

## COMPANY INFORMATION

## BOARD OF DIRECTORS

Dewan Ziaur Rehman Farooqui	Chairman
Dewan Muhammad Yousuf Farooqui	President / Chief Executive
Dewan Abdullah Ahmed	Director
Dewan Ghulam Mustafa Khalid	Director
Dewan Abdul Rehman Farooqui	Director
Dewan M. Ayub Khalid	Director
Dewan Asim Mushfiq Farooqui	Director

## CHIEF FINANCIAL OFFICER

Farrukh 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  
 Dawood Bank Limited  
 Faysal Bank Limited  
 Habib Bank Limited  
 KASB Bank Limited  
 Meezan Bank Limited  
 Muslim Commercial Bank Limited  
 National Bank of Pakistan  
 PICIC Commercial Bank Limited  
 Saudi Pak Commercial Bank Limited  
 Saudi Pak Industrial and Agricultural  
 Investment Co.(Pvt) Limited  
 Standard Chartered Bank  
 The Bank of Khyber  
 The Bank of Punjab  
 The Hong Kong & Shanghai Banking Corporation  
 United Bank Limited  
 Union Bank Limited

## AUDITORS

Feroze Sharif Tariq & Co  
 Chartered Accountants  
 4/N/4, Block 6, P.E.C.H.S  
 Karachi. Karachi.

## REGISTERED OFFICE

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

## LEGAL ADVISORS

A.K. Brohi & Co  
 Mandviwalla & Zafar

## CORPORATE OFFICE

7th & 8th Floor, Block A,  
 Finance & Trade Centre,  
 Shahrah-e-Faisal,

## TAX ADVISOR

Sharif & Co. (Advocates)  
 3rd Floor, Uni Plaza  
 I.I Chundrigar Road, Karachi  
 Faruq Ali & Co.  
 Chartered Accountants  
 803.8th Floor, Land Mark Plaza,  
 Off, I.I. Chundrigar Road, Karachi

Lahore

Dewan Centre, 49-D/1,  
 Gulberg III

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

## REGISTRAR

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

## FACTORY

Jilaniabad, Budhu Talpur  
 District Sajawal,  
 Sindh.



## DIRECTORS' REPORT



IN THE NAME OF ALLAH  
THE MOST GRACIOUS AND MERCIFUL

The Board of Directors takes pleasure in presenting the un-audited financial statements of the Company for the half-year ended December 31, 2005.

Alhamdulillah, gross sales for the period under review increased to Rs. 4.636 billion compared with Rs. 4.292 billion during the corresponding period of last year, resulting in an increase of approximately 8%. The gross profit for the period is Rs. 465.689 million and the net profit after tax is Rs. 80.075 million.

The unit sale has increased to 7,198 units from 6,910 units during the same period last year. During the period under review the Company launched Hyundai Coupe, Sonata and Terracan CBU vehicles. The new models will provide a good choice to the customers of the upper segments, Inshallah!

The management is continuously endeavoring to improve efficiency and productivity to mitigate the impact of increasing cost of local and imported materials, as well as, buoyant interest rates and general inflationary trend in the economy. The company, along with vendors, is making best efforts to meet the challenges of growth in demand of its products.

The reduction in tariff coupled with the liberalization of policy relating to import of used cars is adversely affecting the local industry. In view of the ever-increasing demand for vehicles, capacity enhancement is well under way in the local industry. Relaxation in tariff and import policy is not only hurting the ongoing initiative of local manufacturers but also has its repercussions on the local vending industry. In the wake of rising interest rates, double digit inflation, impact of volatility of US\$ against other currencies, the relaxation is viewed as counterproductive for the local industry. We expect the Government to revise the tariff to control the influx of used cars and take a corrective measure for the protection of the local industry.

We are extremely grateful to our valued customers, who have placed their confidence in our products. We are also thankful to the Engineering Development Board for their continued guidance and support. Moreover, we are appreciative of the cooperation and efforts put in by the dealers, vendors and employees of the Company that played a pivotal role in achieving the desired results.

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Ar-Rahim, in the name of our beloved Prophet, Muhammad (peace be upon him), for continued showering of his blessings, 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 the whole Muslim Ummah, Ameen, Summa-Ameen.

إِنَّ رَبِّي لَسَمِيعُ الدُّعَاءِ — (القرآن)  
حقیقت میں میرا رب دعا کا بڑا سننے والا ہے۔

LO-MY LORD IS INDEED HEARER OF PRAYER (AL-QURAN)  
For and on behalf of the Board of Directors

*Dewan Muhammad Yousuf Farooqui*

Dewan Muhammad Yousuf Farooqui  
President/Chief Executive



## REVIEW REPORT TO THE MEMBERS

**FEROZE SHARIF TARIQ & CO.**

Partners: FEROZE QAISER F.C.A., I.C.A.E.W.  
ALI HUSAIN, F.C.A.  
MOHAMMAD TARIQ, F.C.A., A.C.M.A

FEROZE SHARIF TARIQ & CO.  
Chartered Accountants  
4-N/4, BLOCK 6, P.E.C.H.S.,  
KARACHI 75400

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(+9221) 4522734  
Facimile: (+9221) 4540891  
Email: tariq@cyberaccess.com.pk

We have reviewed the annexed balance sheet of DEWAN FAROOQUE MOTORS LIMITED as at December 31, 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half-year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Place: Karachi

*Feroze Sharif Tariq*  
(CHARTERED ACCOUNTANTS)

Date: February 27, 2006

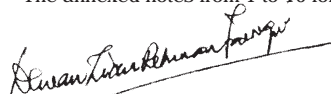



## BALANCE SHEET

AS AT DECEMBER 31, 2005

<u>ASSETS</u>	DECEMBER 31, 2005 Unaudited ------(Rs. in '000)-----	JUNE 30, 2005 Audited
<b>NON-CURRENT ASSETS</b>		
Tangible fixed assets		
Property, plant and equipment		
Property, plant and equipment at cost	1,957,501	1,885,131
less accumulated depreciation	421,132	145,101
Capital work-in-progress	<u>2,378,633</u>	<u>2,030,232</u>
Long term deposit	36,000	-
<b>CURRENT ASSETS</b>		
Stores and spares	46,372	47,041
Stock-in-trade	2,012,717	1,837,288
Trade debts	240,799	241,013
Short term loans to associated undertakings-considered good	773,037	1,131,692
Advances, deposits, prepayments and other receivables	915,307	878,787
Investment	823,798	-
Cash and bank balances	211,306	146,083
	<u>5,023,336</u>	<u>4,281,904</u>
<b>TOTAL ASSETS</b>	<u><u>7,437,969</u></u>	<u><u>6,312,136</u></u>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share Capital		
Authorized		
80,000,000 (2005: 80,000,000) Ordinary shares of Rs.10 each	<u>800,000</u>	<u>800,000</u>
Issued, subscribed and paid-up	770,733	770,733
Reserves	<u>871,699</u>	<u>529,939</u>
	1,642,432	1,300,672
<b>NON-CURRENT LIABILITIES</b>		
Long term loans-secured	1,092,500	566,667
Finance against assets subject to finance lease	63,027	-
Long term deposits	41,500	41,000
Deferred liabilities	303,137	290,721
	6	
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,818,335	2,213,960
Accrued markup/profit	57,944	39,910
Short term finances-secured	1,573,221	1,731,944
Current maturity of long term loans	758,333	83,333
Current maturity of finance against assets subject to finance lease	12,487	-
Taxation	75,053	43,929
	4,295,373	4,113,076
<b>CONTINGENCIES AND COMMITMENTS</b>		
	7	
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>7,437,969</u></u>	<u><u>6,312,136</u></u>

The annexed notes from 1 to 10 form an integral part of these accounts.

  
Dewan Ziaur Rehman Farooqui  
Chairman

  
Dewan Muhammad Yousuf Farooqui  
President/Chief Executive



## PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Half year ended		Quarter ended	
	DECEMBER 31, 2005	DECEMBER 31, 2004	DECEMBER 31, 2005	DECEMBER 31, 2004
	Unaudited			
	(Rs. in '000)			
GROSS SALES	4,635,615	4,292,118	2,655,316	2,270,178
Sales tax	(604,431)	(527,590)	(346,229)	(264,764)
Commission and discounts	(102,811)	(77,421)	(59,850)	(39,461)
	<u>(707,242)</u>	<u>(605,011)</u>	<u>(406,079)</u>	<u>(304,225)</u>
NET SALES	3,928,373	3,687,107	2,249,237	1,965,953
Cost of sales	3,462,684	3,255,599	1,989,497	1,709,868
GROSS PROFIT	<u>465,689</u>	<u>431,508</u>	<u>259,740</u>	<u>256,085</u>
Distribution expenses	109,874	91,992	63,681	47,331
Administration and general expenses	118,823	102,609	60,269	66,601
OPERATING PROFIT	<u>236,992</u>	<u>236,907</u>	<u>135,790</u>	<u>142,153</u>
OTHER INCOME	406	254	311	55
	<u>237,398</u>	<u>237,161</u>	<u>136,101</u>	<u>142,208</u>
Other Operating expenses	8,648	8,688	5,660	5,566
Financial charges	105,062	63,400	63,517	30,877
	<u>113,710</u>	<u>72,088</u>	<u>69,177</u>	<u>36,443</u>
PROFIT BEFORE TAXATION	<u>123,688</u>	<u>165,073</u>	<u>66,924</u>	<u>105,765</u>
TAXATION				
Current	31,124	18,436	8,693	9,830
Deferred	12,489	44,840	17,540	32,348
	<u>43,613</u>	<u>63,276</u>	<u>26,233</u>	<u>42,178</u>
NET PROFIT FOR THE PERIOD	<u>80,075</u>	<u>101,797</u>	<u>40,691</u>	<u>63,587</u>
BASIC EARNINGS PER SHARE (Rupee)	<u>1.04</u>	<u>1.32</u>	<u>0.53</u>	<u>0.83</u>

The annexed notes from 1 to 10 form an integral part of these accounts.

*Dewan Ziaur Rehman Farooqui*

Dewan Ziaur Rehman Farooqui  
Chairman

*Dewan Muhammad Yousuf Farooqui*

Dewan Muhammad Yousuf Farooqui  
President/Chief Executive

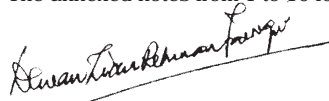



## CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	DECEMBER 31, 2005	DECEMBER 31, 2004
	------(Rs. in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	123,688	165,073
Add: Depreciation	81,113	77,211
(Gain) on disposal of fixed assets	(117)	-
Financial charges	105,062	63,400
	<u>186,058</u>	<u>140,611</u>
	309,746	305,684
Decrease in stores & spares	669	2,995
(Increase) / Decrease in stock in trade	(175,429)	73,952
Decrease / (Increase) in trade debts	214	(96,968)
(Increase) in long term lease deposit	(36,000)	-
Decrease/(increase) in advances, deposits, prepayments & other receivables	42,223	(416,900)
(Decrease)/increase in Trade and other payables	(451,296)	622,670
Increase in long term deposits	500	3,000
Tax (paid) / refund-net	(23,662)	4,450
Dividend (paid)	(59,940)	(40,101)
Financial charges (paid)	(141,993)	(41,251)
Gratuity (paid)	(73)	(482)
	<u>(844,787)</u>	<u>111,365</u>
Net cash flow from operating activities	(535,041)	417,049
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(429,511)	(47,361)
Short term loans to associated undertakings	(87,848)	(952,292)
Net cash flow from investing activities	(517,359)	(999,653)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Finance against assets subject to finance lease	80,000	-
Long term loans obtained	1,280,000	-
Long term loans repaid	(79,167)	(181,667)
Finance lease repayment	(4,487)	-
Net cash flow from financing activities	<u>1,276,346</u>	<u>(181,667)</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	223,946	(764,271)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,585,861)	(1,443,600)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	<u>(1,361,915)</u>	<u>(2,207,871)</u>

The annexed notes from 1 to 10 form an integral part of these accounts.

  
Dewan Ziaur Rehman Farooqui  
Chairman

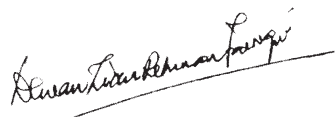
  
Dewan Muhammad Yousuf Farooqui  
President/Chief Executive

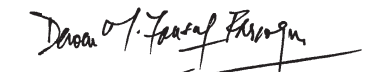


**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2005**

Share Capital	Reserve for issue of Bonus shares	Revenue Reserves			Total
		Unrealized gain on available for sale investment	Unappropriated profit	Total Revenue Reserves	
Unaudited (Rupees in '000)					
<b>Balance as at June 30, 2004 as previously reported</b>	734,031	36,702	-	223,989	994,722
<b>Effect of change with respect to recognition of dividend (note 3.1)</b>					
Final dividend for the year ended June 30, 2004 declared subsequent to period end	-	-	-	73,403	73,403
Issue of Bonus shares for the year ended June 30, 2004 declared subsequent to period end	-	(36,702)	-	36,702	-
	734,031	-	-	334,094	1,068,125
Final dividend for the year ended June 30, 2004	-	-	-	(73,403)	(73,403)
Bonus shares declared for the year ended June 30, 2004	-	36,702	-	(36,702)	-
3,670,155 Ordinary shares of Rs. 10/- each issued as fully paid Bonus Shares	36,702	(36,702)	-	-	-
Net profit for the period	-	-	-	101,797	101,797
<b>Balance as at December 31, 2004</b>	<b>770,733</b>	<b>-</b>	<b>-</b>	<b>325,786</b>	<b>1,096,519</b>
<b>Balance as at June 30, 2005</b>	<b>770,733</b>	<b>-</b>	<b>-</b>	<b>529,939</b>	<b>1,300,672</b>
Final dividend for the year ended June 30, 2005	-	-	-	(115,610)	(115,610)
Net profit for the period	-	-	-	80,075	80,075
Unrealized gain on available for sale investment	-	-	377,295	-	377,295
<b>Balance as at December 31, 2005</b>	<b>770,733</b>	<b>-</b>	<b>377,295</b>	<b>494,404</b>	<b>1,642,432</b>

The annexed notes from 1 to 10 form an integral part of these accounts.

  
 Dewan Ziaur Rehman Farooqui  
 Chairman

  
 Dewan Muhammad Yousuf Farooqui  
 President/Chief Executive

## NOTES TO THE ACCOUNTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2005

- 1 Dewan Farooque Motors Limited was incorporated in Pakistan on December 28, 1998 as a public limited company. The shares of the company are quoted on all the three stock exchanges in Pakistan. The registered office of the Company is situated at Dewan Center, 3-A Lalazar, Beach Hotel Road, Karachi. The Company has entered into separate technical license / collaboration agreements with Hyundai Motor Company, Korea and KIA Motors Corporation, Korea. The principal activity of the Company is the assembly, progressive manufacturing and sales of Hyundai and KIA vehicles in Pakistan. The Company commenced commercial production through the interim facility from January 01, 2000. The main facility came into commercial operation from January 01, 2001.
- 2 These financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and are being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984.
- 3 These financial statements have been prepared using the same accounting policies and method of computation as were applied in preparing the financial statements for the year ended June 30, 2005. Policy relating to the investments is as follows;

## Investments

The management determines the appropriate classification of the investments, in accordance with the IASs, at the time of purchase depending on the purpose for which the investments are acquired and re-evaluate this classification on a regular basis. The existing investment of the company has been categorized as available for sale.

Available for sale investments are initially recognized at cost being the fair value of the consideration given including acquisition charges associated therewith.

After initial recognition, investments, which are classified as available for sale are remeasured at fair value. Unrealized gains and losses on available for sale investments are recognized in equity till the investment is sold 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.

- 3.1 During the previous financial year, SECP substituted the Fourth Schedule to the Companies Ordinance, 1984. Previously, the Fourth Schedule required dividends declared subsequent to the period/year end to be appropriated from the profit for the period/year and recorded as a liability. However, this requirement has been deleted from the substituted Fourth Schedule and companies are now required to follow the International Accounting Standards (IASs). IAS 10 "Events After Balance Sheet Date" which states that dividends declared after the balance sheet date should not be recognized as a liability at the balance sheet date but disclosed in the notes to the financial statements.

This had resulted in a change in the accounting policy, during the last financial year, pertaining to recognition of dividends subsequent to the period/year end. The change in accounting policy was accounted for retrospectively and comparative information were restated in accordance with the benchmark treatment specified in IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change as stated above unappropriated profit for the year ended June 30, 2004 would have been lower by Rs. 110.105 million and dividends payable and reserves for issue of Bonus shares would have been higher by Rs. 73.403 million and Rs. 36.702 million respectively. The effect of said change has been reflected in the statement of changes in equity.

	Half year ended DECEMBER 31, 2005	Year ended JUNE 30, 2005
	----- (Rs. in '000) -----	
4 Property, plant and equipment		
4.1 Detail of additions during the period is as follows:		
Tangible:		
Buildings	91,624	113,000
Plant & Machinery	3,392	15,431
Furniture & fixtures	2,717	7,850
Vehicles	50,049	58,771
Office equipment	6,478	18,673
	<u>154,260</u>	<u>213,725</u>
4.2 Detail of disposals during the period is as follows:		
Vehicle	<u>1,064</u>	<u>-</u>
5 Investment - available for sale		
Investment in Ordinary shares of Dewan Cement Limited - (related party)		
44,650,273 ordinary shares of Rs. 10 each	446,503	-
Unrealized gain on remeasurement of investment to fair value recognized in equity	<u>377,295</u>	<u>-</u>
	<u>823,798</u>	<u>-</u>

During the period, the company acquired 44,650,273 shares of Rs. 10 each in Dewan Cement Limited, at par value, aggregating to Rs. 446.503 million. The loan extended by the company to Dewan Cement Limited has been adjusted against the acquisition of these shares.

The above investment is remeasured to fair value using market value as at the end of the period.



## NOTES TO THE ACCOUNTS

## FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Half year ended DECEMBER 31, 2005	Year ended JUNE 30, 2005
	------(Rs. in '000)-----	
6 Deferred Liabilities		
Staff gratuity	8,976	9,049
Deferred taxation	294,161	281,672
	<u>303,137</u>	<u>290,721</u>

## 7 CONTINGENCIES AND COMMITMENTS

## CONTINGENCIES

- 7.1 The company during the year ended June 30, 2005 received notices from the Customs Authorities claiming short recovery of Rs. 87 million and Rs. 42 million on account of custom duties, sales tax and income tax on royalty paid to Hyundai Motor Company (HMC) and Kia Motor Corporation (KMC), respectively, from 2000 to 2005, taking the view that the royalty pertains to the imported CKD Kits as opposed to the company view that the same is independent of the import of CKD kits and relates to local manufacturing of the motor vehicles.

The matter is being contested by the company in the High Court of Sindh. Accordingly, pending a final decision in this matter, no provision has been made by the company in the financial statements of the current period in this regard as the management of the company is confident that the matter will be decided in favor of the company.

- 7.2 Letter of guarantee issued by the bank amounting to Rs. 14.460 (2005: Rs. 14.460) million.

## COMMITMENTS

- 7.3 Capital expenditure commitments outstanding at December 31, 2005 amounts to Rs. 85 (2005: Rs. 40) million.
- 7.4 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. 551.569 (2005: Rs. 356.098) million.

## 8 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

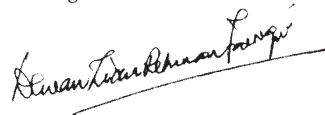
	Half year ended DECEMBER 31, 2005	Year ended JUNE 30, 2005
	------(Rs. in '000)-----	
Sales	32,894	72,513
Purchases	2,710,545	4,792,235
Royalty	25,744	56,711
Short term loans to associated undertakings paid	87,848	1,131,692
Investment - against adjustment of loan to Dewan Cement Limited.	446,503	-
Markup on short term loans to associated undertakings	54,964	71,208

Transactions with associated undertakings and related parties are undertaken on an arm's length basis.

## 9 Date of Authorization for Issue

These financial statements have been authorized for issue on February 27, 2006 by the Board of Directors of the Company.

- 10 Figures have been rounded off to the nearest thousand rupees.



Dewan Ziaur Rehman Farooqui  
Chairman



Dewan Muhammad Yousuf Farooqui  
President/Chief Executive



