

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**  
 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 and half year ended December 31, 2007.

The Gross sales, during the half year ended December 31, 2007, was Rs. 3.187 billion as compared to Rs. 3.861 billion in the corresponding period of the last year. During the period under review, the company achieved a gross profit of Rs. 277.483 million and after tax loss of Rs. 74.528 million.

Political uncertainty, rising interest rates and imposition of new taxes caused the drop in Gross Turnover of the Company, particularly the passenger car segment. The second quarter of the current financial year has been worst affected due to the political unrest and the law and order situation in the country. The commercial banks too have curtailed auto financing.

The prevailing adverse market and political situation coupled with devaluation of Pak Rupee against USD are putting high pressure on performance of the Company. The Management is striving hard to improve volumes with effective sales promotion in order to sustain under these conditions. Keeping in view the said conditions, the management is also considering the balance sheet restructuring with a view to re-profile its short term and long term finances in-order to improve liquidity and reduce financial cost. We expect that the overall market condition will improve once the post election political situation stabilizes and economic activity picks-up. It is expected that the new government will take positive steps towards the growth of local auto industry.

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: February 29, 2008

## **FEROZE SHARIF TARIQ & CO.**

Partners: **FEROZE QAISER F.C.A., I.C.A.E.W.**  
**ALI HUSAIN, F.C.A.**  
**MOHAMMAD TARIQ, F.C.A., A.C.M.A.**

FEROZE SHARIF TARIQ & CO.  
Chartered Accountants  
4-N/4, BLOCK 6, P.E.C.H.S.,  
KARACHI 75400

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## **REVIEW REPORT TO THE MEMBERS**

### **Introduction**

We have reviewed the accompanying balance sheet of Dewan Farooque Motors Limited ("the company") as at December 31, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'Condensed interim financial statements') for the six months period then ended. Management is responsible for the preparation and Presentation of these Condensed interim financial statements in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on these Condensed interim financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2007 and December 31, 2006 have not been reviewed as we are required to review only the cumulative figures for the Six months ended December 31, 2007.

### **Scope of Review**

We conducted our review in accordance with the International Standard on review engagements 2410, "Review of Condensed interim financial statements performed by the independent Auditor of the Entity". A review of Condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed interim financial statements as at and for six months period ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.



CHARTERED ACCOUNTANTS

Karachi  
Dated: February 29, 2008

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**CONDENSED INTERIM BALANCE SHEET**

As at December 31, 2007

	Note	December 31	June 30,
		2007	2007
		(Rs. in '000)	
		Unaudited	Audited
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	4	2,259,709	2,350,762
Intangible Assets		3,945	5,523
Long-term deposits (with leasing companies)		40,343	40,343
<b>CURRENT ASSETS</b>			
Stores and spares		76,863	71,391
Stock-in-trade		1,543,261	1,567,646
Trade debts - considered good		975,978	943,005
Short term loans to associated undertakings - considered good		553,425	553,425
Advances, deposits, prepayments and other receivables		536,111	497,943
Investment		734,497	774,682
Cash and bank balances		46,893	87,926
		<b>4,467,028</b>	<b>4,496,018</b>
<b>TOTAL ASSETS</b>		<b>6,771,025</b>	<b>6,892,646</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
Authorized			
80,000,000 (2007: 80,000,000)		800,000	800,000
Ordinary shares of Rs.10 each			
<b>Issued, subscribed and paid-up</b>		<b>770,733</b>	<b>770,733</b>
Reserves		<b>803,764</b>	<b>918,477</b>
		<b>1,574,497</b>	<b>1,689,210</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - secured		241,500	298,500
Long term loan - unsecured		119,000	119,000
Liabilities against assets subject to finance lease		20,078	69,018
Long term security deposits		20,000	23,000
Deferred Liabilities	5	298,870	334,006
Deferred Credit		2,731	3,641
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,468,129	1,352,436
Accrued markup / profit		63,521	69,481
Short term redeemable capital - unsecured		694,637	651,966
Short term finances-secured		2,076,609	1,808,052
Current maturity of long term loans		114,000	401,500
Current maturity of liabilities against assets subject to finance lease		64,504	31,065
Taxation - net		12,949	41,771
		<b>4,494,349</b>	<b>4,356,271</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,771,025</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



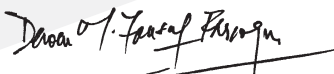
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**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**

For the half year and quarter ended December 31, 2007

	Half year ended		Quarter Ended	
	Dec. 31 2007	Dec. 31 2006	Dec. 31 2007	Dec. 31 2006
-----Unaudited-----				
(Rs. in '000)				
<b>GROSS SALES</b>	<b>3,187,827</b>	3,861,012	<b>1,176,336</b>	1,961,381
Sales tax	412,363	502,240	152,138	254,694
Special Excise Duty	26,370	-	9,936	-
Commission and discounts	84,743	85,740	31,250	43,481
	<b>523,476</b>	587,980	<b>193,324</b>	298,175
<b>NET SALES</b>	<b>2,664,351</b>	3,273,032	<b>983,012</b>	1,663,206
Cost of sales	<b>2,386,868</b>	2,894,684	<b>890,037</b>	1,473,331
<b>GROSS PROFIT</b>	<b>277,483</b>	378,348	<b>92,975</b>	189,875
Distribution expenses	95,891	96,791	48,863	54,023
Administration and general expenses	94,456	95,206	49,068	51,453
	<b>190,347</b>	191,997	<b>97,931</b>	105,476
<b>OPERATING PROFIT / (LOSS)</b>	<b>87,136</b>	186,351	<b>(4,956)</b>	84,399
<b>OTHER INCOME</b>	<b>2,082</b>	23,655	<b>865</b>	23,088
	<b>89,218</b>	210,006	<b>(4,091)</b>	107,487
Other operating expenses	-	1,459	(98)	768
Finance cost	185,099	180,825	93,743	92,123
	<b>185,099</b>	182,284	<b>93,645</b>	92,891
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	<b>(95,881)</b>	27,722	<b>(97,736)</b>	14,596
<b>TAXATION</b>	<b>(21,353)</b>	7,179	<b>(27,814)</b>	3,329
<b>NET (LOSS) / PROFIT FOR THE PERIOD</b>	<b>(74,528)</b>	20,543	<b>(69,922)</b>	11,267
<b>(LOSS) / EARNINGS PER SHARE</b> - BASIC AND DILUTED (Rupee)	<b>(0.97)</b>	0.27	<b>(0.91)</b>	0.15

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 half year ended December 31, 2007

	Decemembr 31, 2007	Decemembr 31, 2006
	-----Unaudited----- (Rs. in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(95,881)	27,722
Add / (Less) :		
Depreciation	99,753	91,120
Amortization of intangible assets	1,578	1,578
Amortization of deferred credit	(910)	(910)
Gain on disposal of fixed assets	(439)	151
Other income - dividend	-	(22,325)
Financial charges	185,099	180,825
	<b>285,081</b>	<b>250,439</b>
	<b>189,200</b>	<b>278,161</b>
(Increase) in stores & spares	(5,472)	(6,069)
Decrease / (increase) in stock in trade	24,385	(36,621)
(Increase) / decrease in trade debt	(32,973)	130,022
(Increase) in advances, deposits, pre-payments & other receivables	(15,268)	(33,587)
(Increase) in long term lease deposits	-	(391)
Increase / (decrease) in trade and other payables	115,940	(259,912)
(Decrease) / Increase in long term deposits	(3,000)	1,000
Tax (paid)	(42,567)	(29,098)
Dividend (paid)	(246)	(64,851)
Financial charges (paid)	(181,669)	(205,347)
Gratuity (paid)	(37)	(392)
	<b>(140,907)</b>	<b>(505,246)</b>
<b>Net cash flow from operating activities</b>	<b>48,293</b>	<b>(227,085)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(10,278)	(32,355)
Short term loans provided to associated undertakings	-	(23,643)
Markup received on short term loans to associated undertakings	14,380	-
Dividend income received	-	22,325
Sale Proceeds of fixed assets	2,015	1,633
<b>Net cash flow from investing activities</b>	<b>6,117</b>	<b>(32,040)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loans repaid	(344,500)	(479,167)
Finance Lease repayments	(19,500)	(15,001)
<b>Net cash flow from financing activities</b>	<b>(364,000)</b>	<b>(494,168)</b>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(309,590)</b>	<b>(753,293)</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>(2,029,716)</b>	<b>(2,625,037)</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 Half Year ended Decemebr 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)					
<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	-	(236,646)	-	(236,646)	(236,646)
Net profit for the period	-	-	20,543	20,543	20,543
<b>Balance as at December 31, 2006</b>	<u>770,733</u>	<u>22,325</u>	<u>549,726</u>	<u>572,051</u>	<u>1,342,784</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	-	(40,185)	-	(40,185)	(40,185)
Net loss for the period	-	-	(74,528)	(74,528)	(74,528)
<b>Balance as at December 31, 2007</b>	<u>770,733</u>	<u>287,994</u>	<u>515,770</u>	<u>803,764</u>	<u>1,574,497</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 Half year ended Decemebr 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 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.

4 **Operating Fixed Assets**

	Half year ended December 31, 2007	Year ended June 30, 2007
	(Rs. in '000)	

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

**Tangible**

**Owned**

Buildings	-	102,565
Plant & Machinery	168	268,927
Furniture & fixtures	127	10,054
Office equipment	1,751	13,015
Vehicles	7,519	24,964
	9,565	419,525

**Leased**

Vehicles	-	26,818
	-	26,818

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

Vehicles	3,769	6,616
	3,769	6,616

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	Half year ended December 31, 2007	Year ended June 30, 2007
	(Rs. in '000)	
<b>5 Deferred Liabilities</b>		
Staff gratuity	7,203	7,240
Deferred taxation	291,667	326,766
	<b>298,870</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. 165.488 (2007: Rs.148.664) million.

### Commitments

**6.3** Capital expenditure commitments outstanding as at December 31, 2007 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. 12.323 (2007: Rs. 192.631) million.

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

	Half year ended December 31, 2007 (Rs. in '000)	Year ended June 30, 2007
Sales	29,815	27,984
Purchases	1,610,117	4,084,959
Royalty	16,648	43,824
Short term loans provided to associated undertakings	-	23,643
Markup for the period on short term loans to associated undertakings	37,280	75,129
Amount received against markup on short term loans to associated undertakings	14,380	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 February 29, 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