (042) 36623339, (042) 36688853

Rawalpindi Office:

3rd Floor, 112-B Mallahi Plaza,
Murree Road, Rawalpindi Cantt.
Tel No. (051) 5130230 - (051) 5130229
Fax No. (051) 5130232

Multan Office:

402, 4th Floor United Mall, Abdali Road Multan.
Tel No. (061)-4586499
Fax No. (061)-4516765

Director's Report

On behalf of the Board, I present my review on the performance of the Company for the half year ended June 30, 2023

The Economy

In July 2023, International Monetary Fund (IMF) approved Stand-By Arrangement (SBA) for Pakistan for US\$ 3 billion to support economic stabilization program. Difficult external environment, devastating floods and policy missteps had led to large fiscal and external deficits, rising inflation and eroded reserve buffers in the Financial Year 2022-23. After the agreement with IMF, some stability has been achieved in the economy and the looming threat of default have been averted. SBA agreed with the IMF has improved foreign reserves of the country and somewhat resolved near-term issues pertaining to the external sector of the economy.

Unprecedented depreciation of Pak Rupee, hike in interest rate, political instability, rise in inflation, and government's actions to control imports had adversely impacted the economy of Pakistan. Large scale manufacturing (LSM) sector witnessed decline by 10.26% during the fiscal year Jul 22 - Jun 2023 (FY 23) as compared to last fiscal year. Share of Automobile sector was 2.21% in decline of LSM during FY 2023. Exports worth US\$ 27.9 billion were achieved in FY 2023 as compared to exports of US\$ 32.5 billion in FY 2022. Remittances also reduced due to prevailing uncertainty in forex rates. During FY 2023, remittances of US\$ 27.9 billion were received against US\$ 31.3 billion last fiscal year. Imports declined from US\$ 71.5 billion to US\$ 52 billion due to stringent import restrictions imposed by the State Bank of Pakistan (SBP). Consequently, Pakistan's current account deficit (CAD) reduced to US\$ 2.6 billion during FY 23 against a deficit of US\$ 17.5 billion in last fiscal year. Despite positive development in CAD, debt servicing coupled with uncertainty over external financing adversely impacted the PKR and resulted in a downslide in Pak Rupee at Rs 302 per USD on 25 August 2023. Average inflation during FY 2023 was at 36.8% against 16.9% in last year. SBP is following a contractionary monetary policy to contain inflationary pressure with progressive increase in policy rate. Policy rate increased to 22% in 'Monetary Policy' announced in June 2023 with 2% increase.

Due to the challenging economic condition of country, some relief measures were expected in Federal Budget 2023-24. However, no structural relief was allowed to industry. Rather, withholding tax rates were increased on sale of goods and services including increase in tax rates on sale of 2001cc and above vehicles. The rate of general sales tax was also increased from 17% to 18% through Finance (Supplementary) Act introduced in February 2023.

Industry Overview

Automobile industry witnessed huge decline in sales volume from latter half of 2022, primarily due to import restrictions imposed by SBP on import of CKDs of vehicles. Unabated import restrictions hindered production in year 2023 as well and OEMs were forced to opt for 'Non-Production Days (NPDs)'. However, import restrictions were lifted in June 2023 and we are expecting that the resolution of supply constraints will contribute to improved manufacturing activity.

During the period (January - June 2023), sales volume of auto industry for cars and light commercial vehicles was recorded at 42,762 units compared to 143,291 units in corresponding period of last year, registering massive decline of 70%. Sales volume of the Company during the period January - June 2023 declined by 78% from 77,625 units to 17,004 units. Company achieved market share of 40% for cars and light commercial vehicles within PAMA member companies. Company achieved 26% capacity utilization in current period, producing 19,293 units.

During the period under review, the organized market (PAMA member companies) for motorcycles and three wheelers decreased by 37% from 883,530 units in first half of 2022 to 559,134 units in current period. During the half year 2023, the Company sold 8,509 units as compared to sales volume of 19,870 units in corresponding period of last year, registering decline of 57%.

Operating Results of the Company

Although Company earned net profit of Rs 3,239 million in current quarter Apr – Jun 2023, however, due to massive exchange loss in first quarter Jan – Mar 2023, Company reported net loss of Rs 9,677 million during the half year Jan – Jun 2023 as compared to net loss of Rs 17 million in same period of last year. Net sales revenues declined by Rs 69,443 million from Rs 112,625 million (Jan- Jun 2022) to Rs 43,182 million (Jan- Jun 2023). Sales revenue decreased by 61% in the current period due to decline in sales volume. Gross profit margins as percentage of net sales improved from 3.7% to 9.6% in 2023, contributing to steady gross profit of Rs 4,145 million in current period (Jan- Jun 2023) as compared to Rs 4,210 million (Jan – Jun 2022). Financial charges increased from Rs 1,842 million (Jan-Jun 2022) to Rs 10,148 million (Jan-Jun 2023), primarily due to the net exchange loss of Rs 8,402 million incurred during half year Jan – Jun 2023. Despite the decrease in sales volume, Company managed to earn reasonable operating profits in the current period.

Future Outlook

Recovery in economic activity is expected in Financial Year 2024 on the back of rebound in agriculture output and easing of import restrictions, with expected improvement in manufacturing/construction activity. However, macroeconomic indicators are still challenging for the auto industry as higher prices and decline in car financing due to high interest rates may impact the demand for vehicles.

The Automobile industry provides import substitution for local consumption with development of engineering base in country, direct and indirect employment to over 500,000 people and contributes significantly to the national exchequer. Automobile industry expects industry friendly operating environment to overcome prevailing difficult phase. My sincere hope is that all government departments enhance their support to the industry failing which will result in huge losses to the economy and increase unemployment in the country.



KINJI SAITO

Chairman

Karachi: August 25, 2023.



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pak Suzuki Motor Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pak Suzuki Motor Company Limited as at June 30, 2023 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and the condensed statement of comprehensive income for the three months periods ended June 30, 2023 and June 30, 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended June 30, 2023.

Scope of Review

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

Conclusion

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

Other Matter

The financial statements of the Company for the year ended December 31, 2022 were audited and the condensed interim financial statements of the Company for the six months period ended June 30, 2022 were reviewed by another firm of Chartered Accountants who through the reports dated March 27, 2023 and August 25, 2022 expressed unmodified opinion and unmodified conclusion thereon, respectively.

The engagement partner on the review resulting in this independent auditor's report is Osama Moon.

**A. F. Ferguson & Co.,
Chartered Accountants
Karachi**

Date: August 29, 2023

UDIN: RR2023100560qJ3reaop

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

Condensed Interim Statement of Financial Position

As at 30 June 2023

	Note	June 30, 2023 (Unaudited) (Rupees in '000)	December 31, 2022 (Audited) (Rupees in '000)
ASSETS			
Non-current assets			
Property, plant and equipment	5	14,147,150	14,877,495
Intangible assets		401,367	444,620
Right-of-use assets		116,173	118,174
Long-term investments	6	-	84,551
Long-term loans		8,203	7,498
Long-term deposits, prepayments and other receivables		959,120	1,034,659
Long-term installment sales receivables	7	188,196	514,788
Deferred taxation - net	8	6,413,642	7,345,367
		<u>22,233,851</u>	<u>24,427,152</u>
Current assets			
Stores, spares and loose tools	9	1,118,058	482,775
Stock-in-trade	10	33,122,424	33,031,769
Trade debts		1,602,494	385,303
Loans and advances	11	2,779,062	1,194,060
Trade deposits and short-term prepayments	12	3,047,509	31,621,137
Current portion of long-term installment sales receivables	7	2,031,542	2,516,531
Other receivables		1,005,789	945,748
Taxation - net		5,794,751	5,500,362
Sales tax and excise duty		7,272,627	6,275,912
Short-term investments	13	20,000,000	-
Cash and bank balances		3,534,188	3,703,619
		<u>81,308,444</u>	<u>85,657,216</u>
TOTAL ASSETS		<u>103,542,295</u>	<u>110,084,368</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		<u>5,000,000</u>	<u>5,000,000</u>
Issued, subscribed and paid-up capital		822,999	822,999
Capital reserves		844,596	844,596
Revenue reserves		8,426,131	18,102,953
		<u>10,093,726</u>	<u>19,770,548</u>
Non-current liabilities			
Payable against purchase of assets		11,044	38,085
Security deposits		152,000	304,201
Lease liabilities		84,826	98,252
Long-term loan		1,712,309	1,763,301
Deferred government grant		549,074	620,389
Employee benefit obligations		846,169	815,063
		<u>3,355,422</u>	<u>3,639,291</u>
Current liabilities			
Trade and other payables	14	83,062,876	64,147,908
Lease liabilities		46,358	42,792
Current portion of long-term loan		177,951	114,666
Current portion of deferred government grant		130,971	136,389
Short-term finance	15	-	11,321,638
Contract liability		1,793,954	5,835,895
Security deposits		3,938,234	3,991,412
Provision for custom duties and sales tax		143,076	285,049
Provision for unexpired free service and warranty		408,569	406,098
Dividend payable to the Holding Company - related party	28.2	371,452	371,452
Unclaimed dividend		19,706	21,230
		<u>90,093,147</u>	<u>86,674,529</u>
TOTAL LIABILITIES		<u>93,448,569</u>	<u>90,313,820</u>
TOTAL EQUITY AND LIABILITIES		<u>103,542,295</u>	<u>110,084,368</u>
Contingencies and commitments	16		

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Unaudited)

For the six months period ended 30 June 2023

	Note	Six months period ended		Three months period ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
------(Rupees in '000) -----					
Sales - net	17	43,182,382	112,624,614	21,342,998	64,888,533
Cost of sales	18	(39,037,227)	(108,415,033)	(19,181,000)	(62,028,253)
Gross profit		4,145,155	4,209,581	2,161,998	2,860,280
Distribution and marketing expenses		(1,121,100)	(1,646,280)	(242,654)	(914,131)
Administrative expenses		(1,780,000)	(1,481,219)	(860,168)	(741,162)
Reversal of impairment losses		-	32,783	-	36,311
		(2,901,100)	(3,094,716)	(1,102,822)	(1,618,982)
		1,244,055	1,114,865	1,059,176	1,241,298
Other expenses		-	(55,150)	-	(55,150)
Other income	19	847,552	1,564,371	773,793	1,037,038
Finance costs	20	(10,141,755)	(1,842,324)	2,678,791	(811,217)
Share of loss of equity accounted investee	6	(84,551)	(31,156)	(4,551)	(13,156)
(Loss) / profit before taxation		(8,134,699)	750,606	4,507,209	1,398,813
Taxation	21	(1,542,123)	(767,844)	(1,268,265)	(955,824)
(Loss) / profit after taxation		(9,676,822)	(17,238)	3,238,944	442,989
----- (Rupees) -----					
(Loss) / earnings per share - basic and diluted	22	(117.58)	(0.21)	39.36	5.38

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period ended 30 June 2023

	Six months period ended		Three months period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(Rupees in '000)		(Rupees in '000)	
(Loss) / profit for the period	(9,676,822)	(17,238)	3,238,944	442,989
Other comprehensive loss				
<i>Items that will never be reclassified to profit or loss</i>				
Re-measurement loss on defined benefit plan	-	(5,631)	-	5,619
Total comprehensive (loss) / income for the period	(9,676,822)	(22,869)	3,238,944	448,608

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the six months period ended 30 June 2023

	Reserves					Total			
	Share Capital	Capital reserves		Revenue reserves					
Issued, subscribed and paid-up capital	Share premium	Reserve on merger	Total capital reserves	General	Unappropriated profit	Remeasurement loss on defined benefit plan	Total revenue reserves		
Balances as at January 1, 2022	822,999	584,002	260,594	844,596	22,969,896	2,600,077	(411,371)	25,158,602	26,826,197
<i>Transactions with owners</i>									
Final dividend for the year ended December 31, 2021 at the rate of Rs 6.50 per share	-	-	-	-	-	(534,949)	-	(534,949)	(534,949)
<i>Total comprehensive loss for the period ended June 30, 2022</i>	-	-	-	-	-	(17,238)	-	(17,238)	(17,238)
Loss after taxation	-	-	-	-	-	-	(5,631)	(5,631)	(5,631)
Other comprehensive loss	-	-	-	-	-	(17,238)	(5,631)	(22,869)	(22,869)
Balance as at June 30, 2022	822,999	584,002	260,594	844,596	22,969,896	2,047,890	(417,002)	24,600,784	26,268,379
Balances as at January 1, 2023	822,999	584,002	260,594	844,596	22,969,896	(4,271,794)	(595,149)	18,102,953	19,770,548
<i>Total comprehensive loss for the period ended June 30, 2023</i>	-	-	-	-	-	(9,676,822)	-	(9,676,822)	(9,676,822)
Loss after taxation	-	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	(9,676,822)	-	(9,676,822)	(9,676,822)
Balance as at June 30, 2023	822,999	584,002	260,594	844,596	22,969,896	(13,948,616)	(595,149)	8,426,131	10,093,726

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited)

For the six months period ended 30 June 2023

	Note	Six months period ended	
		June 30, 2023	June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23	33,247,551	18,975,452
Mark-up paid on borrowings		(784,034)	(30,783)
Income tax payment		(904,787)	(2,391,721)
Long-term loans		(705)	(1,414)
Payments against retirement benefit obligation		(81,131)	(77,280)
Mark-up paid on late delivery of vehicles		(1,104)	(697,330)
Unexpired free service and warranty claims paid		(84,833)	(126,450)
Long-term deposits, prepayments and other receivables		75,539	(140,155)
Long-term installment sales receivables		440,521	11,156
Net cash generated from operating activities		31,907,017	15,521,475
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,156,489)	(1,777,569)
Acquisition of intangible assets		(55,704)	(162,893)
Proceeds from disposal of property, plant and equipment		24,844	11,303
Profit received on bank deposits		537,986	1,227,993
Net cash used in investing activities		(649,363)	(701,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(39,483)	(32,587)
Loan (repaid) / received		(64,440)	27,499
Dividend paid		(1,524)	(162,136)
Net cash used in financing activities		(105,447)	(167,224)
Net increase in cash and cash equivalents		31,152,207	14,653,085
Cash and cash equivalents at beginning of the period		(7,618,019)	23,271,041
Cash and cash equivalents at end of the period	24	<u>23,534,188</u>	<u>37,924,126</u>

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

1. STATUS AND NATURE OF BUSINESS

- 1.1 Pak Suzuki Motor Company Limited ("the Company") was incorporated in Pakistan as a public limited company in August 1983 under the Companies Act, 1913 (now the Companies Act, 2017) and started commercial production in January 1984. The Company was formed in accordance with the terms of a joint venture agreement between Pakistan Automobile Corporation Limited ("PACO") and Suzuki Motor Corporation (SMC), Japan (the Holding Company) having registered address at 300 Takatsuka-Cho, Minami-Ku, Hamamatsu City. In 1996, the joint venture agreement was ended and PACO divested its entire shareholding to SMC.

The Company is engaged in the assembling, progressive manufacturing and marketing of Suzuki cars, pickups, vans, 4x4s and motorcycles and related spare parts. The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at DSU – 13, Pakistan Steel Industrial Estate, Bin Qasim, Karachi.

- 1.2 During the period, the Company has incurred net loss after tax of Rs 9,677 million (year ended December 31, 2022: Rs 6,337 million), mainly as a result of exchange loss amounting to Rs 8,402 million incurred during the period. Moreover, the Company's current liabilities exceeded its current assets by Rs 8,785 million as at June 30, 2023.

In view the above, the management is of the view that:

- During the period, the Company has been able to generate cash from operations aggregating Rs 31,907 million. In addition to this, the Company's working capital requirements have been financed through support from the Holding Company and based on the availability of finance facilities from the commercial banks. As at June 30, 2023, the Company's balance of unavailed credit facilities from commercial banks aggregated Rs 35,500 million.
- The management has prepared a viable business plan according to which the Company will be profitable in the ensuing years.
- The Holding Company has committed through its letter dated August 23, 2023 to provide adequate financial support to the Company as would be necessary to ensure its continuing operation including operational cash flows for the Company's future operations. The financial support includes, but not limited to, providing funds to settle the Company's liabilities when those fall due and if required inject additional capital.

In light of the above, the management has a reasonable expectation that the Company has adequate resources to continue its operations in the foreseeable future and there is no uncertainty which may cast doubt on the Company's ability to continue as a going concern. Accordingly, these condensed interim financial statements have been prepared on a going concern basis.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

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

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

- 2.2 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the Company's financial statements for the year ended December 31, 2022 ("December 2022 Financial Statements"), except relating to the matter stated in note 2.3 below.
- 2.3 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.
- 2.4 New standards, amendments and interpretations to accounting and reporting standards which became effective during the period ended June 30, 2023:

There were certain amendments to accounting and reporting standards which became effective for the Company during the current period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

- 2.5 New standard and amendments to published accounting and reporting standards that are not yet effective:

There is a new standard and certain amendments to the accounting and reporting standards as applicable in Pakistan which will be effective for the Company for its accounting periods beginning on or after January 1, 2024. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been detailed in these condensed interim financial statements.

3. BASIS OF PREPARATION

- 3.1 These condensed interim financial statements include the condensed interim statement of financial position as at June 30, 2023, the condensed interim statement of profit or loss, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and notes thereto for the six months period then ended which have been subjected to review but not audited. These condensed interim financial statements also include the condensed interim statement of profit or loss, the condensed interim statement of comprehensive income and notes thereto for the three months period ended June 30, 2023 which were not subjected to auditor's review.
- 3.2 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2022 has been extracted from the December 2022 Financial Statements. The comparative statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period ended June 30, 2022 have been extracted from the condensed interim financial statements of the Company for the six months period then ended, which were subjected to review but were not audited.
- 3.3 These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's December 2022 Financial Statements as these provide an update of previously reported information.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

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

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of these condensed interim financial statements in conformity with accounting and reporting standards as applicable in Pakistan, requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the December 2022 Financial Statements.

4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the December 2022 Financial Statements.

4.3 Due to the current economic situation prevalent in the country in relation to the foreign reserves and its consequential impacts on imports, the Company is closely monitoring the current situation and has been able to procure essential inventories to ensure business continuity.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
Operating property plant and equipment	5.1	11,631,011	13,455,163
Capital work-in-progress	5.3	2,516,139	1,422,332
		<u>14,147,150</u>	<u>14,877,495</u>
5.1 Operating property, plant and equipment			
Book value at the beginning of the period / year		13,455,163	9,917,235
Transfers from CWIP during the period / year		62,682	7,251,465
Disposals during the period / year - net book value		(8,899)	(60,190)
Depreciation charge during the period / year		(1,877,935)	(3,653,347)
		(1,886,834)	(3,713,537)
Book value at the end of the period / year		<u>11,631,011</u>	<u>13,455,163</u>

5.1.1 Operating fixed assets (category: Dies) include assets having net book value of Rs 2,806 million (December 31, 2022: Rs 3,504 million) which are in the possession of vendors dispersed all over Pakistan and in a foreign country for contract manufacturing of components.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

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

	Six months period ended	
	June 30, 2023	June 30, 2022
	(Un-audited)	
	(Rupees in '000)	
Transfer from capital work-in-progress		
Dies	22,355	2,654,355
Jigs and fixtures	-	1,372,347
Plant and machinery	2,275	742,562
Vehicles	38,052	340,613
Electrical installations	-	23,602
Welding guns	-	9,916
Permanent and special tools	-	9,490
Buildings on leasehold land - factory building	-	7,713
	62,682	5,160,598
Disposal - at net book value		
Vehicles	8,899	9,160
Air conditioners and refrigerators	-	150
Office equipments	-	138
	8,899	9,448
	June 30, 2023	December 31, 2022
	(Un-audited)	(Audited)
	(Rupees in '000)	
5.3 Capital work-in-progress		
Plant and machinery	2,475,956	1,372,297
Civil works	40,183	50,035
	2,516,139	1,422,332
5.3.1	During the current period, additions to capital work-in-progress amounted to Rs 1,156.489 million (June 30, 2022: Rs 1,434 million) and transfers to operating property, plant and equipment amounted to Rs 62.682 million (June 30, 2022: Rs 4,817 million).	
	June 30, 2023	December 31, 2022
	(Un-audited)	(Audited)
	(Rupees in '000)	
5.4	Depreciation charge during the period / year on:	
	- operating property, plant and equipment	
	1,877,935	3,653,347

6. LONG-TERM INVESTMENTS

During the current period, the Company has recognised an amount of Rs 84.551 million as the Company's share in the loss incurred by Tecno Auto Glass Limited.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

7. LONG-TERM INSTALLMENT SALES RECEIVABLES	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
Gross amount of installment sales receivables	2,456,259	3,386,166
Less: Unearned finance income	-	(4,397)
Gross amount of installment sales receivables	2,456,259	3,381,769
Less: Impact of discounting	(162,549)	(276,478)
Installment sales receivables	2,293,710	3,105,291
Less: Provision of impairment allowance	(73,972)	(73,972)
	2,219,738	3,031,319
Less: Current maturity	(2,031,542)	(2,516,531)
	188,196	514,788

8. DEFERRED TAXATION - net

The deferred tax asset (net) aggregated Rs 6,414 million (December 31, 2022: Rs 7,345 million) is being carried in these condensed interim financial statements. This amount includes deferred tax asset recorded on account of minimum taxes, unabsorbed depreciation and unrealised exchange losses amounting to Rs 4,205 million, Rs 407 million and Rs 1,343 million respectively. As per the Income Tax Ordinance, 2001 (ITO) the unabsorbed depreciation is available for adjustment against future taxable income without any time limitation while deferred tax on unrealised exchange loss to be claimed by the Company when the repayment of the foreign currency liabilities will be made.

The deferred tax asset has been restricted to the extent of taxable profits that will be available to the Company in future years against which the aforesaid deferred tax asset can be utilised. Decrease in deferred tax asset is mainly on account of minimum tax aggregating Rs 932 million that is due to expire by the end of the current financial year. Total unrecognised deferred tax asset as at June 30, 2023 aggregated Rs 4,294 million on account of minimum taxes, unabsorbed depreciation and unrealised exchange losses.

9. STORES, SPARES AND LOOSE TOOLS	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
Stores	523,007	405,127
Spares	781,453	233,444
Loose tools	-	30,606
	1,304,460	669,177
Less: Provision for slow moving and obsolete items		
- at the beginning of the period / year	186,402	161,790
- provision during the period / year	-	24,612
- provision for the period / year	186,402	186,402
	1,118,058	482,775

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
10. STOCK-IN-TRADE		
Raw material and components [including items in transit amounting to Rs 9,748 million (2022: Rs 10,490.84 million)]	20,996,533	26,218,302
Less: Provision for slow moving and obsolete items		
- at beginning of the period / year	355,536	357,594
- provision / (reversal) during the period / year	-	(2,058)
	355,536	355,536
	20,640,997	25,862,766
Work-in-process	48,769	-
Finished goods	11,114,653	5,978,162
	31,804,419	31,840,928
Trading stocks [including items in transit Rs Nil (2022: Rs 223 million)]	1,388,328	1,261,164
Less: Provision for slow moving and obsolescence		
- at beginning of the period / year	70,323	88,931
- reversal during the period / year	-	(18,608)
	70,323	70,323
	1,318,005	1,190,841
	33,122,424	33,031,769

10.1 Stock-in-trade includes Rs 5,211 million (December 31, 2022: Rs 4,827 million) which were in the custody of dealers and vendors dispersed all over Pakistan.

	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
11. LOANS AND ADVANCES		
Loans - secured		
Current portion of loans to employees	10,624	8,278
Advances - secured		
- Suppliers	2,764,514	1,182,345
- Employees - against expenses	3,924	3,437
	2,768,438	1,185,782
	2,779,062	1,194,060

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	39,580	56,866
Margin held with banks against letter of credits and imports	<u>2,743,536</u>	<u>30,618,799</u>
	2,783,116	30,675,665
Advance payments		
- collector of custom	<u>212,762</u>	<u>889,741</u>
- rent	<u>13,098</u>	<u>34,341</u>
- insurance	<u>24,418</u>	<u>3,910</u>
- others	<u>14,115</u>	<u>17,480</u>
	<u>264,393</u>	<u>945,472</u>
	<u>3,047,509</u>	<u>31,621,137</u>

13. SHORT-TERM INVESTMENTS

These represent Term Deposit Receipts having maturity latest by July 26, 2023 carrying interest ranging from 20.95% to 21.25% per annum.

	Note	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
14. TRADE AND OTHER PAYABLES			
Trade creditors - foreign	14.1	62,061,800	42,169,324
Trade creditors - local		1,243,450	4,514,254
Royalties and technical fee payable to the Holding Company		6,863,008	5,783,491
Sindh Infrastructure Development Cess payable	14.2	4,038,857	3,824,980
Mark-up payable on late deliveries of vehicles		2,827,616	2,637,795
Accrued liabilities		2,786,412	1,544,995
Demurrage and detention		1,585,454	1,060,396
Payable to dealers		370,908	688,834
Accrued markup on short-term borrowing		257,791	145,343
Un-earned income - extended warranty		160,646	134,970
Payable against purchase of asset		138,376	189,738
Payable to provident fund		14,944	-
Retention money		14,067	32,895
Payable to directors		-	1,583
Others	14.3	<u>699,547</u>	<u>1,419,310</u>
		<u>83,062,876</u>	<u>64,147,908</u>

14.1 This includes Rs 43,820 million (December 31, 2022: Rs 32,577 million) due to the Holding Company and Rs 5,136 million (December 31, 2022: Rs 7,648 million) due to other related parties.

14.2 There is no significant change in the status of the cases set out in note 26.4 to the December 2022 Financial Statements.

14.3 Others mainly include withholding tax payable against incentives to the dealers. The Company, based on the decision of the Appellate Tribunal, has started refunding the withholding tax to the dealers.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

15. SHORT-TERM FINANCE

The aggregate available short term running finance facilities from commercial banks aggregated Rs 35,500 (December 31, 2022: Rs 30,500 million) out of which Rs 35,500 million (December 31, 2022: Rs 19,500 million) remained unavailed at the reporting date.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

There is no significant change in the status of cases as set out in notes 32.1 and 40.4 to the December 2022 Financial Statements except for the order dated June 27, 2023, where the Deputy Commissioner ordered to amend assessment u/s 122(4) of the ITO for tax year 2017 and raised tax demand of Rs 139.598 million. Subsequently, the Company challenged the aforesaid demand and submitted the application for stay.

16.2 Commitments

16.2.1 Capital expenditure contracted for but not incurred amounted to Rs 7,949 million (2022: Rs 7,595 million).

16.2.2 The facilities for opening letters of credit as at June 30, 2023 amounted to Rs 12,800 million (December 31, 2022: Rs 12,800 million) which include unutilised amount at reporting date was Rs 8,571 million (December 31, 2022: Rs 10,593 million).

16.2.3 The facilities for opening letters of guarantees as at June 30, 2023 amounted to Rs 15,000 million (December 31, 2022: Rs 13,000 million) which include unutilised amount at reporting date was Rs 9,729 million (December 31, 2022: Rs 7,868 million). Bank guarantees include Rs 7,500 million which is the sub-limit of the facility disclosed in note 15 to these condensed interim financial statements.

16.2.4 The Company has issued a corporate guarantee on behalf of Tecno Auto Glass Limited, an associated company, amounting to Rs 1,000 million (December 31, 2022: Rs 1,000 million) to a commercial bank in relation to borrowing facilities granted to the associated company.

16.2.5 The Company has committed 475 units of vehicles to its customers for which advance amount is already received from them.

Note	Six months period ended		Three months period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	----- (Un-audited) -----		----- (Un-audited) -----	
	(Rupees in '000)		(Rupees in '000)	

17. SALES

Manufactured goods	17.1	41,085,533	110,681,788	20,084,919	63,833,274
Trading stock	17.2	2,206,831	2,219,721	1,337,726	1,204,300
Extended warranty income		10,780	5,990	10,780	904
Less: Free service		(67,771)	(107,639)	(37,436)	(48,903)
Less: Markup on discounting of financial assets		(52,991)	(175,246)	(52,991)	(101,042)
		<u>43,182,382</u>	<u>112,624,614</u>	<u>21,342,998</u>	<u>64,888,533</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

	Six months period ended		Three months period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	------(Un-audited)-----		------(Un-audited)-----	
	(Rupees in '000)		(Rupees in '000)	
17.1 Manufactured goods				
Vehicles	49,339,339	143,635,317	23,060,542	82,963,523
Spare parts	275,281	422,258	163,863	254,817
	<u>49,614,620</u>	<u>144,057,575</u>	<u>23,224,405</u>	<u>83,218,340</u>
Less: Sales tax	6,523,035	18,400,460	2,994,340	10,612,058
Federal excise duty	935,425	2,699,541	461,816	1,556,901
Discounts	1,291	7,536,496	(270)	4,593,698
Sales commission to dealers	1,069,336	4,739,290	(316,400)	2,622,409
	<u>8,529,087</u>	<u>33,375,787</u>	<u>3,139,486</u>	<u>19,385,066</u>
	<u>41,085,533</u>	<u>110,681,788</u>	<u>20,084,919</u>	<u>63,833,274</u>
17.2 Trading stock				
Vehicles	136,637	486,614	112,763	180,841
Spare parts	2,586,290	2,221,372	1,734,381	1,288,396
	<u>2,722,927</u>	<u>2,707,986</u>	<u>1,847,144</u>	<u>1,469,237</u>
Less: Sales tax	496,376	459,392	490,243	249,241
Federal excise duty	14,307	24,208	14,307	13,134
Discounts	4,261	1,115	4,256	492
Sales commission to dealers	1,152	3,550	612	2,070
	<u>516,096</u>	<u>488,265</u>	<u>509,418</u>	<u>264,937</u>
	<u>2,206,831</u>	<u>2,219,721</u>	<u>1,337,726</u>	<u>1,204,300</u>
18. COST OF SALES				
Manufactured goods:				
Finished goods at beginning of the period	5,978,162	3,001,546	6,713,377	9,740,523
Cost of goods manufactured	42,455,366	105,995,390	23,770,298	54,069,661
Export expenses	-	37,980	-	(16,100)
	<u>48,433,528</u>	<u>109,034,916</u>	<u>30,483,675</u>	<u>63,794,084</u>
Less: Finished goods at end of the period	(11,114,653)	(2,319,171)	(11,114,653)	(2,319,171)
	<u>37,318,875</u>	<u>106,715,745</u>	<u>19,369,022</u>	<u>61,474,913</u>
Trading stock:				
Stock at beginning of the period	1,190,841	942,358	941,021	1,209,806
Purchases during the period	1,845,516	2,023,154	188,962	609,758
	<u>3,036,357</u>	<u>2,965,512</u>	<u>1,129,983</u>	<u>1,819,564</u>
Less: Stock at end of the period	(1,318,005)	(1,266,224)	(1,318,005)	(1,266,224)
	<u>1,718,352</u>	<u>1,699,288</u>	<u>(188,022)</u>	<u>553,340</u>
	<u>39,037,227</u>	<u>108,415,033</u>	<u>19,181,000</u>	<u>62,028,253</u>

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
	----- <u>(Un-audited)</u> -----		----- <u>(Un-audited)</u> -----	
	<u>(Rupees in '000)</u>		<u>(Rupees in '000)</u>	
19. OTHER INCOME				
Income from financial assets				
Profit on bank deposits	537,986	1,227,993	498,848	835,007
Income from unwinding of installment sales receivable	167,160	118,325	167,160	62,435
Finance income on installment sales	3,833	3,040	3,833	1,873
Commission income	2,083	2,500	2,083	1,250
	<u>711,062</u>	<u>1,351,858</u>	<u>671,924</u>	<u>900,565</u>
Income from non-financial assets				
Government grant amortised	76,733	60,158	76,733	60,158
Scrap sales	5,837	19,936	846	10,022
Registration and processing fee	35,103	103,615	35,103	103,615
Gain on sale of operating property, plant and equipment	15,945	1,854	15,945	-
Miscellaneous income	2,872	26,950	(26,758)	(37,322)
	<u>136,490</u>	<u>212,513</u>	<u>101,869</u>	<u>136,473</u>
	<u>847,552</u>	<u>1,564,371</u>	<u>773,793</u>	<u>1,037,038</u>
20. FINANCE COSTS				
Mark-up on late deliveries of vehicles	190,925	1,533,402	151,998	528,661
Exchange loss - net	8,402,435	171,130	(3,461,739)	171,164
Mark-up on borrowings	973,215	89,725	595,356	79,070
Bank charges	42,418	33,252	28,658	20,571
Markup on lease liability	7,707	7,965	7,707	4,935
Demurrage and detention charges	525,055	6,850	(771)	6,850
	<u>10,141,755</u>	<u>1,842,324</u>	<u>(2,678,791)</u>	<u>811,251</u>
21. TAXATION				
- Current tax - for the period	610,398	1,547,088	336,540	949,690
- for the prior period	-	428,422	-	428,422
	<u>610,398</u>	<u>1,975,510</u>	<u>336,540</u>	<u>1,378,112</u>
- Deferred tax charge / (reversal)	931,725	(1,207,666)	931,725	(422,288)
	<u>1,542,123</u>	<u>767,844</u>	<u>1,268,265</u>	<u>955,824</u>
22. (LOSS) / EARNINGS PER SHARE - basic and diluted				
	<u>(Rupees in '000)</u>		<u>(Rupees in '000)</u>	
(Loss) / profit for the period	<u>(9,676,822)</u>	<u>(17,238)</u>	<u>3,238,944</u>	<u>442,989</u>
	<u>(Number of shares)</u>		<u>(Number of shares)</u>	
Weighted average number of ordinary shares	<u>82,300,000</u>	<u>82,300,000</u>	<u>82,300,000</u>	<u>82,300,000</u>
	<u>(Rupees)</u>		<u>(Rupees)</u>	
(Loss) / earnings per share - basic and diluted	<u>(117.58)</u>	<u>(0.21)</u>	<u>39.36</u>	<u>5.38</u>

22.1 A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at reporting date.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

	Note	Six months period ended	
		June 30, 2023	June 30, 2022
		------(Un-audited)----- (Rupees in '000)	
23. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		(8,134,699)	750,606
<i>Adjustments for non cash charges and other items:</i>			
Depreciation on operating property, plant and equipment		1,877,935	1,812,371
Amortization of intangible assets		98,957	78,315
Depreciation of right-of-use assets		23,917	25,141
Gain on disposal of operating property, plant and equipment		(15,945)	(1,854)
Share of loss of equity accounted investee		84,551	31,156
Profit on bank deposits		(537,986)	(1,227,993)
Mark-up on lease liability		7,707	7,965
Government grant amortised		(76,733)	(60,158)
Mark-up on late deliveries of vehicles		190,925	1,533,402
Income from unwinding of installment sales receivable		(167,160)	(118,325)
Provision for unexpired free service and warranty		87,304	153,844
Markup on discounting of financial assets		52,991	175,246
Provision for retirement benefit obligations		112,477	39,851
Mark-up on borrowings		973,215	89,725
		2,712,155	2,538,686
Working capital changes	23.1	38,670,095	15,686,160
		33,247,551	18,975,452
23.1 Working capital changes			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(635,283)	(133,741)
Stock in trade		(90,655)	(10,765,054)
Trade debts		(1,217,191)	(216,354)
Current portion of long-term installment sales receivables		484,989	(346,904)
Loans and advances		(1,585,002)	(355,377)
Trade deposits and short-term prepayments		28,573,628	(6,325,539)
Other receivables		(60,041)	(278,156)
Sales tax and excise duty		(996,715)	291,971
		24,473,730	(18,129,154)
Increase / (decrease) in current liabilities			
Trade and other payables		18,585,658	15,834,310
Provision for custom duties and sales tax		(141,973)	(2,035,008)
Security deposits		(205,379)	(527,914)
Contract liability		(4,041,941)	20,543,926
		14,196,365	33,815,314
		38,670,095	15,686,160
24. CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,534,188	4,424,126
Short term investment		20,000,000	33,500,000
		23,534,188	37,924,126

Notes to the Condensed Interim Financial Statements (Unaudited)

For the six months period ended 30 June 2023

25. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company include the Holding Company and related group companies, local associated company, staff retirement funds, directors and key management personnel. Transactions with related parties are entered into at commercial terms, as per the terms of employment and actuarial advice, as the case may be.

	Note	June 30, 2023 (Un-audited) (Rupees in '000)	December 31, 2022 (Audited)
25.1	Balances with related parties at the end of period / year are as follows:		
Due from holding company		<u>622,608</u>	<u>652,387</u>
Payable to holding company	14.1	<u>43,820,481</u>	<u>32,576,757</u>
Royalties and technical fee payable to the Holding Company	14	<u>6,863,008</u>	<u>5,783,491</u>
Payable to other related parties	14.1	<u>5,136,263</u>	<u>7,633,184</u>
Dividend payable to holding Company	28.2	<u>371,452</u>	<u>371,452</u>
25.2	Transactions with related parties during the period are as follows:		

	For the six months period ended June 30, 2023 (Un-audited)		
	Holding company	Other related parties	Total
	----- (Rupees in '000) -----		
Purchases of components	12,184,206	1,466,593	13,650,799
Sales	4,328	-	4,328
Royalty, technical and license fee	1,133,822	-	1,133,822
Travelling expense and supervisors fee	6,490	-	6,490
Commission income from corporate guarantee	-	2,083	2,083
Remuneration to key management personnel	-	58,138	58,138
Disposal of vehicles to key management personnel	-	778	778
Contribution against retirement benefit obligation	-	183,025	183,025

	For the six months period ended June 30, 2022 (Un-audited)		
	Holding company	Other related parties	Total
	----- (Rupees in '000) -----		
Purchases of components	34,111,417	16,790,751	50,902,168
Sales including exports sales	35,854	44,069	79,923
Royalty, technical and license fee	2,615,670	-	2,615,670
Travelling expense and supervisors fee	778	-	778
Commission income from corporate guarantee	-	2,500	2,500
Remuneration to key management personnel	-	57,593	57,593
Disposal of vehicles to key management personnel	-	3,516	3,516
Purchase of property, plant and equipment	159,605	5,124	164,729
Contribution against retirement benefits	-	115,548	115,548
Purchase of intangible asset	309,040	-	309,040



Pak Suzuki Motor Co.Ltd.

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

Tel: 021-34723551-58 Fax: 021-34723521-2

Website: www.suzukipakistan.com