

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

BOARD OF DIRECTORS

Dewan Ziaur Rehman Farooqui	Chairman
Dewan Mohammad Yousuf Farooqui	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

MANAGING DIRECTOR / CHIEF EXECUTIVE

Dewan Mohammad Yousuf Farooqui

PRESIDENT / CHIEF OPERATING OFFICER

Farooq Mustafa

COMPANY SECRETARY

M. Naeem Uddin Malik

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
Atlas Bank Limited
Bank Al Falah Limited
BankIslami Pakistan Limited
Citi Bank, N.A.
Crescent Commercial Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
Meezan Bank Limited
Muslim Commercial Bank Limited
My Bank Limited
National Bank of Pakistan
Orix Investment Bank Pakistan Limited
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

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.

REGISTRAR

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

FACTORY

Jilaniabad, Budhu Talpur
District Sajawal,
Sindh.

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 # 58, F-7/2
Margalla Road.

DIRECTOR'S REPORT



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
مَجْدًا وَنُصْرًا يَا رَسُولَ اللَّهِ

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 Nine months ended March 31, 2007.

The Gross sales during nine months of the current financial year were Rs. 6.018 billion as compared to Rs. 7.619 billion in the corresponding period of the last year. During the period under review, the company achieved a gross profit of Rs. 590.624 million and after tax profit of Rs. 24.639 million.

There is still remains uncertainty in respect of the government policy pertaining to used cars imports. The auto industry has been continuously requesting the government to review the import policy relating to used cars and consider the recommendations made by the industry. The auto industry is already experiencing a decline in demand and therefore, continuation of the present import policy favoring the import of used cars will have a detrimental effect on further growth of the industry.

The company has recently launched another variant "Sanstro Prime" to provide more choice and flexibility to customers towards fulfillment of their needs. The management expects that the introduction of Sanstro Prime will have positive impact on sales volume of Sanstro. The company is currently operating under tough market conditions and putting more emphasis on effective sales promotion against rising pressure from used car imports and rapid increase in interest rates. The performance of Shehzore remained satisfactory and it is expected that the volumes will further improve in the remaining period of current financial year.

The management is putting its best efforts to contain the impact of continued strong US\$/Won parity, rising inflationary trend in the country and increasing interest rates. These factors coupled with the highly competitive market environment primarily due to liberalized import of used cars are putting strain on the profitability of the company and the management is endeavoring to lessen these impacts by containing costs and improving the volumes with effective sales promotion.

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.

إِنِّي لَسَمِيعُ 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


Karachi: April 28, 2007

Quarterly Report 2007

CONDENSED INTERIM BALANCE SHEET
as at March 31, 2007

ASSETS	Note	March 31, 2007 Unaudited	June 30, 2006 Audited
(Rs. in '000)			
NON-CURRENT ASSETS			
Property, Plant and Equipment		2,277,768	2,368,459
Intangible Assets		6,312	8,678
Long-term deposits (with leasing companies)		39,767	39,175
CURRENT ASSETS			
Stores and spares		80,774	66,006
Stock-in-trade		2,265,028	2,519,154
Trade debts - considered good		521,269	745,843
Short term loans to associated undertakings - considered good		553,425	529,782
Advances, deposits, prepayments and other receivables		696,843	582,435
Investment		506,781	705,474
Cash and bank balances		84,657	148,234
		4,708,777	5,296,928
TOTAL ASSETS		7,032,624	7,713,240
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
80,000,000 (2006: 80,000,000) Ordinary shares of Rs.10 each		800,000	800,000
Issued, subscribed and paid-up			
Reserves		770,733	770,733
		614,100	865,227
		1,384,833	1,635,960
NON-CURRENT LIABILITIES			
Long term loans	5	450,000	630,000
Liabilities against assets subject to finance lease		67,471	76,421
Long term security deposits		25,000	36,500
Deferred Liabilities	6	288,455	296,559
Deferred Credit		4,096	5,461
CURRENT LIABILITIES			
Trade and other payables		1,373,813	1,885,138
Accrued markup / profit		60,470	69,071
Short term finances-secured		2,657,536	2,019,978
Current maturity of long term loans		607,750	941,667
Current maturity of liabilities against assets subject to finance lease		28,252	22,747
Taxation - net		84,948	93,738
		4,812,769	5,032,339
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		7,032,624	7,713,240

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
Director

Quarterly Report 2007

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
for the nine months and quarter ended March 31, 2007

	Nine months ended		Quarter ended	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
-----Unaudited----- (Rs. in '000)				
GROSS SALES	6,018,438	7,619,491	2,157,426	2,983,877
Sales tax	(783,643)	(991,975)	(281,403)	(387,544)
Commission and discounts	(139,431)	(171,764)	(53,691)	(68,954)
	(923,074)	(1,163,739)	(335,094)	(456,498)
NET SALES	5,095,364	6,455,752	1,822,332	2,527,379
Cost of sales	4,504,740	5,680,646	1,610,056	2,217,962
GROSS PROFIT	590,624	775,106	212,276	309,417
Distribution expenses	147,635	188,105	50,845	78,231
Administration and general expenses	138,353	184,287	43,146	65,464
OPERATING PROFIT	304,636	402,714	118,285	165,722
OTHER INCOME	24,609	775	954	370
	329,245	403,489	119,239	166,092
Other operating expenses	2,309	13,404	849	4,756
Finance cost	283,095	188,954	102,270	83,893
	285,404	202,358	103,119	88,649
PROFIT BEFORE TAXATION	43,841	201,131	16,120	77,443
TAXATION	19,202	70,394	12,024	26,781
NET PROFIT FOR THE PERIOD	24,639	130,737	4,096	50,662
EARNINGS PER SHARE - BASIC AND DILUTED (Rupee.)	0.32	1.70	0.05	0.66

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
Director

Quarterly Report 2007

CONDENSED INTERIM CASH FLOW STATEMENT
for the nine months ended March 31, 2007

	March 31, 2007	March 31, 2006
	-----Unaudited----- (Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	43,841	201,131
Add / (Less) : Depreciation	141,977	125,256
Amortization of intangible assets	2,366	-
Amortization of deferred credit	(1,365)	-
Gain on disposal of fixed assets	(90)	(178)
Other income - dividend	(22,325)	-
Financial charges	283,095	188,954
	403,658	314,032
	447,499	515,163
(Increase) in store & spares	(14,768)	(14,462)
Decrease / (Increase) in stock in trade	254,126	(500,620)
Decrease in trade debts	224,574	60,462
(Increase) / Decrease in advances, deposits, pre-payments & other receivables	(56,641)	168,329
(Increase) in long term lease deposits	(592)	(36,000)
(Decrease) in trade and other payables	(513,497)	(433,573)
(Decrease) in long term security deposits	(11,500)	(3,500)
Tax (paid)	(35,384)	(30,296)
Dividend (paid)	(74,901)	(61,402)
Financial charges (paid)	(343,444)	(234,296)
Gratuity (paid)	(713)	(372)
	(572,740)	(1,085,730)
Net cash flow from operating activities	(125,241)	(570,567)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(39,173)	(478,571)
Short term loans provided to associated undertakings	(23,643)	(95,972)
Dividend income received	22,325	-
Sale Proceeds of fixed assets	2,742	81,207
Net cash flow from investing activities	(37,749)	(493,336)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans obtained	189,000	1,280,000
Long term loans repaid	(702,917)	(211,250)
Finance Lease repayments	(24,228)	(7,432)
Net cash flow from financing activities	(538,145)	1,061,318
NET(DECREASE) IN CASH & CASH EQUIVALENTS	(701,135)	(2,585)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,871,744)	(1,585,861)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(2,572,879)	(1,588,446)

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



Dewan Mohammad Yousuf Farooqui
Chief Executive



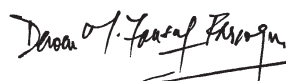
Dewan Abdullah Ahmed
Director

Quarterly Report **2007**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the nine months ended March 31, 2007

	Share Capital Issued, subscribed and paid-up	Reserves		Total	
		Unrealized gain on available for sale investment	Unappropriated profit		Total Reserves
----- Unaudited ----- (Rs. in '000)					
Balance as at June 30, 2005	770,733	-	529,939	529,939	1,300,672
Final cash dividend for the year ended June 30, 2005	-	-	(115,610)	(115,610)	(115,610)
Unrealized gain on available for sale investment	-	645,192	-	645,192	645,192
Net profit for the period	-	-	130,737	130,737	130,737
Balance as at March 31, 2006	<u>770,733</u>	<u>645,192</u>	<u>545,066</u>	<u>1,190,258</u>	<u>1,960,991</u>
Balance as at June 30, 2006	770,733	258,971	606,256	865,227	1,635,960
Final cash dividend for the year ended June 30, 2006	-	-	(77,073)	(77,073)	(77,073)
Adjustment of Unrealized gain on available for sale investment	-	(198,693)	-	(198,693)	(198,693)
Net profit for the period	-	-	24,639	24,639	24,639
Balance as at March 31, 2007	<u>770,733</u>	<u>60,278</u>	<u>553,822</u>	<u>614,100</u>	<u>1,384,833</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
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
for nine months ended March 31, 2007**

- 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 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, 2006.

Nine months ended Year ended
March 31, June 30,
2007 2006
(Rs. in '000)

4 Operating Fixed Assets

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

Tangible

Owned

Buildings	-	157,627
Plant & Machinery	197,151	2,746
Furniture & fixtures	5,719	93,453
Office equipment	11,519	15,874
Vehicles	19,410	96,028
	233,799	365,728

Leased

Plant & Machinery	-	80,000
Vehicles	15,097	32,901
	15,097	112,901

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

Plant & Machinery	-	131,068
Vehicles	6,508	39,166
	6,508	170,234

Quarterly Report 2007

	Nine months ended March 31, 2007	Year ended June 30, 2006
(Rs. in '000)		
5 Long term loans		
From banking companies and other financial institutions - secured	938,750	1,571,667
From Director - unsecured	119,000	-
	1,057,750	1,571,667
Less:- Current portion shown under current liabilities	<u>607,750</u>	<u>941,667</u>
	<u>450,000</u>	<u>630,000</u>
6 Deferred Liabilities		
Staff gratuity	7,486	8,199
Deferred taxation	<u>280,969</u>	<u>288,360</u>
	<u>288,455</u>	<u>296,559</u>

7 CONTINGENCIES AND COMMITMENTS

Contingencies

7.1 The company received notices from the Customs Authorities claiming short recovery of Rs. 87 million, Rs. 44 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), from 2000 to 2005, 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 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 guarantees issued by the banks amounting to Rs. 142.215 (2006: Rs. 24.154) million.

Commitments

7.3 Capital expenditure commitments outstanding as at March 31, 2007 amounts to Rs. 65 (2006: Rs. 75) million.

7.4 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. 110.067 (2006: Rs. 183.136) million.

Quarterly Report 2007

8 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

	Nine months ended March 31, 2007	Year ended June 30, 2006
	(Rs. in '000)	
Sales	18,418	75,151
Purchases	2,951,418	6,402,230
Royalty and technical fee	30,452	59,114
Short term loans provided to associated undertakings	23,642	97,202
Short term loans repaid by associated undertakings	-	252,609
Investment in ordinary shares of Dewan Cement Limited at cost	-	446,503
Markup for the period on short term loans to associated undertakings	57,764	100,634
Amount received against markup on short term loans to associated undertakings	-	121,233
Dividend income received	22,325	-
Loan received from director	119,000	-

9 Date of Authorization for Issue

These condensed interim financial statements have been authorized for issue on April 28, 2007 by the Board of Directors of the Company.

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



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdullah Ahmed
Director