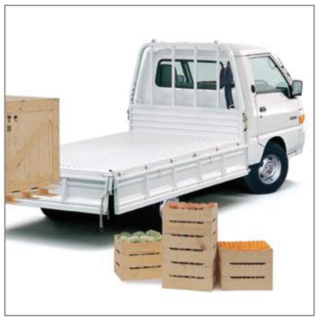
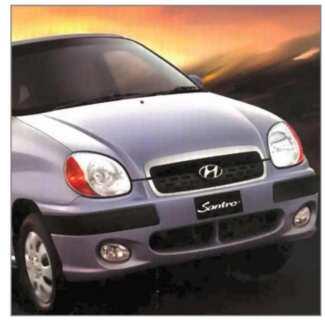
DEWAN FAROOQUE MOTORS LIMITED

Annual Report 2012



YD | A YOUSUF DEWAN COMPANY

Contents

Company Infromation	02
Mission Statement	03
Notice of Annual General Metting	04
Statement Under Section 160 of the Companies Ordinance,1984	06
Directors' Report	07
Key Operating and Financial Data	10
Statement of Compliance with the Code of Corporate Governance	11
Review report to the members on statement of Compliance with best practices of the Code of Corporate Governance	13
Auditors' Report	14
Balance Sheet	16
Profit & Loss Account	17
Statement of Comprehensive Income	18
Cash Flow Statement	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21
Pattern of Shareholding	44
Form of Proxy	

Company Information

EXECUTIVE DIRECTORS

Dewan Mohammad Yousuf Farooqui	Chairman Board of Directors
Mr. Waseem-ul-Haq Ansari	

NON - EXECUTIVE DIRECTORS
Dewan Abdul Rehman Farooqui
Mr. Haroon Iqbal
Mr. Ishtiaq Ahmad
Mrs. Hina Yousuf

INDEPENDENT DIRECTOR
Mr. Aziz-ul-Haque

CHIEF EXECUTIVE OFFICER
Dewan Mohammad Yousuf Farooqui

PRESIDENT
Farooq Mustafa

COMPANY SECRETARY
Muhammad Naeemuddin 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 ADVISOR
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 Shahrah-e-Faisal,
Adjacent to Baloch Colony Bridge,
Karachi, Pakistan.

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

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

REGIONAL OFFICES
Lahore
Dewan Centre, PIA Tower,
Egerton Road,

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

FACTORY
Jilaniabad, Budhu Talpur,
Disctrict 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 Fourteenth Annual General Meeting of **Dewan Farooque Motors Limited** ("**DFML**" or "**the Company**") will be held on **Wednesday, October 24, 2012, at 01:00 p.m.** at Dewan Cement Limited Factory Site, at Deh Dhando, 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 26, 2011;

2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2012, 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

Karachi: September 28, 2012

Muhammad Naeemuddin Malik
Company Secretary

"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 17, 2012 to October 24, 2012 (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 Fourteenth Annual General Meeting of Dewan Farooque Motors Limited ("the Company" or "DFML") to be held on Wednesday, October 24, 2012 at Dewan Cement Factory Site, at Deh Dhando, 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	LOAN AND ADVAENCES		
		Dewan Mushtaq Motor Company (Private) Limited	**Dewan Motors (Private) Limited**	**Dewan Automotive Engineering Limited**
a)	Total investment approve	Rs. 100 million	Rs. 100 million	Rs. 700 million
b)	Amount of investment made to-date	Rs. 99.562 million	Rs. 82.878 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	No further investment in the interest of the Company	Loan repaid	No further investment in the interest of the Company
d)	Material change in the financial statements of associated companies since date of the resolution passed for approval of investment in such company:	**June 2011**	**June 2011**	**June 2011**
	Loss per share	-1.64	-0.03	-9.72
	Shareholders Equity	-293.371	6.969	-1649.564
	Total Assets	593.126	765.884	866.464
	Break-up Value	-17.25	0.7	-77.08
	RENEWAL IN PREVIOUS LIMITS REQUESTED I.E.:	Sanctioned To be reduced to Rs.99.562 million	Sanctioned To be reduced to Rs.82.878 million	Sanctioned To be reduced to 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 Thirteenth 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 Mustaq Motor Company (Pvt) Ltd.	**99.562**
Dewan Motors (Pvt) Ltd.	**82.878**
Dewan Automotive Engineering Limited	**693.260**

The renewal of the limits shall be for a period of one year and shall be renewable in the next general meeting for further period 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, 2012 and welcomes you to the 14th Annual General Meeting.

FINANCIAL OVERVIEW

The summary of financial performance for the year, along with the comparative figures of financial year 2011 is as follows:

	June 30, 2012	June 30, 2011
	------(Rupees in thousand)-------	
Gross Sales	3,263	210,025
Gross (loss)	(189,113)	(301,939)
Operating (loss)	(287,854)	(486,623)
Net (loss) after tax	(221,463)	(1,215,734)

YEAR UNDER REVIEW:

Auto sales shown a growth of over 22% during FY12, raising the units sold to 179,139 units. The growth is mainly attributable to cut in General Sales Tax rate from 17% to 16% and the elimination of Special Excise Duty. Further demand under the Punjab Government's 'Yellow Cab' Scheme has also contributed to the growth in sales. The continuous depreciation of Pak Rupee against US Dollar and Japanese Yen has put pressure on the cost of raw material and components. Due to resultant increase in the domestic prices, the locally assembled cars are facing stiff competition with the imported used Japanese cars which have arrived in the country in large quantities due to incentives given by the Government.

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 company is operating under tough conditions due to the aforesaid reason and making best endeavors to survive. 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, 2012, 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, 2012 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, 2012 was Rs.44.939 (2011: Rs.36.587) 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 by each of director was as follows;

NAME OF DIRECTOR		NO. OF MEETINGS ATTENDED
Dewan Mohammad Yousuf Farooqui		4
Dewan Asim Mushfiq Farooqui		3
Dewan Abdullah Ahmed Swaleh		3
Dewan Abdul Baqi Farooqui		2
Mr. Haroon Iqbal		4
Mr. Aziz-ul-Haque		4
Mr. Ishtiaq Ahmad		4
Dewan Abdul Rehman Farooqui	(from 17th May, 2012)	0
Mrs. Hina Yousuf	(from 17th May, 2012)	0
Mr. Waseem-ul-Haq Ansari	(from 17th May, 2012)	0

Leave of absence was granted to those directors who applied for the leave.

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. 2.04

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, 2012 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

Karachi: September 28, 2012

DEWAN MOHAMMAD YOUSUF FAROOQUI
Chief Executive

Key Operating and Financial Data

PARTICULARS	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	.....	.....	.....	.....	.....Rs in '000'	.....	.....	.....	.....	.....
Gross Sales	3,263	210,025	1,236,195	1,934,441	6,327,553	8,576,807	10,636,130	10,294,211	7,685,778	5,534,746
Net Sales	3,047	176,383	1,025,341	1,557,016	5,282,895	7,235,462	9,002,633	8,785,858	6,587,288	4,695,993
Gross (loss) / profit	(189,113)	(301,939)	(148,423)	(825,128)	152,912	866,556	1,100,482	1,049,348	705,754	632,615
Operating (loss) / profit	(287,854)	(486,623)	(362,911)	(1,254,336)	(279,523)	460,931	631,161	673,996	423,554	418,983
(Loss) / profit before tax	(228,637)	(1,228,916)	(432,203)	(1,510,059)	(578,951)	99,354	317,017	511,322	330,730	209,063
(Loss) / profit after tax	(221,463)	(1,219,753)	(437,504)	(1,390,034)	(399,499)	61,115	191,927	305,950	223,439	139,709
Retained Earnings	(3,026,061)	(2,856,492)	(1,636,739)	(1,199,235)	291,708	918,477	865,227	529,939	334,094	110,655
Share Capital	1,087,353	1,087,353	889,733	889,733	770,733	770,733	770,733	770,733	734,031	734,031
Shareholders Equity	(1,938,708)	(1,769,139)	(747,006)	(471,359)	1,062,441	1,689,210	1,635,960	1,300,672	1,068,125	844,686
Fixed Assets	1,553,240	1,683,939	1,813,812	1,976,154	2,160,667	2,331,199	2,082,160	1,885,131	1,831,134	1,746,875
Total Assets	4,141,633	4,278,755	4,204,550	4,496,917	5,854,924	6,892,646	7,713,240	6,287,290	5,102,798	3,477,741
Dividend	-	-	-	-	-	-	77,073	115,610	73,403	73,403
Bonus Shares	-	-	-	-	-	-	-	-	36,702	-
FINANCIAL ANALYSIS										
Profitability Ratios										
Gross (Loss) / Profit Margin	-6206.97%	-171.18%	-14.48%	-52.99%	2.89%	11.98%	12.22%	11.94%	10.71%	13.47%
Operating (loss) / profit Margin	-9447.78%	-275.89%	-35.39%	-80.56%	-5.29%	6.37%	7.01%	7.67%	6.43%	8.92%
(loss) / profit before tax	-7504.18%	-696.73%	-42.15%	-96.98%	-10.96%	1.37%	3.52%	5.82%	5.02%	4.45%
(loss) / profit after tax	-7268.73%	-691.54%	-42.67%	-89.28%	-7.56%	0.84%	2.13%	3.48%	3.39%	2.98%
Dividend (% of share capital)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.00%	15.00%	10.00%	10.00%
Return on Investment										
(loss) / Earnings per share before tax (Rs/share)	(2.10)	(13.13)	(4.86)	(16.97)	(7.51)	1.29	4.11	6.63	4.51	2.85
(loss) / Earnings per share after tax (Rs/share)	(2.04)	(13.02)	(4.92)	(15.62)	(5.18)	0.79	2.49	3.97	3.04	1.90
Activity Ratios										
Sales to Total Assets-Times	0.00	0.05	0.29	0.43	1.08	1.24	1.38	1.64	1.51	1.59
Sales to Fixed Assets-Times	0.00	0.12	0.68	0.98	2.93	3.68	5.11	5.46	4.20	3.17
Liquidity Ratios										
Current ratio (excluding current maturity of LTL)	0.52	0.53	0.62	0.66	1.03	1.15	1.29	1.06	0.94	1.0
Current ratio (including current maturity of LTL)	0.42	0.44	0.52	0.58	0.95	1.03	1.05	1.04	0.85	0.75
Book value per share (Rs)	(17.83)	(18.90)	(8.40)	(5.30)	13.78	21.92	21.23	16.88	14.55	11.51

Statement of Compliance with the Code of Corporate Governance
For The Year Ended June 30, 2012

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, four Non-Executive Directors and two Executive Directors 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 NBFI 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.

Karachi: September 28 2012

DEWAN MOHAMMAD YOUSUF FAROOQUI
Chief Executive & Chairman Board of Directors

FEROZE SHARIF TARIQ & CO.

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

Voice: (+9221) 34540891
(+9221) 34522734
Facimile: (+9221) 34540891
E-mail: fstc.ca@gmail.com

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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, 2012.

Feroze Sharif Tariq & Co.

Place: Karachi
Date: September 28, 2012

(CHARTERED ACCOUNTANTS)

A Member Firm of Mohammed Hossain & Co.-Certified Public Accountants-USA

FEROZE SHARIF TARIQ & CO.

FEROZE SHARIF TARIQ & CO.
Chartered Accountants
4-N/4, BLOCK 6, P.E.C.H.S,
KARACHI 75400
Voice: (+9221) 34540891
(+9221) 34522734
Facimile: (+9221) 34540891
E-mail: fstc.ca@gmail.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Dewan Farooque Motors Limited, as at June 30, 2012, 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. 891.753 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.891.753 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.1.814 billion (2011: Rs. 921.817 million).

b) The financial statements of the company for the year ended June 30, 2012 as disclosed in note 1.1 to the financial Statements reflect loss after taxation of Rs.221.463 million and as of that date it has accumulated losses of Rs.3.03 billion which resulted in net capital deficiency of Rs.1.939 billion and its current liabilities exceeded its current assets by Rs.3.489 billion and total assets by Rs.1.896 billion without Providing the mark as refer in above para (a). The operations of the company are closed since October 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.

A Member Firm of Mohammed Hossain & Co.-Certified Public Accountants-USA

FEROZE SHARIF TARIQ & CO.

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

Voice: (+9221) 34540891
(+9221) 34522734
Facimile: (+9221) 34540891
E-mail: fstc.ca@gmail.com

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, 2012 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".

Feroze Sharif Tariq & Co.

CHARTERED ACCOUNTANTS
Audit Engagement Partner: Mohammad Tariq

Place: Karachi
Date: September 28, 2012

A Member Firm of Mohammed Hossain & Co.-Certified Public Accountants-USA

Balance Sheet

As At June 30, 2012

	Note	June 30, 2012	June 30, 2011
		---------(Rs. in '000)----------	
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	3	1,553,240	1,683,939
Long-term deposits (with leasing companies)		39,175	39,813
CURRENT ASSETS			
Stores and spares	4	75,727	76,606
Stock-in-trade	5	623,593	710,485
Trade debts - considered good		25,835	23,021
Short term loans to associated undertakings - considered good	6	875,700	892,740
Advances, deposits, prepayments and other receivables	7	728,036	629,714
Investment	8	95,932	71,887
Taxation - net	9	6,249	4,407
Cash and bank balances	10	118,146	146,143
		2,549,218	2,555,003
TOTAL ASSETS		4,141,633	4,278,755
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
120,000,000 (2011: 120,000,000) Ordinary shares of Rs.10 each		1,200,000	1,200,000
Issued, subscribed and paid-up	11	1,087,353	1,087,353
Reserves		(3,026,061)	(2,856,492)
		(1,938,708)	(1,769,139)
NON-CURRENT LIABILITIES			
Long term loans - secured	12	19,968	238,728
Long term security deposits		17,700	17,700
Deferred Liabilities	14	4,552	4,552
CURRENT LIABILITIES			
Trade and other payables	15	2,633,279	2,569,733
Short term finances-secured	16	2,203,747	2,231,596
Current maturity of long term loans		1,159,461	940,701
Current maturity of liabilities against assets subject to finance lease	13	41,634	44,884
		6,038,121	5,786,914
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		4,141,633	4,278,755

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

Dewan Mohammad Yousuf Farooqui
Chief Executive

Ishtiaq Ahmad
Director

Profit and Loss Account

For The Year Ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
		---------(Rs. in '000)----------	
GROSS SALES	18	**3,263**	210,025
Sales tax		**216**	28,931
Special Excise duty		**-**	1,651
Commission and discounts		**-**	3,060
	18	**216**	33,642
NET SALES		**3,047**	176,383
Cost of sales	18	**192,160**	478,322
GROSS (LOSS)		**(189,113)**	(301,939)
Distribution expenses	19	**47,437**	72,572
Administration and general expenses	20	**51,304**	112,112
OPERATING (LOSS)		**(287,854)**	(486,623)
OTHER INCOME	21	**144,196**	1,987
		(143,658)	(484,636)
Finance cost	22	**439**	740,261
Provision for obsolesence / slow moving stocks		**84,540**	-
		84,979	740,261
(LOSS) BEFORE TAXATION		**(228,637)**	(1,224,897)
TAXATION	23	**(7,174)**	(9,163)
NET (LOSS) AFTER TAXATION		**(221,463)**	(1,215,734)
Basic (loss) per share (Rupees)	24	**(2.04)**	(12.98)
Diluted (loss) per share (Rupees)	24	**(2.04)**	(12.98)

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

Dewan Mohammad Yousuf Farooqui
Chief Executive

Ishtiaq Ahmad
Director

Statement of Comprehensive Income

For The Year Ended June 30, 2012

	June 30, 2012	June 30, 2011
	---------(Rs. in '000)----------	
(Loss) for the year	**(221,463)**	(1,215,734)
Other comprehensive income / (loss):		
Available for sale financial assets:		
- Changes in fair value	**50,903**	(4,019)
- Gain / (loss) on sales of Investments	**991**	-
Total comprehensive (loss) for the year	**(169,569)**	(1,219,753)

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

Dewan Mohammad Yousuf Farooqui
Chief Executive

Ishtiaq Ahmad
Director

Cash Flow Statement

For The Year Ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
		---------(Rs. in '000)----------	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) before taxation		(228,637)	(1,224,897)
Add / (Less) : Depreciation		130,699	144,548
Gain on disposal of fixed assets		-	(909)
Financial charges		439	740,261
		131,138	883,900
		(97,499)	(340,997)
Decrease in stores & spares		879	2,799
Decrease in stock in trade		86,892	(138,819)
(Increase) / Decrease in trade debts		(2,814)	6,679
(Increase) in advances, deposits, pre-payments & other receivables		(137,080)	(130,040)
Decrease in long term lease deposits		637	448
Increase in trade, other payables and borrowings		63,546	62,331
(Decrease) in long term security deposits		-	(1,000)
Tax (paid)		5,332	32,871
Dividend (paid)		-	-
Financial charges (paid)		(439)	(1,587)
Gratuity (paid)		-	(144)
		16,953	(166,462)
Net cash flow from operating activities		(80,546)	(507,459)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		-	(364)
Short term loans (recovered from) associated undertakings		17,040	-
Markup received on short term loans to associated undertakings		38,759	33,822
Investment		27,849	-
Sale Proceeds of fixed assets		-	1,599
Net cash flow from investing activities		83,648	35,057
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Share Capital		-	197,620
Finance Lease repayments		(3,250)	(3,525)
Net cash flow from financing activities		(3,250)	194,095
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		(148)	(278,307)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(1,785,453)	(1,507,146)
CASH & CASH EQUIVALENTS AT END OF THE YEAR	26	(1,785,601)	(1,785,453)

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

Dewan Mohammad Yousuf Farooqui
Chief Executive

Ishtiaq Ahmad
Director

Statement of Changes in Equity

For The Year Ended June 30, 2012

	Share Capital	Reserves		
	Issued, subscribed and paid-up	Unappropriated loss	Total Reserves	Total
	--------------------------(Rupees in '000)	------------------------		
BALANCE AS AT JUNE 30, 2010	889,733	(1,636,739)	(1,636,739)	(747,006)
19,761,987 Ordinary shares of Rs. 10/- each issued as fully paid Shares against sponsors loan	197,620	-	-	197,620
Total Comprehensive loss for the year	-	(1,219,753)	(1,219,753)	(1,219,753)
BALANCE AS AT JUNE 30, 2011	1,087,353	(2,856,492)	(2,856,492)	(1,769,139)
Total Comprehensive loss for the year	-	(169,569)	(169,569)	(169,569)
BALANCE AS AT JUNE 30, 2012	**1,087,353**	**(3,026,061)**	**(3,026,061)**	**(1,938,708)**

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

Dewan Mohammad Yousuf Farooqui
Chief Executive

Ishtiaq Ahmad
Director

Notes to the Accounts

For The Year Ended June 30, 2012

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 October 2010.

1.1 Going Concern Assumption

The company has incurred a Loss after taxation of Rs. 221.463 million during the year ended June 30, 2012. As of that date it has accumulated losses of Rs.3.03 billion and its current liabilities exceeded its current asset by Rs. 3.489 billion. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.1.814 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 reserve in future.The restructuring proposal submitted by the company to lenders 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 non-interest bearing long term loan in proportion to their respective current exposures;

b) All frozen / existing markup will be waived.

c) Principle to be repaid in 10 years inclusive of 1 year grace period.

d) Cost of fund at the rate equivalent to the average cost of funds as confirmed by SBP will be accrued annually maximum upto Rs.1.8 billion. The company has an option to pay the accrued cost of fund either in cash or through issuance of preference shares payable at earlier of 10 years from the date of execution of the restructuring agreements; or, upon full & final repayment of the Restructured Facility amount.

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 blow. These policies have been consistently applied to all the years presented, unless otherwise stated.

Notes to the Accounts

For The Year Ended June 30, 2012

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, Interpretation and amendments not yet effective

The following Standards, amendments and interpretation of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2012:

Amendments to IAS 12 -Deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendments provides exception to the measurement principle in respect of investment property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the company.

IAS 19 Employee Benefits (amended 2011)-(effective for annual period beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income ; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets recognized in profit or loss, which currently is allow under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the define benefit obligation. The Company's policy was to account for actuarial against and losses using the corridor method and with the change unrecognized actuarial losses amounting to Rs.5.44 million at 30 June 2012 would need to recognized in other comprehensive income with revised actuarial estimate in 2013.

Presentation of item of other comprehensive income (Amendments to IAS 1) - (effective for annual period beginning on or after 1 July 2012). The amendments require that an entity present separately the item of other comprehensive income that would be reclassified to profit or loss in the future if certain condition are met from those that would never be reclassified to profit or loss. The amendments do not address which item are presented in other comprehensive income or which item need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

IAS 27 Separate Financial Statements (2011)- effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27(2008). Three new Standards IFRS 10- Consolidate financial Statements, IFRS 11-joint Arrangement and IFRS 12-Disclosure of interest in other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate Financial Statements, with some minor clarification. The amendments have no signification impact on financial statements of the Company.

IAS 28 investments in Associated and joint Ventures (2011)-(effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) Supersede IAS 28(2008). IAS 28(2011) make the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation in a joint venture. The amendments have no impact on financial Statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) -(effective for annual period beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial instruments presentation. The amendments clarify the meaning of currently has a legally enforceable right of set - off ; and that some gross settlement systems may be considered equivalent to net settlement.

Notes to the Accounts

For The Year Ended June 30, 2012

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) -(effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 Contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

2.3. Annual improvements 2009 -2011 (effective for annual period beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other Standards and interpretation.

IAS 1 presentation of Financial Statements is amended to clarify that only one comparative period i.e. 30 June 2011 which is the preceding period of 30 June 2012 is required for a complete set of financial statements. If an entity present additional comparative information that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the third statement of financial position ,when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. the definition of 'Property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. if these item do not meet the definition, then they are accounted for using IAS 2 inventories.

IAS 32 Financial Instruments: Presentation-is amended to clarify that IAS 12 Income Taxes applies to the accounting for income Taxes relating to distribution to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reputable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

2.4 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.

2.4.1 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 2.5 and 3.1)
ii. Provision for doubtful trade debts (note 2.9)
iii. Income taxes (note 2.12 and 23)
iv. Classification and valuation of investments (note 2.17 and 8)
v. Provision for Slow moving stores and spares (notes 2.7 and 4)
vi. Provision for Slow moving stock in trade (notes 2.8 and 5)

Notes to the Accounts
For The Year Ended June 30, 2012

2.5 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.

2.6 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.

2.7 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.

2.8 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.

Notes to the Accounts

For The Year Ended June 30, 2012

2.9 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.

2.10 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.

2.11 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.

2.12 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.

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.

2.13 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.

2.14 Warranty obligations

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

2.15 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.

Notes to the Accounts

For The Year Ended June 30, 2012

2.16 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.

2.17 Financial instruments

2.17.1 Financial assets

2.17.1.1 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:

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.

2.17.1.2 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.

2.17.1.3 Subsequent measurement

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

Notes to the Accounts
For The Year Ended June 30, 2012

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.

2.17.1.4 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.

2.17.1.5 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.

2.17.2 Financial liabilities

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

2.17.3 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.

2.18 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.

2.19 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 though 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 Accounts
For The Year Ended June 30, 2012

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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 Accounts

For The Year Ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
		--------------(Rs. in '000)--------------	
3 ROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	3.1	1,553,240	1,683,939
		1,553,240	1,683,939

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	
	---------------(Rs. in '000)---------------										
As at July 01 ,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%		
As at July 1 ,2010											
Cost	78,033	1,120,983	1,517,244	165,150	249,941	86,793	3,218,144	80,000	53,785	133,785	3,351,929
Accumulated depreciation	-	335,123	857,873	73,150	167,520	39,531	1,473,197	31,886	33,034	64,920	1,538,117
Net book value	78,033	785,860	659,371	92,000	82,421	47,262	1,744,947	48,114	20,751	68,865	1,813,812
Year ended June 30, 2011											
Opening net book value	78,033	785,860	659,371	92,000	82,421	47,262	1,744,947	48,114	20,751	68,865	1,813,812
Additions	-	15,364	-	-	-	-	15,364	-	-	-	15,364
Disposals	-	-	-	-	1,437	-	1,437	-	(1,437)	(1,437)	-
Cost	-	-	-	-	831	-	831	-	(831)	(831)	-
	-	-	-	-	606	-	606	-	(606)	(606)	-
Accumulated depreciation											
	-	39,278	65,967	9,200	16,358	4,726	135,529	4,811	4,207	9,018	144,547
Transfer											
Cost											
Accumulated depreciation											
	78,033	1,136,347	1,517,244	165,150	249,715	86,793	3,233,283	80,000	52,348	132,348	3,365,631
Depreciation for the year	-	374,401	923,841	82,350	183,735	44,256	1,608,583	36,697	36,411	73,108	1,681,691
Closing 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
		0	0	0	0	0		0	0		
As at June 30, 2011											
Cost	78,033	1,120,983	1,517,244	165,150	249,941	86,793	3,218,144	80,000	53,785	133,785	3,351,929
Accumulated depreciation	-	335,123	857,873	73,150	167,520	39,531	1,473,197	31,886	33,034	64,920	1,538,117
Net book value	78,033	785,860	659,371	92,000	82,421	47,262	1,744,947	48,114	20,751	68,865	1,813,812
Depreciation rate % per annum		5%	10%	10%	20%	10%		10%	20%		

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

Notes to the Accounts

For The Year Ended June 30, 2012

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

	Note	June 30, 2012	June 30, 2011
		--------------(Rs. in '000)--------------	
Cost of goods manufactured	18.1	**113,578**	125,642
Distribution expenses	19	**6,143**	6,752
Administration and general expenses	20	**10,979**	12,153
		130,700	144,547

4. STORES AND SPARES

Stores	**22,846**	23,457
Spares	**52,881**	53,149
	75,727	76,606

5. STOCK-IN-TRADE

Manufacturing stock		
Raw materials and components	**641,063**	641,063
Work-in-process	**21,983**	21,983
Finished goods	**9,237**	9,237
	672,283	672,283
Trading stock		
Vehicles	**-**	1,364
Spare parts	**32,423**	33,399
	32,423	34,763
In transit	**3,427**	3,439
	708,133	710,485
Less : Provision for obsolescence / slow moving stocks	**(84,540)**	-
	623,593	710,485

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**	99,562
Dewan Motors (Private) Limited	**82,878**	99,918
	875,700	892,740

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - Considered good		
Suppliers and contractors	**215,807**	218,912
Employees	**966**	2,833
Sales tax	**29,709**	30,304
	246,482	252,049
Deposits		
Margin against letters of guarantees	**2,050**	2,050
Others	**11,463**	11,261
	13,513	13,311
Prepayments		
Rent	**-**	393
Other receivables		
Insurance	**1,788**	1,788
Markup on loans to associated undertakings (note 6)	**466,253**	362,173
	468,041	363,961
	728,036	629,714

Notes to the Accounts

For The Year Ended June 30, 2012

8. INVESTMENT - AVAILABLE FOR SALE

	June 30, 2012	June 30, 2011
	----------------(Rs. in '000)----------------	
Investment in Ordinary shares of Dewan Cement Limited (DCL) - Related party		
44,650,273 ordinary shares of Rs. 10 each	**446,503**	446,503
16,681,818 Sold ordinary shares @ 1.67 each	**(166,818)**	-
	279,685	446,503
Impairment loss due to change of value of investments charged to profit and loss account	**(183,753)**	(374,616)
	95,932	71,887
Market value (Rupees per share)	**3.43**	1.61
Percentage of equity held	**7.19%**	12.49%

8.1 The market price of related party's share wherein company has investment shows increasing 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 28, 2012 (i.e. the date on which the financial statements were authorised for issue) is Rs.4.95 per share, thereby increasing the market value of the investment by Rs.42.512 million.

8.2 During the year the company has sold its investment and adjust the loan of the one of the Financial institution.

9. TAXATION

Income tax assessments of the company have been finalized upto and including the tax year 2010 relating to income year ended June 30, 2010 and certain appeals are pending before the income tax appellate authorities.

10. CASH AND BANK BALANCES

	Note	June 30, 2012	June 30, 2011
		----------------(Rs. in '000)----------------	
Cash in hand		**724**	757
Cash at banks in PLS accounts		**-**	28,418
Cash at banks in current accounts	10.1	**117,422**	116,968
		118,146	146,143

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, no confirmation from banks are received as the company is in litigation with banks.

Notes to the Accounts
For The Year Ended June 30, 2012

11. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2012	2011		Note	June 30, 2012	June 30, 2011
(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 Movement in Shares

	2012	2011
Opening balance	**108,735**	88,973
Issued during the year	**-**	19,762
	108,735	108,735

11.2 13,650,000 (2011: 13,650,000) shares held by Related party

12. LONG TERM LOANS - SECURED

	Note	June 30, 2012	June 30, 2011
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**	**1,159,461**	940,701
		19,968	238,728

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 14.31% (2011 : 16.12 %) per annum.

The loan 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 14.81% (2011: 16.53%) 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 14.31% (2011: 16.03%) 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.

Notes to the Accounts

For The Year Ended June 30, 2012

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 15.81% (2011: 17.53 %) 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 14.31% (2011 : 16.12 %) 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.

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 14.81% (2011: 16.53%) 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 14.31% (2011: 17.62%) 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. 940.701 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 no comfirmation have been received.

13. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	June 30, 2012	June 30, 2011
		----------(Rs. in '000)----------	
Opening Balance		44,884	48,409
Payments		(3,250)	(3,525)
Current portion shown under current liabilities		(41,634)	(44,884)
		-	-

	Note	June 30, 2012		June 30, 2011	
		Minimum lease Payments	Present Value	Minimum lease Payments	Present Value
Not later than one year		42,420	41,634	45,906	44,884
Later than one year		-	-	-	-
		42,420	41,634	45,906	44,884
Financial charges		(786)	-	(1,022)	-
		41,634	41,634	44,884	44,884
Current portion shown under current liabilities	13.1	(41,634)	(41,634)	(44,884)	(44,884)
		-	-	-	-

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

Notes to the Accounts

For The Year Ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
		----------(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		315,889	318,134
Less: Debit balance arising due to:			
Gratuity		1,593	1,593
Carry forward tax losses and others		2,865,811	1,383,246
		2,867,404	1,384,839
Deferred tax assets		(2,551,514)	(1,066,704)
Deferred tax asset not recognized		2,551,514	1,066,704
		-	-
14.2 Staff gratuity			
Balance at the beginning of the period		4,552	4,696
Less: Payments made during the period		-	144
		4,552	4,552
15. TRADE AND OTHER PAYABLES			
Creditors			
Trade creditors		2,178,255	2,188,096
Accrued liabilities			
Accrued expenses		160,858	32,812
Advances from customers		279,799	301,850
Unclaimed dividend		1,816	1,816
Other Payables			
Custom duties	15.1	11,534	11,534
Royalty payable		-	32,637
Sales tax payable		4	32
Miscellaneous		1,013	956
		12,551	45,159
		2,633,279	2,569,733
15.1 Custom duties			
Balance at the beginning of the period		11,534	15,131
Add: provision made during the year		-	7,040
		11,534	22,171
Less: payment made during the period		-	10,637
		11,534	11,534
16. SHORT TERM FINANCES - SECURED			
Under mark-up / profit arrangements		2,203,747	2,231,596

The facilities for short term finances under markup / profit arrangements available from various banks mounted to Rs.2,255 (2011: Rs.2,255) million. The rate of markup / profit ranges from 12.55% to 20.00% (2011: 13.02% 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 litigation with banks no confirmations have 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.

Notes to the Accounts

For The Year Ended June 30, 2012

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 (2011: Rs. 250.336) million.

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 as at June 30, 2012 amounts to Rs. Nil (2011: Nil).

17.5 Commitments in respect of letters of credit other than for capital expenditure amounts to Rs. Nil (2011: Nil).

18 OPERATING RESULTS

	Note	Manufacturing		Trading		Total	
		June 30, 2012	June 30, 2011	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
		(Rs. in '000)					
Sales		**-**	192,470	**3,263**	17,555	**3,263**	210,025
Sales tax		**-**	27,726	**216**	1,205	**216**	28,931
Special Excise duty		**-**	1,651	**-**	-	**-**	1,651
Commission and discounts		**-**	3,060	**-**	-	**-**	3,060
		-	32,437	**216**	1,205	**216**	33,642
Net sales		**-**	160,033	**3,047**	16,350	**3,047**	176,383
Cost of sales							
Opening stock		**9,236**	12,973	**34,763**	37,973	**43,999**	50,946
Cost of goods manufactured	**18.1**	**189,535**	463,320	**-**	-	**189,535**	463,320
Purchases		**-**	-	**285**	8,055	**285**	8,055
Closing stock		**(9,236)**	(9,236)	**(32,423)**	(34,763)	**(41,659)**	(43,999)
		189,535	467,057	**2,625**	11,265	**192,160**	478,322
Gross (loss) / profit		**(189,535)**	(307,024)	**422**	5,085	**(189,113)**	(301,939)
Distribution expenses	**19**	**-**	65,845	**47,437**	6,727	**47,437**	72,572
Administration and general expenses	**20**	**-**	101,720	**51,304**	10,392	**51,304**	112,112
		-	167,565	**98,741**	17,119	**98,741**	184,684
Operating (Loss)		**(189,535)**	(474,589)	**(98,319)**	(12,034)	**(287,854)**	(486,623)

Notes to the Accounts
For The Year Ended June 30, 2012

18.1 Cost of goods manufactured

	Note	June 30, 2012	June 30, 2011
		----------(Rs. in '000)----------	
Raw material and vendor parts consumed			
Opening stock		641,062	280,814
Purchases		-	463,159
Closing stock		(641,062)	(641,062)
		-	102,911
Stores and spares consumed	18.2	994	2,047
Salaries, wages and other benefits		50,827	73,441
Insurance		220	4,052
Depreciation	3.2	113,578	125,642
Communication		164	363
Printing, stationery and office supplies		23	14
Rent, rates & Taxes		100	100
Running royalty & technical fee		-	1,046
Federal excise duty on royalty		2,946	1,181
Utilities		14,796	35,113
Traveling & entertainment		310	1,368
Vehicle running		1,502	1,483
Fee & subscription		-	22
Security		-	1,617
Repairs and maintenance		4,050	2,922
Miscellaneous		25	14
Add: Opening stock of work-in-process		21,982	131,966
Less: Closing stock of work-in-process		(21,982)	(21,982)
		189,535	360,409
		189,535	463,320

18.2 Included herein is a sum of Rs.0.829 (2011: Rs.1.817) miilion relating to recognized provident fund scheme.

Notes to the Accounts

For The Year Ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
		---------(Rs. in '000)----------	
19. DISTRIBUTION EXPENSES			
Salaries, allowances and other benefits	19.1	35,625	48,194
Rent, rates and taxes		53	231
Depreciation	3.2	6,143	6,752
Insurance		152	1,329
Traveling & entertainment		408	1,399
Vehicle running		3,089	3,481
Communication		481	1,185
Utilities		75	527
Printing, stationery and office supplies		31	193
Legal and professional		1,010	145
Advertising & sales promotion		50	8,575
Fee and subscription		-	14
Repairs and maintenance		242	39
Warranty claims and PDI & FFS		28	504
Miscellaneous		50	4
		47,437	72,572

19.1 Included herein is a sum of Rs.0.905 (2011: Rs.1.599) 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, 2012	June 30, 2011
20. ADMINISTRATION AND GENERAL EXPENSES		---------(Rs. in '000)----------	
Salaries, allowances and other benefits	20.1	25,035	67,166
Rent, rates and taxes		508	10,644
Depreciation	3.2	10,979	12,153
Insurance		339	3,788
Traveling & entertainment		504	561
Vehicle running		3,978	6,576
Communication		1,615	1,918
Utilities		120	960
Printing, stationery and office supplies		421	767
Legal and professional		6,465	4,422
Advertising & publicity		68	59
Fee and subscription		444	2,130
Repairs and maintenance		73	157
Auditors' remuneration		540	540
Miscellaneous		215	271
		51,304	112,112

20.1 Included herein is a sum of Rs.0.683 (2011: Rs. 2.114) million relating to recognized Provident fund scheme.

Notes to the Accounts

For The Year Ended June 30, 2012

	Note	June 30, 2012	June 30, 2011
20.1 Auditors' Remuneration		---------(Rs. in '000)----------	
Audit fee		**330**	330
Interim review and other certifications		**110**	110
Out of pocket expenses		**100**	100
		540	540

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

	Note	June 30, 2012	June 30, 2011
21. OTHER INCOME		---------(Rs. in '000)----------	
Exchange gain - net		**590**	150
Gain on disposal of fixed assets		**-**	909
Profit on Short Term Loan to Associated undertakings	**21.1**	**142,839**	-
Others		**767**	928
		144,196	1,987

21.1 Last year Finance cost is net of profit on PLS accounts and profit on short term loans Rs.148.67 million charged to associated undertaking.

22 FINANCE COST

During the year ended June 30, 2012 the company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs. 891.753 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, 2012	June 30, 2011
23. TAXATION	---------(Rs. in '000)----------	
Current - for the year	**-**	1,873
- for prior years	**(7,174)**	(11,036)
	(7,174)	(9,163)

23.1 Relationship between tax expense and accounting loss

Accounting (loss)	**(228,637)**	(1,288,916)
Corporate tax rate	**35%**	**35%**
Tax on accounting (loss) on applicable rate	**(80,023)**	(430,120)
Tax effect of presumptive tax / minimum tax and others	**80,023**	431,993
Tax effect of income tax provision for prior years	**(7,174)**	(11,036)
Tax (reversal) for the years	**(7,174)**	(9,163)

Notes to the Accounts

For The Year Ended June 30, 2012

24. (LOSS) PER SHARE

		June 30, 2012	June 30, 2011
		---------(Rs. in '000)----------	
24.1 Basic (loss) per share			
Net (loss) for the period	Rs. In thousands	**(221,463)**	(1,215,734)
Weighted average number of ordinary shares	number in thousands	**108,735**	93,630
Basic (loss) per share	Rupees	**(2.04)**	(12.98)
24.2 Diluted (loss) per share			
Net (loss) for the period	Rs. In thousands	**(221,463)**	(1,215,734)
Weighted average number of ordinary shares	number in thousands	**108,735**	93,630
Diluted (loss) per share	Rupees	**(2.04)**	(12.98)

25. CASH AND CASH EQUIVALENTS

	June 30, 2012	June 30, 2011
Cash and bank balances	**118,146**	146,143
Short term finances	**(1,903,747)**	(1,931,596)
	(1,785,601)	(1,785,453)

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	June 30, 2012			June 30, 2011		
	Chief Executive	**Director**	**Executive**	Chief Executive	Director	Executive
	----------	----------	----------	Rs. in '000'	----------	----------
Managerial remuneration	-	-	**19,329**	-	-	22,881
Bonus	-	-	-	-	-	-
House rent, utilities and other benefits	-	-	**10,678**	-	-	12,645
Retirement benefits	-	-	**1,610**	-	-	1,906
Medical	-	-	**1,611**	-	-	1,907
Leave passage / assistance	-	-	**1,933**	-	-	2,288
	-	-	**35,161**	-	-	41,627
No. of persons	**1**	**1**	**13**	**1**	**1**	**17**

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, 2012	June 30, 2011
	------------(Rs. in '000)-----------	
Sales	928	1,007
Purchases	285	399,585
Royalty and technical fee	-	2,227
Markup charged for the period on short term loans to associated undertakings	142,839	147,413
Amount received against markup on short term loans to associated undertakings	38,759	33,822

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 (2011:10,000) units. Production during the year from the facility is Nil (2011: 201) units. The production for the year remained suspended due to freezing of working capital limits by banks.

Notes to the Accounts
For The Year Ended June 30, 2012

29. FINANCIAL INSTRUMENTS BY CATEGORY

	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
	651,197	95,932	-	747,129

	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	-	2,619,925	2,619,925
	-	2,619,925	2,619,925

	As at June 30, 2011			
	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total
	Rs. In '000			
Assets				
Loans	-	-	-	-
Deposits	39,813	-	-	39,813
Trade debts	23,021	-	-	23,021
Other receivables	363,961	-	-	363,961
Investments at fair value through profit or loss	-	71,887	-	71,887
Cash and bank balance	146,143	-	-	146,143
	572,938	71,887	-	644,825

	As at June 30, 2011		
	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	Rs. In '000		
Liabilities			
Trade and other payables	-	2,556,351	2,556,351
	-	2,556,351	2,556,351

Notes to the Accounts
For The Year Ended June 30, 2012

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 counterparites.

The Company has maintained bank balanaces 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 (2011: Rs 1,513.896) million, the financial assets which are subject to credit risk amounted to Rs.1,384.054 (2011: Rs. 1,295.867) 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 significants changes in gap position can be adjusted. The company exposed to interest / markup rate risk is respect of the following

Notes to the Accounts

For The Year Ended June 30, 2012

	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, 2012
	%	(Rs. in '000)						
ON-BALANCE SHEET FINACIAL 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
		875,700	-	875,700	722,432	-	722,432	1,598,132
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
		3,363,208	19,968	3,383,176	2,340,127	17,700	2,357,827	5,741,003
OFF-BALANCE SHEET FINACIAL INSTRUMENTS								
Commitment in respect of letters of credit		-	-	-	-	-	-	-
Outstanding bank guarantee		-	-	-	233,336	17,000	250,336	250,336
		-	-	-	233,336	17,000	250,336	250,336

	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, 2011
	%	(Rs. in '000)						
ON-BALANCE SHEET FINACIAL INSTRUMENTS								
June 30, 2011								
FINANCIAL ASSETS								
Trade debts		-	-	-	23,021	-	23,021	23,021
Loans to associated undertakings	16.51	892,740	-	892,740	-	-	-	892,740
Advances, deposits and other receivables		-	-	-	380,105	-	380,105	380,105
Investment		-	-	-	71,887	-	71,887	71,887
Cash and bank balances		-	-	-	146,143	-	146,143	146,143
		892,740	-	892,740	621,156	–	621,156	1,513,896
FINANCIAL LIABILITIES								
Long term loans	15.25-18.68	940,701	238,728	1,179,429	-	-	-	1,179,429
Long term deposits		-	-	-	-	17,700	17,700	17,700
Trade and other payables		-	-	-	2,554,501	-	2,554,501	2,554,501
Short term finances	16-23.00	2,231,596	-	2,231,596	-	-	-	2,231,596
		3,172,297	238,728	3,411,025	2,554,501	17,700	2,572,201	5,983,226
OFF-BALANCE SHEET FINACIAL INSTRUMENTS								
Commitment in respect of letters of credit		-	-	-	-	-	-	-
Outstanding bank guarantee		-			233,336	17,000	250,336	250,336
		-	-	-	233,336	17,000	250,336	250,336

Notes to the Accounts

For The Year Ended June 30, 2012

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, 2012	June 30, 2011
32. NUMBER OF EMPLOYEES	**186**	226

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 28, 2012 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

Ishtiaq Ahmad
Director

DEWAN FAROOQUE MOTORS LIMITED

Pattern of Shareholding under the Code of Corporate Governance

as at June 30, 2012

Srl #	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**	7	42,424,904	39.02%
4.	**Executives**	-	-	0.00%
5.	**Public Sector Companies & Corporations**	49	2,992,710	2.75%
6.	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds**	9	1,014,454	0.93%
7.	**Individuals**	3,953	48,653,174	44.74%
	TOTAL	**4,019**	**108,735,242**	**100.00%**

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	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 Abdul Rehman Farooqui	1	195,500	0.18%
3.3	Mr. Haroon Iqbal	1	1,000	0.00%
3.4	Mr. Aziz ul Haq	1	500	0.00%
3.5	Mr. Ishtiaq Ahmed	1	500	0.00%
3.6	Mr. Waseem-ul-Haque Ansari	1	500	0.00%
3.7	Mrs. Hina Yousuf	1	472,500	0.97%
		7	**41,926,154**	**39.09%**
	Spouses of Directors and CEO			
4	Mrs. Samina Rehman	1	498,750	0.46%
		1	**498,750**	**0.46%**
	Minor Children of Directors and CEO	-	-	-

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

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Muhammad 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)

FORM 34

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 Shareholder as at: 30.06.2012

Number of Shareholders	Shareholdings				Total Shares held
481	1	-	100	Shares	17,004
422	101	-	500	Shares	172,583
987	501	-	1,000	Shares	736,803
1,206	1,001	-	5,000	Shares	3,533,533
406	5,001	-	10,000	Shares	3,255,873
137	10,001	-	15,000	Shares	1,699,814
75	15,001	-	20,000	Shares	1,399,864
60	20,001	-	25,000	Shares	1,425,768
32	25,001	-	30,000	Shares	921,854
18	30,001	-	35,000	Shares	599,664
20	35,001	-	40,000	Shares	769,482
13	40,001	-	45,000	Shares	552,697
34	45,001	-	50,000	Shares	1,681,867
8	50,001	-	55,000	Shares	428,760
10	55,001	-	60,000	Shares	584,496
3	60,001	-	65,000	Shares	191,216
3	65,001	-	70,000	Shares	204,500
8	70,001	-	75,000	Shares	598,000
5	75,001	-	80,000	Shares	389,665
4	80,001	-	85,000	Shares	337,000
6	85,001	-	90,000	Shares	536,728
1	90,001	-	95,000	Shares	91,150
10	95,001	-	100,000	Shares	999,001
5	100,001	-	105,000	Shares	515,956
3	105,001	-	115,000	Shares	332,649
3	115,001	-	120,000	Shares	359,439
3	120,001	-	125,000	Shares	373,399
3	125,001	-	130,000	Shares	386,000
2	130,001	-	150,000	Shares	300,000
1	150,001	-	160,000	Shares	160,000
1	160,001	-	165,000	Shares	161,773
1	165,001	-	170,000	Shares	170,000
1	170,001	-	175,000	Shares	175,000
1	175,001	-	195,000	Shares	195,000
5	195,001	-	200,000	Shares	995,495
1	200,001	-	210,000	Shares	210,000
3	210,001	-	215,000	Shares	639,000
1	215,001	-	245,000	Shares	245,000
2	245,001	-	250,000	Shares	494,936
2	250,001	-	270,000	Shares	517,139
1	270,001	-	280,000	Shares	279,000
2	280,001	-	300,000	Shares	600,000
1	300,001	-	325,000	Shares	320,000
1	325,001	-	365,000	Shares	362,000
2	365,001	-	400,000	Shares	796,500
1	400,001	-	420,000	Shares	415,144
1	420,001	-	435,000	Shares	430,150
4	435,001	-	475,000	Shares	1,890,000
1	475,001	-	500,000	Shares	500,000
2	500,001	-	505,000	Shares	1,003,500
1	505,001	-	615,000	Shares	613,750
1	615,001	-	620,000	Shares	617,500
1	620,001	-	705,000	Shares	704,234
1	705,001	-	825,000	Shares	823,606
1	825,001	-	875,000	Shares	872,000
1	875,001	-	945,000	Shares	940,000
1	945,001	-	1,000,000	Shares	1,000,000
1	1,000,001	-	1,365,000	Shares	1,365,000
1	1,365,001	-	1,400,000	Shares	1,400,000
1	1,400,001	-	1,800,000	Shares	1,764,550
1	1,800,001	-	2,260,000	Shares	2,257,500
3	2,260,001	-	2,550,000	Shares	7,517,046
1	2,550,001	-	13,650,000	Shares	13,650,000
1	13,650,001	-	41,255,654	Shares	41,255,654
4,019	**Total**				**108,735,242**

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	42,424,904	39.02%
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	1,014,104	0.93%
5.5	Insurance Companies	225	0.00%
5.6	Modarabas and Mutual Funds	125	0.00%
5.7	Shareholders holding 5%	54,905,654	50.49%
5.8	General Public		
	a. Local	48,625,774	44.72%
	b. Foreign	27,400	0.03%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	2,992,710	2.75%

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 falling 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 14th Annual General Meeting of the Company to be held on Wednesday,

October 24, 2012 at 01:00 p.m. and my adjournment thereof.

AFFIX REVENUE STAMP RS. 5/-

Signed this ______________ day of ___________ 2012

Signature ____________________

Witness: ____________________

Name: ____________________

Address: ____________________

____

Witness: ____________________

Name: ____________________

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 Regisrar 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 perons, 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.

WWW.YOUSUFDEWAN.COM