

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

BOARD OF DIRECTORS

Dewan Ziaur Rehman Farooqui	Chairman
Dewan Mohammad Yousuf Farooqui	Chief Executive
Dewan Abdullah Ahmed	Director
Dewan Ghulam Mustafa Khalid	Director
Dewan Abdul Rehman Farooqui	Director
Dewan M. Ayub Khalid	Director
Dewan Asim Mushfiq Farooqui	Director

MANAGING DIRECTOR / CHIEF EXECUTIVE

Dewan Mohammad Yousuf Farooqui

PRESIDENT / CHIEF OPERATING OFFICER

Farooq Mustafa

COMPANY SECRETARY

M. Naeem Uddin Malik

AUDIT COMMITTEE MEMBERS

Dewan Abdul Rehman Farooqui	Chairman
Dewan Mohammad Ayub Khalid	
Dewan Asim Mushfiq Farooqui	

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
Citi Bank, N.A.
Crescent Commercial Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
KASB Bank Limited
Meezan Bank Limited
Muslim Commercial Bank Limited
My Bank Limited
National Bank of Pakistan
Orix Investment Bank Pakistan 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
Union 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.

REGISTRAR

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

FACTORY

Jilaniabad, Budhu Talpur
District Sajawal,
Sindh.

REGISTERED OFFICE

Dewan Centre, 3-A,
Lalazar, Beach Hotel Road
Karachi.

CORPORATE OFFICE

7th & 8th Floor, Block A,
Finance & Trade Centre,
Shahrah-e-Faisal,
Karachi.

REGIONAL OFFICES

Lahore
Dewan Centre, 49-D/1
Gulberg III.

Islamabad

House # 58, F-7/2
Margalla Road.

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 half year ended December 31, 2006.

During the period under review the gross sales was Rs. 3.861 billion as compared to Rs. 4.635 billion in the corresponding period of the last year. The company achieved sales volume of 5,348 units during the half year ended December 31, 2006. During the period under review, the company achieved a gross profit of Rs. 378.348 million and after tax profit of Rs. 20.543 million.

Recently the Economic Coordination Committee of the federal cabinet has approved the long-term auto policy which encompasses a period of five years. It is expected that the proposed policy will remove most of the uncertainties which were detrimental to the growth of the local auto industry. It is also expected that new investments will flow in with transfer of technology, providing new employment and contribution to the local industry and the economy.

With the expansion of capacities by the industry the demand and supply gap has almost eliminated. It is therefore the need of the local auto industry that the Government should review its liberalized import policy relating to the used cars. In the absence of such revision the expansion done by the industry will not only remain under-utilized but will also hamper the future growth of the industry. We request the Government to change the used cars import policy to facilitate the local industry, as the same has been grossly misused by the importers of used cars and created volatility in the domestic automobile market.

The challenges arising from the competitive market environment, continued strong US\$/Won parity, rising inflationary trend in the country and increasing interest rates along with the negative impact of used cars import policy on the local industry is putting pressure on the profitability of the company. The management is endeavoring to lessen the impact by containing costs and improving the volumes.

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 the desired results.

In conclusion, we bow beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet, Mohammad (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

Karachi: February 26, 2007

Half Yearly Report 2006

Feroze Shariq Tariq & Co.
CHARTERED ACCOUNTANTS
Partners : FEROZE QAISER FCA
ALI HUSAIN FCA
MOHAMMAD TARIQ FCA, ACMA

4/N/4, BLOCK-6
P.E.C.H. SOCIETY
KARACHI - 75400
TEL : OFFICE : 4522734
4540891
FAX : 4520785
CABLE : "CORRELATE"

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed condensed interim balance sheet of **DEWAN FAROOQUE MOTORS LIMITED** as at December 31, 2006, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial statements") for the half-year then ended. These condensed interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed condensed interim financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.


(CHARTERED ACCOUNTANTS)

Place: Karachi
Date: February 26, 2007

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CONDENSED INTERIM BALANCE SHEET
as at December 31, 2006

ASSETS	Note	December 31, 2006 Unaudited	June 30, 2006 Audited
(Rs. in '000)			
NON-CURRENT ASSETS			
Property, Plant and Equipment		2,317,977	2,368,459
Intangible Assets		7,100	8,678
Long-term deposits (with leasing companies)		39,566	39,175
CURRENT ASSETS			
Stores and spares		72,075	66,006
Stock-in-trade		2,555,775	2,519,154
Trade debts - considered good		615,821	745,843
Short term loans to associated undertakings - considered good		553,425	529,782
Advances, deposits, prepayments and other receivables		651,923	582,435
Investment		468,828	705,474
Cash and bank balances		59,524	148,234
		<u>4,977,371</u>	<u>5,296,928</u>
TOTAL ASSETS		<u><u>7,342,014</u></u>	<u><u>7,713,240</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
80,000,000 (2006: 80,000,000) Ordinary shares of Rs.10 each		<u>800,000</u>	<u>800,000</u>
Issued, subscribed and paid-up			
Reserves		<u>770,733</u>	<u>770,733</u>
		<u>572,051</u>	<u>865,227</u>
		<u>1,342,784</u>	<u>1,635,960</u>
NON-CURRENT LIABILITIES			
Long term loans-secured		292,500	630,000
Liabilities against assets subject to finance lease		71,571	76,421
Long term security deposits		37,500	36,500
Deferred Liabilities	5	285,865	296,559
Deferred Credit		4,551	5,461
CURRENT LIABILITIES			
Trade and other payables		1,637,447	1,885,138
Accrued markup / profit		76,564	69,071
Short term finances-secured		2,684,561	2,019,978
Current maturity of long term loans		800,000	941,667
Current maturity of liabilities against assets subject to finance lease		26,551	22,747
Taxation - net		82,120	93,738
		<u>5,307,243</u>	<u>5,032,339</u>
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u><u>7,342,014</u></u>	<u><u>7,713,240</u></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
Director


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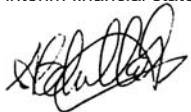
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

for the half year and quarter ended December 31, 2006

	Half year ended		Quarter Ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
----- Unaudited ----- ----- (Rs. in '000) -----				
GROSS SALES	3,861,012	4,635,615	1,961,381	2,655,316
Sales tax	(502,240)	(604,431)	(254,694)	(346,229)
Commission and discounts	(85,740)	(102,811)	(43,481)	(59,850)
	(587,980)	(707,242)	(298,175)	(406,079)
NET SALES	3,273,032	3,928,373	1,663,206	2,249,237
Cost of sales	2,894,684	3,462,684	1,473,331	1,989,497
GROSS PROFIT	378,348	465,689	189,875	259,740
Distribution expenses	96,791	109,874	54,023	63,681
Administration and general expenses	95,206	118,823	51,453	60,269
OPERATING PROFIT	186,351	236,992	84,399	135,790
OTHER INCOME	23,655	406	23,088	311
	210,006	237,398	107,487	136,101
Other operating expenses	1,459	8,648	768	5,660
Finance cost	180,825	105,062	92,123	63,517
	182,284	113,710	92,891	69,177
PROFIT BEFORE TAXATION	27,722	123,688	14,596	66,924
TAXATION	7,179	43,613	3,329	26,233
NET PROFIT FOR THE PERIOD	20,543	80,075	11,267	40,691
EARNINGS PER SHARE-BASIC AND DILUTED (Rupee.)	0.27	1.04	0.15	0.53

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


Dewan Mohammad Yousuf Farooqui
 Chief Executive

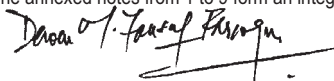

Dewan Abdullah Ahmed
 Director

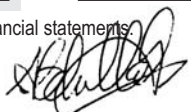
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CONDENSED INTERIM CASH FLOW STATEMENT
for the half year ended December 31, 2006

	December 31, 2006	December 31, 2005
	-----Unaudited----- (Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	27,722	123,688
Add / (Less) : Depreciation	91,120	81,113
Amortization of intangible assets	1,578	-
Amortization of deferred credit	(910)	-
loss / (gain) on disposal of fixed assets	151	(117)
Other Income - dividend	(22,325)	-
Financial charges	180,825	105,062
	250,439	186,058
	278,161	309,746
(Increase) / Decrease in store & spares	(6,069)	669
(Increase) in stock in trade	(36,621)	(175,429)
Decrease in trade debts	130,022	214
(Increase) / Decrease in advances, deposits, pre-payments & other receivables	(33,587)	42,223
(Increase) in long term lease deposits	(391)	(36,000)
(Decrease) in trade and other payables	(259,912)	(451,296)
Increase in long term deposits	1,000	500
Tax (paid)	(29,098)	(23,662)
Dividend (paid)	(64,851)	(59,940)
Financial charges (paid)	(205,347)	(141,993)
Gratuity (paid)	(392)	(73)
	(505,246)	(844,787)
Net cash flow from operating activities	(227,085)	(535,041)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(32,355)	(429,511)
Short term loans (provided to) associated undertakings	(23,643)	(87,848)
Dividend income received	22,325	-
Sale Proceeds of fixed assets	1,633	80,000
Net cash flow from investing activities	(32,040)	(437,359)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans obtained	-	1,280,000
Long term loans repaid	(479,167)	(79,167)
Finance Lease repayments	(15,001)	(4,487)
Net cash flow from financing activities	(494,168)	1,196,346
NET(DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS	(753,293)	223,946
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,871,744)	(1,585,861)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(2,625,037)	(1,361,915)

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


Dewan Mohammad Yousuf Farooqui
Chief Executive

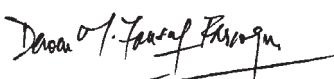

Dewan Abdullah Ahmed
Director

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
for the half year ended December 31, 2006

	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, 2005	770,733	-	529,939	529,939	1,300,672
Final cash dividend for the year ended June 30, 2005	-	-	(115,610)	(115,610)	(115,610)
Unrealized gain on available for sale investment	-	377,295	-	377,295	377,295
Net profit for the period	-	-	80,075	80,075	80,075
Balance as at December 31, 2005	<u>770,733</u>	<u>377,295</u>	<u>494,404</u>	<u>871,699</u>	<u>1,642,432</u>
Balance as at June 30, 2006	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
Balance as at December 31, 2006	<u>770,733</u>	<u>22,325</u>	<u>549,726</u>	<u>572,051</u>	<u>1,342,784</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
Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
for the half year ended December 31, 2006

- 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 three stock exchanges in Pakistan. The registered office of the Company is situated at Dewan Center, 3-A Lalazar, Beach Hotel Road, 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, 2006.

Half year ended **Year ended**
December 31, **June 30,**
2006 **2006**
(Rs. in '000)

4 Operating Fixed Assets

- 4.1 Detail of additions during the period are as follows:

Tangible Owned		
Buildings	-	157,627
Plant & Machinery	196,841	2,746
Furniture & fixtures	4,652	93,453
Office equipment	8,662	15,874
Vehicles	17,972	96,028
	<u>228,127</u>	<u>365,728</u>
Leased		
Plant & Machinery	-	80,000
Vehicles	10,323	32,901
	<u>10,323</u>	<u>112,901</u>

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

Plant & Machinery	-	131,068
Vehicles	4,819	39,166
	<u>4,819</u>	<u>170,234</u>

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	Half year ended December 31, 2006 (Rs. in '000)	Year ended June 30, 2006
5 Deferred Liabilities		
Staff gratuity	7,807	8,199
Deferred taxation	278,058	288,360
	<u>285,865</u>	<u>296,559</u>

6 CONTINGENCIES AND COMMITMENTS

Contingencies

6.1 The company received notices from the Customs Authorities claiming short recovery of Rs. 87 million, Rs. 44 million and Rs. 42 million on account of custom duties, sales tax and income tax on royalty paid to Hyundai Motor Company (HMC) and Kia Motor Corporation (KMC), from 2000 to 2005, 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 the High Court of Sindh. 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. 142.215 (2006: Rs. 24.154) million.

Commitments

6.3 Capital expenditure commitments outstanding as at December 31, 2006 amounts to Rs. 65 (2006: Rs. 75) million.

6.4 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. 38.991 (2006: Rs. 183.136) million.

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7 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

	Half year ended December 31, 2006	Year ended June 30, 2006
	(Rs. in '000)	
Sales	13,612	75,151
Purchases	2,044,417	6,402,230
Royalty and technical fee	19,292	59,114
Short term loans provided to associated undertakings	23,642	97,202
Short term loans repaid by associated undertakings	-	252,609
Investment in ordinary shares of Dewan Cement Limited at cost	-	446,503
Markup for the period on short term loans to associated undertakings	35,897	100,634
Amount received against markup on short term loans to associated undertakings	-	121,233
Dividend income received	22,325	-

8 Date of Authorization for Issue

These condensed interim financial statements have been authorized for issue on February 26, 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



Dewan Abdullah Ahmed
Director