

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
Mrs. Hina Yousuf	Director

CHIEF EXECUTIVE OFFICER

Dewan Mohammad Yousuf Farooqui

PRESIDENT / CHIEF OPERATING OFFICER

Farooq Mustafa

COMPANY SECRETARY

Muhammad Naeemuddin Malik

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

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 Royal Bank of Scotland Limited
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.

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 September 30, 2008.

The gross sales, during the quarter ended September 30, 2008, was Rs. 455.906 million as compared to Rs. 2.011 billion in the corresponding period of the last year. During the period under review, the company's gross loss was Rs. 274.103 million and the after tax loss was Rs. 340.40 million. The loss is mainly attributable to steep drop in production and sales volumes, phenomenal increase in foreign exchange rates, higher prices of steel, oil and other inputs. Though company increased selling prices but could not pass on full impact of cost due to deteriorating market demand.

The automobile industry is passing through a difficult time. The declining demand coupled with liquidity crunch are the challenges for the management. In order to reduce losses the Company is taking all possible measures to curtail operating expenses and has approached the banks for reprofiling its debts. Management is striving hard to sustain under the difficult situation and making best efforts to improve volumes. It is very difficult to predict the future trend under the adverse condition prevailing in the country, however, company expects that the Government will take all possible measures to improve the economy.

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.

إِنَّا تَرَبُّي 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

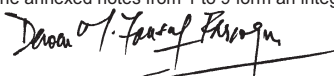
Karachi: October 30, 2008

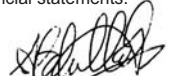
CONDENSED INTERIM BALANCE SHEET

As at September 30, 2008

		September 30, 2008	June 30, 2008
	Note	(Rs. in '000)	
ASSETS		Unaudited	Audited
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	2,133,656	2,175,667
Intangible Assets		1,580	2,368
Long-term deposits (with leasing companies)		40,343	40,343
CURRENT ASSETS			
Stores and spares		85,588	83,035
Stock-in-trade		1,428,785	1,234,219
Trade debts - considered good		266,602	294,772
Short term loans to associated undertakings - considered good		892,740	892,740
Advances, deposits, prepayments and other receivables		413,862	493,794
Investment		442,038	547,412
Advance Income Tax		1,617	-
Cash and bank balances		70,722	90,574
		3,601,954	3,636,546
TOTAL ASSETS		5,777,533	5,854,924
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
100,000,000 (June 30, 2008: 100,000,000)			
Ordinary shares of Rs.10 each		1,000,000	1,000,000
Issued, subscribed and paid-up			
77,073,300 (June 30, 2008: 77,073,300)			
Ordinary shares of Rs.10 each		770,733	770,733
Reserves		(154,066)	291,708
		616,667	1,062,441
NON-CURRENT LIABILITIES			
Long term loans - secured		856,356	690,000
Long term loan - unsecured		119,000	119,000
Liabilities against assets subject to finance lease		10,649	11,378
Long term security deposits		20,700	20,700
Deferred Liabilities	5	6,005	126,980
Deferred Credit		1,365	1,821
CURRENT LIABILITIES			
Trade and other payables		1,564,478	1,421,232
Accrued markup / profit		175,537	102,464
Short term finances-secured		2,062,705	1,941,799
Current maturity of long term loans		293,787	291,714
Current maturity of liabilities against assets subject to finance lease		50,284	57,239
Taxation - net		-	8,156
		4,146,791	3,822,604
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		5,777,533	5,854,924

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


Dewan Mohammad Yousuf Farooqui
 Chief Executive


Dewan Abdullah Ahmed
 Managing Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For the quarter ended September 30, 2008

DFML QUARTERLY REPORT SEPTEMBER 2008

	Quarter Ended	
	September 30, 2008	September 30, 2007
	-----Unaudited-----	
	(Rs. in '000)	
GROSS SALES	455,906	2,011,491
Sales tax	61,435	260,225
Federal Excise Duty	2,834	-
Special Excise Duty	3,536	16,434
Commission and discounts	14,793	53,493
	82,598	330,152
NET SALES	373,308	1,681,339
Cost of sales	647,411	1,496,831
GROSS (LOSS) / PROFIT	(274,103)	184,508
Distribution expenses	46,229	47,028
Administration and general expenses	58,731	45,388
	104,960	92,416
OPERATING (LOSS) / PROFIT	(379,063)	92,092
OTHER INCOME	3,950	1,217
	(375,113)	93,309
Other operating expenses	-	98
Finance cost	85,312	91,356
	85,312	91,454
(LOSS) / PROFIT BEFORE TAXATION	(460,425)	1,855
TAXATION	(120,025)	6,461
NET (LOSS) FOR THE PERIOD	(340,400)	(4,606)
(Loss) per share - basic (Rupee)	(4.42)	(0.06)

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



Dewan Mohammad Yousuf Farooqui
Chief Executive




Dewan Abdullah Ahmed
Managing Director

CONDENSED INTERIM CASH FLOW STATEMENT

For the quarter ended September 30, 2008

	September 30, 2008	September 30, 2007
	-----Unaudited----- (Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(460,425)	1,855
Add / (Less) :		
Depreciation	45,528	49,788
Amortization of intangible assets	789	789
Amortization of deferred credit	(455)	(455)
Gain on disposal of fixed assets	(97)	(392)
Financial charges	85,312	91,356
	131,077	141,086
	(329,348)	142,941
(Increase) in stores & spares	(2,553)	(2,100)
(Increase) / Decrease in stock in trade	(194,566)	272,051
Decrease / (Increase) in trade debts	28,170	(40,036)
Decrease in advances, deposits, pre-payments & other receivables	93,280	54,006
Increase / (Decrease) in trade and other payables	143,245	(359,553)
(Decrease) in long term deposits	-	(1,000)
Tax (paid)	(9,774)	(33,436)
Dividend (paid)	-	(50)
Financial charges (paid)	(49,249)	(85,523)
Gratuity (paid)	(949)	(37)
	7,604	(195,678)
Net cash flow from operating activities	(321,744)	(52,737)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(4,101)	(8,259)
Markup received on short term loans to associated undertakings	24,950	-
Sale Proceeds of fixed assets	682	1,622
Net cash flow from investing activities	21,531	(6,637)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans obtained	212,000	-
Long term loans (repaid)	(43,571)	(218,250)
Finance Lease repayments	(8,974)	(9,522)
Net cash flow from financing activities	159,455	(227,772)
NET (DECREASE) IN CASH & CASH EQUIVALENTS	(140,758)	(287,146)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,851,225)	(1,720,126)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(1,991,983)	(2,007,272)

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



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdullah Ahmed
Managing Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the quarter ended September 30, 2008

DFML QUARTERLY REPORT SEPTEMBER 2008

	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, 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 profit for the period	-	-	(4,606)	(4,606)	(4,606)
Balance as at September 30, 2007	<u>770,733</u>	<u>147,346</u>	<u>585,692</u>	<u>733,038</u>	<u>1,503,771</u>
Balance as at June 30, 2008	770,733	100,909	190,799	291,708	1,062,441
Adjustment of Unrealized gain on available for sale investment	-	(105,374)	-	(105,374)	(105,374)
Net loss for the period	-	-	(340,400)	(340,400)	(340,400)
Balance as at September 30, 2008	<u>770,733</u>	<u>(4,465)</u>	<u>(149,601)</u>	<u>(154,066)</u>	<u>616,667</u>

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



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdullah Ahmed
Managing Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the quarter ended September 30, 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, 2008.

	Quarter ended September 30, 2008	Year ended June 30, 2008
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(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	-	5,146
Plant & Machinery	-	369
Furniture & fixtures	-	3,143
Office equipment	72	2,819
Vehicles	4,029	25,076
	<u>4,101</u>	<u>36,553</u>

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

Vehicles	1,433	11,152
	<u>1,433</u>	<u>11,152</u>

5 DEFERRED LIABILITIES

Staff gratuity	6,006	6,955
Deferred taxation	-	120,025
	<u>6,006</u>	<u>126,980</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. During 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 cases for the balance amount of Rs.87.1 million, as the facts of the cases and questions of law involved are identical.

- 6.2 Letter of guarantees issued by the banks amounting to Rs. 260.044 (2008 : Rs. 260.044) million.

Commitments

- 6.3 Capital expenditure commitments outstanding as at September 30, 2008 amounts to Nil (2008: Nil).
- 6.4 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. 179.209 (2008: Rs. 179.209) million.

7 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

	Quarter ended September 30, 2008 (Rs. in '000)	Year ended June 30, 2008
Sales	2,491	48,168
Purchases	537,687	2,975,036
Royalty	-	36,871
Markup for the period on short term loans to associated undertakings	38,298	82,490
Amount received against markup on short term loans to associated undertakings	24,950	65,148
Donation to Dewan Farooque Trust	-	7,496

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 30, 2008 by the Board of Directors of the Company.

9 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdullah Ahmed
Managing Director