

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. Shahid Hussain Shera	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  
 Pak Oman Investment Company 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),  
 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**  
 Dewan Centre, 49-D/1,  
 Gulberg III.

### 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 September 30, 2007.

The Gross sales during the quarter were Rs. 2.011 billion as compared to Rs. 1.900 billion in the corresponding period of the last year. During the period under review, the company achieved a gross profit of Rs. 184.508 million and after tax loss of Rs. 4.606 million.

The Government, on persistent requests of auto industry, earlier made some amendments in the policy relating to import of used cars, by placing restriction on import of used vehicles that are more than 5 years old. The age limit was further reduced to three years in the financial budget for 2007-08. However, these steps are still to bring positive impact on the local industry as already huge stock of imported used vehicles is still available in the market.

While the positive impact as aforesaid is still to come, the imposition of 1% special excise duty and 2.5% withholding tax on locally manufactured cars is sighted as detrimental to the growth of the Industry, as the prices of locally manufactured cars have gone up. Due to the imposition of these taxes your company had no choice but to revise prices of its products. However, keeping in view the product positioning, the selling price of Santro prime has been maintained with a view to achieve higher volumes.

Nevertheless, focus of the management is still on containing the costs and improving the volumes with effective sales promotion, in order to sustain under the prevailing market conditions. Alhamdulillah, the performance of Shehzore remained satisfactory during the period with positive expectation of improvement in volumes in the remaining period of current financial year.

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.

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, 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 Officer

Karachi: October 31, 2007

**CONDENSED INTERIM BALANCE SHEET**

as at September 30, 2007

	Note	September 30,	June 30,
		2007	2007
		(Rs. in '000)	
		Unaudited	Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	4	2,308,003	2,350,762
Intangible Assets		4,734	5,523
Long-term deposits (with leasing companies)		40,343	40,343
<b>CURRENT ASSETS</b>			
Stores and spares		73,491	71,391
Stock-in-trade		1,295,595	1,567,646
Trade debts - considered good		983,041	943,005
Short term loans to associated undertakings - considered good		553,425	553,425
Advances, deposits, prepayments and other receivables		462,527	497,943
Investment		593,849	774,682
Cash and bank balances		74,598	87,926
		4,036,526	4,496,018
<b>TOTAL ASSETS</b>		<b>6,389,606</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
		733,038	918,477
		1,503,771	1,689,210
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - secured		274,000	298,500
Long term loan - unsecured		119,000	119,000
Liabilities against assets subject to finance lease		60,532	69,018
Long term security deposits		22,000	23,000
Deferred Liabilities	5	331,755	334,006
Deferred Credit		3,186	3,641
<b>CURRENT LIABILITIES</b>			
Trade and other payables		992,833	1,352,436
Accrued markup / profit		70,305	69,481
Short term redeemable capital - unsecured		673,418	651,966
Short term finances-secured		2,081,870	1,808,052
Current maturity of long term loans		207,750	401,500
Current maturity of liabilities against assets subject to finance lease		32,176	31,065
Taxation - net		17,010	41,771
		4,075,362	4,356,271
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,389,606</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 2007

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
for the quarter ended September 30, 2007

	Quarter Ended	
	September 30, 2007	September 30, 2006
-----Unaudited-----		
(Rs. in '000)		
<b>GROSS SALES</b>	<b>2,011,491</b>	1,899,631
Sales tax	260,225	247,546
Special Excise Duty	16,434	-
Commission and discounts	53,493	42,259
	<b>330,152</b>	289,805
<b>NET SALES</b>	<b>1,681,339</b>	1,609,826
Cost of sales	1,496,831	1,421,353
<b>GROSS PROFIT</b>	<b>184,508</b>	188,473
Distribution expenses	47,028	42,768
Administration and general expenses	45,388	43,753
<b>OPERATING PROFIT</b>	<b>92,092</b>	101,952
<b>OTHER INCOME</b>	<b>1,217</b>	567
	<b>93,309</b>	102,519
Other operating expenses	98	691
Finance cost	91,356	88,702
	<b>91,454</b>	89,393
<b>PROFIT BEFORE TAXATION</b>	<b>1,855</b>	13,126
<b>TAXATION</b>	<b>6,461</b>	3,850
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>	<b>(4,606)</b>	9,276
<b>(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (Rupee)</b>	<b>(0.06)</b>	0.12

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 CASH FLOW STATEMENT

for the quarter ended September 30, 2007

	September 30, 2007	September 30, 2006
	-----Unaudited----- (Rs. in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,855	13,126
Add / (Less) : Depreciation	49,788	44,244
Amortization of intangible assets	789	789
Amortization of deferred credit	(455)	-
Gain on disposal of fixed assets	(392)	(307)
Financial charges	91,356	88,702
	<b>141,086</b>	<b>133,428</b>
	<b>142,941</b>	<b>146,554</b>
(Increase) / decrease in stores & spares	(2,100)	5,861
Decrease / (Increase) in stock in trade	272,051	(149,480)
(Increase) / decrease in trade debts	(40,036)	329,567
Decrease/(increase) in advances, deposits, pre-payments & other receivables	54,006	(69,690)
(Increase) in long term lease deposits	-	(84)
(Decrease) in trade and other payables	(359,553)	(154,621)
(Increase) in long term deposits	(1,000)	-
Tax (paid)	(33,436)	(11,680)
Dividend (paid)	(50)	-
Financial charges (paid)	(85,523)	(106,283)
Gratuity (paid)	(37)	(133)
	<b>(195,678)</b>	<b>(156,543)</b>
<b>Net cash flow from operating activities</b>	<b>(52,737)</b>	<b>(9,989)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(8,259)	(14,137)
Sale Proceeds of fixed assets	1,622	667
<b>Net cash flow from investing activities</b>	<b>(6,637)</b>	<b>(13,470)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans repaid	(218,250)	(232,084)
Finance Lease repayments	(9,522)	(7,457)
<b>Net cash flow from financing activities</b>	<b>(227,772)</b>	<b>(239,541)</b>
<b>NET ( DECREASE ) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(287,146)</b>	<b>(263,000)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>(1,720,126)</b>	<b>(1,871,744)</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>(2,007,272)</b>	<b>(2,134,744)</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

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
for the quarter ended September 30, 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, 2006	770,733	258,971	606,256	865,227	1,635,960
Net profit for the period	-	-	9,276	9,276	9,276
<b>Balance as at September 30, 2006</b>	<u>770,733</u>	<u>258,971</u>	<u>615,532</u>	<u>874,503</u>	<u>1,645,236</u>
Balance as at June 30, 2007	770,733	328,179	590,298	918,477	1,689,210
Adjustment of Unrealized gain on available for sale investment	-	(180,833)	-	(180,833)	(180,833)
Net loss for the period	-	-	(4,606)	(4,606)	(4,606)
<b>Balance as at September 30, 2007</b>	<u>770,733</u>	<u>147,346</u>	<u>585,692</u>	<u>733,038</u>	<u>1,503,771</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 quarter ended September 30, 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 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.

Quarter ended September 30, 2007	Year ended June 30, 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	-	102,565
Plant & Machinery	103	268,927
Furniture & fixtures	67	10,054
Office equipment	1,134	13,015
Vehicles	6,241	24,964
	<u>7,545</u>	<u>419,525</u>

**Leased**

Vehicles	-	26,818
	<u>-</u>	<u>26,818</u>

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

Vehicles	2,734	6,616
	<u>2,734</u>	<u>6,616</u>

## Quarterly Report 2007

	Quarter ended September 30, 2007	Year ended June 30, 2007
(Rs. in '000)		
<b>5 Deferred Liabilities</b>		
Staff gratuity	7,203	7,240
Deferred taxation	324,553	326,766
	<b>331,756</b>	<b>334,006</b>

## 6 CONTINGENCIES AND COMMITMENTS

### Contingencies

**6.1** The company 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 is being contested by the company in appeal forums. 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.

**6.2** Letter of guarantees issued by the banks amounting to Rs. 163.610 (2007: Rs. 148.664) million.

### Commitments

**6.3** Capital expenditure commitments outstanding as at September 30, 2007 amounts to Rs. 85 (2007: Rs. 85) million.

**6.4** Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. 170.204 (2007: Rs. 192.631) million.

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

	Quarter ended September 30, 2007	Year ended June 30, 2007
	(Rs. in '000)	
Sales	17,009	27,984
Purchases	704,147	4,084,959
Royalty and technical fee	10,567	43,824
Short term loans provided to associated undertakings	-	23,643
Markup for the period on short term loans to associated undertakings	18,591	75,129
Amount received against markup on short term loans to associated undertakings	-	84,515
Dividend income received	-	22,325
Loan received from director	-	119,000
Donation to Dewan Farooque Trust	2,513	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 October 31, 2007 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