

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. Muhammad Azimuddin	Director
Mr. Muhammad Naeem uddin Malik	Director

### CHIEF EXECUTIVE OFFICER

Dewan Mohammad Yousuf Farooqui

### PRESIDENT / CHIEF OPERATING OFFICER

Farooq Mustafa

### COMPANY SECRETARY

Shabbir Sultan

### AUDIT COMMITTEE MEMBERS

Dewan Abdul Rehman Farooqui	Chairman
Dewan Abdullah Ahmed Swaleh Farooqui	Member
Dewan Asim Mushfiq Farooqui	Member
Dewan Abdul Baqi Farooqui	Member

### 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  
 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 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),  
 3<sup>rd</sup> Floor, Uni Plaza,  
 I.I.Chundrigar Road, Karachi.

### REGISTRAR

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

### REGISTERED OFFICE

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

### CORPORATE OFFICE

7<sup>th</sup> & 8<sup>th</sup> Floor, Block A,  
 Finance & Trade Centre,  
 Off. Shahrah-e-Faisal,  
 Karachi.

### REGIONAL OFFICES

**Lahore**  
 25-B, Davis Road,  
 Lahore.

### Islamabad

House # 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 condensed interim financial statements of the Company for the Quarter and Nine months ended March 31, 2008.

The Gross sales, during the Nine Months ended March 31, 2008, was Rs. 4.511 billion as compared to Rs. 6.018 billion in the corresponding period of the last year. During the period under review, the company achieved a gross profit of Rs. 357.339 million and the after tax loss was Rs. 141.927 million.

The current quarter as well as the previous periods of the financial year under review largely remained under pressure for the entire automotive industry due to adverse law and order situation and political uncertainty in the Country resulting in slow demand particularly in the passenger cars sector. The consumer financing rates have also not shown any signs of ease. Towards the end of February, 2008 the government suspended the application of 2.5% withholding tax on cars for a period of two months, which has recently been extended till June 30, 2008. It is expected that this step taken by the Government will improve the volumes of passenger cars sales.

The hike in steel prices and devaluation of Pak Rupee against USD has posed another challenge for the auto industry to cope up with the depressed demand situation. The Management is striving hard to sustain under the difficult situation and making best efforts to improve volumes with effective sales promotion, recent Hyundai Santro strategic partnership and affinity campaigns with local banks is another step in that direction. The government has initiated the pre budget activity and is seeking proposals from all the stakeholders. It is expected that government will consider these proposals positively in the forthcoming budget particularly with reference to the growth of local auto industry. We expect that the overall market condition will improve once the economic activity picks-up.

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 these results.

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.

إِنَّ رَبِّي 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 OFFICER

Karachi: April 28, 2008




Quarterly Report 2008

**CONDENSED INTERIM BALANCE SHEET**

As at March 31, 2008

	Note	March 31, 2008	June 30, 2007
		(Rs. in '000)	
		Unaudited	Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	4	2,218,013	2,350,762
Intangible Assets		3,157	5,523
Long-term deposits (with leasing companies)		40,343	40,343
<b>CURRENT ASSETS</b>			
Stores and spares		75,193	71,391
Stock-in-trade		1,260,451	1,567,646
Trade debts - considered good		685,373	943,005
Short term loans to associated undertakings - considered good		553,425	553,425
Advances, deposits, prepayments and other receivables		423,359	497,943
Investment		736,730	774,682
Cash and bank balances		51,362	87,926
		<b>3,785,893</b>	<b>4,496,018</b>
<b>TOTAL ASSETS</b>		<b>6,047,406</b>	<b>6,892,646</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
<b>Authorized</b>			
80,000,000 (2007: 80,000,000) Ordinary shares of Rs.10 each		800,000	800,000
<b>Issued, subscribed and paid-up</b>			
Reserves		770,733	770,733
		738,597	918,477
		<b>1,509,330</b>	<b>1,689,210</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - secured		217,000	298,500
Long term loan - unsecured		119,000	119,000
Liabilities against assets subject to finance lease		15,800	69,018
Long term security deposits		20,000	23,000
Deferred Liabilities	5	261,738	334,006
Deferred Credit		2,276	3,641
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,596,737	1,352,436
Accrued markup / profit		77,803	69,481
Short term redeemable capital - unsecured		-	651,966
Short term finances-secured		2,044,771	1,808,052
Current maturity of long term loans		114,000	401,500
Current maturity of liabilities against assets subject to finance lease		60,935	31,065
Taxation - net		8,016	41,771
		<b>3,902,262</b>	<b>4,356,271</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,047,406</b>	<b>6,892,646</b>

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.

  
**Dewan Mohammad Yousuf Farooqui**  
 Chief Executive Officer

  
**Dewan Abdullah Ahmed**  
 Managing Director

Quarterly Report 2008

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**

For the nine months and quarter ended March 31, 2008

	Nine months ended		Quarter Ended	
	Mar 31 2008	Mar 31 2007	Mar 31 2008	Mar 31 2007
	-----Unaudited-----			
	----- (Rs. in '000') -----			
<b>GROSS SALES</b>	<b>4,510,863</b>	6,018,438	<b>1,323,036</b>	2,157,426
Sales tax	582,925	783,643	170,562	281,403
Special Excise Duty	37,380	-	11,010	-
Commission and discounts	119,628	139,431	34,885	53,691
	<b>739,933</b>	923,074	<b>216,457</b>	335,094
<b>NET SALES</b>	<b>3,770,930</b>	5,095,364	<b>1,106,579</b>	1,822,332
Cost of sales	3,413,591	4,504,740	1,026,723	1,610,056
<b>GROSS PROFIT</b>	<b>357,339</b>	590,624	<b>79,856</b>	212,276
Distribution expenses	145,106	147,635	49,214	50,845
Administration and general expenses	141,667	138,353	47,212	43,146
	<b>286,773</b>	285,988	<b>96,426</b>	93,991
<b>OPERATING PROFIT/ (LOSS)</b>	<b>70,566</b>	304,636	<b>(16,570)</b>	118,285
<b>OTHER INCOME</b>	<b>3,297</b>	24,609	<b>1,215</b>	954
	<b>73,863</b>	329,245	<b>(15,355)</b>	119,239
Other operating expenses	-	2,309	-	849
Finance cost	268,535	283,095	83,435	102,270
	<b>268,535</b>	285,404	<b>83,435</b>	103,119
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	<b>(194,672)</b>	43,841	<b>(98,790)</b>	16,120
<b>TAXATION</b>	<b>(52,745)</b>	19,202	<b>(31,391)</b>	12,024
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>	<b>(141,927)</b>	24,639	<b>(67,399)</b>	4,096
<b>(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (Rupee)</b>	<b>(1.84)</b>	0.32	<b>(0.87)</b>	0.05

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.



**Dewan Mohammad Yousuf Farooqui**  
Chief Executive Officer



**Dewan Abdullah Ahmed**  
Managing Director

Quarterly Report 2008

**CONDENSED INTERIM CASH FLOW STATEMENT**

for the nine months ended March 31, 2008

	March 31, 2008	March 31, 2007
	-----Unaudited----- (Rs. in '000')	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(194,672)	43,841
Add / (Less) :		
Depreciation	149,920	141,977
Amortization of intangible assets	2,366	2,366
Amortization of deferred credit	(1,365)	(1,365)
Gain on disposal of fixed assets	(582)	(90)
Other income - dividend	-	(22,325)
Financial charges	268,535	283,095
	<u>418,874</u>	<u>403,658</u>
	224,202	447,499
(Increase) in stores & spares	(3,802)	(14,768)
Decrease in stock in trade	307,195	254,126
Decrease in trade debts	257,632	224,574
Decrease / (Increase) in advances, deposits, pre-payments & other receivables	84,462	(56,641)
(Increase) in long term lease deposits	-	(592)
Increase / (decrease) in trade and other payables	244,552	(513,497)
(Decrease) in long term deposits	(3,000)	(11,500)
Tax (paid)	(53,208)	(35,384)
Dividend (paid)	(252)	(74,901)
Financial charges (paid)	(262,427)	(343,444)
Gratuity (paid)	(68)	(713)
	<u>571,084</u>	<u>(572,740)</u>
<b>Net cash flow from operating activities</b>	<u>795,286</u>	<u>(125,241)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(19,283)	(39,173)
Short term loans (provided to) associated undertakings	-	(23,643)
Markup received on short term loans to associated undertakings	45,956	-
Dividend income received	-	22,325
Sale Proceeds of fixed assets	2,693	2,742
<b>Net cash flow from investing activities</b>	<u>29,366</u>	<u>(37,749)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans repaid	(369,000)	(702,917)
Long term loans obtained	-	189,000
Short term redeemable capital repaid	(700,000)	-
Finance Lease repayments	(28,935)	(24,228)
<b>Net cash flow from financing activities</b>	<u>(1,097,935)</u>	<u>(538,145)</u>
<b>NET ( DECREASE ) IN CASH &amp; CASH EQUIVALENTS</b>	<u>(273,283)</u>	<u>(701,135)</u>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<u>(1,720,126)</u>	<u>(1,871,744)</u>
<b>CASH &amp; CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>(1,993,409)</u>	<u>(2,572,879)</u>

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.



**Dewan Mohammad Yousuf Farooqui**  
Chief Executive Officer



**Dewan Abdullah Ahmed**  
Managing Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
for the nine months ended March 31, 2008

	Share Capital  Issued, subscribed and paid-up	Reserves		Total	
		Unrealized gain on available for sale investment	Unappropriated profit		Total Reserves
----- Unaudited ----- (Rupees in '000')					
<b>Balance as at June 30, 2006</b>	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
<b>Balance as at March 31, 2007</b>	<u>770,733</u>	<u>60,278</u>	<u>553,822</u>	<u>614,100</u>	<u>1,384,833</u>
<b>Balance as at June 30, 2007</b>	770,733	328,179	590,298	918,477	1,689,210
Adjustment of Unrealized gain on available for sale investment	-	(37,953)	-	(37,953)	(37,953)
Net loss for the period	-	-	(141,927)	(141,927)	(141,927)
<b>Balance as at March 31, 2008</b>	<u>770,733</u>	<u>290,226</u>	<u>448,371</u>	<u>738,597</u>	<u>1,509,330</u>

The annexed notes from 1 to 9 form an integral part of these condensed interim financial statements.



**Dewan Mohammad Yousuf Farooqui**  
Chief Executive Officer



**Dewan Abdullah Ahmed**  
Managing Director

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

**Nine months ended**      **Year ended**  
**March 31,**              **June 30,**  
**2008**                      **2007**  
**(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	<b>929</b>	102,565
Plant & Machinery	<b>368</b>	268,927
Furniture & fixtures	<b>3,076</b>	10,054
Office equipment	<b>2,618</b>	13,015
Vehicles	<b>12,588</b>	24,964
	<b>19,579</b>	419,525

**Leased**

Vehicles	-	26,818
	-	26,818

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

Vehicles	<b>4,467</b>	6,616
	<b>4,467</b>	6,616

	March 31, 2008	June 30, 2007
	(Rs. in '000')	
<b>5 Deferred Liabilities</b>		
Staff gratuity	7,172	7,240
Deferred taxation	<u>254,566</u>	<u>326,766</u>
	<u>261,738</u>	<u>334,006</u>

**6 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

**6.1** 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. Subsequent to the end of the period, 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 case for the balance amount of Rs. 87.1 million, as the facts of the case and questions of law involved are identical.

**6.2** Letter of guarantees issued by the banks amounting to Rs. 151.987 (2007: Rs. 148.664) million.

**Commitments**

**6.3** Capital expenditure commitments outstanding as at March 31, 2008 amounts to Rs. 10 (2007: Rs. 85) million.

**6.4** Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. 333.558 (2007: Rs. 192.631) million.

**7 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES**

	Nine months ended March 31, 2008 (Rs. in '000')	Year ended June 30, 2007
Sales	32,813	27,984
Purchases	2,179,558	4,084,959
Royalty	25,264	43,824
Short term loans provided to associated undertakings	-	23,643
Markup for the period on short term loans to associated undertakings	55,834	75,129
Amount received against markup on short term loans to associated undertakings	45,956	84,515
Dividend income received	-	22,325
Loan received from director	-	119,000
Donation to Dewan Farooque Trust	3,732	5,450

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

**8 Date of Authorization for Issue**

These condensed interim financial statements have been authorized for issue on April 28, 2008 by the Board of Directors of the Company.

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



**Dewan Mohammad Yousuf Farooqui**  
Chief Executive Officer



**Dewan Abdullah Ahmed**  
Managing Director