

COMPANY INFORMATION**BOARD OF DIRECTORS**

Dewan Ziaur Rehman Farooqui
 Dewan Mohammad Yousuf Farooqui
 Dewan Abdullah Ahmed
 Dewan Ghulam Mustafa Khalid
 Dewan Abdul Rehman Farooqui
 Dewan Mohammad Ayub Khalid
 Dewan Asim Mushfiq Farooqui

Chairman
 President / Chief Executive
 Deputy Managing Director
 Director
 Director
 Director

CHIEF FINANCIAL OFFICER

Farrukh V. Junaidy

COMPANY SECRETARY

Syed Moonis Abdullah Alvi

AUDIT COMMITTEE MEMBERS

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

Chairman

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 Corporation
 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, P.E.C.H.S.,
 Karachi.

REGISTERED OFFICE

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

LEGAL ADVISORS

A.K. Brohi & Co.
 Mandviwalla & Zafar

REGIONAL OFFICES

Lahore
 Dewan Centre, 49-D/1,
 Gulberg-III.

TAX ADVISOR

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

Islamabad
 House No. 58, F-7/2,
 Margalla Road.

REGISTRAR

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

FACTORY

Jilanabad, Budhu Talpur
 District Sajawal,
 Sindh.

DIRECTORS' REPORT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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, 2004.

During the period under review, the gross sales stood at Rs. 4.292 billion as compared to Rs. 3.082 billion of the corresponding period. The gross profit for the half-year is Rs. 431.508 million and the net profit after tax is Rs. 101.797 million.

During the period under review, 6,910 units were sold as compared to 4,979 units during the same period of last year. Santro and Shehzore were major contributors to the increased sales volume.

During the second quarter, your company faced some difficulty in supply of CKD components from Hyundai Motor Company (HMC), Korea due to strike in some parts of HMC's manufacturing facilities. Subsequent to half-year end, supply has resumed and we are expecting relatively higher sales volume during the second half of the current financial year.

During the period, profitability remained under pressure. This was mainly due to adverse change in Rupee / Dollar parity, rising interest rates, increased freight and sheet metal prices. Pak rupee parity against US Dollar, Euro & Japanese Yen will remain crucial factor in achieving the desired results.

Despite factors identified above, your company has managed to achieve high sales volume and increase in profits due to continued operational and marketing efforts.

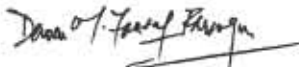
We are extremely grateful to our valued customers, who have placed their confidence in our products. We are also thankful to the Engineering Development Board, our employees, dealers and vendors for their guidance, efforts and encouragement, which played a pivotal role in achieving the desired results.

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet, Mohammad (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 Mohammed Yousuf Farooqui
President / Chief Executive

Karachi : February 28, 2005

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
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Email: tariq@cyberaccess.com.pk

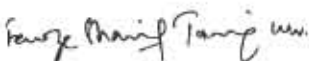
REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Dewan Farooque Motors Limited as at December 31, 2004, and the related profit and loss account, cash flow statement, and the statement of changes in equity togetherwith the notes forming part thereof (hereinafter 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. The figures of the profit and loss account for the quarters ended December 31, 2003 and December 31, 2004, have not been reviewed; as we are required to review only the cumulative figures for the half year ended December 31, 2004.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatements. A review is primarily limited 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.

We however refer to the change in accounting policy adopted by the company during the current financial year, and described in Note 3.1 of the accompanying notes to the accounts; which is in accordance with the 'Applicable Regulatory Framework' (as revised), and hereby express our concurrence with the same.

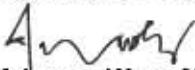


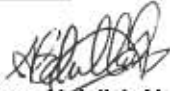
(CHARTERED ACCOUNTANTS)
Karachi: February 28, 2005

DEWAN FAROOQUE MOTORS LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2004

	Note	December 31, 2004 Unaudited	Restated June 30, 2004 Audited (Rs. in '000)
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets at cost less accumulated depreciation		1,816,627	1,831,134
Capital work-in-progress		106,876	122,219
		<u>1,923,503</u>	<u>1,953,353</u>
CURRENT ASSETS			
Stores and spares		54,497	57,492
Stock-in-trade		1,856,853	1,930,805
Trade debts - considered good		335,749	238,781
Advances, deposits, prepayments and other receivables - considered good		1,156,065	770,415
Short term loans to associated undertakings - considered good		952,292	-
Cash and bank balances		137,861	151,952
		<u>4,493,317</u>	<u>3,149,445</u>
TOTAL ASSETS		<u>6,416,820</u>	<u>5,102,798</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
80,000,000 (2004: 80,000,000) Ordinary shares of Rs. 10 each		800,000	800,000
Issued, subscribed and paid-up			
Unappropriated profit		770,733	734,031
		325,786	334,094
		<u>1,096,519</u>	<u>1,068,125</u>
NON-CURRENT LIABILITIES			
Long term loans-secured		108,333	150,000
Long term deposits		43,000	40,000
Deferred Liabilities	5	174,388	130,030
CURRENT LIABILITIES			
Current maturity of long term loans		223,333	363,333
Short term finances-secured		2,345,732	1,595,552
Creditors, accrued and other liabilities		2,343,741	1,698,923
Taxation		48,053	56,416
Unclaimed dividend		357	419
Dividend payable		33,364	-
		<u>4,994,580</u>	<u>3,714,643</u>
COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u>6,416,820</u>	<u>5,102,798</u>

The annexed notes from 1 to 9 form an integral part of these accounts.

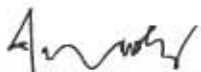

Dewan Mohammad Yousuf Farooqui
 President / Chief Executive


Dewan Abdullah Ahmed
 Deputy Managing Director

DEWAN FAROOQUE MOTORS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	Half year ended		Quarter ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
----- Unaudited ----- (Rs. in '000)				
GROSS SALES	4,292,118	3,082,202	2,270,178	1,926,852
Sales tax	(527,590)	(401,495)	(264,764)	(251,604)
Commission and discounts	(77,421)	(58,985)	(39,461)	(35,456)
	(605,011)	(460,480)	(304,225)	(287,060)
NET SALES	3,687,107	2,621,722	1,965,953	1,639,792
Cost of sales	3,255,599	2,345,418	1,709,868	1,495,818
GROSS PROFIT	431,508	276,304	256,085	143,974
Amortization of deferred cost	-	1,461	-	730
Administration and selling expenses	194,601	102,793	113,932	44,554
OPERATING PROFIT	236,907	172,050	142,153	98,690
OTHER INCOME	254	80	55	(189)
	237,161	172,130	142,208	98,501
Financial charges	63,400	34,556	30,877	10,890
Workers' profit participation fund	8,688	6,879	5,566	4,380
	72,088	41,435	36,443	15,270
PROFIT BEFORE TAXATION	165,073	130,695	105,765	83,231
TAXATION				
Current	18,436	13,109	9,830	8,199
Deferred	44,840	38,675	32,348	28,364
	63,276	51,784	42,178	36,563
NET PROFIT FOR THE PERIOD	101,797	78,911	63,587	46,668
BASIC EARNINGS PER SHARE (RUPEES)	1.32	1.08	0.83	0.64

The annexed notes from 1 to 9 form an integral part of these accounts.

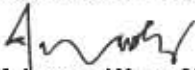

Dewan Mohammad Yousuf Farooqui
 President / Chief Executive

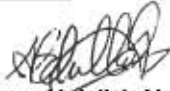

Dewan Abdullah Ahmed
 Deputy Managing Director

DEWAN FAROOQUE MOTORS LIMITED
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	December 31, 2004	December 31, 2003
----- Unaudited ----- (Rs. in '000)		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	165,073	130,695
Add: Depreciation	77,211	76,148
(Gain) on disposal of fixed assets	-	(199)
Amortization of deferred cost	-	1,461
Financial charges	63,400	34,556
Provision for staff gratuity	-	2,534
	140,611	114,500
	305,684	245,195
Decrease / (Increase) in stores & spares	2,995	(8,418)
Decrease / (Increase) in stock in trade	77,977	(32,864)
(Increase) in stock in transit	(4,025)	(136,676)
(Increase) in trade debts	(96,968)	(233,084)
(Increase) in advances, deposits, prepayments & other receivables	(416,900)	(685,445)
Increase in creditors, accrued & other liabilities	622,670	1,289,714
Increase / (Decrease) in long term deposits	3,000	(3,751)
Tax refund / (paid)	4,450	(11,359)
Dividend (paid)	(40,101)	(36,499)
Financial charges (paid)	(41,251)	(57,775)
Gratuity (paid)	(482)	(477)
	111,365	83,365
Net cash flow from operating activities	417,049	328,560
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(47,361)	(31,278)
Short term loans to associated undertakings	(952,292)	-
Sale proceeds of fixed assets	-	539
Net cash flow from investing activities	(999,653)	(30,739)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans repaid	(181,667)	(47,499)
Finance lease repayments	-	(202,711)
Net cash flow from financing activities	(181,667)	(250,210)
NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS	(764,271)	47,611
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,443,600)	(206,161)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(2,207,871)	(158,550)

The annexed notes from 1 to 9 form an integral part of these accounts.

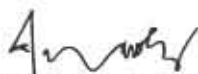

Dewan Mohammad Yousuf Farooqui
 President / Chief Executive


Dewan Abdullah Ahmed
 Deputy Managing Director

DEWAN FAROOQUE MOTORS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	Share Capital			Total
	Issued, subscribed and paid-up	Reserve for issue of Bonus shares	Unappropriated profit	
	----- Unaudited -----			
	(Rupees. in '000)			
Balance as at June 30, 2003 as Previously reported	734,031	-	110,655	844,686
Effect of change in accounting policy (note 3.1)				
Final dividend for the year ended June 30, 2003 declared subsequent to year end	-	-	73,403	73,403
	734,031	-	184,058	918,089
Final dividend for the year ended June 30, 2003	-	-	(73,403)	(73,403)
Net profit for the period	-	-	78,911	78,911
Balance as at December 31, 2003 as restated	<u>734,031</u>	<u>-</u>	<u>189,566</u>	<u>923,597</u>
Balance as at June 30, 2004 as Previously reported	734,031	36,702	223,989	994,722
Effect of change in accounting policy (note 3.1)				
Final dividend for the year ended June 30, 2004 declared subsequent to year end	-	-	73,403	73,403
Issue of Bonus shares for the year ended June 30, 2004 declared subsequent to year 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
Balance as at December 31, 2004	<u>770,733</u>	<u>-</u>	<u>325,786</u>	<u>1,096,519</u>

The annexed notes from 1 to 9 form an integral part of these accounts.



Dewan Mohammad Yousuf Farooqui
 President / Chief Executive



Dewan Abdullah Ahmed
 Deputy Managing Director

DEWAN FAROOQUE MOTORS LIMITED

NOTES TO THE ACCOUNTS FOR HALF YEAR ENDED DECEMBER 31, 2004

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, 2004 except for the change mentioned in note 3.1
- 3.1 During the period, 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" states that dividends declared after the balance sheet date should not be recognised as a liability at the balance sheet date but disclosed in the notes to the financial statements.

This has resulted in a change in the accounting policy pertaining to recognition of dividends subsequent to the period/year end. The change in accounting policy has been accounted for retrospectively and comparative information has been 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 in the accounting policy (i) the unappropriated profit and the dividends payable would have been lower and higher respectively for the year ended June 30, 2003 by Rs. 73.403 million and (ii) the 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 the change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current period.

4. Operating Fixed Assets

	Half year ended December 31, 2004	Year ended June 30, 2004
4.1 Detail of additions during the period are as follows:	(Rs. in '000)	
Tangible:		
Freehold land	-	1,587
Buildings	31,037	163,794
Plant & Machinery	642	21,733
Furniture & fixtures	3,178	10,122
Office equipment	5,891	7,613
Vehicles	21,955	37,265
	62,703	242,114
4.2 Detail of disposals during the period are as follows:		
Vehicles	-	1,772
	-	1,772

DEWAN FAROOQUE MOTORS LIMITED

NOTES TO THE ACCOUNTS FOR HALF YEAR ENDED DECEMBER 31, 2004

5. Deferred Liabilities

Staff gratuity

Deferred taxation

Half year ended December 31, 2004	Year ended June 30, 2004
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(Rs. in '000)

9,318 9,800

165,070 120,230

174,388 130,030**6. Commitments**

- 6.1 Commitments in respect of outstanding letters of credit amounts to Rs. 317.307 (June 30, 2004 : Rs. 129.71) million.
- 6.2 Capital expenditure commitments outstanding amounts to Rs. 60.0 (June 30, 2004 : Rs. 15.0) million.

7. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

Half year ended December 31, 2004	Year ended June 30, 2004
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(Rs. in '000)

Sales

Short term loans to associated undertakings

Purchases

Royalty

36,492 14,057

952,292 -

2,069,032 4,576,351

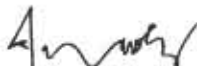
24,070 41,339

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

8. Date of Authorization for Issue

These financial statements have been authorized for issue on February 28, 2005 by the Board of Directors of the Company.

9. Figures have been rounded off to the nearest thousand rupees.



Dewan Mohammad Yousuf Farooqui
President / Chief Executive



Dewan Abdullah Ahmed
Deputy Managing Director