

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Dewan Mohammad Yousuf Farooqui	Chairman Board of Director
Dewan Asim Mushfiq Farooqui	Director
Dewan Abdullah Ahmed Swaleh	Managing Director
Dewan Abdul Baqi Farooqui	Director
Mr. M. A. Lodhi	Director
Mr. Haroon Iqbal	Director
Mr. Aziz-ul-Haque	Director

### CHIEF EXECUTIVE OFFICER

Dewan Mohammad Yousuf Farooqui

### PRESIDENT

Farooq Mustafa

### COMPANY SECRETARY

Muhammad Naeemuddin Malik

### AUDIT COMMITTEE MEMBERS

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

### BANKERS

Allied Bank of Pakistan Limited  
 Askari Bank Limited  
 Bank Al Falah Limited  
 Faysal Bank Limited  
 Habib Bank Limited  
 KASB Bank Limited  
 Meezan Bank Limited  
 My Bank Limited  
 National Bank of Pakistan  
 NIB Bank Limited  
 Pak Oman Investment Company Limited  
 Silk 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  
 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

### 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 Quarter ended March 31, 2010

The Gross sales, during the nine months ended March 31, 2010 was Rs. 992.643 million. During the period under review, the company's gross loss was Rs. 235.362 million and the after tax loss was Rs. 474.316 million. The loss is mainly attributable to steep drop in production and sales volumes.

The passenger car market has shown a remarkable growth during the period under review. This has resulted mainly due to withdrawal of Federal Excise Duty on locally manufactured passenger cars the benefit of which was passed on by the OEM's to the customers. Further the growth is also attributable to lesser availability of imported vehicles due to increase in custom duty. The depreciation of Pak Rupee vs. US Dollar is putting pressure on raw material and other input cost. To meet challenges of current situation the company has already taken number of measures to curtail cost. The proposal of re-profiling of Company's debts is under review with the banks. Presently, despite the growth in the market, due to freezing of working capital limits by the banks the Company is operating at minimal level. Some of the lenders have filed recovery suits in the High Court of Sindh and the Banking Court at Karachi, which the Company is defending. It is expected that once the re-profiling of debt is finalized, the Company's operation will be normalized.

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.

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)

Under / By Authority of the Board of Directors

DEWAN MOHAMMAD YOUSUF FAROOQUI  
CHIEF EXECUTIVE

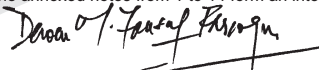
Karachi: April 29, 2010

## CONDENSED INTERIM BALANCE SHEET

### As at March 31, 2010

	Note	March 31, 2010 (Rs. in '000)	June 30, 2009 (Rs. in '000)
ASSETS		Unaudited	Audited
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	5	1,869,029	1,991,154
Long-term deposits (with leasing companies)		40,259	40,343
<b>CURRENT ASSETS</b>			
Stores and spares		80,503	82,494
Stock-in-trade		613,466	746,766
Trade debts - considered good		24,108	29,538
Short term loans to associated undertakings - considered good		892,740	892,740
Advances, deposits, prepayments and other receivables		540,792	474,443
Investment	6	138,416	122,788
Advance Income Tax		25,763	14,905
Cash and bank balances		96,735	101,746
		<b>2,412,523</b>	<b>2,465,420</b>
<b>TOTAL ASSETS</b>		<b>4,321,811</b>	<b>4,496,917</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
<b>Authorized</b>			
100,000,000 (June 30, 2009: 100,000,000)			
Ordinary shares of Rs.10 each		<b>1,000,000</b>	<b>1,000,000</b>
<b>Issued, subscribed and paid-up</b>			
88,973,300 (June 30, 2009: 88,973,300) Ordinary shares of Rs.10 each		889,733	889,733
Impairment loss on investment to be charged in future		-	(161,857)
<b>Reserves</b>		<b>(1,673,551)</b>	<b>(1,199,235)</b>
		<b>(783,818)</b>	<b>(471,359)</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - secured		520,854	666,853
Liabilities against assets subject to finance lease		4,951	6,803
Long term security deposits		18,700	18,700
Deferred Liabilities		4,812	5,071
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,663,776	1,515,293
Accrued markup / profit		258,274	264,810
Short term finances-secured	7	1,931,596	1,929,585
Current maturity of long term loans	8	658,574	512,576
Current maturity of liabilities against assets subject to finance lease		44,092	48,585
		<b>4,556,312</b>	<b>4,270,849</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,321,811</b>	<b>4,496,917</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

  
**Dewan Mohammad Yousuf Farooqui**  
 Chief Executive

  
**Haroon Iqbal**  
 Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the nine months and quarter ended March 31, 2010

Note	Nine Months Ended		Quarter Ended	
	Mar 31, 2010	Mar 31, 2009	Mar 31, 2010	Mar 31, 2009
	-----Unaudited----- (Rs. in '000)			
<b>GROSS SALES</b>	992,643	1,306,252	313,032	399,546
Sales tax	132,590	172,988	42,820	54,674
Federal Excise Duty	-	8,190	-	4,204
Special Excise Duty	8,151	10,357	2,586	3,159
Commission and discounts	30,419	63,111	10,128	13,319
	<u>171,160</u>	<u>254,646</u>	<u>55,534</u>	<u>75,356</u>
<b>NET SALES</b>	821,483	1,051,606	257,498	324,190
Cost of sales	1,056,845	1,546,927	341,884	345,139
<b>GROSS (LOSS)</b>	(235,362)	(495,321)	(84,386)	(20,949)
Distribution expenses	61,126	107,715	11,452	27,935
Administration and general expenses	134,939	156,891	44,436	53,173
	<u>196,065</u>	<u>264,606</u>	<u>55,888</u>	<u>81,108</u>
<b>OPERATING (LOSS)</b>	(431,427)	(759,927)	(140,274)	(102,057)
<b>OTHER INCOME</b>	112,344	9,642	36,837	3,390
	<u>(319,083)</u>	<u>(750,285)</u>	<u>(103,437)</u>	<u>(98,667)</u>
Impairment Loss on Investment - available for sale	6 146,230	64,966	(26,790)	64,966
Finance cost	10 4,743	264,071	1,739	(87,682)
	<u>150,973</u>	<u>329,037</u>	<u>(25,051)</u>	<u>152,648</u>
<b>(LOSS) BEFORE TAXATION</b>	(470,056)	(1,079,322)	(78,386)	(251,315)
<b>TAXATION</b>	4,260	(120,025)	1,338	-
<b>NET (LOSS) FOR THE PERIOD</b>	<u>(474,316)</u>	<u>(959,297)</u>	<u>(79,724)</u>	<u>(251,315)</u>
Basic (Loss) per share (Rupee)	11 (5.33)	(12.45)	(0.90)	(3.26)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

*Dewan Mohammad Yousuf Farooqui*

**Dewan Mohammad Yousuf Farooqui**  
Chief Executive

*Haron Iqbal*


**Haron Iqbal**  
Director

DFML QUARTERLY REPORT MARCH 2010

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
for the nine months and quarter ended March 31, 2010 (Un-audited)

	Nine Months Ended		Quarter Ended	
	Jul - Mar 2010	Jul - Mar 2009	Jan - Mar 2010	Jan - Mar 2009
	----- (Rs. in '000) -----			
(Loss) for the period	<b>(474,316)</b>	(959,297)	<b>(79,724)</b>	(251,315)
Other comprehensive income / (loss)				
Available for sale financial assets:				
- Changes in fair value	<b>15,628</b>	(100,909)	<b>26,790</b>	49,116
- Impairment carried directly in equity	-	(259,864)	-	-
- Impairment loss / (gain) charged to profit and loss	<b>146,230</b>	64,966	<b>(26,790)</b>	64,966
Total comprehensive (loss) for the period	<b><u>(312,458)</u></b>	<u>(1,255,104)</u>	<b><u>(79,724)</u></b>	<u>(137,233)</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

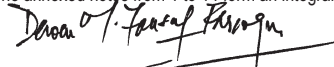
  
**Dewan Mohammad Yousuf Farooqui**  
Chief Executive

  
**Haroon Iqbal**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT**  
for the nine months ended March 31, 2010

	March 31, 2010	March 31, 2009
	-----Unaudited----- (Rs. in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	(470,056)	(1,079,322)
Add / (Less) : Depreciation	121,028	136,425
Amortization of intangible assets	-	2,369
Amortization of deferred credit	-	(1,365)
Gain on disposal of fixed assets	(1,155)	(2,363)
Impairment loss on Investment - available for sale	146,230	64,966
Financial charges	4,743	264,071
	<u>270,846</u>	<u>464,103</u>
	(199,210)	(615,219)
Decrease in stores & spares	1,990	15
Decrease in stock in trade	133,298	186,653
Decrease in trade debts	5,430	222,200
(Increase) / Decrease in advances, deposits, pre-payments & other receivables	(97,770)	144,192
Increase in trade and other payables	148,487	12,798
Decrease / (Increase) in long term lease deposits	84	(2,000)
Tax (paid)	(15,116)	(17,867)
Financial charges (paid)	(10,516)	(169,509)
Gratuity (paid)	(260)	(1,569)
	<u>165,627</u>	<u>374,913</u>
<b>Net cash flow from operating activities</b>	<b>(33,583)</b>	<b>(240,306)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(216)	(4,101)
Markup received on short term loans to associated undertakings	31,420	56,482
Sale Proceeds of fixed assets	2,465	7,641
<b>Net cash flow from investing activities</b>	<b>33,669</b>	<b>60,022</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans obtained	-	212,000
Long term loans (repaid)	-	(14,286)
Finance Lease repayments	(7,108)	(12,405)
<b>Net cash flow from financing activities</b>	<b>(7,108)</b>	<b>185,309</b>
<b>NET (DECREASE) / INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(7,022)</b>	<b>5,025</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>(1,827,839)</b>	<b>(1,851,225)</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>(1,834,861)</b>	<b>(1,846,200)</b>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

  
**Dewan Mohammad Yousuf Farooqui**  
Chief Executive

  
**Haroon Iqbal**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
for the nine months ended March 31, 2010

Share Capital	Unrealized gain / (deficit) due to change in fair value of investment	Impairment loss on available for sale investment charged in Jan - Dec 2009	Unappropriated profit / (loss)	Total
---------------	---	--	--------------------------------	-------

----- (Rs. in '000) -----

<b>Balance as on July 01, 2008</b>	770,733	100,909	-	190,799	1,062,441
11,900,000 ordinary shares of Rs. 10/- each issued as fully paid shares against sponsor's loan	119,000	-	-	-	119,000
Total comprehensive (loss) for the period	-	(100,909)	(194,898)	(959,297)	(1,255,104)
<b>Balance as on March 31, 2009</b>	<u>889,733</u>	<u>-</u>	<u>(194,898)</u>	<u>(768,498)</u>	<u>(73,663)</u>
<b>Balance as on July 01, 2009</b>	889,733	-	(161,857)	(1,199,235)	(471,359)
Total comprehensive (loss) for the period	-	-	161,857	(474,316)	(312,459)
<b>Balance as on March 31, 2010</b>	<u>889,733</u>	<u>-</u>	<u>-</u>	<u>(1,673,551)</u>	<u>(783,818)</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



**Dewan Mohammad Yousuf Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Nine months ended March 31, 2010

### 1 The Company and its Operations

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 GOING CONCERN ASSUMPTION

The financial statement for the period ended March 31, 2010 reflect loss after taxation of Rs.474.316 million on account of working capital constraints and as of the date it has accumulated losses of Rs.1.673 billion which has eroded its Capital by Rs. 783.818 million and its current liabilities exceeded its current assets by Rs.2.139 billion. The working capital constraints have resulted in low capacity utilization ultimately leading to gross loss situation. Further, the company is facing liquidity difficulties to ensure timely repayments of debts owing to financial institution and short term finance facilities have not been renewed by banks. Following course, certain banks has filed a recovery suit against the company. These financials have been prepared under going concern assumption as the aforesaid situations are temporary and would reverse in future. The management is confident that the out come is positive as the company is negotiating re-profiling of the debt with all the lenders and is expected to be closed in near future. The company has already approached its lenders for the restructuring of the entire debt.

### 3 Basis of Preparation

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. The Interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements for the year ended June 30, 2009.

### 4 Summary of Significant Accounting Policies

4.1 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, 2009.

The significant assumptions and estimates adopted in the preparation of these financial statements are the same as those of the last published financial statements for the year ended June 30, 2009.

4.2 IAS 1 (Revised) Presentation of financial statements effective from January 1, 2009 was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is non-owner changes in equity) in the statement of changes in equity requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement the statement of comprehensive income or two statements the Income statement and the statement of comprehensive income.

The company has opted for two statement approach and the interim financial information has been prepared under revised disclosure requirement.

		Nine months ended March 31, 2010 (Rs. in '000)	Year ended June 30, 2009
<b>5</b>	<b>PROPERTY, PLANT &amp; EQUIPMENT</b>		
	Operating Property Plant and Equipments	5.1 1,854,029	1,976,153
	Capital Work in Progress	15,000	15,000
		<u>1,869,029</u>	<u>1,991,153</u>
<b>5.1</b>	Detail of additions to operating fixed assets during the period are as follows:		
	<b>Tangible Owned</b>		
	Office equipment	216	72
	Vehicles	-	4,029
		<u>216</u>	<u>4,101</u>
<b>5.2</b>	Detail of disposals during the period are as follows:		
	Vehicles	2,470	13,259
		<u>2,470</u>	<u>13,259</u>
<b>6</b>	<b>INVESTMENT - AVAILABLE FOR SALE - At fair value</b>		
	Investment in Ordinary shares of Dewan Cement Limited (DCL) - associated undertaking 44,650,273 ordinary shares of Rs. 10 each	446,503	446,503
	Impairment loss already charged to profit & loss account	(161,857)	-
	Impairment in value of investment - taken directly in equity	-	(161,857)
	Impairment in value of investment - charged to profit & loss account	(146,230)	(161,857)
		<u>138,416</u>	<u>122,789</u>
	<b>Market value (Rupees per share)</b>	<u>3.10</u>	<u>2.75</u>
	<b>Percentage of equity held</b>	<u>12.49%</u>	<u>12.49%</u>
<b>6.1</b>	The market price of associated company's share wherein company has investment shows increasing 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 April 29, 2010 (i.e. the date on which the financial statements were authorised for issue) is Rs.2.88 per share, thereby decreasing the market value of the investment by Rs.9.82 million.		
<b>7</b>	<b>SHORT TERM BORROWING</b>		
	The Short term borrowings has not been renewed by the Banks as of Balance sheet date.		

## 8 CURRENT PORTION OF LONG TERM LOANS - Secured

The Current maturity of long term loan include over due installments amounting to Rs. 658.574 million.

## 9 CONTINGENCIES AND COMMITMENTS

### Contingencies

There is no material change in the contingencies and commitments since the last audited financial statements as at June 30, 2009.

The company is in the process of restructuring the respective amounts due to banks. Certain lenders have filed suit in the High Court of Sindh U/s 9 of Financial Institutions (Recovery of Finances) Ordinance, 2001 for recovery through sale of company's assets.

The company is defending these cases. The outcome is awaited and it is expected that it will be in favour of company.

## 10 FINANCE COST

The company has not provided the markup on Long term and short term borrowing from January 2009 to March 31, 2010 by Rs. 520.10 million. The management feels that it is in the process of restructuring of loans with the financial institutions and the treatment is in accordance with the proposal. The management is hopeful that the restructuring proposal will be accepted by the financial institutions. However if the company provide this amount during the period the loss of the company would have been increased by Rs. 520.10 million and consequently the financial charges and Accrued markup will also increase by same amount.

	For the Nine Months Ended		For the Quarter Ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(Rs. in '000)			
<b>11 EARNING PER SHARE - BASIC</b>				
Net (Loss) for the period	<u>(474,316)</u>	<u>(959,297)</u>	<u>(79,724)</u>	<u>(251,315)</u>
Weighted average number of ordinary shares issued during the year	<u>88,973</u>	<u>77,073</u>	<u>88,973</u>	<u>77,073</u>
(Loss) Per Share -Basic	<u>(5.33)</u>	<u>(12.45)</u>	<u>(0.90)</u>	<u>(3.26)</u>

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

	Nine months ended March 31, 2010	Year ended June 30, 2009
	(Rs. in '000)	
Sales	2,321	6,957
Purchases	540,425	928,713
Royalty	5,654	11,505
Markup for the period on short term loans to associated undertakings	109,400	155,292
Amount received against markup on short term loans to associated undertakings	31,420	63,621
Donation to Dewan Farooque Trust	1,543	3,945

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

**13 DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements have been authorized for issue on April 29, 2010 by the Board of Directors of the Company.

**14 GENERAL**

Figures have been rounded off to the nearest thousand rupees.



**Dewan Mohammad Yousuf Farooqui**  
Chief Executive



**Haroon Iqbal**  
Director