

Company Information

BOARD OF DIRECTORS

Dewan Zia.ur Rehman Farooqui	Chairman
Dewan Mohammad Yousuf Farooqui	President / Chief Executive
Dewan Abdullah Ahmed	Deputy Managing Director
Dewan Ghulam Mustafa Khalid	Director
Dewan Abdul Rehman Farooqui	Director
Dewan M. Ayub Khalid	Director
Dewan Asim Mushfiq Farooqui	Director

CHIEF FINANCIAL OFFICER

Furrukh V. Junaidy

COMPANY SECRETARY

Syed Moonis Abdullah Alvi

AUDIT COMMITTEE MEMBERS

Dewan Abdul Rehman Farooqui	Chairman
Dewan Mohammad Ayub Khalid	
Dewan Asim Mushfiq Farooqui	

BANKERS

ABN Amro Bank N.V.
Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Bank Al Falah Limited
Bolan Bank Limited
Citi Bank N.A.
Crescent Commercial Bank Limited
Faysal Bank Limited
Habib Bank Limited
Hong Kong Shanghai Banking Company
KASB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
PICIC Commercial Bank Limited
Saudi Pak Commercial Bank Limited
Standard Chartered Bank
The Bank of Khyber
The Bank of Punjab
United Bank Limited
Union Bank Limited

AUDITORS

Feroze Sharif Tariq & Co
Chartered Accountants
4/N/4, Block 6, PECHS
Karachi

REGISTERED OFFICE

Dewan Centre, 3-A
Lalazar, Beach Hotel Road,
Karachi.

LEGAL ADVISORS

A.K. Brohi & Co
Mandviwalla & Zafar

TAX ADVISOR

Sharif & Co. (Advocates)
3rd Floor, Uni Plaza
I.I. Chundrigar Road, Karachi

REGISTRAR

THK Associates (Pvt) Limited
Sheikh Sultan Trust Building No 2
Beaumont Road, Karachi.

REGIONAL OFFICES**Lahore**

Dewan Centre, 49-D/1,
Gulberg III

Islamabad

House # 58, F-7/2
Margalla Road,

FACTORY

Jilaniabad, Budhu Talpur
District Sajawal,
Sindh.

Directors' Report

I welcome you to the 6th Annual General Meeting and am pleased to present the Annual Report and performance of your Company:

The key financial figures are as follows:

	Year ended June 30, 2004	Year ended June 30, 2003
	(Rupees in thousand)	
Gross sales	7,685,778	5,534,746
Depreciation	156,592	150,909
Gross profit	705,754	632,615
Operating profit	423,554	418,983
Net profit after tax	223,439	139,709
Cash Dividend	73,403	73,403
Bonus shares	36,702	-
Un-appropriated profit carried forward	223,989	110,655

Year under review:

This year was dominated by positive changes in the economic environment in our country to which a healthy contribution was made by automobile industry. Reduction in markup rates, stability in Rupee/Dollar parity and attractive car financing schemes launched by financial institutions has played a pivotal role in the growth of the automobile industry.

In the earlier part of year, your Company faced some difficulty in receiving supply of CKD components due to strike in Hyundai Motor Company which lasted for about one and half month. Amid uncertainties regarding Government's intention to review and reduce custom duties on specified vehicle kits and CBU vehicles, uneasiness was created among the customers which further resulted in under performance by the industry. Rumors about eased import of used vehicles further aggravated the situation. Government's decision to allow import of second hand vehicles would have given carte blanche to the importers of used cars to destroy the progressive manufacturing in the automotive industry and the nascent industrial base, which this Country has built in last 57 years. It is pertinent to note that during the year significant increase in cost of

shipping freights and abnormal price increase in sheet metal has resulted in overall increase in cost of production.

Untiring efforts on the part of the management of the company resulted in successful launch of Hyundai Santro Executive and upgraded variant of Sportage. The successful completion of large fleet orders for supply of Shehzore Trucks during the year under review, despite stiff competition were major achievements. Through the continuous efforts of management of your company, Alhamdulillah! our sales volume in terms of quantity as well as in absolute Rupee terms have increased significantly. During the year we sold 12,222 vehicles of different mix as against 8,193 vehicles sold during the previous year. Though in Rupee terms the turnover during the year has increased by Rs.2.151 billion yet the gross profit has decreased due to various factors discussed in this report. The increase in sales is a clear manifestation of our valued customers' acceptance of the quality of our products.

It is worth mentioning that the various cost control factors have resulted in the decrease in manufacturing overheads to 6.6% as compared to 8.0% during the previous year, whereas administration & selling expenses got reduced to 4.2% of the sales as compared to 4.5% of sales during the previous year. The timely repayment of our debt obligation and reduction in rate of markup has resulted in decrease in financial expenses by Rs. 124 Million.

Your company remained committed to its responsibilities as a good corporate citizen by contributing Rs. 1.751 billion to exchequer in the shape of custom duty, sales tax, income tax and other levies during the year under review. The contribution during the year is 22% higher than last year. On an aggregate basis your company has contributed Rs.6.0 billion to the national exchequer since 2000.

Dividend:

The efforts of the management of your Company bore fruit. Keeping in view the performance of your company during the year, the Board is pleased to propose a dividend of 15% comprising 10% cash dividend, 5% (5 shares for every 100 shares held) bonus shares. Rs.113.3 million representing un-appropriated profits is therefore proposed to be carried forward to meet any future requirements.

We humbly and gratefully bow our heads before **Almighty Allah**, the most Gracious and most Merciful, who has rewarded and blessed your Company with **His** Innumerable bounties in the difficult times.

IF YE GIVE THANKS, I WILL GIVE YOU MORE (AL-QURAN)

Marketing :

As discussed above, the total sales during the year under review stood at 12,222 units, an impressive volume increase of 49.18 % over last year. The share of Hyundai showed an impressive growth to 11,310 units in the current fiscal year from 6,259 units in 2002-03, which represents 80.70% increase in sales volume of Hyundai brand vehicles. It is heartening to note that the overall market share of your company remained stable at 11% despite severe competition in the market.

The highlight of the year was the launch of Santro Executive and upgraded variant of KIA Sportage. Both received overwhelming response from the market. Hyundai Santro sales doubled to 6,924 units as compared to 3,164 units of previous year resulting in increase in the market share of Santro from 20% (2002-03) to 28% (2003-04) in its particular segment.

By the Grace of Almighty Allah, the Hyundai Shehzore this year retained its market leadership for the fifth consecutive year in the 1-Ton Pickup segment with sales of 4,200 units as compared to 2,987 units during previous year.

Considering the increasing popularity of factory-fitted CNG vehicles, CNG variant of Hyundai Santro by the name of Santro GV was specially designed in collaboration with BRC, a world renowned Italian manufacturer of CNG equipment. The launch of Santro GV was initially planned for the financial year under review, but market dynamics deferred the launch to first month of 2004-05. Alhamdulillah! the vehicle has received a very good response from the market and has further reinforced the image of your company, widening its customer base.

Your company was presented with the "Award of Excellence - CKD operations" by Hyundai Motor Company, in recognition of its efforts in establishing the Hyundai brand in a highly competitive market of Pakistan. This award was presented in HMC's 2004 Dealers and Distributors Conference held in Cape Town, South Africa. This conference was attended by all Hyundai Dealers from the Middle East and Africa region.

The company (DFML) also participated in a Korean product show organised by KOTRA (Korean Trade Centre) at the Expo Centre from the 18th-20th June. The objective of the exhibition was to display products of all Korean companies operating in Pakistan under one roof. Your Company had a very strong presence at the exhibition. The vehicles on display and the design of the stall drew in great crowds and much appreciation.

Dealership Network:

During the year, 2 new 2S dealerships were added to our dealership network, bringing the total number of Hyundai-Kia dealerships to twenty-three. In order to ensure availability of Hyundai and Kia vehicles and after-sales services at the customers' doorstep, the Company plans to further expand the dealership network by adding dealerships in cities and areas where our dealers are not present.

Customer Relations & Training:

Customer Relations and Training Department is fully geared to cater to sales and after sales needs of DFML customers. All customer inquiries and complaints received by the Company and its dealers were properly handled, satisfying the customers. Lot of emphasis has been given in improving capabilities of dealer sales staff. 8 Sales training programs with 39 sessions of 273 hours were arranged in different cities of Pakistan. Total of 483 persons participated in these trainings out of which 418 persons represented dealerships.

Apart from the vehicle sales, the after-sales parts operations also showed noticeable improvement.

After Sales Support:

The company remained committed to provide value added after sales services to its customers by following the DFML's "Customer Care Philosophy". The mega Service Clinic organised for Hyundai Santro all over Pakistan by service department remained a Hallmark of DFML. Besides engineers from DFML, engineers from Hyundai Motor Company also participated in this Service Clinic where more than 2000 vehicles were attended.

Service Training Center:

The objective of Service Training is to develop the dealer staff in order to take better care of our products and ultimately the customers. Therefore, we have intensified training activities in order to keep pace with the increase in units in operation and customers' expectations.

From the year 2004, Service Training Center introduced 'Hyundai Service Technician Education Programme (H-STEP)' training course. HMC also introduced the 'Hyundai Technician Recognition Programme (H-TRP)', which is a certification program for Hyundai Technicians having worldwide recognition.

We have also started 'Hyundai Service Advisor Programme (H-SAP)', which is a certification program for professional training of Hyundai Service Advisors. The programme includes training on customer care as well as the service business techniques.

In 2004, DFML training center has conducted the following training courses:

A) Technical Training Courses:

Description	No. of Courses	No. of Sessions	Total No. of Participants
Technical Training Courses	10	21	359

B) Management Training Courses:

Description	No. of Courses	No. of Sessions	Total No. of Participants
Service Advisors Training Courses	1	3	72
Warranty Training Courses	1	2	36

Welfare:

Your company remained committed to provide support to the community it serves and strongly believes in making contribution for social cause. Free medical center and School at plant in Sajawal for staff and general public, financial assistance to needy people and social organisations etc. are few of the examples.

Statement of Compliance with the Code of 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 financial statements for the year ended June 30, 2004 present fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2004 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;

- There are no significant doubts about the company ability to continue as a going concern;
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations;
- Key operating and financial data for last five years is enclosed with the report. The Company commenced commercial operations during the year ended June 30, 2000;
- Outstanding taxes & levies have been explained in note 17 of the annexed audited accounts;
- The fair value of the Provident Fund's investments as at June 30, 2004 was Rs. 3.16 million.

The Board :

The Board of Directors comprises individuals with diversified knowledge who endeavour to contribute towards the aim of the company with the best of their abilities. During the year six meetings of the Board were held. The attendance of directors were as follows:

Name of Director	No. of meetings attended
Dewan Ziaur Rehman Farooqui	2
Dewan Mohammad Yousuf Farooqui	6
Dewan Abdullah Ahmed	6
Dewan Ghulam Mustafa Khalid	6
Dewan Abdul Rehman Farooqui	6
Dewan Mohammad Ayub Khalid	3
Dewan Asim Mushfiq Farooqui	3

Leave of absence was granted to directors who could not attend Board meetings.

Future Prospects:

The political situation in the region, though improving, largely remains uncertain. It is expected that the economic activity in the country will continue to improve in the ensuing years. Engineering Industry welcomes recent reduction in custom duty over import of Plant & Machinery along with exemption of Sales tax.

The Rupee/Dollar parity will remain crucial in achieving the desired results of the Company. We expect that with the re-launch of new Santro car (CNG version), the capacity utilization will improve thereby enabling us to achieve better results.

Vote of Thanks:

On behalf of the Board, I thank you, the valued shareholders, Federal and Provincial Governments and their functionaries, banks, development financial institutions, leasing companies, dealers, vendors and customers for their continued support and patronage.

The Board would also like to appreciate the valuable services, loyalty and efforts rendered by the executives, staff members and workers of the Company, during the year under review.

Auditors:

The present Auditors M/s Feroze Sharif Tariq & Co. (Chartered Accountants) have retired and offer themselves for re-appointment

The Board of Directors on recommendation of the Audit committee have recommended the re-appointment after rotating the partner in-charge of M/s Feroze Sharif Tariq & Co. (Chartered Accountants) subject to the approval of the Securities & Exchange Commission of Pakistan.

Earnings per share (EPS)

The EPS is Rs. 3.04

Pattern of Shareholding:

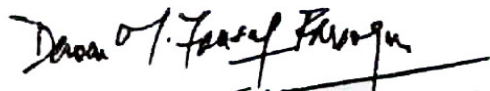
The pattern of Shareholding of the Company as at June 30, 2004 is included in the Annual report.

Conclusion:

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of his beloved Prophet, Muhammad, peace be upon him, for continued showering of His blessing, guidance, strength, health and prosperity to us, our Company, Country and Nation and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, Ameen, Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (AL-QURAN)

For and on behalf of the Board of Directors



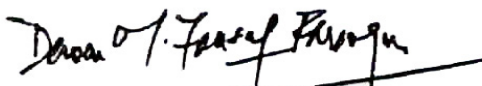
DEWAN MOHAMMAD YOUSUF FAROOQUI
President / Chief Executive

DEWAN FAROQUE MOTORS LIMITED


BALANCE SHEET
AS AT JUNE 30, 2004

	Note	June 30, 2004	June 30, 2003
(Rs. in '000)			
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets at cost less accumulated depreciation	3	1,831,134	1,746,875
Capital work-in-progress	4	122,219	138,290
		<u>1,953,353</u>	<u>1,885,165</u>
Long-term investment	5	-	-
Deferred cost	6	-	2,922
CURRENT ASSETS			
Stores and spares	7	57,492	47,648
Stock-in-trade	8	1,930,805	815,501
Trade debts		238,781	150,756
Advances, deposits, prepayments and other receivables	9	770,415	405,620
Cash and bank balances	10	151,952	170,129
		<u>3,149,445</u>	<u>1,589,654</u>
TOTAL ASSETS		<u><u>5,102,798</u></u>	<u><u>3,477,741</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
80,000,000 (2003: 80,000,000) Ordinary shares of Rs.10 each		<u>800,000</u>	<u>800,000</u>
Issued, subscribed and paid-up			
Reserve for issue of Bonus shares	11	734,031	734,031
Unappropriated profit		36,702	-
		223,989,487	110,655
		<u>994,722</u>	<u>844,686</u>
NON-CURRENT LIABILITIES			
Long term loans-secured	12	150,000	430,000
Liability against assets subject to finance lease	13	-	-
Long term deposits		40,000	41,616
Deferred Liabilities	14	130,030	54,943
CURRENT LIABILITIES			
Current maturity of long term loans		363,333	295,000
Current maturity of liability against assets subject to finance lease		-	202,711
Short term finances-secured	15	1,595,552	376,290
Creditors, accrued and other liabilities	16	1,698,923	1,135,612
Taxation	17	56,416	23,480
Unclaimed dividend		419	-
Proposed dividend		73,403	73,403
		<u>3,788,046</u>	<u>2,106,496</u>
COMMITMENTS			
	18		
TOTAL EQUITY AND LIABILITIES		<u><u>5,102,798</u></u>	<u><u>3,477,741</u></u>

The annexed notes from 1 to 33 form an integral part of these accounts.



Dewan Mohammad Yousuf Farooqui
President / Chief Executive

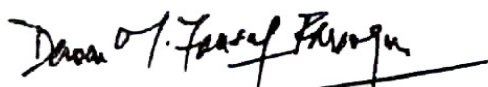


Dewan Abdullah Ahmed
Deputy Managing Director

DEWAN FAROOQUE MOTORS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2004

	Note	June 30, 2004	June 30, 2003
(Rs in '000)			
GROSS SALES	19	7,685,778	5,534,746
Sales tax		(949,959)	(717,538)
Commission and discounts		(148,531)	(121,215)
	19	(1,098,490)	(838,753)
NET SALES		6,587,288	4,695,993
Cost of sales	19	5,881,534	4,063,378
GROSS PROFIT		705,754	632,615
Amortization of deferred cost	6	2,922	2,922
Administration and selling expenses	20	279,278	210,710
OPERATING PROFIT		423,554	418,983
OTHER INCOME	21	1,133	1,457
		424,687	420,440
Financial charges	22	76,550	200,374
Worker's profit participation fund		17,407	11,003
		93,957	211,377
PROFIT BEFORE TAXATION		330,730	209,063
TAXATION	23	107,291	69,354
NET PROFIT FOR THE YEAR		223,439.399	139,709
UNAPPROPRIATED PROFIT BROUGHT FORWARD		110,655	44,349
PROFIT AVAILABLE FOR APPROPRIATION		334,094	184,058
APPROPRIATIONS			
Proposed dividend 10% (2003: 10%) (Re. 1 per share)		73,403	73,403
Issue of Bonus Shares @ 5% (2003: NIL)		36,702	
		110,105	73,403
UNAPPROPRIATED PROFIT CARRIED FORWARD		223,989	110,655
BASIC EARNINGS PER SHARE (Rupees.)	24	3.04	1.90

The annexed notes from 1 to 33 form an integral part of these accounts.



Dewan Mohammad Yousuf Farooqui
President / Chief Executive


Dewan Abdullah Ahmed
Deputy Managing Director

DEWAN FAROOQUE MOTORS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2004

Note	June 30, 2004	June 30, 2003
(Rs. In ' 000)		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	330,730	209,063
Add: Depreciation	156,592	150,909
(Gain) on disposal of fixed assets	(219)	(324)
Amortization of deferred cost	2,922	2,922
Financial charges	76,550	200,374
Provision for staff gratuity	2,532	4,746
	238,377	358,627
	569,107	567,690
(Increase) / Decrease in store & spares	(9,845)	2,581
(Increase) / Decrease in stock in trade	(1,115,305)	252,531
(Increase) / Decrease in trade debts	(88,026)	113,801
(Increase) in advance, deposits, pre-payments & other receivables	(377,291)	(167,730)
Increase / (Decrease) in creditors, accrued & other liabilities	578,780	(332,222)
(Decrease) / Increase in long term deposits	(1,616)	6,992
Tax refund / (paid) - net	12,496	(27,135)
Dividend (paid)	(72,984)	-
Financial charges (paid)	(92,016)	(207,891)
Gratuity (paid)	(1,801)	(935)
	(1,167,608)	(360,008)
Net cash flow from operating activities	(598,501)	207,682
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(226,043)	(278,222)
Sale proceeds of fixed assets	1,482	3,149
Net cash flow from investing activities	(224,561)	(275,073)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan obtained	100,000	200,000
Long term loans repaid	(311,666)	(175,000)
Finance Lease repayments	(202,711)	(54,196)
Net cash flow from financing activities	(414,377)	(29,196)
NET(DECREASE) IN CASH & CASH EQUIVALENTS	(1,237,439)	(96,587)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(206,161)	(109,574)
CASH & CASH EQUIVALENTS AT END OF THE YEAR	25 (1,443,600)	(206,161)

The annexed notes from 1 to 33 form an integral part of these accounts.

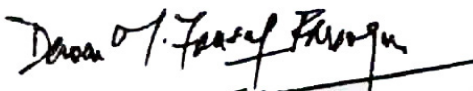

Dewan Mohammad Yousuf Farooqui
 President / Chief Executive


Dewan Abdullah Ahmed
 Deputy Managing Director

DEWAN FAROOQUE MOTORS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Share Capital</u>			<u>Total</u>
	<u>Issued, subscribed and paid-up</u>	<u>Reserve for issue of Bonus Shares</u>	<u>Unappropriated profit</u>	
	----- Rupees in '000 -----			
Balance as at June 30, 2002	734,031	-	44,349	778,380
Net profit for the year	-	-	139,709	139,709
Dividend @10% (Re. 1per share)	-	-	(73,403)	(73,403)
Balance as at June 30, 2003	<u>734,031</u>	<u>-</u>	<u>110,655</u>	<u>844,686</u>
Net profit for the year	-	-	223,439	223,439
Proposed dividend @10% (Re. 1per share)	-	-	(73,403)	(73,403)
Proposed issue of Bonus shares @ 5%	-	36,702	(36,702)	-
Balance as at June 30, 2004	<u><u>734,031</u></u>	<u><u>36,702</u></u>	<u><u>223,990</u></u>	<u><u>994,722</u></u>


Dewan Mohammad Yousuf Farooqui
 President / Chief Executive


Dewan Abdullah Ahmed
 Deputy Managing Director