

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

BOARD OF DIRECTORS

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

MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

Dewan Muhammad Yousuf Farooqui

PRESIDENT / CHIEF OPERATING OFFICER

Farooq Mustafa

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
 My 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.

LEGAL ADVISORS

A.K. Brohi & Co
 Mandviwalla & Zafar

TAX ADVISORS

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

REGISTRAR

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

REGISTERED OFFICE

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

CORPORATE OFFICE

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

REGIONAL OFFICES

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

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

FACTORY
 Jilaniabad, Budhu Talpur,
 District Sajawal,
 Sindh.



DIRECTORS' REPORT



IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

The Board of Directors of your company takes pleasure in presenting the un-audited financial statements of the Company for the third quarter 2006 ending March 31, 2006.

By the Grace of Almighty Allah, gross sales in the current nine months under review have increased to Rs. 7.619 billion as compared to Rs. 6.848 billion in the corresponding period of the last year, depicting a sales growth of approximately 11%. This growth in sales is principally attributed to an 8% increase in sales volume, which increased from 10,885 Units in the comparative period to 11,757 Units in the current nine months 2006. During the period under review, the Company was able to achieve a gross profit of Rs. 775.106 million, and post an after tax profit of Rs. 130.737 million.

Alhamdulillah, the first consignment of KIA CBU vehicles has arrived, and the Company plans to launch these products in the market shortly.

The depreciation of the US Dollar against major currencies of the world, including the Korean Won, coupled with continued increase in oil prices, has left no room for our foreign suppliers to maintain their prices. Moreover, the general inflation rampant in the country, anticipated decrease in the GDP growth rate, and increasing interest rates have put further pressure on the profitability of your Company. Nevertheless, your company is thriving hard to face the competition and challenges of the future, and is yet committed to offer its products at the best possible and most competitive prices in the relevant market segment. And on the other hand is exploring all possible avenues in order to mitigate the impact of the rising costs.

The adverse impact of the liberal measures announced by the government in the Import Policy are now more severe in their impact on the local industry as the market is seen flooded with imported used cars. The local automobile assemblers have constantly been pursuing the government on the matter, as the continuation of this policy may not only compel the local auto assemblers to roll back their future investment plans, but also hurt the vending industry. For the success of the local car manufacturers and the vending industry, it is imperative that the government takes corrective measures in the forthcoming budget in order to provide adequate protection to the local industry against the import of used cars. Owing to these adversities and uncertainties prevailing in the local automotive business environment, your Board of Directors have strategically reconsidered and decided not to pursue any further on the matter of acquiring related party investments from other related parties, approval of which was obtained from the shareholders in the Extra-Ordinary General Meeting of the Company held on the 25th of June 2005.

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, which together have 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 the 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.

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

For and on behalf of the Board of Directors

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer

Karachi: April 28, 2006

BALANCE SHEET**AS AT MARCH 31, 2006**

ASSETS	Note	MARCH 31, 2006 Unaudited	JUNE 30, 2005 Audited
------(Rs. in '000)-----			
NON-CURRENT ASSETS			
Tangible fixed assets			
Property, plant and equipment			
Property, plant and equipment at cost		2,065,636	1,885,131
less accumulated depreciation		317,911	145,101
Capital work-in-progress		<u>2,383,547</u>	<u>2,030,232</u>
Long term deposit		36,000	-
CURRENT ASSETS			
Stores and spares		61,503	47,041
Stock-in-trade		2,337,908	1,837,288
Trade debts		180,551	241,013
Short term loans to associated undertakings-considered good		781,157	1,131,692
Advances, deposits, prepayments and other receivables		818,128	878,787
Investment	5	1,091,695	-
Cash and bank balances		<u>232,387</u>	<u>146,083</u>
		5,503,329	4,281,904
TOTAL ASSETS		<u><u>7,922,876</u></u>	<u><u>6,312,136</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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 Reserves			
		770,733	770,733
		<u>1,190,258</u>	<u>529,939</u>
		1,960,991	1,300,672
NON-CURRENT LIABILITIES			
Long term loans-secured		860,417	566,667
Finance against assets subject to finance lease		59,594	-
Long term deposits		37,500	41,000
Deferred liabilities	6	<u>306,414</u>	<u>290,721</u>
CURRENT LIABILITIES			
Trade and other payables		1,834,596	2,213,960
Accrued markup/profit		72,966	39,910
Short term finances-secured		1,820,833	1,731,944
Current maturity of long term loans		858,333	83,333
Current maturity of finance against assets subject to finance lease		12,974	-
Taxation		<u>98,258</u>	<u>43,929</u>
		4,697,960	4,113,076
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		<u><u>7,922,876</u></u>	<u><u>6,312,136</u></u>

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



Dewan Ziaur Rehman Farooqui
Chairman

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer

PROFIT AND LOSS ACCOUNT**FOR NINE MONTHS ENDED MARCH 31, 2006**

	Nine months ended		Quarter ended	
	MARCH 31, 2006	MARCH 31, 2005	MARCH 31, 2006	MARCH 31, 2005
	Unaudited (Rs. in '000)			
GROSS SALES	7,619,491	6,848,010	2,983,877	2,555,891
Sales tax	(991,975)	(853,964)	(387,544)	(326,374)
Commission and discounts	(171,764)	(130,979)	(68,954)	(53,558)
	(1,163,739)	(984,943)	(456,498)	(379,932)
NET SALES	6,455,752	5,863,067	2,527,379	2,175,959
Cost of sales	5,680,646	5,152,660	2,217,962	1,897,061
GROSS PROFIT	775,106	710,407	309,417	278,898
Distribution expenses	188,105	151,347	78,231	59,655
Administration and general expenses	184,287	157,963	65,464	55,054
OPERATING PROFIT	402,714	401,097	165,722	164,189
OTHER INCOME	775	1,164	370	910
	403,489	402,261	166,092	165,099
Other operating expenses	13,404	15,101	4,756	6,412
Financial charges	188,954	100,242	83,893	36,842
	202,358	115,343	88,649	43,254
PROFIT BEFORE TAXATION	201,131	286,918	77,443	121,845
TAXATION				
Current	54,329	29,316	23,205	10,880
Deferred	16,065	73,089	3,576	28,249
	70,394	102,405	26,781	39,129
NET PROFIT FOR THE PERIOD	130,737	184,513	50,662	82,716
BASIC EARNINGS PER SHARE (Rupees)	1.70	2.39	0.66	1.07

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

Dewan Ziaur Rehman Farooqui
Chairman

Dewan Muhammad Yousuf Farooqui
Dewan Muhammad Yousuf Farooqui
Chief Executive Officer

CASH FLOW STATEMENT**FOR NINE MONTHS ENDED MARCH 31, 2006**

	MARCH 31, 2006	MARCH 31, 2005
	------(Unaudited)-----	
	(Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	201,131	286,918
Add: Depreciation	125,256	117,582
(Gain) on disposal of fixed assets	(178)	-
Financial charges	188,954	100,242
	<u>314,032</u>	<u>217,824</u>
	515,163	504,742
(Increase) in stores and spares	(14,462)	(14,052)
(Increase) / Decrease in stock in trade	(500,620)	412,216
Decrease / (Increase) in trade debts	60,462	(54,205)
(Increase) in long term lease deposit	(36,000)	-
Decrease/(increase) in advances, deposits, prepayments & other receivables	168,329	(162,167)
(Decrease)/increase in Trade and other payables	(433,573)	6,249
(Decrease)/Increase in long term deposits	(3,500)	1,000
Tax (paid)	(30,296)	(3,069)
Dividend (paid)	(61,402)	(73,034)
Financial charges (paid)	(234,296)	(77,310)
Gratuity (paid)	(372)	(674)
	<u>(1,085,730)</u>	<u>34,954</u>
Net cash flow from operating activities	(570,567)	539,696
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(478,571)	(90,230)
Short term loans to associated undertakings	(95,972)	(1,076,796)
Sale proceeds of fixed assets	1,207	-
Net cash flow from investing activities	(573,336)	(1,167,026)
CASH FLOW FROM FINANCING ACTIVITIES		
Finance against assets subject to finance lease	80,000	-
Long term loans obtained	1,280,000	-
Long term loans repaid	(211,250)	(202,500)
Finance lease repayment	(7,432)	-
Net cash flow from financing activities	1,141,318	(202,500)
NET (DECREASE) IN CASH & CASH EQUIVALENTS	(2,585)	(829,830)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(1,585,861)	(1,443,600)
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	(1,588,446)	(2,273,430)

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

Dewan Ziaur Rehman Farooqui
Chairman

Dewan Muhammad Yousuf Farooqui
Dewan Muhammad Yousuf Farooqui
Chief Executive Officer


STATEMENT OF CHANGES IN EQUITY

FOR NINE MONTHS ENDED MARCH 31, 2006

	Share Capital Issued, subscribed and paid-up	Reserve for issue of Bonus shares	Revenue Reserves		Total
			Unrealized gain on available for sale investment	Unappropriated profit	
(Unaudited)					
(Rupees in '000)					
Balance as at June 30, 2004 as previously reported	734,031	36,702	-	223,989	994,722
Effect of change with respect to recognition of dividend (note 3.1)	-	-	-	-	-
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	-	-	-	184,513	184,513
Balance as at March 31, 2005	770,733	-	-	408,502	1,179,235
Balance as at June 30, 2005	770,733	-	-	529,939	1,300,672
Final dividend for the year ended June 30, 2005	-	-	-	(115,610)	(115,610)
Unrealized gain on available for sale investment	-	-	645,192	-	645,192
Net profit for the period	-	-	-	130,737	130,737
Balance as at March 31, 2006	770,733	-	645,192	545,066	1,960,991

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

Dewan Ziaur Rehman Farooqui
Chairman


Dewan Muhammad Yousuf Farooqui
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED MARCH 31, 2006

- 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 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, investment 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" 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.

NOTES TO THE FINANCIAL STATEMENTS**FOR NINE MONTHS ENDED MARCH 31, 2006**

Nine Months ended MARCH 31, 2006	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	123,322	113,000
Plant and Machinery	2,684	15,431
Furniture and fixtures	91,609	7,850
Vehicles	76,643	58,771
Office equipment	11,503	18,673
	<u>305,761</u>	<u>213,725</u>

4.2 Detail of disposals during the period is as follows:

Vehicles	<u>1,631</u>	<u>-</u>
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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	645,192	
	<u>1,091,695</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.

Nine Months ended MARCH 31, 2006	Year ended JUNE 30, 2005
----- (Rs. in '000) -----	

6 Deferred Liabilities

Staff gratuity	8,677	9,049
Deferred taxation	297,737	281,672
	<u>306,414</u>	<u>290,721</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR NINE MONTHS ENDED MARCH 31, 2006****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 March 31, 2006 amounts to Rs. 70 (2005: Rs. 40) million.
- 7.4 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. 402.247 (2005: Rs. 356.098) million.

Nine Months ended MARCH 31, 2006	Year ended JUNE 30, 2005
----- (Rs. in '000) -----	

8 Transactions with associated undertakings / related parties

Sales	56,405	72,513
Purchases	4,559,357	4,792,235
Royalty	42,074	56,711
Short term loans to associated undertakings	95,971	1,131,692
Investment - against adjustment of loan to Dewan Cement Limited	446,503	-
Markup on short term loans to associated undertakings	78,397	71,208

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

NOTES TO THE FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED MARCH 31, 2006

9 Date of authorization for issue

These financial statements have been authorized for issue on April 28, 2006 by the Board of Directors of the Company.

10 General

Figures have been rounded off to the nearest thousand rupees.

Dewan Ziaur Rehman Farooqui
Chairman



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer