

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

BOARD OF DIRECTORS

Dewan Mohammad Yousuf Farooqui	Chairman
Dewan Asim Mushfiq Farooqui	Director
Dewan Abdul Rehman Farooqui	Director
Dewan Abdullah Ahmed Swaleh Farooqui	Managing Director
Dewan Abdul Baqi Farooqui	Director
Mr. Haroon Iqbal	Director
Mrs. Hina Yousuf	Director

CHIEF EXECUTIVE OFFICER

Dewan Mohammad Yousuf Farooqui

PRESIDENT / CHIEF OPERATING OFFICER

Farooq Mustafa

COMPANY SECRETARY

Muhammad Naeemuddin Malik

AUDIT COMMITTEE MEMBERS

Dewan Abdullah Ahmed Swaleh Farooqui	Chairman
Dewan Asim Mushfiq Farooqui	Member
Dewan Abdul Baqi Farooqui	Member
Mr. Haroon Iqbal	Member

BANKERS

Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Atlas Bank Limited
Bank Al Falah Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
Meezan Bank Limited
MCB Bank Limited
My Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak Oman Investment Company Limited
Saudi Pak Commercial Bank Limited
Saudi Pak Industrial and Agricultural Investment Co. (pvt) Limited
Standard Chartered Bank
The Royal Bank of Scotland Limited
The Bank of Khyber
The Bank of Punjab
The Hong Kong & Shanghai Banking Corporation
United Bank Limited

AUDITORS

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

LEGAL ADVISORS

A.K. Brohi & Co
Mandviwalla & Zafar

TAX ADVISOR

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

REGISTERED OFFICE

7th Floor, Block 'A',
Finance & Trade Centre
Off Shahrah -e- Faisal,
Karachi.

CORPORATE OFFICE

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

REGIONAL OFFICES

Lahore
Dewan Centre, PIA Tower,
Egerton Road.

Islamabad

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

FACTORY

Jilaniabad, Budhu Talpur
District Sajawal,
Sindh.

DIRECTORS' REPORT



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

IN THE NAME OF ALLAH
THE MOST GRACIOUS AND MERCIFUL

The Board of Directors of your Company takes pleasure in presenting the un-audited condensed interim financial statements of the Company for the half yearly ended December 31, 2008.

The Gross sales, during the half yearly ended December 31, 2008, was Rs. 906.706 million as compared to Rs. 3.187 billion in the corresponding period of the last year. During the period under review, the company's gross loss was Rs. 474.372 million and the after tax loss was Rs. 707.982 million. The loss is mainly attributable to steep drop in production and sales volumes, phenomenal increase in foreign exchange rates and material cost. Though company increased selling prices but could not pass on full impact of cost due to deteriorating market demand.

The current quarter ended has turned out more depressing and challenging for the local car assemblers then initially estimated. Political and economic instability, hike in car financing rates and most importantly increase in the car prices are the major contributor in the massive decline of auto demand. In the first 6 months (Jul - Dec 2008) of FY09 car sales have performed dismally depicting a decline of 48%. With the weakening economic fundamentals and credit crunch, auto demand is likely to remain depress in the current financial year. To meet challenges of current situation the company already taken number of measures to curtail cost. The Government has reduced the depreciation allowance on reconditioned cars from 2% to 1%. This decision will discourage the import of used cars and support the local industry.

The Auditors of the company have emphasized in their review report about the company's ability to continue as going concern on account of losses sustained, negative reserves and net current liability situation. The management is fully confident that the company would be able to, finalize the re-profiling of its debts with the banks and will come out of the present crisis.

As per the directives of SECP vide S.R.O.150 (I)/2009 dated February 13, 2009, the Company has shown impairment loss due to valuation of listed equity investments held as "Available for Sale" under Equity. The impact of normal and the opted method has been disclosed in note 5 to the accounts.

We are extremely grateful to our valued customers, who have maintained their trust, and placed their confidence in our products. We are also thankful to the Engineering Development Board, our employees, dealers and vendors for their guidance, efforts and encouragement, and look forward for their continued support.

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet, Muhammad (peace be upon him), for the continued showering of his blessings, guidance, strength, health and prosperity to us, our Company, our Country and the 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.

إِنَّا تَرَجُّبُ لَسَمِيعِ الدَّعَاءِ (القرآن)
حقیقت میں میرا رب دعا کا بڑا سننے والا ہے۔

LO-MY LORD IS INDEED HEARER OF PRAYER (AL-QURAN)
Under / By Authority of the Board of Directors

DEWAN MOHAMMAD YOUSUF FAROOQUI
CHIEF EXECUTIVE OFFICER

Karachi: February 28, 2009

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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REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the annexed condensed interim balance sheet of Dewan Farooque Motors Limited as at December 31, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial statements"), for the half year then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on these condensed interim financial statement based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2007 and 2008 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2008.

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 information consists of making inquires, 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 Standard 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

The financial statements of the company during the period ended December 31, 2008 reflect loss after taxation of Rs. 707.981 million and as of that date it has accumulated losses of Rs. 826.163 million which have exceeded its capital and its current liabilities exceeded its current assets by Rs. 1,238.218 million. The company has been unable to ensure the timely repayments of the installments of the long term borrowings. These conditions may cast significant doubt on the company's ability to continue as going concern.

Based on our review, except for the fact disclosed in paragraph above, nothing has to come our attention that causes us to believe that the accompanying Condensed Interim Financial Statements as at end of six months period ended December 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.



FEROZ SHARIF TARIQ & CO
Chartered Accountants

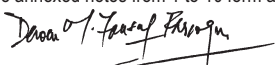
Karachi: February 28, 2009

CONDENSED INTERIM BALANCE SHEET

As at December 31, 2008

	Note	December 31, 2008	June 30, 2008
		(Rs. in '000)	
		Unaudited	Audited
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	2,087,544	2,175,667
Intangible Assets		790	2,368
Long-term deposits (with leasing companies)		40,343	40,343
CURRENT ASSETS			
Stores and spares		82,523	83,035
Stock-in-trade		1,291,994	1,234,219
Trade debts - considered good		71,777	294,772
Short term loans to associated undertakings - considered good		892,740	892,740
Advances, deposits, prepayments and other receivables		400,562	493,794
Investment	5	137,523	547,412
Advance Income Tax		4,643	-
Cash and bank balances		51,038	90,574
		2,932,800	3,636,546
TOTAL ASSETS		5,061,477	5,854,924
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
100,000,000 (June 30, 2008: 100,000,000) Ordinary shares of Rs.10 each		1,000,000	1,000,000
Issued, subscribed and paid-up			
77,073,300 (June 30, 2008: 77,073,300) Ordinary shares of Rs.10 each		770,733	770,733
Impairment loss on investment to be change in future	5.1	(308,980)	-
Reserves		(517,183)	291,708
		(55,430)	1,062,441
NON-CURRENT LIABILITIES			
Long term loans - secured		792,271	690,000
Long term loan - unsecured		119,000	119,000
Liabilities against assets subject to finance lease		8,339	11,378
Long term security deposits		19,700	20,700
Deferred Liabilities	6	5,670	126,980
Deferred Credit		910	1,821
CURRENT LIABILITIES			
Trade and other payables		1,467,382	1,421,232
Accrued markup / profit		298,863	102,464
Short term finances-secured		1,962,321	1,941,799
Current maturity of long term loans		387,158	291,714
Current maturity of liabilities against assets subject to finance lease		55,293	57,239
Taxation - net		-	8,156
		4,171,017	3,822,604
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		5,061,477	5,854,924

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.


Dewan Mohammad Yousuf Farooqui
 Chief Executive


Dewan Abdullah Ahmed
 Managing Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the half year and quarter ended December 31, 2008

	Half Year Ended		Quarter Ended	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
-----Unaudited-----				
(Rs. in '000)				
GROSS SALES	906,706	3,187,827	450,800	1,176,336
Sales tax	118,314	(412,363)	56,878	(152,138)
Federal Excise Duty	3,986	-	1,152	-
Special Excise Duty	7,198	(26,370)	3,662	(9,936)
Commission and discounts	49,792	(84,743)	35,000	(31,250)
	<u>179,290</u>	<u>(523,476)</u>	<u>96,692</u>	<u>(193,324)</u>
NET SALES	727,416	2,664,351	354,108	983,012
Cost of sales	1,201,788	2,386,868	554,377	890,037
GROSS (LOSS) / PROFIT	(474,372)	277,483	(200,269)	92,975
Distribution expenses	79,779	95,891	33,550	48,863
Administration and general expenses	103,719	94,456	44,988	49,068
	<u>183,498</u>	<u>190,347</u>	<u>78,538</u>	<u>97,931</u>
OPERATING (LOSS) / PROFIT	(657,870)	87,136	(278,807)	(4,956)
OTHER INCOME	6,252	2,082	2,302	865
	<u>(651,618)</u>	<u>89,218</u>	<u>(276,505)</u>	<u>(4,091)</u>
Other operating expenses	-	-	-	(98)
Finance cost	176,389	185,099	91,077	93,743
	<u>176,389</u>	<u>185,099</u>	<u>91,077</u>	<u>93,645</u>
(LOSS) / PROFIT BEFORE TAXATION	(828,007)	(95,881)	(367,582)	(97,736)
TAXATION	(120,025)	(21,353)	-	(27,814)
NET (LOSS) FOR THE PERIOD	(707,982)	(74,528)	(367,582)	(69,922)
(Loss) per share - basic (Rupee)	<u>(9.19)</u>	<u>(0.97)</u>	<u>(4.77)</u>	<u>(0.91)</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdullah Ahmed
Managing Director

CONDENSED INTERIM CASH FLOW STATEMENT

For the half year ended December 31, 2008

	December 31, 2008 -----Unaudited----- (Rs. in '000)	December 31, 2007 -----Unaudited----- (Rs. in '000)
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(828,007)	(95,881)
Add / (Less) : Depreciation	91,038	99,753
Amortization of intangible assets	1,578	1,578
Amortization of deferred credit	(910)	(910)
Gain on disposal of fixed assets	(334)	(439)
Financial charges	176,389	185,099
	<u>267,761</u>	<u>285,081</u>
	(560,246)	189,200
Decrease/ (Increase) in stores & spares	513	(5,472)
(Increase) / Decrease in stock in trade	(57,775)	24,385
Decrease / (Increase) in trade debts	222,995	(32,973)
Decrease / (Increase) in advances, deposits, pre-payments & other receivables	140,921	(15,268)
Increase / (Decrease) in trade and other payables	46,131	115,940
(Decrease) in long term deposits	(1,000)	(3,000)
Tax (paid)	(12,781)	(42,567)
Dividend (paid)	-	(246)
Financial charges (paid)	(56,105)	(181,669)
Gratuity (paid)	(1,286)	(37)
	<u>281,613</u>	<u>(140,908)</u>
Net cash flow from operating activities	(278,633)	48,292
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(4,101)	(10,278)
Markup received on short term loans to associated undertakings	30,450	14,380
Sale Proceeds of fixed assets	1,521	2,015
Net cash flow from investing activities	(27,870)	6,117
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans obtained	212,000	(344,500)
Long term loans (repaid)	(14,286)	-
Finance Lease repayments	(7,007)	(19,500)
Net cash flow from financing activities	190,707	(364,000)
NET (DECREASE) IN CASH & CASH EQUIVALENTS	(60,056)	(309,590)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,851,225)	(1,720,126)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(1,911,281)	(2,029,716)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive

08




Dewan Abdullah Ahmed
Managing Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half year ended December 31, 2008

	Share Capital	Reserves				Total
	Issued, subscribed and paid-up	Unrealized gain / (loss) on available for sale investment	Impairment loss on available for sale investment to be charged in Jan - Dec 2009	Unappropriated profit / (loss)	Total Reserves	
Unaudited						
(Rs. in '000)						
Balance as at June 30, 2007	770,733	328,179	-	590,298	918,477	1,689,210
Adjustment of Unrealized loss on available for sale investment	-	(40,185)	-	-	(40,185)	(40,185)
Net loss for the period	-	-	-	(74,528)	(74,528)	(74,528)
Balance as at December 31, 2007	<u>770,733</u>	<u>287,994</u>	<u>-</u>	<u>515,770</u>	<u>803,764</u>	<u>1,574,497</u>
Balance as at June 30, 2008	770,733	100,909	-	190,799	291,708	1,062,441
Deficit due to impairment in value of investment	-	(100,909)	-	-	(100,909)	(100,909)
Impairment in value of investment charged directly to equity (note 5.1)	-	-	(308,980)	-	(308,980)	(308,980)
Net loss for the period	-	-	-	(707,982)	(707,982)	(707,982)
Balance as at December 31, 2008	<u>770,733</u>	<u>-</u>	<u>(308,980)</u>	<u>(517,183)</u>	<u>(826,163)</u>	<u>(55,430)</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdullah Ahmed
Managing Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2008

- 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 stock exchanges in Pakistan. The registered office of the Company is situated at 7th floor, Block 'A', Finance and Trade Centre, Off - Shahrah-e-Faisal, 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 condensed Interim 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 condensed Interim 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, 2008.

4 Operating Fixed Assets

- 4.1 Detail of additions to operating fixed assets during the period are as follows:

	Half year ended December 31, 2008	Year ended June 30, 2008
	(Rs. in '000)	
Tangible		
Owned		
Buildings	-	5,146
Plant & Machinery	-	369
Furniture & fixtures	-	3,143
Office equipment	72	2,819
Vehicles	4,029	25,076
	<u>4,101</u>	<u>36,553</u>

- 4.2 Detail of disposals during the period are as follows:

Vehicles	2,282	11,152
	<u>2,282</u>	<u>11,152</u>

	Half year ended December 31, 2008	Year ended June 30, 2008
	(Rs. in '000)	
5. INVESTMENT - AVAILABLE FOR SALE - At fair value		
Investment in Ordinary shares of Dewan Cement Limited (DCL) - associated undertaking		
44,650,273 ordinary shares of Rs. 10 each	446,503	446,503
Unrealized gain on remeasurement of investment to fair value recognized in Equity	-	100,909
Impairment in value of investment - charged directly in equity (5.1)	(308,980)	-
	<u>137,523</u>	<u>547,412</u>
Market value (Rupees per share)	<u>3.08</u>	<u>12.26</u>
Percentage of equity held	<u>12.49%</u>	<u>12.49%</u>

5.1 Impairment in value of available for sale investment has been taken directly to equity as per relaxation provided by Securities & Exchange Commission of Pakistan vide its notification SRO 150(I)/2009 dated February 13, 2009. The aforesaid treatment is against the requirements of International Accounting Standard 39 'Financial Instruments - Recognition and Measurement' (IAS-39). IAS - 39 requires that any impairment in value of available for sale financial assets should be recognized in profit and loss account for the period. Had the treatment in accordance with IAS-39 been made, the loss for the period would have been higher by Rs.308.980 millions. The said impairment loss including any adjustment / effect for the price movements during the quarter of calendar year 2009 will be taken to Profit and Loss Account on quarterly basis during the calendar year ending on 31-12-2009.

5.2 The market price of associated company's share wherein company has investment shows declining trend from the date of balance sheet to the date the financial statements were authorized for issue. The market price of DCL's share as of February 27, 2009 (i.e. the date on which the financial statements were authorised for issue) is Rs.2.17 per share, thereby reducing the market value of the investment by Rs.40.631 millions.

	Half year ended December 31, 2008	Year ended June 30, 2008
	(Rs. in '000)	
6 Deferred Liabilities		
Staff gratuity	5,670	6,955
Deferred taxation	-	120,025
	<u>5,670</u>	<u>126,980</u>

7 CONTINGENCIES AND COMMITMENTS

Contingencies

7.1 The company, in the past, received demand notices from the Customs Authorities claiming short recovery of Rs. 344.587 million in aggregate on account of custom duties, sales tax and income tax on royalty paid to Hyundai Motor Company (HMC) and Kia Motor Corporation (KMC), taking the view that the royalty pertains to the imported CKD kits as opposed to company view that the same is independent of the import of CKD kits and relates to the local manufacturing of the motor vehicles.

The matter was being contested by the company in appeal forums. The Custom, Excise and Sales Tax Appellate Tribunal has decided the case in company's favor resulting in reversal of demand to the extent of Rs.257.487 million. The company expect a similar decision against the cases for the balance amount of Rs.87.1 million, as the facts of the cases and questions of law involved are identical.

7.2 Letter of guarantees issued by the banks amounting to Rs. 258.817 (2008 : Rs. 260.044) million.

Commitments

7.3 Capital expenditure commitments outstanding as at December 31, 2008 amounts to Nil (2008: Nil).

7.4 Commitments in respect of letters of credit other than for capital expenditure amounts to Nil (2008: Rs. 179.209) million.

8 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

	Half year ended December 31, 2008	Year ended June 30, 2008
	(Rs. in '000)	
Sales	3,654	48,168
Purchases	678,316	2,975,036
Royalty	5,123	36,871
Markup for the period on short term loans to associated undertakings	78,139	82,490
Amount received against markup on short term loans to associated undertakings	30,450	65,148
Donation to Dewan Farooque Trust	4,095	7,496

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

9 Date of Authorization for Issue

These condensed interim financial statements have been authorized for issue on February 28, 2009 by the Board of Directors of the Company.

10 General

Figures have been rounded off to the nearest thousand rupees.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdullah Ahmed
Managing Director