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Company Information

Executive Directors

Dewan Mohammad Yousuf Farooqui

Chairman Board of Directors

Non-Executive Directors

Dewan Asim Mushfiq Farooqui
 Dewan Abdullah Ahmed Swaleh
 Dewan Abdul Baqi Farooqui
 Mr. Haroon Iqbal
 Mr. Ishtiaq Ahmad

Independent Director

Mr. Aziz-ul-Haque

The Election of the Board of Directors was held on October 26, 2011 as announced in notice of Annual General Meeting dated October 06, 2011. However, we are continuing with the previous Board of Directors as per the ex-party order of the Honorable High Court of Sindh in civil suit No. 1287 / 2011 dated October 26, 2011, till the final order.

CHIEF EXECUTIVE OFFICER

Dewan Mohammad Yousuf Farooqui

PRESIDENT

Mr. Farooq Mustafa

CFO & COMPANY SECRETARY

Mr. Muhammad Naemuddin Malik

AUDIT COMMITTEE MEMBERS

Mr. Aziz-ul-Haque	Chairman
Mr. Haroon Iqbal	Member
Mr. Ishtiaq Ahmad	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE MEMBERS

Mr. Haroon Iqbal	Chairman
Dewan Mohammad Yousuf Farooqui	Member
Mr. Aziz-ul-Haque	Member

BANKERS

Allied Bank of Pakistan Limited
 Askari Bank Limited
 Bank Al Falah Limited
 Bank Islami Pakistan Limited
 Faysal Bank Limited
 Habib Bank Limited
 KASB Bank Limited
 Meezan 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
 Summit Bank
 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.

SHARES REGISTRAR / TRANSFER AGENT

BMF Consultants
 Pakistan (Pvt.) Limited
 Anum Estate Building, Room No.
 310 & 311, 3rd Floor, 49, Darul
 Aman Society, Main
 Shahr-e-Faisal, Adjacent to
 Baloch Colony Bridge,
 Karachi, Pakistan.

REGISTERED OFFICE

7th Floor, Block 'A',
 Finance & Trade Centre,
 Off Shahr-e-Faisal,
 Karachi.

CORPORATE OFFICE

7th & 8th Floor, Block 'A',
 Finance & Trade Centre,
 Off Shahr-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.

Mission Statement

To be the No. 1 automobile company in Pakistan

- ✿ To assume leadership role in the technological advancement of the industry and to achieve the highest level of quantitative indigenization.
- ✿ To offer high value, economical and qualitative solutions to address the commuting needs of a diverse range of customers.
- ✿ To seek long-term and good relations with our suppliers and dealers with fair, honest and mutually profitable dealings.
- ✿ To be a totally customer oriented company and to achieve Total Customer Satisfaction.
- ✿ To create a work environment, which motivates recognizes and rewards achievements at all levels of the organization.
- ✿ To produce environment friendly vehicles.
- ✿ To be a contributing corporate citizen for the betterment of society, and to exhibit a socially responsible behavior.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Dewan Farooque Motors Limited ("DFML" or "the Company") will be held on Wednesday, October 30, 2013, at 03:00 p.m. at Dewan Cement Limited Factory Site, at Deh Dhand, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

Ordinary Business:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Wednesday, October 24, 2012;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2013, togetherwith the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

Special Business:

1. To consider and approve short term loans/ advances to certain associated companies in compliance with the provisions of Section 208 of the Companies Ordinance, 1984.

By order of the Board



Muhammad Naeemuddin Malik
Company Secretary

Karachi: September 27, 2013

"Statement under Section 160(1)(b) of the Companies Ordinance, 1984, concerning the Special Business, is attached alongwith the Notice circulated to the members of the Company, and is deemed an integral part hereof"

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2013 to October 30, 2013 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.

3. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received by the Company at the abovesaid address, not less than 48 hours before the meeting.
4. CDC Account holders will further have to observe the following guidelines, as laid down in Circular 01 dated January 20, 2000, issued by the Securities and Exchange Commission of Pakistan:

a) For Attending Meeting:

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) For Appointing Proxies:

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished alongwith the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

Statement Under Clause (B) of Sub-section (1) of Section 160 of The Companies Ordinance, 1984

This statement is annexed as an integral part of the Notice of the Fifteenth Annual General Meeting of Dewan Farooque Motors Limited ("the DFML" or "Company") to be held on Wednesday, October 30, 2013 at Dewan Cement Factory Site, at Deh Dhandu, Dhabeji, District Malir, Karachi, Pakistan; and sets out the material facts concerning the Special Business to be transacted at the meeting.

SPECIAL BUSINESS

To consider and approve renewal of the sanctioned limits of short term loans/advances to certain associated companies in compliance with the provisions of Section 208 of the Companies Ordinance, 1984

SR #	DESCRIPTION	LOANS AND ADVANCES	
		Dewan Motors (Private) Limited	Dewan Automotive Engineering Limited
a)	Total investment approved	Rs. 82.878 million	Rs. 693.260 million
b)	Amount of investment made to-date	Rs. 59.659 million	Rs. 693.260 million
c)	Reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Loan repaid	N / A
d)	Material change in the financial statements of associated companies since date of the resolution passed for approval of investment in such company:	June 2012	June 2012
	Loss per share	-3.67	-9.01
	Shareholders Equity	0.171	-1767.261
	Total Assets	804.211	803.178
	Break-up Value	0.02	-82.58
RENEWAL IN PREVIOUS LIMITS REQUESTED I.E.		Sanctioned	Sanctioned
		To be reduced to Rs.59.659 million	Rs.693.260 million

In this regard, the following resolution is proposed to be passed, with or without modification, as a "SPECIAL RESOLUTION":

"RESOLVED THAT, the company, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984, Clause 111 (X) of the Memorandum of Association and the terms and conditions hereby approved in the Fourteenth Annual General Meeting of the Company, be and is hereby authorized and empowered to renew and reduce the sanctioned limits for short term loans and advances sought for approval in the previous general meeting in respect of following associated companies:

LOANS /ADVANCES

Borrowing Companies:

(Rupees in Million)

**Dewan Motors (Pvt) Ltd.
Dewan Automotive Engineering Limited**

**59.659
693.260**

The renewal of the limits shall be for a period of one year and shall be renewable in the next general meeting(s) for further period(s) of one year."

Directors' Report

The Board of Directors of Dewan Farooque Motors Limited is pleased to present its annual report along with the Company's audited financial statements for the year ended June 30, 2013 and welcomes you to the 15th Annual General Meeting.

FINANCIAL OVERVIEW

The summary of financial performance for the year, along with the comparative figures of financial year 2013 is as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
	------(Rupees in thousand)-----	
Gross Sales	3,553	3,263
Gross (loss)	(165,072)	(189,113)
Operating (loss)	(243,694)	(287,854)
Net (loss) after tax	(316,740)	(221,463)

YEAR UNDER REVIEW:

Auto sales shown a decline of over 24% during FY13, reducing the total units sold to 135,310 units. The decline in sales volume is mainly attributable to economic slowdown and influx of used cars in the Country. To stimulate the local industry the Government has reduced the age limit of imported used cars from 5 years to 3 years. However, the increase in sales tax rate by 1% and increase in withholding tax on registration of new cars will have an adverse impact on the sales volumes. The industry is already facing a potential impact of PKR depreciation against USD.

Due to non availability of banking lines, the production activity of the Company during the year remained suspended resulting in unabsorbed fixed and other cost which ultimately contributed to the financial loss of the Company. The details of overdue loans from the banks and other financial institutions/leasing companies have been disclosed in the notes to the accounts. To overcome the current financial situation the Company is taking various countermeasures and has taken up the matter with the banks. The proposal for re-profiling of Company's debts is expected to be completed in the near future and the operations of the Company will be normalized.

The Auditors have qualified the report due to significance of the matter as referred in Para (a) and (b) of the Auditors Report. The Management has explained the status of the matter in respective notes to the financial statements. The Management is fully confident that the company would be able to, finalize the financial restructuring with the lenders and will come out of current situation.

We humbly and gratefully bow our heads before **Almighty Allah**, the most Gracious and most Merciful, who has rewarded and blessed your Company with **His** Innumerable bounties in these difficult times.

IF YE GIVE THANKS, I WILL GIVE YOU MORE (AL-QURAN)

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

- The financial statements for the year ended June 30, 2013, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- Proper books of accounts of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2013 and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- The Management has explained their views in detail regarding the going concern ability of the company in note 1.1 of the annexed financial statements.
- There has been no material departure from the best practice of the corporate governance, as detailed in the listing regulations of the stock exchange of Pakistan;
- Summarized key operating and financial data of last six years is enclosed with the report;
- All taxes have been paid and nothing is outstanding, except as disclosed in note 15 of the annexed audited financial statement;
- The fair value of the Provident Fund's Investment as at June 30, 2013 was Rs.49.973 (2012: Rs.44.939) million.
- The Board of Directors comprise of individuals with diversified knowledge who endeavor to contribute towards the aim of the Company with the best of their abilities. During the year five meetings of the Board were held. The attendance of directors was as follows;

NAME OF DIRECTOR

NO. OF MEETINGS ATTENDED

Dewan Mohammad Yousuf Farooqui	3
Dewan Asim Mushfiq Farooqui	1
Dewan Abdullah Ahmed Swaleh	0
Dewan Abdul Baqi Farooqui	3
Dewan Abdul Rehman Farooqui	2
Mrs. Hina Yousuf	2
Mr. Haroon Iqbal	5
Mr. Aziz-ul-Haque	5
Mr. Ishtiaq Ahmad	3
Mr. Waseem-ul-Haq Ansari	2

Leave of absence was granted to directors who could not attend Board meetings.

The audit committee comprises of three directors, one of them is an independent director and two are non-executive directors. During the year four meeting were held which were attended by all the members.

AUDITORS:

The present Auditors M/s. Feroze Sharif Tariq & Co. (Chartered Accountants) have retired and offers themselves for re-appointment.

The Board of Director on recommendation of the Audit committee has recommended the re-appointment of M/s. Feroze Sharif Tariq & Co. (Chartered Accountants).

LOSS PER SHARE

The Loss per Share is Rs. 2.91.

DIVIDEND

Due to accumulated losses and the circumstances explained above, the directors have not recommended dividend for the year.

PATTERN OF SHAREHOLDING:

The Pattern of Shareholding of the Company as at June 30, 2013 is included in the Annual Report.

TRADING IN COMPANY SHARES

None of the Directors, Executives, and their spouses and minor children have traded in the shares of the Company during the year.

VOTE OF THANKS:

On behalf of the Board, I thank you, the valued shareholders, Federal and Provincial Governments and their functionaries, banks, development financial institutions, leasing companies, dealers, vendors and customers for their continued support and patronage.

The Board would also like to appreciate the valuable services, loyalty and efforts rendered by the executives, staff members and workers of the Company, during the year under review.

CONCLUSION:

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of his beloved Prophet, Muhammad, peace be upon him, for continued showering of His blessing, 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 whole of Muslim Ummah, Ameen, Summa Ameen.

LO-MY LORD IS INDEED HEARER OF PRAYER (AL-QURAN)

Under / By Authority of Board of Directors



DEWAN MOHAMMAD YOUSUF FAROOQUI
Chief Executive

Karachi: September 27, 2013

Key Operating and Financial Data

PARTICULARS	2013	2012	2011	2010	2009	2008
..... Rs. in '000'						
Gross Sales	3,533	3,263	210,025	1,236,195	1,934,441	6,327,553
Net Sales	3,044	3,047	176,383	1,025,341	1,557,016	5,282,895
Gross (loss) / profit	(165,072)	(189,113)	(301,939)	(148,423)	(825,128)	152,912
Operating (loss) / profit	(243,694)	(287,854)	(486,623)	(362,911)	(1,254,336)	(279,523)
(Loss) / profit before tax	(316,740)	(228,637)	(1,228,916)	(432,203)	(1,510,059)	(578,951)
(Loss) / profit after tax	(316,740)	(221,463)	(1,219,753)	(437,504)	(1,390,034)	(399,499)
Retained Earnings	(3,246,869)	(3,026,061)	(2,856,492)	(1,636,739)	(1,199,235)	291,708
Share Capital	1,087,353	1,087,353	1,087,353	889,733	889,733	770,733
Shareholders Equity	(2,159,516)	(1,938,708)	(1,769,139)	(747,006)	(471,359)	1,062,441
Fixed Assets	1,435,041	1,553,240	1,683,939	1,813,812	1,976,154	2,160,667
Total Assets	4,036,261	4,141,633	4,278,755	4,204,550	4,496,917	5,854,924
FINANCIAL ANALYSIS						
Profitability Ratios						
Gross (Loss) / Profit Margin	-5423.19%	-6206.97%	-171.18%	-14.48%	-52.99%	2.89%
Operating (loss) / profit Margin	-8006.20%	-9447.78%	-275.89%	-35.39%	-80.56%	-5.29%
(loss) / profit before tax	-10406.00%	-7504.18%	-696.73%	-42.15%	-96.98%	-10.96%
(loss) / profit after tax	-10406.00%	-7268.73%	-691.54%	-42.67%	-89.28%	-7.56%
Dividend (% of share capital)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Return on Investment						
(loss) / Earnings per share before tax (Rs/share)	(2.91)	(2.10)	(13.13)	(4.86)	(16.97)	(7.51)
(loss) / Earnings per share after tax (Rs/share)	(2.91)	(2.04)	(13.02)	(4.92)	(15.62)	(5.18)
Activity Ratios						
Sales to Total Assets-Times	0.00	0.00	0.05	0.29	0.43	1.08
Sales to Fixed Assets-Times	0.00	0.00	0.12	0.68	0.98	2.93
Liquidity Ratios						
Current ratio (excluding current maturity of LTL)	0.52	0.52	0.53	0.62	0.66	1.03
Current ratio (including current maturity of LTL)	0.42	0.42	0.44	0.52	0.58	0.95
Book value per share (Rs)	(19.86)	(17.83)	(18.90)	(8.40)	(5.30)	13.78

Statement Of Compliance with The Code Of Corporate Governance

For the Year Ended June 30, 2013

The statement is being presented to comply with the Code of Corporate Governance ("CCG") contained in Regulation No 35 of listing regulation of Karachi, Lahore and Islamabad Stock Exchanges, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non executive directors and directors representing minority interests on its Board of Directors. At present the board includes One Independent Director, Five Non-Executive Directors and One Executive Director of the Company.
2. The condition of maximum number of seven directorships to be held by a director in listed companies as per clause ii of the CCG will be applicable after election of next Board of Directors of the Company in October, 2014.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during this period.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by the director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified on clause (xi) of CCG, some directors are exempted from the requirement of directors' training program and rest of the Directors to be trained within specified time.
10. There was no change in the position of CFO, Company Secretary and Head of Internal Audit during the year.
11. The Directors report for this year has been prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The director, CEO and executives do not hold any interest in the shares of the company other than the disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of CCG.
15. The board has formed an Audit Committee. It comprises three members of whom one is an independent director, who is also the Chairman and two members are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation Accountants (IFAC) guidelines on code of ethics are adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period, prior to the announcement of interim/final results, and business decisions, which may materially effect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all the other material principles enshrined in the CCG have been complied with.



Dewan Mohammad Yousuf Farooqui
Chief Executive & Chairman Board of Directors

Karachi: September 27, 2013

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dewan Farooque Motors Limited to comply with the Listing Regulation No.(s). 37 of the Karachi Stock Exchange, Chapter XI of the Lahore Stock Exchange and Chapter XIII of the Islamabad Stock Exchange where the company is listed.

The responsibility for compliance with the 'Code of Corporate Governance' is that of the Board of Directors of the company. Our responsibility is to review, to the extent, where such compliance can be objectively verified, whether the 'Statement of Compliance' reflects the status of the company's compliance with the provisions of the 'Code of Corporate Governance' and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii) of Listing Regulation on 35 (previously Regulation no 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Management Company to place before the Board of Director for their consideration and approval related party transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Director and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertake at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2013.



(CHARTERED ACCOUNTANTS)

Place: Karachi

Date: September 27, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Dewan Farooque Motors Limited, as at June 30, 2013, and related Profit and Loss account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended, and we state that, we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) The company has not made provision of markup for the year amounting to Rs. 782.039 million (refer note 22) on account of restructuring proposal offered to the lenders as described in note 1.1 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the loss after taxation for the year would have been higher by Rs.782.039 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.2.596 billion (2012: Rs. 1.814 billion).
- b) The financial statements of the company for the year ended June 30, 2013 as disclosed in note 1.1 to the financial Statements reflect loss after taxation of Rs.316.740 million and as of that date it has accumulated losses of Rs.3.246 billion which resulted in net capital deficiency of Rs.2.160 billion and its current liabilities exceeded its current assets by Rs.3.586 billion and total assets by Rs.2.113 billion without Providing the mark as refer in above para (a). The operations of the company are closed since November 2010 due to working capital constraints. Furthermore, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and short term finance facilities have expired and not been renewed by banks. Following course, certain lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties as disclosed in note 17.3 to the financial Statements. These conditions indicates the existence of the material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and therefore the company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial Statements and notes thereto do not disclose this fact.

- c) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- d) in our opinion:
- i) the Balance Sheet and Profit and Loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- e) in our opinion, except for the matter discussed in the preceding paragraph (a) and (b) consequently if any adjustment may be required to the carrying amounts and classification of assets and liabilities, and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account, statement of Comprehensive income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the loss its Comprehensive income, Cash flows and Changes in Equity for the year then ended; and
- f) In our opinion, "no Zakat was deductible at source under the Zakat and Ushr Ordinance 1980".

Place: KARACHI
Dated: September 27, 2013



CHARTERED ACCOUNTANTS
Audit Engagement Partner: Mohammad Tariq

Balance Sheet

As At June 30, 2013

	Note	June 30, 2013	June 30, 2012
------(Rs. in '000)-----			
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	3	1,435,040	1,553,240
Long-term deposits (with leasing companies)		39,175	39,175
CURRENT ASSETS			
Stores and spares	4	74,722	75,727
Stock-in-trade	5	611,005	623,593
Trade debts - considered good		28,002	25,835
Short term loans to associated undertakings - considered good	6	752,919	875,700
Advances, deposits, prepayments and other receivables- considered good	7	763,323	728,036
Investment	8	191,864	95,932
Taxation - net	9	22,789	6,249
Cash and bank balances	10	117,422	118,146
		2,562,046	2,549,218
TOTAL ASSETS		4,036,261	4,141,633
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
120,000,000 (2012: 120,000,000) Ordinary shares of Rs.10 each		1,200,000	1,200,000
Issued, subscribed and paid-up Reserves	11	1,087,353 (3,246,869)	1,087,353 (3,026,061)
		(2,159,516)	(1,938,708)
NON-CURRENT LIABILITIES			
Long term loans - secured	12	-	19,968
Long term loan - unsecured		24,499	-
Liabilities against assets subject to finance lease	13	-	-
Long term security deposits		17,700	17,700
Deferred Liabilities	14	4,552	4,552
CURRENT LIABILITIES			
Trade and other payables	15	2,614,199	2,633,279
Short term finances-secured	16	2,313,764	2,203,747
Current maturity of long term loans		1,179,429	1,159,461
Current maturity of liabilities against assets subject to finance lease	13	41,634	41,634
		6,149,026	6,038,121
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		4,036,261	4,141,633

The annexed notes from 1 to 35 form an integral part of these financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

Profit and Loss Account

For The Year Ended June 30, 2013

	Note	June 30, 2013	June 30, 2012
------(Rs. in '000)-----			
GROSS SALES	18	3,533	3,263
Sales tax		489	216
NET SALES		3,044	3,047
Cost of sales	18	168,116	192,160
GROSS (LOSS)		(165,072)	(189,113)
Distribution expenses	19	39,255	47,437
Administration and general expenses	20	39,367	51,304
OPERATING (LOSS)		(243,694)	(287,854)
OTHER INCOME	21	121,177	144,196
		(122,517)	(143,658)
Finance cost	22	2,052	439
Provision for doubtful - Advances		181,467	
Provision for obsolescence / slow moving stocks		10,704	84,540
		194,223	84,979
(LOSS) BEFORE TAXATION		(316,740)	(228,637)
TAXATION	23	-	(7,174)
NET (LOSS) AFTER TAXATION		(316,740)	(221,463)
Basic (loss) per share (Rupees)	24	(2.91)	(2.04)
Diluted (loss) per share (Rupees)	24	(2.91)	(2.04)

The annexed notes from 1 to 35 form an integral part of these financial statements.


Dewan Mohammad Yousuf Farooqui
 Chief Executive



Haroon Iqbal
 Director

Statement of Comprehensive Income

For The Year Ended June 30, 2013

	June 30, 2013	June 30, 2012
	------(Rs. in '000)-----	
(Loss) for the period	(316,740)	(221,463)
Other comprehensive income / (loss):		
Available for sale financial assets:		
- Changes in fair value	95,932	50,903
- Gain / (loss) on sales of Investments	-	991
Total comprehensive (loss) for the period	(220,808)	(169,569)

The annexed notes from 1 to 35 form an integral part of these financial statements.


Dewan Mohammad Yousuf Farooqui
 Chief Executive


Haroon Iqbal
 Director

Cash Flow Statement

For The Year Ended June 30, 2013

	Note	June 30, 2013	June 30, 2012
------(Rs. in '000)-----			
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) before taxation		(316,740)	(228,637)
Add / (Less) :			
Depreciation		117,896	130,699
Gain on disposal of fixed assets		(882)	-
Financial charges		2,052	439
		119,066	131,138
		(197,675)	(97,499)
Decrease in stores & spares		1,005	879
Decrease in stock in trade		12,589	86,892
(Increase) in trade debts		(2,167)	(2,814)
(Increase) in advances, deposits, pre-payments & other receivables		(58,724)	(137,080)
Decrease in long term lease deposits		-	637
(Decrease) / Increase in trade, other payables and borrowings		(19,080)	63,546
Tax (paid)		(16,540)	5,332
Dividend (paid)		(1)	-
Financial charges (paid)		(2,052)	(439)
		(84,971)	16,953
Net cash flow from operating activities		(282,646)	(80,546)
CASH FLOW FROM INVESTING ACTIVITIES			
Short term loans (recovered from) associated undertakings		122,781	17,040
Markup received on short term loans to associated undertakings		23,437	38,759
Investment		-	27,849
Sale Proceeds of fixed assets		1,186	-
Net cash flow from investing activities		147,404	83,649
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loan provided by director		24,499	-
Finance Lease repayments		-	(3,250)
Net cash flow from financing activities		24,499	(3,250)
NET DECREASE IN CASH & CASH EQUIVALENTS		(110,742)	(148)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		(2,085,601)	(2,085,453)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	25	(2,196,343)	(2,085,601)

The annexed notes from 1 to 35 form an integral part of these financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Haroon Iqbal
Director

Statement Of Changes In Equity

For The Year Ended June 30, 2013

	Share Capital	Reserves		Total
		Unappropriated profit / (loss)	Total Reserves	
------(Rs. in '000)-----				
Balance as at June 30, 2011	1,087,353	(2,856,492)	(2,856,492)	(1,769,139)
Total Comprehensive loss for the period	-	(169,569)	(169,569)	(169,569)
Balance as at June 30, 2012	1,087,353	(3,026,061)	(3,026,061)	(1,938,708)
Total Comprehensive loss for the period	-	(220,808)	(220,808)	(220,808)
Balance as at June 30, 2013	1,087,353	(3,246,869)	(3,246,869)	(2,159,516)

The annexed notes from 1 to 35 form an integral part of these financial statements.


Dewan Mohammad Yousuf Farooqui
 Chief Executive


Haroon Iqbal
 Director

Notes To The Financial Statements

For The Year Ended June 30, 2013

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, while its manufacturing facilities is situated at Jilianabad, Budhu Talpur, Distric Sajawal, Sindh.

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. The Company has suspended its production since November 2010.

1.1 Going Concern Assumption

The company has incurred a Loss after taxation of Rs. 316.740 million during the year ended June 30, 2013. As of that date it has accumulated losses of Rs.3.246 billion and its current liabilities exceeded its current asset by Rs. 3.586 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.2.596 billion. The working capital constraints resulted in closure of production activities leading to gross loss situation. Further, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and the short term facilities have not been renewed by banks/financial institutions. Following course the lenders have gone into litigations for repayment of liabilities through attachment and sale of Company's hypoyhicated /mortgaged properties, as disclosed in note 17.3 to the financial statements. These financials have been prepared under going concern assumption as the aforesaid situation are temporary not permanent and would reverse in future. The restructuring proposal submitted by the company to lenders is in the process of negotiation and is expected to be approved in near future.

These financial statements have been prepared on going concern assumption because the above conditions are temporary and would reverse. The management is confident that the outcome will be positive as the company is negotiating reprofiling of the debt with all the lenders and is expected to be finalized in due course. Accordingly, the company has approached its lenders for the restructuring of its entire debt in the following manner:

- a) All the debt obligations of the company be converted into interest bearing long term loan in proportion to their respective current exposures;
- b) Principal to be repaid in 10 years inclusive of 1 year grace period.
- c) Mark-up payable as on December 31, 2008 to be frozen and paid quarterly over a period of three years commencing after 3 months from the restructuring date.

Notes To The Financial Statements

For The Year Ended June 30, 2013

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders. Accordingly, these financial statements have been prepared on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of IFRS as mentioned in 22 to the financial statements, for which the management concludes that provisioning of markup (note 22) would conflict with the objective of financial statements. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, Interpretations and Amendments to Approved Accounting Standards Are Effective During The Year

During the year, certain amendments to standards become effective. However, they did not have material affect on these financial statements.

Standards and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (accounting periods Beginning on or after)
IFRS 7 – Financial Instruments : Disclosures – (Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 – Employee Benefits –(Revised)	January 01, 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014

The Company expects that the adoption of the above revisions and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Notes To The Financial Statements

For The Year Ended June 30, 2013

ISAB Effective date (accounting periods Beginning on or after)

IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

New and amended standards and interpretations.

The Company has adopted the following amendments to IFRSs which became effective during the year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements.

2.3 Basis of preparation

These accounts have been prepared under the historical cost convention, except that investments classified as Available for sale are remeasured, after initial recognition, at fair value through equity.

2.3.1 Accounting estimates adjustments

The preparation of financial statements in conformity with approved accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were exercised by management in the application of accounting policies in the financial statements are as follows:

- i. Useful lives of Property, Plant and equipment (note 2.4 and 3.1)
- ii. Provision for doubtful trade debts and advances (note 2.8)
- iii. Income taxes (note 2.11 and 23)
- iv. Classification and valuation of investments (note 2.5 and 8)
- v. Provision for Slow moving stores and spares (notes 2.6 and 4)
- vi. Provision for Slow moving stock in trade (notes 2.7 and 5)

Notes To The Financial Statements

For The Year Ended June 30, 2013

2.4 Tangible fixed assets

Property Plant and Equipment Owned

These are stated at cost less accumulated depreciation except for freehold land and capital work in progress which are stated at cost. Cost of certain fixed assets and capital work in progress comprises of historical cost and the cost of borrowings during construction / erection period in respect of specific loans / borrowings.

Depreciation is charged to income using the reducing balance method whereby the cost of an asset is written off over its estimated useful life. The rates of depreciation are stated in note 3.1 to the accounts. Depreciation is charged in proportion to the use of assets in the respective year.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted , if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to income as and when incurred whereas major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gain or loss on disposal of fixed assets are included in income currently.

Capital work-in-progress

All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Leased

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under finance leases less financial charges allocated to future periods are shown as a liability. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the finance balance outstanding. The finance charge is charged to profit and loss account and is included under finance cost.

Depreciation is charged at the same rates as charged on company's owned assets.

2.5 Investment

The management determines the appropriate classification of the investments, in accordance with the IFRSs, at the time of purchase depending on the purpose for which the investments are acquired and re-evaluate this classification on a regular basis. The existing investment of the company has been categorized as available for sale.

Available for sale investments are initially recognized at cost being the fair value of the consideration given including acquisition charges associated therewith.

After initial recognition, investment which are classified as available for sale are remeasured at fair value. Unrealized gains and losses on available for sale investments are recognized in equity till the investment is sold or otherwise disposed off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Notes To The Financial Statements

For The Year Ended June 30, 2013

2.6 Stores and spares

These are valued at cost determined on weighted average basis. Items in transit are valued at cost comprising of invoice values plus other charges incurred thereon accumulated to the balance sheet date.

2.7 Stock-in-trade

Raw materials and Components are valued at cost. Those in transit are stated at invoice price plus other charges paid thereon upto the balance sheet date. Cost is determined on a moving average basis.

Work-in-process is valued at material cost consisting of CKD kits, local vendor parts and consumables.

CBU (finished goods) in hand are valued at the lower of cost and net realizable value. Cost is determined on moving average basis.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to make sale.

2.8 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount. Those considered irrecoverable are written off and provision is made against those considered doubtful.

2.9 Staff retirement benefits

The company upto December 31, 2003, was operating an un-funded gratuity scheme for its employees. Provision was made accordingly in the financial statements to cover obligations under the scheme. The Company has fully provided for the liability under the gratuity scheme as of December 31, 2003.

Effective from January 1, 2004, the company has, in place of gratuity scheme, established a recognized provident fund scheme for its permanent employees. Equal contributions are being made in respect thereof by company and employees in accordance with the terms of scheme.

2.10 Long term loans / Borrowings

Long term loans/ Borrowings are initially recognized at cost. After initial recognition same are measured at original recorded amount less principal repayments thereof.

2.11 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax rebates and credits available, if any, or one half percent of turnover, whichever is higher.

Notes To The Financial Statements

For The Year Ended June 30, 2013

Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

2.12 Trade and other payables

Liability for trade and other amounts payable, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2.13 Warranty obligations

These are accounted for on the basis of claims lodged on the company.

2.14 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date except for liabilities covered under forward exchange contracts, if any, which are translated at the contracted rates. Exchange differences on foreign currency translations are included in income along with any related hedge effects.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.15 Borrowing costs

Borrowing Costs are recognized initially in fair value net of transaction costs incurred.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which they are incurred.

2.16 Financial instruments

2.16.1 Financial assets

2.16.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39) "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The financial assets of the company are categorized as follows:

Notes To The Financial Statements

For The Year Ended June 30, 2013

a) At fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short term fluctuations in prices are classified as "financial assets at fair value through profit or loss" category.

b) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables comprise of trade debts, loan and advances, deposits, cash and bank balances and other receivables in the balance sheet.

c) Held to maturity

These are financial assets with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold to maturity.

d) Available for sale

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity (c) financial assets at fair value through profit or loss.

2.16.1.2 Initial recognition and measurement

All financial assets are recognized at the time the company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs associated with these financial assets are taken directly to the profit and loss account.

2.16.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) 'Financial asset at fair value through profit or loss' & 'available for sale'

Financial assets at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

b) 'Loans and receivables' & 'held to maturity'

Loans and receivables and held to maturity financial assets are carried at amortized cost.

Notes To The Financial Statements

For The Year Ended June 30, 2013

2.16.1.4 Impairment

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Impairment loss on all financial assets is recognized in the profit and loss account. In arriving at the provision in respect of any diminution in long-term financial assets, consideration is given only if there is a permanent impairment in the value of the financial assets.

2.16.1.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements, when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

2.16.2 Financial liabilities

All financial liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument.

2.16.3 Derecognition

Financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

2.17 Impairment

The carrying amounts of the Company's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

2.18 Revenue recognition

Sales are recognized as revenue when goods are invoiced to customers.

Return on bank deposits are on an accrual basis.

Markup on loan to associated undertaking is recognized on an accrual basis.

Agency commission is recognized when shipments are made by the principal.

Unrealized gains / loss arising on re-measurement of investments classified as "financial assets at fair value through profit or loss" are included in the profit and loss account in the period in which these arise.

Realised capital gains / loss on sale of investments are recognized in the profit and loss account at the time of sale.

Notes To The Financial Statements

For The Year Ended June 30, 2013

2.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and at banks and short term finances. The cash and cash equivalents are subject to insignificant risk of changes in value.

2.20 Related Party transactions and transfer pricing

The Company enters into transactions with related parties on an arm's length basis. Royalty and fee for technical services are accounted for at the rates mentioned in the respective agreements, duly registered with the State Bank of Pakistan.

2.21 Provisions

Provisions are recognized when the company has present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.22 Off setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the company has a legally enforceable right to offset the recognized amounts and the company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.23 Dividends distribution and transfer between reserves

Dividends declared are transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the year in which such dividends are approved / transfers are made.

2.24 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.25 Segment Reporting

The Company uses management approach for segment reporting, under which segment information is required to be presented on the same basis as that used for internal reporting purposes. Operating segments have been determined and presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The company has determined operating segments on the basis of business activities i.e. manufacturing and trading activities. Segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision-maker on a regular basis.

Notes To The Financial Statements

For The Year Ended June 30, 2013

3 PROPERTY, PLANT AND EQUIPMENT

Note June 30, 2013 June 30, 2012
------(Rs. in '000)-----

Operating fixed assets	3.1	1,435,040 1,435,040	1,553,240 1,553,240
------------------------	-----	--------------------------------------	--------------------------------------

3.1 The statement of the operating fixed assets is as follows:

	Tangible - owned						Tangible - leased			Total	
	Free hold land	Buildings	Plant and machinery	Furniture and fixtures	Vehicles	Office Equipment	Sub total	Plant and machinery	Vehicles		Sub total
------(Rupees in '000)-----											
As at July 01 ,2012											
Cost	78,033	1,136,347	1,517,244	165,150	266,833	86,793	3,250,401	80,000	35,230	115,230	3,365,631
Accumulated depreciation	-	412,483	983,211	90,630	210,372	48,509	1,745,207	41,028	26,157	67,184	1,812,391
Net book value	78,033	723,864	534,033	74,520	56,461	38,283	1,505,194	38,972	9,072	48,045	1,553,240
Year ended June 30, 2013											
Opening net book value	78,033	723,864	534,033	74,520	56,461	38,283	1,505,194	38,972	9,072	48,045	1,553,239
Additions	-	-	-	-	-	-	-	-	-	-	-
Disposals											
Cost	-	-	-	-	1,250	-	1,250	-	-	-	1,250
Accumulated depreciation	-	-	-	-	946	-	946	-	-	-	946
Transfer											
Cost	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	36,178	53,434	7,452	11,292	3,828	112,184	3,897	1,814	5,712	117,896
Closing net book value	78,033	687,686	480,599	67,068	44,866	34,456	1,392,708	35,075	7,257	42,332	1,435,040
As at June 30, 2013											
Cost	78,033	1,136,347	1,517,244	165,150	265,584	86,793	3,249,151	80,000	35,230	115,230	3,364,381
Accumulated depreciation	-	448,661	1,036,645	98,082	220,717	52,337	1,856,444	44,925	27,972	72,897	1,929,340
Net book value	78,033	687,686	480,599	67,068	44,866	34,456	1,392,708	35,076	7,258	42,333	1,435,040
Depreciation rate % per annum		5%	10%	10%	20%	10%		10%	20%		
As at July 1 ,2011											
Cost	78,033	1,136,347	1,517,244	165,150	249,715	86,793	3,233,282	80,000	52,348	132,348	3,365,631
Accumulated depreciation	-	374,401	923,841	82,350	183,735	44,256	1,608,583	36,697	36,411	73,108	1,681,691
Net book value	78,033	761,946	593,403	82,800	65,980	42,537	1,624,699	43,303	15,937	59,240	1,683,940
Year ended June 30, 2012											
Opening net book value	78,033	761,946	593,403	82,800	65,980	42,537	1,624,699	43,303	15,937	59,240	1,683,939
Additions	-	-	-	-	-	-	-	-	-	-	-
Disposals											
Cost	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Transfer											
Cost	-	-	-	-	17,119	-	17,119	-	(17,119)	(17,119)	-
Accumulated depreciation	-	-	-	-	13,557	-	13,557	-	(13,557)	(13,557)	-
	-	-	-	-	3,562	-	3,562	-	(3,562)	(3,562)	-
Depreciation for the year	-	38,082	59,370	8,280	13,080	4,253	123,065	4,330	3,304	7,634	130,699
Closing net book value	78,033	723,864	534,033	74,520	56,462	38,284	1,505,196	38,973	9,071	48,044	1,553,240
As at June 30, 2012											
Cost	78,033	1,136,347	1,517,244	165,150	266,834	86,793	3,250,401	80,000	35,230	115,230	3,365,631
Accumulated depreciation	-	412,483	983,211	90,630	210,372	48,509	1,745,206	41,027	26,158	67,185	1,812,391
Net book value	78,033	723,864	534,033	74,520	56,462	38,284	1,505,196	38,973	9,072	48,045	1,553,240
Depreciation rate % per annum		5%	10%	10%	20%	10%		10%	20%		

3.1.1 The above assets are mortgaged with the Financial Institutions /Banks as disclosed in note no 17.3 and the note 1.1 to the financial Statements.

Notes To The Financial Statements

For The Year Ended June 30, 2013

3.2 Depreciation charge for the period has been allocated as follows:

	Note	June 30, 2013	June 30, 2012
----- (Rs. in '000) -----			
Cost of goods manufactured	18.1	102,452	113,578
Distribution expenses	19	5,541	6,143
Administration and general expenses	20	9,903	10,979
		117,896	130,700

3.3 Particulars of operating assets having a net book value exceeding Rs. 50,000 disposed off during the period are as follows:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain/ (loss) on Disposal	Mode of Disposal	Particulars of Buyers
----- (Rs. in '000) -----							
Motor vehicles							
Santro Club GV	586	448	138	565	426	Company Policy	Mr. Iqbal Nazir Ahmed (Employee)
Shehzore	664	498	165	622	456	Company Policy	Mr. Sarwar Abbasi (Employee)
Total	1,250	946	304	1,186	882		

4. STORES AND SPARES

	June 30, 2011	June 30, 2010
----- (Rs. in '000) -----		
Stores	22,327	22,846
Spares	52,396	52,881
	74,722	75,727

5. STOCK-IN-TRADE

Manufacturing stock

Raw materials and components	640,677	641,063
Work-in-process	21,983	21,983
Finished goods	9,237	9,237
	671,896	672,283

Trading stock

Vehicles	-	-
Spare parts	31,138	32,423
	31,138	32,423

In transit

	3,214	3,427
	706,248	708,133
Less : Provision for obsolescence / slow moving stocks	(95,244)	(84,540)
	611,005	623,593

DEWAN FAROOQUE MOTORS LIMITED

	June 30, 2013	June 30, 2012
	----- (Rs. in '000) -----	
6. SHORT TERM LOANS TO ASSOCIATED UNDERTAKINGS - Considered good		
Dewan Automotive Engineering Limited	693,260	693,260
Dewan Mushtaq Motor Company (Private) Limited	-	99,562
Dewan Motors (Private) Limited	59,659	82,878
	752,919	875,700
7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances - Considered good		
Suppliers and contractors		
Considered good	36,103	215,807
Considered doubtful	181,467	-
	217,570	215,807
Less: Provision for doubtful advances	(181,467)	-
	36,103	215,807
Employees	1,228	966
Sales tax and custom duty	147,044	29,709
	184,375	246,482
Deposits		
Margin against letters of guarantees	2,050	2,050
Others	10,990	11,463
	13,040	13,513
Prepayments		
Insurance	2,115	-
Other receivables		
Insurance	1,631	1,788
Markup on loans to associated undertakings (note 6)	562,162	466,253
	563,792	468,041
	763,323	728,036
8. INVESTMENT - AVAILABLE FOR SALE		
Investment in Ordinary shares of Dewan Cement Limited (DCL) - Related party		
27,968,445 ordinary shares (2012: 44,650,273 ordinary shares) of Rs. 10 each	279,685	446,503
16,681,818 Sold ordinary shares @ 1.67 each	-	(166,818)
	279,685	279,685
Impairment loss due to change of value of investments charged to profit and loss account	(87,821)	(183,753)
	191,864	95,932
Market value (Rupees per share)	6.86	3.43
Percentage of equity held	7.19%	7.19%

Notes To The Financial Statements

For The Year Ended June 30, 2013

8.1 The market price of related party's share wherein company has investment shows decreasing 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 September 27, 2013 (i.e. the date on which the financial statements were authorised for issue) is Rs. 5.86 per share, thereby decreasing the market value of the investment by Rs.27.986 million.

9. TAXATION

Income tax assessments of the company have been finalized upto and including the tax year 2011 relating to income year ended June 30, 2011 and certain appeals are pending before the income tax appellate authorities.

	Note	June 30, 2013	June 30, 2012
----- (Rs. in '000) -----			
10. CASH AND BANK BALANCES			
Cash in hand		696	724
Cash at banks in current accounts	10.1	116,725	117,422
		117,422	118,146

10.1 One of the Company's current account has been blocked by the bank. The Company has gone into litigation against this action of the bank demanding release of the blocked amount. The matter is pending in the High Court of Sindh. Further, confirmation from most of the banks are not received as the company is in litigation with banks.

11. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2013	2012		Note	June 30, 2013	June 30, 2012
(No of Shares in '000)		----- (Rs. in '000) -----			
105,065	105,065	Ordinary shares of Rs.10/- each fully paid in cash		1,050,651	1,050,651
3,670	3,670	Ordinary shares of Rs.10/- each, issued as fully paid bonus shares		36,702	36,702
108,735	108,735			1,087,353	1,087,353

11.1 13,650,000 (2012: 13,650,000) shares held by Related party

12. LONG TERM LOANS - secured

From banking companies and other financial institutions

Allied Bank Limited - I	12.1	71,429	71,429
Saudi Pak Agricultural and Investment Company - I	12.2	90,000	90,000
National Bank of Pakistan	12.3	62,500	62,500
NIB Bank (formerly PICIC)	12.4	110,000	110,000
Pak Oman Investment Company Limited	12.5	82,500	82,500
Saudi Pak Agricultural and Investment Company - II	12.6	63,000	63,000
Summit Limited	12.7	700,000	700,000
		1,179,429	1,179,429
Less:- Current portion shown under current liabilities	12.8	1,179,429	1,159,461
		-	19,968

Notes To The Financial Statements

For The Year Ended June 30, 2013

- 12.1** The loan carries mark up at the base rate plus 2.5% per annum. Base rate has been defined as average rate of ASK SIDE of the six months KIBOR. Base rate will be set at the last business day before the installment date for the immediately preceding installment. Presently markup on the finance works out to 14.51% (2012 : 14.31 %) per annum.

The loan was rescheduled during the year and is to be paid in seven equal monthly installments commencing from June 29, 2008 and ending on December 31, 2008.

This loan is secured by way of parri passu charge over all present and future fixed assets including land, building, plant and machinery of the Company.

- 12.2** The loan carries mark up at the base rate plus 3.00% per annum. Base rate has been defined as average ASK rate of the six months KIBOR. Base rate will be set on the last day of preceding quarter. Presently markup on the finance works out to 15.01% (2012: 14.81%) per annum.

The loan is repayable in ten equal semi annual installments, with quarterly markup payments, commencing from January 26, 2006 and ending on October 26, 2010

The loan is secured by First Pari Passu hypothecation charge and equitable mortgage over fixed assets of the company.

- 12.3** The finance carries mark up at the base rate plus 2.50% per annum. Base rate has been defined as average rate of ASK SIDE of the six months KIBOR. Base rate will be set on the last day of preceding quarter. Presently markup on the finance works out to 14.51% (2012: 14.31%) per annum.

The loan was repayable in eight equal quarterly installments commencing from January 13, 2006 and ending on October 13, 2007

The loan was secured by First Pari Passu charge over plant and machinery and equitable mortgage over land and building of the company.

- 12.4** The finance carries mark up at the base rate plus 4.00 % per annum. Base rate has been defined as ASK rate of six months KIBOR prevailing on the last business day at the beginning of each quarterly period. Presently markup on the finance works out to 16.01% (2012: 15.81 %) per annum.

The finance is repayable in twenty equal quarterly installments commencing from March 30, 2006 and ending on December 30, 2010

The loan is secured by First Pari Passu charge over all the present and future fixed assets of the company.

- 12.5** The finance carries mark up at the base rate plus 2.50% per annum. Base rate has been defined as ASK rate of six months KIBOR prevailing on the last day of preceding semi annual period. Presently markup on the finance works out to 14.51% (2012 : 14.31 %) per annum.

The finance has been rescheduled and is to be paid in thirty three equal monthly installments commencing from August 31, 2008 and ending on April 30, 2011.

The finance is secured by first charge over fixed assets of the company by way of hypothecation of plant and machinery and equitable mortgage of land and building of the company.

Notes To The Financial Statements

For The Year Ended June 30, 2013

12.6 The loan carries mark up at the base rate plus 3% per annum. Base rate has been defined as average ASK rate of the six months KIBOR. Base rate will be set first time on date of disbursement and subsequently on January 1st and July 1st. Presently markup on the finance works out to 15.01% (2012: 14.81%) per annum.

The loan is repayable in ten equal half yearly installments, with quarterly markup payments, commencing from August 14, 2007 and ending on February 14, 2012.

The loan is secured by First Pari Passu charge over fixed assets of the company.

12.7 The loan carries mark up at the base rate plus 3% per annum. Base rate has been defined as average ASK rate of the six months KIBOR. Base rate will be reset on bi-annual basis i.e. on January 1st and July 1st every year. Presently markup on the finance works out to 15.01% (2012: 14.31%) per annum.

The loan is repayable through monthly installments within five years including one year grace period, markup shall continuously be paid on calendar quarter basis during grace period.

The loan is secured by First Pari Passu charge over fixed assets of the company.

12.8 This includes overdue installments amounting to Rs. 1,159.461 million. Banks/financial institutions has 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 as fully disclosed in note no. 17.3 to the financial Statements.

12.9 Since the Company is in litigation with banks confirmation from most of them have not been received.

13. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Note	June 30, 2013	June 30, 2012
	----- (Rs. in '000) -----	
Opening Balance	41,634	44,884
Payments	-	(3,250)
Current portion shown under current liabilities	(41,634)	(41,634)
	-	-

	June 30, 2013		June 30, 2012	
	Minimum lease Payments	Present Value	Minimum lease Payments	Present Value
Not later than one year	42,420	41,634	42,420	41,634
Later than one year	-	-	-	-
	42,420	41,634	42,420	41,634
Financial charges	(786)	-	(786)	-
	41,634	41,634	41,634	41,634
Current portion shown under current liabilities 13.1	(41,634)	(41,634)	(41,634)	(41,634)
	-	-	-	-

13.1 This includes overdue installments amounting to Rs. 41.634 million.

Notes To The Financial Statements

For The Year Ended June 30, 2013

	Note	June 30, 2013	June 30, 2012
------(Rs. in '000)-----			
14. DEFERRED LIABILITIES			
Deferred taxation	14.1	-	-
Staff gratuity	14.2	4,552	4,552
		4,552	4,552
14.1 Deferred Taxation			
Credit balance arising due to:			
Accelerated tax depreciation allowances		299,304	315,889
Less: Debit balance arising due to:			
Gratuity		1,593	1,593
Carry forward tax losses and others		1,168,368	2,865,811
		1,169,961	2,867,404
Deferred tax assets		(870,657)	(2,551,514)
Deferred tax asset not recognized		870,657	2,551,514
		-	-
14.2 Staff gratuity			
Balance at the beginning of the period		4,552	4,552
Less: Payments made during the period		-	-
		4,552	4,552
15. TRADE AND OTHER PAYABLES			
Creditors			
Trade creditors		2,175,922	2,178,255
Accrued liabilities			
Accrued expenses		156,544	160,858
Advances from customers		278,900	279,799
Unclaimed dividend		1,815	1,816
Other Payables			
Custom duties	15.1	-	11,534
Sales tax payable		6	4
Miscellaneous		1,013	1,013
		1,019	12,551
		2,614,199	2,633,279
15.1 Custom duties			
Balance at the beginning of the period		11,534	11,534
Add: provision made during the year		-	-
		11,534	11,534
Less: payment made during the period		11,534	-
		-	11,534

Notes To The Financial Statements

For The Year Ended June 30, 2013

June 30, 2013 **June 30, 2012**
 -----(Rs. in '000)-----

16. SHORT TERM FINANCES - SECURED

Under mark-up / profit arrangements

	<u>2,313,764</u>	<u>2,203,747</u>
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The facilities for short term finances under markup / profit arrangements available from various banks amounted to Rs. 2,605 (2012: Rs.2,255) million.

The rate of markup / profit ranges from 10.28% to 20.00% (2012: 12.55% to 20.00%) per annum.

The facilities are secured by way of pari passu charge against hypothecation of the company's stock in trade and book debts and are generally for a period of one year, renewable at the end of the period.

Since the Company is in litigation with banks confirmation from most of them have not been received .

17. CONTINGENCIES AND COMMITMENTS

Contingencies

17.1 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.

During the year ended June 30, 2008, the 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. Against the decision of Custom, Excise and Sales Tax Appellate Tribunal, the Custom Authorities have filed an appeal before the High Court of Sindh which is pending for hearing. It is expected that the decision will be in favour of the Company. The company also 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.

17.2 Letter of guarantees issued by the banks amounting to Rs. 250.336 (2012: Rs. 250.336) million.

Notes To The Financial Statements

For The Year Ended June 30, 2013

17.3 In respect of liabilities towards banks / financial institutions disclosed in note 12,13,15 and 16 to the financial statements, the banks /financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their liabilities through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits amount is Rs. 7.243 billion.

The management has disputed the claim and is strongly contesting the cases. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts. Since all the cases are pending before Honorable Courts therefore the ultimate outcome cannot be established at this stage.

Commitments

17.4 Capital expenditure commitments outstanding amounts to Rs. Nil (2012: Nil).

17.5 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. Nil (2012: Nil).

18 OPERATING RESULTS

Note	Manufacturing		Trading		Total	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(Rs. in '000)					
Sales	-	-	3,533	3,263	3,533	3,263
Sales tax	-	-	489	216	489	216
Commission and discounts	-	-	-	-	-	-
	-	-	489	216	489	216
Net sales	-	-	3,044	3,047	3,044	3,047
Cost of sales						
Opening stock	9,236	9,236	32,423	34,763	41,659	43,999
Cost of goods manufactured	165,693	189,535	-	-	165,693	189,535
Purchases	-	-	1,138	285	1,138	285
Closing stock	(9,236)	(9,236)	(31,138)	(32,423)	(40,374)	(41,659)
	165,693	189,535	2,423	2,625	168,116	192,160
Gross (loss) / profit	(165,693)	(189,535)	621	422	(165,072)	(189,113)
Distribution expenses	-	-	39,255	47,437	39,255	47,437
Administration and general expenses	-	-	39,367	51,304	39,368	51,304
	-	-	78,622	98,741	78,622	98,741
Operating (Loss) / profit	(165,693)	(189,535)	(78,002)	(98,319)	(243,694)	(287,854)

Notes To The Financial Statements

For The Year Ended June 30, 2013

	Note	June 30, 2013	June 30, 2012
------(Rs. in '000)-----			
18.1 Cost of goods manufactured			
Raw material and vendor parts consumed			
Opening stock		641,062	641,062
Purchases		-	-
Closing stock		(640,677)	(641,062)
		386	-
Stores and spares consumed	18.2	1,008	994
Salaries, wages and other benefits		51,375	50,827
Insurance		93	220
Depreciation	3.2	102,452	113,578
Communication		10	164
Printing, stationery and office supplies		19	23
Rent, rates & Taxes		218	100
Legal & Professional		50	-
Federal excise duty on royalty		-	2,946
Utilities		2,399	14,796
Traveling & entertainment		1,293	310
Vehicle running		2,485	1,502
Repairs and maintenance		3,907	4,050
Miscellaneous		-	25
Add: Opening stock of work-in-process		21,982	21,982
Less: Closing stock of work-in-process		(21,982)	(21,982)
		165,307	189,535
		165,693	189,535

18.2 Included herein is a sum of Rs. 0.619 (2012: Rs.0.829) million relating to recognized Provident fund scheme.

19. DISTRIBUTION EXPENSES

Salaries, allowances and other benefits	19.1	30,864	35,625
Rent, rates and taxes		-	53
Depreciation	3.2	5,541	6,143
Insurance		55	152
Traveling & entertainment		18	408
Vehicle running		2,063	3,089
Communication		55	481
Utilities		136	75
Printing, stationery and office supplies		25	31
Legal and professional		480	1,010
Advertising & sales promotion		-	50
Repairs and maintenance		10	242
Warranty claims and PDI & FFS		9	28
Miscellaneous		-	50
		39,255	47,437

Notes To The Financial Statements

For The Year Ended June 30, 2013

19.1 Included herein is a sum of Rs.0.609 (2012: Rs.0.905) million relating to recognized Provident fund scheme.

19.2 The distribution expenses have been allocated between manufacturing and trading activities (note 18) on the basis of net sales.

	Note	June 30, 2013	June 30, 2012
------(Rs. in '000)-----			
20. ADMINISTRATION AND GENERAL EXPENSES			
Salaries, allowances and other benefits	20.1	21,529	25,035
Rent, rates and taxes		-	508
Depreciation	3.2	9,903	10,979
Insurance		150	339
Traveling & entertainment		72	504
Vehicle running		1,929	3,978
Communication		401	1,615
Utilities		1	120
Printing, stationery and office supplies		494	421
Legal and professional		3,285	6,465
Advertising & publicity		54	68
Fee and subscription		462	444
Repairs and maintenance		4	73
Auditors' remuneration	20.2	540	540
Miscellaneous		241	215
		<u>39,367</u>	<u>51,304</u>

20.1 Included herein is a sum of Rs.0.486 (2012: Rs. 0.683) million relating to recognized Provident fund scheme.

20.2 Auditors' remuneration

Audit fee	330	330
Interim review and other certifications	110	110
Out of pocket expenses	100	100
	<u>540</u>	<u>540</u>

20.3 The administration and general expenses have been allocated between manufacturing and trading activities (note 19) on the basis of net sales.

	June 30, 2013	June 30, 2012
------(Rs. in '000)-----		
21. OTHER INCOME		
Exchange gain - net	390	590
Gain on disposal of fixed assets	882	-
Profit on Short Term Loan to Associated undertakings	119,347	142,839
Others	559	767
	<u>121,177</u>	<u>144,196</u>

Notes To The Financial Statements

For The Year Ended June 30, 2013

22 FINANCE COST

During the year ended June 30, 2013 the company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs. 782.039 million.

The management is hope full that the decision of the court will be in favor of the company and the restructuring proposal will be accepted by the lenders. However had the company provided this amount in the financial statements during the year the loss of the company would have been increased and consequently the Share holders equity would have been lower and accrued markup would have been higher by the same amount. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

	June 30, 2013	June 30, 2012
	-----(Rs. in '000)-----	
23 TAXATION		
Current - for the year	-	-
- for prior years	-	(7,174)
	-	(7,174)
23.1 Relationship between tax expense and accounting loss		
Accounting (loss)	(316,740)	(226,298)
Corporate tax rate	35%	35%
Tax on accounting (loss) on applicable rate	(110,859)	(79,204)
Tax effect of presumptive tax / minimum tax and others	110,859	79,204
Tax effect of income tax provision for prior years	-	(7,174)
Tax (reversal) for the years	-	(7,174)
24. (LOSS) PER SHARE		
24.1 Basic (loss) per share		
Net (loss) for the period	(316,740)	(219,124)
Weighted average number of ordinary shares	108,735	108,735
Basic (loss) per share	(2.91)	(2.02)
24.2 Diluted (loss) per share		
Net (loss) for the period	(316,740)	(219,124)
Weighted average number of ordinary shares	108,735	108,735
Diluted (loss) per share	(2.91)	(2.02)
25. CASH AND CASH EQUIVALENTS		
Cash and bank balances	117,422	118,146
Short term finances	(2,313,764)	(2,203,747)
	(2,196,343)	(2,085,601)

Notes To The Financial Statements

For The Year Ended June 30, 2013

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for the remuneration to the Chief Executive, Director and Executives are as follows:

	June 30, 2013			June 30, 2012		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- Rs. in '000' -----					
Managerial remuneration	-	-	9,307	-	-	19,329
Bonus	-	-	-	-	-	-
House rent, utilities and other benefits	-	-	5,133	-	-	10,678
Retirement benefits	-	-	775	-	-	1,610
Medical	-	-	-	-	-	1,611
Leave passage / assistance	-	-	-	-	-	1,933
	-	-	15,215	-	-	35,161
No. of persons	<u>1</u>	<u>0</u>	<u>6</u>	<u>1</u>	<u>1</u>	<u>13</u>

The chief executive, director and certain executives of the company are provided free use of company maintained cars.

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

The related parties and associate undertakings comprise Hyundai Motor Company, Kia Motors Corporation, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel disclosed in the respective notes, are as follows:

	June 30, 2013	June 30, 2012
	----- (Rs. in '000) -----	
Sales	1,170	928
Purchases	-	285
Markup charged for the period on short term loans to associated undertakings	119,347	142,839
Amount received against markup on short term loans to associated undertakings	23,437	38,759
Loan recovered from associated undertaking	122,781	17,040

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

28. PLANT CAPACITY AND PRODUCTION

Capacity of the plant on single shift basis is 10,000 (2012:10,000) units. Production during the year from the facility is Nil (2012: Nil) units. The production for the year remained suspended due to freezing of working capital limits by banks.

Notes To The Financial Statements

For The Year Ended June 30, 2013

29. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2013			
	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
	----- Rs. in '000' -----			
Assets				
Loans	-	-	-	-
Deposits	39,175	-	-	39,175
Trade debts	28,002	-	-	28,002
Other receivables	563,792	-	-	563,792
Investments at fair value through profit or loss	-	191,864	-	191,864
Cash and bank balance	117,422	-	-	117,422
	<u>748,392</u>	<u>191,864</u>	<u>-</u>	<u>940,256</u>

	As at June 30, 2013		
	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	----- Rs. in '000' -----		
Liabilities			
Trade and other payables	-	2,612,378	2,612,378
	<u>-</u>	<u>2,612,378</u>	<u>2,612,378</u>

	As at June 30, 2012			
	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
	----- Rs. in '000' -----			
Assets				
Loans	-	-	-	-
Deposits	39,175	-	-	39,175
Trade debts	25,835	-	-	25,835
Other receivables	468,041	-	-	468,041
Investments at fair value through profit or loss	-	95,932	-	95,932
Cash and bank balance	118,146	-	-	118,146
	<u>651,197</u>	<u>95,932</u>	<u>-</u>	<u>747,129</u>

	As at June 30, 2012		
	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	----- Rs. in '000' -----		
Liabilities			
Trade and other payables	-	2,619,926	2,619,926
	<u>-</u>	<u>2,619,926</u>	<u>2,619,926</u>

Notes To The Financial Statements

For The Year Ended June 30, 2013

30 FINANCIAL RISK MANAGEMENT

30.1 Credit risk

Credit risk is the risk that one party to the financial instruments will fail to discharge its obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

The Company has maintained bank balances with various banks having rating ranging between AA+ to AA-

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to need contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

Credit risk arises from derivative financial instruments and balances with bank and financial institutions, as well as credit exposures to customers, including trade receivables and committed transaction. Out of the total financial assets of Rs. 1,598.132 (2012: Rs 1,598,132) million, the financial assets which are subject to credit risk amounted to Rs. 1,384.054 (2012: Rs. 1,384,054) million.

The company manages credit risk in trade receivables by limiting significant exposure to any individual customer, by obtaining advance against sales, by monitoring credit exposure and continuing assessment of credit worthiness of such customers as well as by close monitoring of operations of the associated undertakings.

30.2 Liquidity Risk

Liquidity risk reflects the company's inability of raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers. Further, company treasury maintains flexibility in funding by keeping committed credit lines available.

30.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk and interest rate risk.

30.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company manages its currency risk by close monitoring of currency markets. As per central bank regulations, the company cannot hedge its currency risk exposure.

30.3.2 Interest rate risk

Interest / markup rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market interest / markup rates. Sensitivity to interest / markup rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The company manages this mismatches through risk management strategies where significant changes in gap position can be adjusted. The company exposed to interest / markup rate risk is respect of the following

Notes To The Financial Statements

For The Year Ended June 30, 2013

	Interest/ mark-up rate %	Interest / Markup bearing			Non-Interest / Markup bearing			Total
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	June 30, 2013
		(Rupees in '000)						
ON-BALANCE SHEET FINANCIAL INSTRUMENTS								
June 30, 2013								
FINANCIAL ASSETS								
Trade debts		-	-	-	28,002	-	28,002	28,002
Loans to associated undertakings	14.15	752,919	-	752,919	-	-	-	752,919
Advances, deposits and other receivables		-	-	-	578,060	-	578,060	578,060
Investment		-	-	-	191,864	-	191,864	191,864
Cash and bank balances		-	-	-	117,422	-	117,422	117,422
		<u>752,919</u>	<u>-</u>	<u>752,919</u>	<u>915,348</u>	<u>-</u>	<u>915,348</u>	<u>1,668,267</u>
FINANCIAL LIABILITIES								
Long term loans	14.51-16.01	1,179,429	-	136	-	-	-	136
Long term deposits		-	-	-	-	17,700	17,700	17,700
Trade and other payables		-	-	-	2,333,479	-	2,333,479	2,333,479
Accrued markup / profit		-	-	-	-	-	-	-
Short term finances	10.28-20.00	2,313,764	-	2,313,764	-	-	-	2,313,764
		<u>3,493,193</u>	<u>-</u>	<u>2,313,901</u>	<u>2,333,479</u>	<u>17,700</u>	<u>2,351,179</u>	<u>4,665,080</u>
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS								
Commitment in respect of letters of credit		-	-	-	-	-	-	-
Outstanding bank guarantee		-	-	-	233,336	17,000	250,336	250,336
		<u>-</u>	<u>-</u>	<u>-</u>	<u>233,336</u>	<u>17,000</u>	<u>250,336</u>	<u>250,336</u>
ON-BALANCE SHEET FINANCIAL INSTRUMENTS								
June 30, 2012								
FINANCIAL ASSETS								
Trade debts		-	-	-	25,835	-	25,835	25,835
Loans to associated undertakings	16.14	875,700	-	875,700	-	-	-	875,700
Advances, deposits and other receivables		-	-	-	482,519	-	482,519	482,519
Investment		-	-	-	95,932	-	95,932	95,932
Cash and bank balances		-	-	-	118,146	-	118,146	118,146
		<u>875,700</u>	<u>-</u>	<u>875,700</u>	<u>722,432</u>	<u>-</u>	<u>722,432</u>	<u>1,598,132</u>
FINANCIAL LIABILITIES								
Long term loans	14.31-15.81	1,159,461	19,968	1,179,429	-	-	-	1,179,429
Long term deposits		-	-	-	-	17,700	17,700	17,700
Trade and other payables		-	-	-	2,340,127	-	2,340,127	2,340,127
Short term finances	12.55-20.00	2,203,747	-	2,203,747	-	-	-	2,203,747
		<u>3,363,208</u>	<u>19,968</u>	<u>3,383,176</u>	<u>2,340,127</u>	<u>17,700</u>	<u>2,357,827</u>	<u>5,741,003</u>
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS								
Commitment in respect of letters of credit		-	-	-	-	-	-	-
Outstanding bank guarantee		-	-	-	233,336	17,000	250,336	250,336
		<u>-</u>	<u>-</u>	<u>-</u>	<u>233,336</u>	<u>17,000</u>	<u>250,336</u>	<u>250,336</u>

Notes To The Financial Statements

For The Year Ended June 30, 2013

30.3.3 Fair value of financial instruments

Fair value is an amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at the reporting date the fair value of all financial assets and liabilities are estimated to approximate their carrying values.

31. Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensuration to the circumstances.

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholder. Debt is calculated as total borrowings ('long term loan' and short term borrowings' as shown in the balance sheet). total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

	June 30, 2013	June 30, 2012
	-----(Rs. in '000)-----	

32. NUMBER OF EMPLOYEES

	136	186
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33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 27, 2013 by the Board of Directors of the company.

34. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of appropriate presentation. There have been no significant reclassifications in these statements.

35. GENERAL

Figures have been rounded off to the nearest thousand rupees.


Dewan Mohammad Yousuf Farooqui
 Chief Executive


Haroon Iqbal
 Director

Pattern of Shareholding under Regulation 37(xx)(i) of the Code of Corporate Governance
as at June 30, 2013

Sr #	Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1.	Associated Companies	1	13,650,000	12.55%
2.	NIT and ICP	-	-	0.00%
3.	Directors, CEO, their Spouses & Minor Children	9	49,719,700	45.73%
4.	Executives	-	-	0.00%
5.	Public Sector Companies & Corporations	45	1,251,674	1.15%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	6	282,679	0.26%
7.	Individuals	3,957	43,831,189	40.31%
TOTAL		4,018	108,735,242	100.00%

DETAILS OF CATEGORIES OF SHAREHOLDERS

Sr #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1. Associated Companies				
1.1	Dewan Sugar Mills Limited	1	13,650,000	12.55%
		1	13,650,000	12.55%
2. NIT and ICP				
		-	-	-
3. Directors, CEO, their Spouses & Minor Children				
Directors and CEO				
3.1	Dewan Muhammad Yousuf Farooqui	1	41,255,654	37.94%
3.2	Dewan Asim Mushfiq Farooqui	1	2,505,682	2.30%
3.3	Dewan Abdullah Ahmed Swaleh Farooqui	1	2,505,682	2.30%
3.4	Dewan Abdul Baqi Farooqui	1	2,505,682	2.30%
3.5	Mr. Haroon Iqbal	1	1,000	0.00%
3.6	Mr. Aziz ul Haq	1	500	0.00%
3.7	Mr. Ishtiaq Ahmed	1	500	0.00%
		7	48,774,700	44.86%
Spouses of Directors and CEO				
4.1	Mrs. Hina Yousuf	1	472,500	0.43%
4.2	Mrs. Sharmeen Mushfiq	1	472,500	0.43%
		2	945,000	0.87%
Minor Children of Directors and CEO				
		-	-	-

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Sr #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Mohammad Yousuf Farooqui	1	41,255,654	37.94%
2	Dewan Sugar Mills Limited	1	13,650,000	12.55%

DETAILS OF TRADING IN THE SHARES OF THE COMPANY BY DIRECTORS, CEO, CFO, COMPANY SECRETARY, THEIR SPOUSES AND MINOR CHILDREN

During the year under review, none of the CEO, CFO, Directors, Company Secretary, their spouses and minor children have traded in the shares of the Company.

**THE COMPANIES ORDINANCE, 1984
(Section 236(1) and 464)**

PATTERN OF SHAREHOLDING

1. Incorporation Number **0039756**
2. Name of the Company **DEWAN FAROOQUE MOTORS LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at **30.06.2013**

4.	Number of Shareholders	Shareholdings			Total Shares held
	424	1	-	100	Shares 14,167
	431	101	-	500	Shares 179,773
	1001	501	-	1,000	Shares 754,422
	1211	1,001	-	5,000	Shares 3,634,585
	433	5,001	-	10,000	Shares 3,529,411
	145	10,001	-	15,000	Shares 1,812,674
	85	15,001	-	20,000	Shares 1,600,625
	42	20,001	-	25,000	Shares 984,282
	31	25,001	-	30,000	Shares 879,425
	18	30,001	-	35,000	Shares 600,550
	21	35,001	-	40,000	Shares 807,500
	12	40,001	-	45,000	Shares 512,799
	32	45,001	-	50,000	Shares 1,589,084
	7	50,001	-	55,000	Shares 375,792
	10	55,001	-	60,000	Shares 590,000
	4	60,001	-	65,000	Shares 256,000
	5	65,001	-	70,000	Shares 347,025
	7	70,001	-	75,000	Shares 522,000
	5	75,001	-	80,000	Shares 392,000
	4	80,001	-	85,000	Shares 324,500
	3	85,001	-	90,000	Shares 267,000
	3	90,001	-	95,000	Shares 276,500
	15	95,001	-	100,000	Shares 1,496,500
	21	100,001	-	150,000	Shares 2,506,354
	13	150,001	-	200,000	Shares 2,343,144
	7	200,001	-	250,000	Shares 1,547,590
	3	250,001	-	300,000	Shares 865,200
	4	300,001	-	350,000	Shares 1,290,500
	3	350,001	-	475,000	Shares 1,417,500
	4	475,001	-	500,000	Shares 1,998,750
	2	500,001	-	710,000	Shares 704,234
	1	710,001	-	900,000	Shares 900,000
	1	900,001	-	950,000	Shares 1,890,000
	1	950,001	-	1,000,000	Shares 973,606
	1	1,000,001	-	1,365,000	Shares 1,365,000
	1	1,365,001	-	2,000,000	Shares 1,964,550
	1	2,000,001	-	2,260,000	Shares 2,257,500
	4	2,260,001	-	2,550,000	Shares 10,056,046
	1	2,550,001	-	13,650,000	Shares 13,650,000
	1	13,650,001	-	41,255,654	Shares 41,255,654
	4,018	TOTAL			108,732,242

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	49,719,700	45.73%
5.2	Associated Companies, undertakings and related parties	13,650,000	12.55%
5.3	NIT and ICP	-	0.00%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	282,679	0.26%
5.5	Insurance Companies	-	0.00%
5.6	Modarabas and Mutual Funds	-	0.00%
5.7	Shareholders holding 5%	54,905,654	50.50%
5.8	General Public		
	a. Local	43,814,089	40.30%
	b. Foreign	17,100	0.02%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	1,251,674	1.15%

Form of Proxy

I/we _____
of _____ being
a member (s) of **DEWAN FAROOQUE MOTORS LIMITED** and holder of _____
Ordinary Shares as per Registered Folio No./CDC Participant's ID and Account No.
_____ hereby appoint _____
of _____
or failing him _____
of _____
who is also member of **DEWAN FAROOQUE MOTORS LIMITED** vide Registered Folio
No./CDC Participant's ID and Account No. _____ as my/our proxy to vote for
me/us and on my/our behalf at the 15th Annual General Meeting of the Company to be
held on Wednesday, October 30, 2013 at 03:00 p.m. and any adjournment thereof.

Signed this _____ day of _____ 2013.



Signature _____

Witness: _____
Signature

Witness: _____
Signature

Name: _____

Name: _____

Address: _____

Address: _____

IMPORTANT:

1. A proxy should also be a member of the company.
2. A member of the Company entitled to attend and vote all meeting, may appoint another member as his/her proxy to attend and vote instead of him/her.
3. Proxies, In order to be effective, must be received by the Company, duly completed, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room # 301 & 311, 3rd Floor, 49, Darul Anum Society, Main Shahrah-e-Faisal, Adjacent to Baloch Colony Bridge, Karachi, Pakistan, not later than 48 hours before the meeting.

4. Further Instructions for CDC Account holders:

- i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall the proxy form as per the above requirements.
- ii) Two persons, whose names, addresses, and CNIC numbers shall be mentioned on the form, shall witness the proxy.
- iii) Attested copies of CNIC or passport of the beneficial owners and proxy shall be furnished alongwith the proxy form.
- iv) The proxy shall produce his/her original CNIC or original at the time of meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) alongwith the proxy form to the Company.