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Mission Statement

Our mission is to make Dewan Automotive Engineering Limited a professionally run engineering enterprise which should contribute towards national goal of self reliance by providing excellent quality Motorcycles, Automotive Parts, Tractors and other allied Products.

We will conduct our affairs diligently, responsibly and in a straight forward manner to the manifest advantage of our customers, employees and shareholders.

COMPANY INFORMATION

BOARD OF DIRECTORS	:	**Executive Director** Dewan Muhammad Yousuf Farooqui CEO & Chairman Board of Directors **Non-Executive Directors** Dewan Asim Mushfiq Farooqui Dewan Abdullah Ahmed Dewan Abdul Baqi Farooqui Dewan Abdul Rehman Farooqui Mr. Haroon Iqbal **Independent Director** Mr. Azizul Haque
COMPANY SECRETARY	:	Muhammad Naeemuddin Mailk
AUDIT COMMITTEE	:	Dewan Abdul Rehman Farooqui — Chairman Mr. Haroon Iqbal — Member Mr. Azizul Haque — Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	:	Mr. Haroon Iqbal — Chairman Dewan Muhammad Yousuf Farooqui — Member Mr. Azizul Haque — Member
AUDITORS	:	Faruq Ali & Company Chartered Accountants House No. 222-A, K.M.C.H. Society Justice Inamullah Road, Hill Park, Karachi. Ph: 021-4301966-69 Fax: 92-21-4301965
LEGAL ADVISORS	:	A. K. Brohi
SHARE REGISTRAR/ TRANSFER AGENT	:	BMF Consultants Pakistan (Private) 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.
BANKERS	:	Muslim Commercial Bank Limited KASB Bank Limited Soneri Bank Limited Faysal Bank Limited NIB Bank Limited Summit Bank Limited The Bank of Punjab Habib Bank Limited Bank Islami Pakistan Limited
REGISTERED OFFICE	:	Finance & Trade Centre Block-A, 7th Floor, Shahrah-e-Faisal, Karachi
FACTORY	:	Plot Nos. A1-A50, Hub Industrial Trading Estate, Hub, District Lasbela, Balochistan Dewan City Sajawal District Thatta, Sindh.
WEBSITE	:	www.yousufdewan.com

NOTICE OF THE THIRTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of **Dewan Automotive Engineering Limited** ("***DAEL***" or "***the Company***") will be held on **Wednesday, October 24, 2012, at 02:00 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 StatutoryAuditors' 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:
To seek consent/ authorizations for the Board of Directors of the Company under the provisions of Section 196(3) of the Companies Ordinance, 1984 ("Ordinance")

By Order of the Board

Muhammad Naeemuddin Malik
Company Secretary

Date: September 28, 2012
Place: Karachi

"Statement under Section 160(1)(b) of the Companies Ordinance, 1984, read with SECP SRO 1227(I)/2005 dated December 12, 2005, concerning the Special Business, is attached alongwith the Notice circulated to the members of the Company, and is considered 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 SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984, READ WITH SECP SRO 1227(I)/2005 DATED DECEMBER 12, 2005

*This statement is annexed as an integral part of the notice of the annual general meeting of Dewan Automotive Engineering Limited ("**DAEL**" or "**the Company**") to be held on* **Wednesday, October 24, 2012, at 02:00 p.m.** at Dewan Cement Limited 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 seek consent/ authorizations for the Board of Directors of the Company under the provisions of Section 196(3) of the Companies Ordinance, 1984 ("Ordinance")"

1. The following is the information required under Section 160(1)(b) of the Ordinance, read with SECP SRO 1227(I)/2005 dated December 12, 2005:

Description of Asset(s)	Plant & Machinery / Electric Installation / Pattern
Cost	Rs. 16,519,152/-
Revalued amount	As at 30-06-2012 : Rs. 37,827,152/-
Book Value	Restated to revalued amount on the abovesaid date Rs. 24,429,364/-
Proposed manner of disposal	Private Transaction
Reasons for the proposed sale	To self/ internally generate cost-free liquidity/ funds in the Company
Benefits likely to accrue to the shareholders	i) Debt rationalization in turn reducing financial cost. ii) The motion is intended to alleviate the financial burden of the Company. T he liquidity generation is directed to provide working capital relief in order to efficiently carry the remainder of the operations of the Company.

2. The following resolutions are proposed to be passed, with or without modification(s):

"***IT IS HEREBY:***

"RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to sell / alienate the Company's Tractor Unit,/ segment of the Company, to such person or persons, and at such terms, conditions and price as the Board may consider equitable, fit, appropriate & Beneficial to the best interest of the Company".

3. The Directors do not have any, direct or indirect, interest in the special business hereby being transacted, except for their interests as shareholders of the Company.

DIRECTORS' REPORT

IF YE GIVE THANKS, I WILL GIVE YOU MORE **(HOLY QURAN)**

The Board of Directors of Dewan Automotive Engineering 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 Thirtieth 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 '000)	
Gross Sales	0	14,681
Gross (loss)	(39,565)	(58,631)
Operating (loss)	(172,492)	(211,091)
Net (loss) after tax	(192,869)	(208,072)
Accumulated (loss)	(2,223,411)	(2,040,626)

Year under review:

The industry growth during the year was 3.4% as against the target of 3.1%. The signs of recovery of Automobile industry which has started last year continued during the year and registered a growth of 3.3%. The two wheeler industry maintained a growth momentum carried from last year. Hike in prices of four wheelers and continued uncertainty in the transportation sector has contributed to increasing demand for two wheelers. Despite high markup rates, continued depreciation of Pak Rupees against all major currencies, escalating material prices, security concerns and energy shortage the industry growth prospects are still promising

During the year we have been discussing the restructuring with the financial institutions and is expected that it will be closed in a couple of week. With the support of the lender the Company's operation can be normalized as the market of consumer durable especially motorcycle is very encouraging. Though overall large scale manufacturing showed a growth rate of 1.8% during the period yet consumer automobile demand and production remained high due to improved liquidity in the agriculture sector on account of highest ever production of rice, sugarcane and strong cotton harvest. The management is taking all possible measures to sustain under these crucial circumstances and taking all possible measures, including the revival of motorcycle operations, to come out of this dilemma.

Following are the comments on Auditors qualifications, as per Auditors' Report:

Para (a) and (b) regarding going concern and non provisioning of mark up: The Management has explained the status of the matter in respective Notes No. 2 and 28.1 to the financial statements.

Para (c) regarding actuarial valuation for staff retirement benefits: Provision for gratuity has not been made on the basis of actuarial valuation method as, in view of management the impact of actuarial would not be material. The operations are almost closed and only few staff members are in service. The actuarial valuation method for gratuity will be adopted as and when the normal operations are resumed.

Para (d) regarding short provision for slow moving stock: Management is confident that the company would be able to, finalize the financial restructuring with the lenders and will resume normal operations and stock in trade will be consumed in normal course of business operations, hence no further provision for slow moving stocks will be necessary.

Statement of Compliance with under Clause XIX of the Code of Corporate Governance:

- 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 2 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 21 of the annexed audited financial statement;

The Board of Directors comprise of individuals with diversified knowledge who endeavor to contribute towards the aim of the Company with the best of their abilities. During the year five meetings of the Board were held. The attendance of directors was as follows;

Names	No of Meetings Attended
Dewan Muhammad Yousuf Farooqui	4
Dewan Asim Mushfiq Farooqui	4
Dewan Abdullah Ahmed	3
Dewan Abdul Baqi Farooqui	2
Mr. Haroon Iqbal	5
Dewan Abdul Rehman Farooqui	5
Mr. Aziz-ul Haque	5

Leave of absence was granted to those directors who applied for the leave.
The audit committee comprises of three directors, two of them are non-executive. During the year four meeting were held which were attended by all the members.

Auditors:
The present Auditors Messrs Faruq Ali & Co, Chartered Accountants, have retired and offer themselves for re-appointment.
The Board of Director on recommendation of the Audit committee has recommended the re-appointment of Messrs Faruq Ali & Co, Chartered Accountants.

Loss per share
The Loss per Share is Rs. 9.01

Dividend
Due to loss for the year as well as accumulated losses, no dividend has been recommended by the Board.

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, 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 **(HOLY QURAN)**

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Date: September 28, 2012
Place: Karachi

SUMMARISED KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

Rupees in '000'

	2012	2011	2010	2009	2008	2007
Fixed Assets	379,500	461,228	559,071	604,596	975,287	634,088
Deferred Cost	580	773	966	1,159	1,352	1,545
Intangible	-	9,296	18,591	27,886	37,181	46,476
Long term deposit	348	348	1,938	1,938	2,088	707
Current assets	358,321	354,819	402,374	516,786	942,073	1,228,017
Long term Investment	-	-	-	-	-	40,000
Issued subscribed & paid up capital	214,000	214,000	214,000	214,000	214,000	214,000
Reserves-net	242,150	177,062	178,184	(94,953)	(12,280)	145,432
Shareholders equity	(1,767,261)	(1,649,564)	(1,445,962)	(1,210,211)	(791,501)	(337,765)
Surplus on revaluation of fixed assets	75,271	85,355	148,947	154,989	326,114	62,204
Deferred liabilities	15,416	14,158	10,799	11,025	10,692	9,365
Long term financing	722,552	722,552	722,552	722,552	743,826	760,785
Current liabilities	1,701,991	1,650,965	1,540,593	1,464,747	1,573,241	1,423,409
Turnover	-	12,465	121,422	283,972	557,666	608,810
Gross(Loss)/ Profit	(39,565)	(58,631)	(41,343)	(10,173)	(53,490)	(63,876)
Profit/ (Loss) before tax	(183,092)	(211,085)	(517,575)	(593,326)	(306,021)	(336,518)
Loss after tax	(192,869)	(208,072)	(514,930)	(507,162)	(304,484)	(327,314)
Transfer from surplus on revaluation of fixed assets to accumulated losses	10,084	5,592	6,042	16,762	8,460	6,318
Production of tractors (in numbers)	-	-	-	10	59	33
Production of Motorcycles	-	110	2,707	6,858	9,239	9,532

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, five Non-Executive Directors and one 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.

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. The Directors report for this have prepared in compliance with the requirement of the CCG and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

12. 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.

13. The company has complied with all the corporate and financial reporting requirements of CCG.

14. The board has formed an Audit Committee. It comprises three members who are non-executive directors including the chairman of the committee.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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).

21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

22. We confirm that all the other material principles enshrined in the CCG have been complied with.

Dewan M. Yousuf Farooqui

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Date: September 28, 2012
Place: Karachi

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

222-A, Karachi, Memon Cooperative Housing Society, Justice Inamullah Road, Near Hill Park, Karachi-74800
E-mail: faac@cyber.net.pk
Telephone : (021) 4301966
(021) 4301967
(021) 4301968
(021) 4301969
Fax : (021) 4301965

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 Automotive Engineering Limited** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges, 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 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions 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 Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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.

Faruq Ali & Co.

Engagement partner: S. Fasih us Zaman

Date: September 28, 2012
Place: Karachi

CHARTERED ACCOUNTANTS

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

222-A, Karachi, Memon Cooperative Housing Society,
Justice Inamullah Road,
Near Hill Park, Karachi-74800
E-mail: faac@cyber.net.pk

Telephone : (021) 4301966
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(021) 4301968
(021) 4301969
Fax : (021) 4301965

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DEWAN AUTOMOTIVE ENGINEERING LIMITED** as at June 30, 2012 and the related profit and loss account, 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that**:**

a) The financial statements of the company have been prepared on going concern basis despite of the fact that the company incurred a net loss after taxation amounting to Rs.192.869 million during the year ended June 30, 2012 and as of that date its accumulated losses of Rs.2.223 billion have resulted in net capital deficiency of Rs.1.767 billion and its current liabilities exceeded its total assets by Rs.0.899 billion and operations of the company are closed. Furthermore, during the financial year ended June 30, 2009 company sold its land and factory building, where the company's main plant is situated, to a bank against settlement of running finance facilities and certain financial institution have gone into litigation for recovery of liabilities (refer note 24.1) and the company also intends to dispose off its assets related to tractor segment. The company has been unable to ensure timely repayments of long term loans as well as creditors due to liquidity problems and short term facilities have expired and not been renewed by the banks. These conditions lead us to believe that the going concern assumption used in preparation of these financial statements is inappropriate; consequently the assets and liabilities should have been stated at their realizable and settlement amounts respectively.

b) The company has not made provision of markup for the year amounting to Rs. 10.877 million (Up to June 30, 2011: Rs.27.699 million) (refer note 28.1) on account of restructuring proposal offered to the lenders as described in note 2 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 would have been higher by Rs.10.877 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.38.576 million.

c) The liability for staff retirement benefits reflected in these financial statements to the extent of Rs.15.416 million is not based on actuarial valuation as required by the International Accounting Standard 19 'Employee Benefits' as actuarial valuation of the same has not been carried out during the year and accordingly the related disclosures cannot be given. In the absence of actuarial valuation, we are unable to quantify the financial effect that may have on these financial statements.

Continuation Sheet

d) Stocks in trade includes stocks amounting to Rs.138.678 million which are slow moving against which provision to the extent of Rs.11.582 million has been made in these financial statements. Since the production is continuously decreasing, therefore further provision for slow moving stocks should be made in these financial statements. Had the provision been made the loss for the year would have been higher by 127.096 million.

e) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

f) 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 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;

g) in our opinion and to the best of our information and according to the explanations given to us, because of significance of the matters discussed in para (a) coupled with the financial effect of matter discussed in (b) to (d) above, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the Loss, its cash flows and changes in equity for the year then ended; and

g) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Faruq Ali & Co.

Engagement partner: S. Fasih us Zaman

Date: September 28, 2012
Place: Karachi

CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT JUNE 30, 2012

	NOTE	2012	2011
		Rupees in '000	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	4	379,500	461,228
Intangible	5	--	9,296
Deferred cost	6	580	773
Long term deposits		348	348
CURRENT ASSETS			
Stock in trade	7	156,429	156,429
Trade debts - Considered good	8	7,407	12,824
Advances - Considered good	9	6,396	9,991
Short term prepayments and other receivables	10	52,055	53,709
Advance income tax		6,798	57,924
Available for sale investments - At fair value	11	128,306	63,218
Cash and bank balances	12	930	724
		358,321	354,819
Non current assets held for sale	13	64,429	40,000
		803,178	866,464
EQUITY AND LIABILITIES			
AUTHORIZED SHARE CAPITAL			
21,800,000 Ordinary shares of Rs.10/- each		218,000	218,000
Issued, subscribed and paid-up capital	14	214,000	214,000
Reserves - Net	15	242,150	177,062
Accumulated loss		(2,223,411)	(2,040,626)
		(1,767,261)	(1,649,564)
Surplus on revaluation of property, plant and equipment	16	75,271	85,355
NON - CURRENT LIABILITIES			
Subordinated loan - Unsecured	17	722,552	722,552
Deferred liabilities - Staff gratuity	18	15,416	14,158
Deferred taxation	19	40,209	42,998
Long term loan - Secured	20	15,000	--
CURRENT LIABILITIES			
Trade and other payables	21	420,212	423,725
Markup accrued		509,459	397,554
Short term finance	22	742,570	742,570
Provision for taxation		--	38,616
Overdue portion of loans - Secured	23	23,750	48,500
Current portion of long term loan	20	6,000	--
		1,701,991	1,650,965
CONTINGENCIES	24	--	--
		803,178	866,464

The annexed notes form an integral part of these financial statements.

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Dewan Abdul Rehman Farooqui
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	NOTE	2012	2011
		Rupees in '000	
Sales - Net	25	--	12,465
Cost of sales	25	39,565	71,096
Gross loss		(39,565)	(58,631)
OPERATING EXPENSES			
Distribution expenses	26	2,054	3,030
Administrative expenses	27	18,941	34,970
Finance cost	28	111,932	114,460
		132,927	152,460
OPERATING LOSS		(172,492)	(211,091)
Other (loss) / income	29	(10,600)	6
Loss before taxation		(183,092)	(211,085)
Taxation			
Deferred		(2,789)	(3,013)
Current	30	--	--
Prior		12,566	--
		9,777	(3,013)
Loss after taxation		(192,869)	(208,072)
Other comprehensive income for the year:			
Changes in fair values of available for sale financial asset		65,088	(1,122)
Transfer from surplus on revaluation of fixed assets in respect of			
incremental depreciation		7,970	8,604
Surplus of land due to disposal		4,903	-
Related deferred tax		(2,789)	(3,012)
		10,084	5,592
Total comprehensive loss for the year		**(117,697)**	**(203,602)**
Loss per share - Basic and diluted (Rupees)	31	(9.01)	(9.72)

The annexed notes form an integral part of these financial statements.

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Dewan Abdul Rehman Farooqui
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(183,092)	(211,085)
Adjustment for non cash charges and other items		
Depreciation	36,299	40,350
Loss on disposal of land	10,600	--
Provision for gratuity - Net	1,258	3,359
Amortization of deferred cost and intangibles	9,489	9,488
Finance cost	111,932	114,460
Cash outflow before working capital changes	(13,514)	(43,428)
Working capital changes		
(increase)/decrease in current assets		
Stock in trade	--	25,997
Trade debts	5,417	9,635
Advances - Considered good	3,595	6,636
Short term prepayments and other receivables	1,654	3,963
	10,666	46,231
Increase/(decrease) in current liabilities		
Trade and other payables	(3,513)	24,723
	7,153	70,954
Cash (used) / generated from operations	(6,361)	27,526
Long term deposits	--	1,590
Finance cost paid	(27)	(13)
Income tax -Net	(56)	(228)
Net cash (outflow) / inflow from operating activities	(6,444)	28,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	--	(507)
Sale proceed of disposal of land	10,400	--
Net cash inflow/ (outflow) from investing activities	10,400	(507)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term finance	--	(28,798)
Payment of long term loan	(3,750)	
Net cash (outflow) from financing activities	(3,750)	(28,798)
Net increase / (decrease) in cash and cash equivalents	206	(430)
Cash and cash equivalents at the beginning of the year	724	1,154
Cash and cash equivalents at the end of the Period	**930**	**724**

The annexed notes form an integral part of these financial statements.

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Dewan Abdul Rehman Farooqui
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Issued, Subscribed and Paid-up Capital	Capital Reserves: Merger reserve	Capital Reserves: Unrealized (loss) due to change in fair value of Investments	Capital Reserves: Settlement claim from Ford Motors (Note 15.2)	Revenue Reserves: General Reserve	Revenue Reserves: Accumulated Loss	Total Rupees
	Rupees in '000						
Balance as at July 01, 2010	214,000	82,090	--	86,194	9,900	(1,838,146)	(1,445,962)
Total comprehensive (loss) for the year							
Loss for the year	--	--	--	--	--	(208,072)	(208,072)
Net change in fair value of available-for-sale financial assets	--	--	(1,122)	--	--	--	(1,122)
Incremental depreciation transferred from surplus on revaluation of property, plant and equipment - net of tax	--	--	--	--	--	5,592	5,592
Total comprehensive loss for the year	--	--	(1,122)	--	--	(202,480)	(203,602)
Balance as at June 30, 2011	**214,000**	**82,090**	**(1,122)**	**86,194**	**9,900**	**(2,040,626)**	**(1,649,564)**
Total comprehensive (loss) for the year							
Loss for the year	--	--	--	--	--	(192,869)	(192,869)
Net change in fair value of available-for-sale financial assets	--	--	65,088	--	--	--	65,088
Incremental depreciation and surplus relating to land transferred from surplus on revaluation of property, plant and equipment - net of tax	--	--	--	--	--	10,084	10,084
Total comprehensive loss for the year	--	--	65,088	--	--	(182,785)	(117,697)
Balance as at June 30, 2012	**214,000**	**82,090**	**63,966**	**86,194**	**9,900**	**(2,223,411)**	**(1,767,261)**

The annexed notes form an integral part of these financial statements.

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Dewan Abdul Rehman Farooqui
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2012

1 THE COMPANY AND ITS OPERATIONS

Dewan Automotive Engineering Ltd is a public Limited Company quoted on stock exchanges in Karachi (trading in defaulter counter) and Lahore. The company's business is the assembly-cum progressive manufacture and sale of tractors, light commercial vehicles and motorcycles and trading/manufacturing of parts and implements related thereto. The company was incorporated on May 6, 1982 and commenced commercial operations in August, 1983. The Company was taken over by Dewan Mushtaq Group in April 2004. The company seeking approval from its members for disposal of its tractor division / segment as more fully explained in note 4.5 to the financial statements.

2 GOING CONCERN ASSUMPTION

The company incurred a net loss of Rs. 192.869 million (2011: Rs. 208.072 million) during the year ended June 30, 2012, and, as of that date it has accumulated losses of Rs. 2,223.411 million (2011: Rs.2,040.626 million) which have resulted in negative equity of Rs. 1,767.261 million (2011: Rs. 1,649.564 million). The company's short term borrowing facilities have expired and not been renewed and the company has been unable to ensure scheduled payments of borrowings and to the creditors due to the liquidity problems. Following course, certain lenders has gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Therefore the company may not be able to realize its assets and discharge its liabilities in normal course of business.

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 re-profiling of the debt with all the lenders and is expected to be closed in near future. Accordingly, the company has approached its lenders for the restructuring of its entire debt in the following manner:

a) All the debt obligations of the company be converted into Interest Bearing Long Term Debt in proportion to their respective current exposures.

b) Principal to be repaid in 12 years in equal quarterly installments commencing from the 28th month of the restructuring date.

c) Mark-up payable as on December 31, 2008 to be freezed and paid quarterly over a period of three years commencing after 3 months from the restructuring date.

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 in the same lines it reached with one of the lender as discussed in note 20 and all pending litigations will be withdrawn. Accordingly, these financial statements have been prepared on a going concern basis.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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 28.1 to the financial statements, for which the management concludes that provisioning of markup 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.

New and revised approved accounting standards, interpretations and amendments thereto

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

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 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 periods 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 in profit or loss, which currently is allowed 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 defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses as at 30 June 2012 would need to be recognized in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items 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 - Consolidated Financial Statements, IFRS 11- Joint Arrangements 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 clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes 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 of significant influence or joint control, even if an investment in an associate becomes an investment 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 periods 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.

- 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.

Annual Improvements 2009–2011 (effective for annual periods 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 interpretations.

- IAS 1 *Presentation of Financial Statements is amended to clarify that* only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then 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 items 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 distributions 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 i*s 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 reportable 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.

The amendments have no impact on financial statements of the Company.

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. The amendments have no impact on financial statements of the Company.

3.2 Basis of preparation

These accounts have been prepared under the historical cost convention modified to include the revaluation of land, factory building, plant and machinery and available for sale investments.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

i) Staff retirement benefits (note no. 3.11 and 18).
ii) Revaluation of property, plant and equipment (note no. 16).
iii) Taxation (note no. 3.14 and 30).

3.3 Property, plant and equipment

Owned
Property, plant and equipment are stated at cost / revalued amounts less accumulated depreciation except for the leasehold land which is stated at revalued amount. Depreciation is charged to income applying the reducing balance method over estimated useful life of the assets. Depreciation on additions is charged from the month the asset is put into use while on disposals upto the month the asset was in use. Depreciation is being charged at the rates given in note 4.1. Incremental depreciation on account of revaluation charged for the year on revalued assets is transferred from surplus on revaluation of property, plant and equipment to accumulated loss.

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewal and improvements are capitalized. Gain or loss, if any, on disposal of property, plant and equipment is included in income currently.

Leased
The company accounts for assets acquired under finance lease by recording the assets and related liability. Assets are recorded at lower of present value of minimum lease payments under the lease agreements and fair value of the assets. The aggregate amounts of obligation relating to these assets are accounted for at net present value of liabilities. Assets acquired under the finance leases are depreciated over the useful life of the respective asset in the manner and at the rates applicable to the company's owned assets. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of change on outstanding liabilities.

3.4 Intangible
An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Software under development are carried at cost. Direct cost include the purchase cost and directly attributable cost of preparing the asset for its intended use.

Intangible asset is amortized from the date such asset is put into use on straight line basis over its useful life.

3.5 Impairment of property, plant and equipment
The company assesses at each balance sheet date whether there is any indication that a tangible fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds recoverable amount, assets are written down to the recoverable amount.

3.6 Deferred costs
These are amortized on a straight line basis over a period of ten years, starting from the year in which company has commenced the commercial operations.

3.7 Stores, spares and stock in trade

These are valued at lower of cost and net realizable value. The cost is determined as follows:

Stores and spares	Average cost
Stock in trade:	
Raw material	Average cost
Goods in transit	Cost comprising invoice values plus other charges incurred thereon.
Work in process	Prime cost plus appropriate portion of manufacturing overheads.
Finished goods	Average cost

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

3.8 Trade and other receivables

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts, if any. An estimate for doubtful debts is made when collection of amount is no longer probable. Bad debts are written off when they are no longer recoverable.

Other receivables are recognized and carried at cost.

3.9 Investments

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair values (quoted market price), unless fair value cannot be reliably measured, in such case the investments are measured at cost. Gains and losses on re-measurement to fair value are recognized directly in equity through the statement of changes in equity.

3.10 Cash and cash equivalents

Cash in hand and at banks are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks.

3.11 Staff retirement benefits

The Company operates an un-funded gratuity scheme covering all employees according to the terms of employment, payable on cessation of employment, subject to a minimum qualifying period of service. Provisions are made on the basis of actuarial recommendations and actuarial valuations are carried out using the projected unit credit method.

The unrecognized actuarial gains or losses at each valuation date are amortized over the average remaining working lives of the employees in excess of 10% of the present value of the defined benefit obligation.

3.12 Deferred income

Deferred income arising out of sale and lease back transactions is amortized over the period of lease term.

3.13 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

3.14 Taxation

Current

Provision for current taxation is based on current rates of tax after taking into account tax credits and rebates available, if any.

Deferred

Deferred tax is accounted for, using the balance sheet liability method in respect of all temporary differences arising from the differences between the carrying amount of assets and liability in the financial statements and the corresponding tax basis used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future tax profits will be available against which the temporary differences can be utilized.

3.15 Financial instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

3.16 Off setting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of 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.

3.18 Foreign currency translation

Transactions in foreign currencies are recorded using the rates of exchange ruling at the date of transaction.

Assets and liabilities in foreign currencies, if any, are translated into rupees at the exchange rates prevailing on the balance sheet date except where forward exchange contracts have been entered into in which case the rates contracted for are used.

3.19 Related party transactions

All transactions with related parties are based on the policy that all transactions between the company and the related parties are carried out at arm's length basis.

3.20 Revenue recognition

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

3.21 Non current assets held for sale

Non current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less cost to sell.

3.22 Warranties

Warranty expenses are recognized as and when claims are received.

3.23 Borrowings costs

Borrowing costs are recognized as an expense in the period in which these are incurred, except to the extent that these are directly attributable to the construction of qualifying assets in which case these are capitalized as part of the cost of that asset.

	Note	2012	2011
		Rupees in '000	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - At cost less accumulated depreciation	4.1	378,821	460,549
Capital work in progress - At cost	4.6	679	679
		379,500	461,228

4.1 Operating fixed assets - At cost / revaluation less accumulated depreciation

PARTICULARS	2012 COST / REVALUATION						Rate	DEPRECIATION					Book Value
	As at July 01 2011	Additions	(Deletions)	Transfer to Non-current Assets held for sale	Revaluation	As at June 30 2012	%	As at July 01 2011	On disposals	For the year	Transfers	As at June 30 2012	As at June 30 2012
	Rupees in '000							Rupees in '000					
Freehold land	1,800	--	--	--	--	1,800	--	--	--	--	--	--	1,800
Factory building on free hold land													
Cost	122,502	--	--	--	--	122,502	5 to 10	18,348	--	5,207	--	23,555	98,947
Revaluation	101,499	--	--	--	--	101,499	5	15,202	--	4,315	--	19,517	81,982
Lease hold land													
Cost	16,097	--	(16,097)	--	--	--	--	--	--	--	--	--	--
Revaluation	4,903	--	(4,903)	--	--	--	--	--	--	--	--	--	--
Plant and machinery													
Cost	228,366	--	--	(12,643)	--	215,723	10	64,573	--	16,379	(4,486)	76,466	139,257
Revaluation	50,995	--	--	(21,308)	--	29,687	10	14,439	--	3,656	(7,561)	10,534	19,153
Computer and Allied	3,293	--	--	--	--	3,293	10 to 30	2,819	--	90	--	2,909	384
Furniture & Office Equipments	31,334	--	--	--	--	31,334	10	16,522	--	1,481	--	18,003	13,331
Motor Vehicle	68,924	--	--	--	--	68,924	20	48,894	--	4,005	--	52,899	16,025
Tools and equipments	11,104	--	--	--	--	11,104	10	5,737	--	537	--	6,274	4,830
Refrigerators and air conditioners	1,506	--	--	--	--	1,506	10	1,059	--	45	--	1,104	402
Electrical appliances	318	--	--	--	--	318	10	144	--	18	--	162	156
Jigs and Fixtures	735	--	--	--	--	735	10	497	--	24	--	521	214
Electrical fittings	6,494	--	--	(3,764)	--	2,730	10	2,500	--	400	(1,249)	1,651	1,079
Dies	4,205	--	--	--	--	4,205	10	2,804	--	140	--	2,944	1,261
Patterns	112	--	--	(112)	--	--	20	100	--	2	(102)	--	--
Total - 2012	**654,187**	**--**	**(21,000)**	**(37,827)**	**--**	**595,360**		**193,638**	**--**	**36,299**	**(13,398)**	**216,539**	**378,821**

PARTICULARS	2011 COST / REVALUATION						Rate	DEPRECIATION					Book Value
	As at July 01 2010	Additions	(Deletions)	Adjustment	Revaluation	As at June 30 2011	%	As at July 01 2010	On disposals	For the year	Adjustment	As at June 30 2011	As at June 30 2011
	Rupees in '000							Rupees in '000					
Freehold land	1,800	--	--	--	--	1,800	--	--	--	--	--	--	1,800
Factory building on free hold land													
Cost	122,502	--	--	--	--	122,502	5 to 10	12,867	--	5,481	--	18,348	104,154
Revaluation	101,499	--	--	--	--	101,499	5	10,660	--	4,542	--	15,202	86,297
Lease hold land													
Cost	16,097	--	--	--	--	16,097	--	--	--	--	--	--	16,097
Revaluation	62,903	--	--	--	(58,000)	4,903	--	--	--	--	--	--	4,903
Plant and machinery													
Cost	227,931	435	--	--	--	228,366	10	46,374	--	18,199	--	64,573	163,793
Revaluation	50,995	--	--	--	--	50,995	10	10,378	--	4,061	--	14,439	36,556
Computer and Allied	3,293	--	--	--	--	3,293	10 to 30	2,699	--	120	--	2,819	474
Furniture & Office Equipments	31,334	--	--	--	--	31,334	10	14,877	--	1,645	--	16,522	14,812
Motor Vehicle	68,852	72	--	--	--	68,924	20	43,888	--	5,006	--	48,894	20,030
Tools and equipments	11,104	--	--	--	--	11,104	10	5,140	--	597	--	5,737	5,367
Refrigerators and air conditioners	1,506	--	--	--	--	1,506	10	1,009	--	50	--	1,059	447
Electrical appliances	318	--	--	--	--	318	10	125	--	19	--	144	174
Jigs and Fixtures	735	--	--	--	--	735	10	470	--	27	--	497	238
Electrical fittings	6,494	--	--	--	--	6,494	10	2,056	--	444	--	2,500	3,994
Dies	4,205	--	--	--	--	4,205	10	2,648	--	156	--	2,804	1,401
Patterns	112	--	--	--	--	112	20	97	--	3	--	100	12
Total - 2011	**711,680**	**507**	**--**	**--**	**(58,000)**	**654,187**		**153,288**	**--**	**40,350**	**--**	**193,638**	**460,549**

	Note	2012	2011
		Rupees in '000	
4.2 Depreciation for the year has been allocated as follows:			
Cost of sales		34,121	37,929
Distribution expenses		726	807
Administrative expenses		1,452	1,614
		36,299	40,350

4.3 Detail of Disposal is as follows:

Particulars	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	(Loss)	Mode of Disposal	Particulars of Buyer
	Rupees in '000						
Lease hold land	21,000	--	21,000	10,400	(10,600)	Negotiation	Muhammad Raees S/o Abdul Hafeez CNIC # 42201-0631045-9
2012	21,000	--	21,000	10,400	(10,600)		
2011	--	--	--	--	--		

4.4 During the financial year ended June 30, 2009 Land and building of the company situated at Hub Industrial Estate was sold to M/s. My Bank Limited against liabilities payable to the bank as consideration for the same. The company will retain the possession of properties and has the option to repurchase these properties from the bank within two years at the same consideration.

The Company, alongwith two of its associated companies, has filed a suit against the bank for declaration, permanent injunction and specific performance of Memorandum of Understanding dated December 04, 2008 signed between the bank and the company whereby it was agreed that the bank will rollover the existing facilities of the company against transfer of immovable properties with a buy back option. The company transferred its properties to the bank and liabilities were duly adjusted, however, the bank did not rollover the facilities. The Honorable Court vides its order dated December 29, 2010 restrained the bank from creating third party interests in the properties till the disposal of suit, against which the bank has filed an appeal before honorable court. The matter is pending before Honorable High Court of Sindh at Karachi therefore the ultimate outcome cannot be established at this stage.

4.5 During the year under consideration, the management approved the disposal of plant and machinery, electric installations and pattern relating to tractor division / segment. The disposal is subject to the approval of shareholders are required under section 196 (3) of the Companies Ordinance, 1984, accordingly the same will be placed in the upcoming annual general meeting. The assets have now been classified under 'non-current assets held for sale'.

	Note	2012	2011
		Rupees in '000	
4.6 Capital work in progress - At cost			
Civil works		145	145
Plant and machinery		534	534
		679	679
5 INTANGIBLE			
Computer software:			
Opening Balance		9,296	18,591
Amortization for the year	27	(9,296)	(9,295)
		--	9,296

5.1 Computer software is being amortized over its useful life of five years on straight line basis.

		Note	2012	2011
			Rupees in '000	
6	**DEFERRED COST**			
	Preliminary expenses		773	966
	Amortization for the year	27	(193)	(193)
			580	773
7	**STOCK IN TRADE**			
	Raw materials and components		124,442	124,442
	Provision for slow moving and obsolescence		(6,915)	(6,915)
			117,527	117,527
	Work in process		5,834	5,834
	Finished goods			
	Manufacturing stock		7,472	7,472
	Trading stock		30,263	30,263
	Less: provision for slow moving and obsolescence		(4,667)	(4,667)
			25,596	25,596
			156,429	156,429

7.1 Stocks have been written down by Rs. 30.977 million (2011: Rs.30.977) to net realizable values.

		Note	2012	2011
8	**TRADE DEBTS - Considered good**			
	Considered good		7,407	12,824
	Considered doubtful		1,739	1,739
			9,146	14,563
	Less: Provision for doubtful debts		1,739	1,739
			7,407	12,824
9	**ADVANCES - Considered good**			
	Employees		4,750	5,037
	Suppliers and contractors		413	2,844
	Other advances		1,233	2,110
			6,396	9,991
10	**SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES**			
	Prepayments		--	516
	Sales Tax		16,008	16,008
	Other receivables	10.1	30,438	31,438
	Deposits		5,609	5,747
			52,055	53,709

10.1 Includes Rs.29.953 million (2011: Rs,29.953 million) receivable from My bank Limited against the property sold as disclosed in note 4.4 to the financial statements.

		2012	2011
		Rupees in '000	
11	**AVAILABLE FOR SALE INVESTMENTS - At fair value**		
	In associated companies:		
	Dewan Cement Limited (DCL)		
	37,407,000 (2011: 37,407,000) Ordinary shares of Rs.10/- each @17.35 Market value per share Rs.3.43 (2011 : Rs.1.69)	649,142	649,142
	Accumulated impairment	(584,802)	(584,802)
	Unrealized gain / (loss) due to changes in fair values	63,966	(1,122)
		128,306	63,218
	Percentage of equity held	10.47%	10.47%
12	**CASH AND BANK BALANCES**		
	Cash at banks - In current accounts	864	602
	Cash in hand	66	122
		930	724
13	**NON CURRENT ASSETS HELD OF SALE**		
	Investment	40,000	40,000
	Non current assets relating to tractor division	24,429	--
		64,429	40,000
13.1	**Investment**		
	Dewan Mushtaq Trade Limited (associated company) 4,000,000 Ordinary shares of Rs.10/- each	40,000	40,000
13.2	**Non current assets relating to tractor division**		
	Plant and machinery	21,904	--
	Electrical fittings	2,515	--
	Pattern	10	--
		24,429	--

The above assets have been classified as held for sale upon management's intention to sell the same within next accounting cycle in the manner to be deemed appropriate, equitable, fit and beneficial to the interests of the company.

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		Note	2012	2011
No. of Shares				Rupees in '000	
Ordinary shares of Rs. 10/- each issued as fully paid in cash					
20,535,871	20,535,871			205,359	205,359
Ordinary shares of Rs. 10/- each issued as fully paid bonus shares					
864,129	864,129			8,641	8,641
21,400,000	21,400,000			214,000	214,000

15 RESERVES - Net

15.1 The detail of capital and revenue reserves has been given in statement of changes in equity.

15.2 Capital reserve on settlement claim from Ford Motors
This reserve arose due to receipt of settlement claim from Ford Motors, as per clause 12 (a) of the Compensation agreement between company and Ford Motors dated January 22, 1990.

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2012	2011
Balance as at July 01	85,355	148,947
Surplus transferred to accumulated loss relating to:		
- assets disposed off during the year - Net of tax	(4,903)	(58,000)
- incremental deprecation charged on related assets during the year - Net of tax	(5,181)	(5,592)
	75,271	85,355

Revaluation of land (leasehold and freehold), factory building and plant and machinery was carried out during May 2008 by independent valuers - M/s Asif Associates, Surveyors and Evaluators using the market value being the basis of revaluation which resulted in a revaluation surplus aggregating to Rs.379.671 million was credited to "Surplus on revaluation of property, plant and equipment account". The closing balance of surplus on revaluation of property, plant and equipment is not available for distribution to shareholders.

17 SUBORDINATED LOAN - Unsecured

	Note	2012	2011
From related parties			
Associated concerns		517,552	517,552
Director		205,000	205,000
	17.1	722,552	722,552

17.1 The above loan is interest free and unsecured. This loan shall be treated as subordinated to the principal amounts of the long term debt owing to the creditors of the Company from time to time and to all debts of the Company from time to time owing to the banks and financial institutions and accordingly may only be repaid by the Company in whole or in part provided that upon such repayment, the Company shall comply with the debt to equity ratio requirements of the Prudential Regulations of State Bank of Pakistan as applicable to the Company for the time being.

		Note	2012	2011
			Rupees in '000	
18	**DEFERRED LIABILITIES - Staff gratuity**			
	Employees retirements benefits	18.1	15,416	14,158

18.1 Movement in the net liability recognized

	Note	2012	2011
Opening liability		14,158	10,799
Expenses recognized	18.2	1,258	3,738
Paid during the year		--	(379)
	18.3	15,416	14,158

18.2 Expenses recognized

	2012	2011
Current service cost	998	2,966
Interest cost	399	1,186
Actuarial gains	(139)	(414)
	1,258	3,738

18.3 Balance sheet reconciliation

	2012	2011
Present value of defined benefits obligation	10,548	9,687
Actuarial gain to be recognized	4,868	4,471
	15,416	14,158

18.4 Allocation

	2012	2011
Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	679	2,019
Distribution expenses	365	1,084
Administrative expenses	214	635
	1,258	3,738

18.5 Principle actuarial assumptions

	2012	2011
Expected rate of increase in salaries	11% per annum	11% per annum
Discount factor used	12% per annum	12% per annum
Average expected remaining working life time of employees	6 years	6 years

19 DEFERRED TAXATION

	2012	2011
Deferred tax liability arising out of surplus on revaluation of property plant and equipment	40,209	42,998

19.1 Company has not recognized deferred tax asset amounting to Rs.702.830 million arising due to available tax losses and credits since it is not probable that future tax profits will be available against which the temporary differences can be utilized. The deferred tax liability reflected in these financial statements relates to the surplus on revaluation of property, plant and equipment only.

20 LONG TERM LOAN - Secured

	Note		
Settled liability		24,750	--
Less payments during the year		(3,750)	--
Total		21,000	--
Less transfer to current maturity		6,000	--
Closing balance		15,000	--

During the year under consideration a settlement has been reached with one of the financial institution for restructuring of liabilities. Accordingly an application was filed in Honorable High Court for consent decree which has been granted by the Honorable Court. As per terms of settlement a sum of Rs.24.750 million will be payable as 0.750 million as down payment and remaining balance in sixteen equal quarterly installments of Rs.1.500 million each. The total admitted liability is Rs.30.209 million, the difference of Rs.5.459 million will be waived if the company makes payment of settlement amount in timely manner.

21 TRADE AND OTHER PAYABLES

Trade creditors	307,449	307,449
Accrued expenses	50,552	49,179
Advances from dealers	41,751	46,669
Advance from customer	4,113	513
Corporate asset tax payable	155	155
Withholding tax payable	4,964	4,668
Worker's profit participation fund	145	145
Interest on workers' profit participation fund	47	47
Sales tax payable	--	1,913
Others	11,036	12,987
	420,212	423,725

22 SHORT TERM FINANCE

From banks - Secured			
Short term running finance	22.1	49,310	49,310
From related party (associated company) - Unsecured			
- interest bearing	22.2	693,260	693,260
		742,570	742,570

22.1 This represents short term bank borrowings are from commercial bank against limit of Rs.50 million at markup rate ranging from 2% over 6 months KIBOR (2011: 2% over 6 months KIBOR) payable quarterly in arrears. The facility is secured by way of first charge over stock in trade and receivables of the company. The facility has not been renewed by the bank, however the company has approached its lenders for restructuring of liabilities as explained in note 2 to the financial statements and further the bank has gone into litigation as more fully explained in note 24.1 to the financial statements.

22.2 This is an unsecured finance from associated company, which carries markup @ 16.14% per annum (2011: 16.50% per annum).

23 OVER DUE PORTION OF LOANS - Secured

Syndicated loan facilities obtained from Pak Kuwait Investment Company (Pvt.) Limited and Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited for the purpose of setting up of Automotive Air Conditioner Plant. The loan carries markup @ 6 months KIBOR plus 3.77% (2011: @ 6 months KIBOR plus 3.77%). The loan was repayable in twenty equal quarterly installments of Rs. 5.250 million each commencing from August 30, 2005. The loan is secured by first pari passu charge by way of equitable mortgage, hypothecation and floating charge on present as well as future assets of the company. Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited has gone into litigation as more fully explained in note 24.1 to the financial statements.

24 CONTINGENCIES

24.1 In respect of liabilities towards banks / financial institutions disclosed in note 22.1 and 23 to the financial statements, certain 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. 81.282 million. Since the company is in dispute with banks / financial institutions therefore the estimated financial effect of litigations is not being disclosed, as it may have adverse affect on company's position in the suits.

The management has disputed the claim and is strongly contesting the case. 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.

25 OPERATING RESULT

		Manufacturing		Trading		Total	
		2012	2011	2012	2011	2012	2011
		Rupees in '000					
Gross sales		--	14,681	--	7	--	14,688
Sales tax		--	2,119	--	--	--	2,119
Excise duty		--	104	--	--	--	104
Net sales		--	12,458	--	7	--	12,465
Cost of sales							
Opening stock		7,472	13,328	30,263	30,268	37,735	43,596
Cost of goods manufactured	25.1	39,565	65,260			39,565	65,260
Inter transfer		--	(25)	--	--	--	(25)
Closing stock		(7,472)	(7,472)	(30,263)	(30,263)	(37,735)	(37,735)
		39,565	71,091	--	5	39,565	71,096
Gross loss		(39,565)	(58,633)	--	2	(39,565)	(58,631)
Distribution expenses		2,054	3,030	--	--	2,054	3,030
Administrative expenses		18,941	34,970			18,941	34,970
Finance cost		111,932	114,460	--	--	111,932	114,460
		132,927	152,460			132,927	152,460
Operating loss		(172,492)	(211,093)	--	2	(172,492)	(211,091)
Other income		(10,600)	6	--	--	(10,600)	6
Loss before taxation		(183,092)	(211,087)		2	(183,092)	(211,085)

		Note	2012	2011
			Rupees in '000	
25.1	**COST OF GOODS MANUFACTURED**			
	Raw materials and parts consumed	25.1.1	--	13,227
	Salaries, wages and benefits		4,006	8,618
	Fuel oil and lubricants		--	41
	Traveling and vehicles running		334	375
	Insurance		110	--
	Rent, rates and taxes		18	--
	Communication		8	78
	Repairs and maintenance		75	457
	Consumables		--	47
	Generator fuel		8	72
	Utilities		--	18
	Printing, Stationary and office supplies		1	--
	Depreciation	4.2	34,121	37,929
	Cartage and freight		--	72
	Parts painting		--	5
	Quality institute surcharge		--	3
	Development expenditures		874	--
	Miscellaneous		10	750
			39,565	48,465
	Manufacturing cost		39,565	61,692
	Work-in-process - Opening		5,834	9,402
	Work-in-process - Closing		(5,834)	(5,834)
			--	3,568
	Cost of goods manufactured		39,565	65,260

			2012	2011
25.1.1	**Raw materials and parts consumed**			
	Opening stock		124,442	129,428
	Purchases		--	8,241
			124,442	137,669
	Closing stock		124,442	124,442
			--	13,227

		Note	2012	2011
26	**DISTRIBUTION EXPENSES**			
	Salaries and benefits		714	972
	Traveling and vehicles running		55	332
	Insurance		531	--
	Communication		8	43
	Repair and maintenance		15	--
	Depreciation	4.2	726	807
	Rent, rates and taxes		2	--
	Advertisement		--	30
	Sales promotion expenses		3	514
	Transportation expenses		--	332
			2,054	3,030

27 ADMINISTRATIVE EXPENSES

	Note	2012	2011
		Rupees in '000	
Salaries, wages and benefits		5,345	8,931
Traveling and vehicles running		717	869
Fees and subscription		229	474
Insurance		21	8
Rent, rates and taxes		8	--
Communication		133	339
Repairs and maintenance		159	84
Utilities		19	163
Printing, stationary and office supplies		122	176
Entertainment		2	31
Legal and professional		398	68
Auditor's remuneration	27.1	450	450
Depreciation	4.2	1,452	1,614
Amortization of intangible asset	5	9,296	9,295
Amortization of deferred cost	6	193	193
Security expenses		314	359
Miscellaneous		83	334
Provision for slow moving and obsolete stock		--	11,582
		18,941	34,970

27.1 Auditor's remuneration

	2012	2011
Audit fee	300	300
Review reports	150	150
	450	450

28 FINANCE COST

	2012	2011
Markup on borrowings from related parties	111,905	114,446
Bank charges	27	14
	111,932	114,460

28.1 Company has not made the provision of markup for the year amounting to Rs.10.877 million (Up to June 30, 2011: Rs.27.699 million) keeping in view of the financial restructuring proposed to the lenders as disclosed in note 2. Management is hopeful that the restructuring proposal will be accepted by the lenders. Had the provision been made the loss for the year would have been higher by Rs.10.877 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs.38.576 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs”

29 OTHER (LOSS) / INCOME

	2012	2011
Loss on disposal of land	(10,600)	--
Profit on bank deposit	--	6
	(10,600)	6

30 TAXATION - Current

The income tax assessments of the Company deemed to have been finalized upto and including Tax year 2011.

30.1 Relationship between accounting loss and tax expense for the year

Since the company's operations are closed therefore no provision for taxation has been made in these financial statements. Accordingly, no relationship between loss and tax expense can be given.

31 LOSS PER SHARE - Basic and diluted

There is no dilutive effect on loss per share of the company which is based on:

		2012	2011
		Rupees in '000	
Loss after taxation		(192,869)	(208,072)
		Number of shares	
Number of ordinary shares issued and Subscribed at the end of the year		21,400,000	21,400,000
Loss per share - Basic and diluted	(Rupees)	(9.01)	(9.72)

32 REMUNERATION OF DIRECTORS AND EXECUTIVES

	2012				2011			
	Director	Chief Executive	Executives	Total	Director	Chief Executive	Executives	Total
	Rupees in '000							
Managerial remuneration	--	--	950	950	--	--	4,159	4,159
House rent			428	428			1,871	1,871
Utilities	--	--	95	95	--	--	416	416
	--	--	1,473	1,473	--	--	6,446	6,446
Number of persons	--	--	2	2	--	--	9	9

In addition to above certain executives have been provided with free use of the company's maintained cars.

33 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise group companies, associated undertakings, directors and key management personnel. Remuneration and benefits to key management personnel under terms of their employment are disclosed in note 32 to the accounts. Transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows: -

Associated companies:

	2012	2011
Sales	--	2,663
Markup expense	111,905	114,446

The transaction with associated companies are in the normal course of business and have been entered on an arm's length basis.

	Note	2012	2011
		Rupees in '000	

34 PLANT CAPACITY AND PRODUCTION

Tractors:		
Sanctioned plant capacity	6,000	6,000
Actual production	NIL	NIL
Motorcycles:		
Annual capacity	60,000	60,000
Actual production	--	110

Auto parts and other related products:
The company manufactures various types and sizes of automotive parts to be used in various types of vehicles including motorcycles. Keeping in view the demand by its customers, the production capacity for the auto parts and other related products cannot be determined.

The production for the year remained low due to low demand and non availability or short supply of certain components / raw material from local vendors and working capital constraints.

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board of directors has the overall responsibility for the establishment and oversight of company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

35.1 Credit risk
Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primary attributable to its receivables and balances with banks.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2012	2011
Trade debts	7,407	12,824
Deposits, loans and other receivables	52,403	53,541
Bank balances	864	602
	60,674	66,967

The company manages credit risk of receivables through the monitoring of credit exposures and continuous assessment of credit worthiness of its customers. The company believes that it is not exposed to any major concentration of credit risk as it operates in an essential products industry, its customers are credit worthy and dealing banks posses good credit ratings.

35.2 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. The following are the contractual maturities of the financial liabilities, including estimated markups:

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
			Rupees in '000			
2012						
Financial liabilities						
Subordinated loan	722,552	722,552	--	--	--	722,552
Trade and other payables	420,212	420,212	420,212	--	--	--
Accrued markup	509,459	509,459	509,459	--	--	--
Short term finance	742,570	797,753	797,753	--	--	--
Overdue portion of loans	23,750	25,433	25,433	--	--	--
	2,418,543	2,475,409	1,752,857	--	--	722,552
2011						
Financial liabilities						
Subordinated loan	722,552	722,552	--	--	--	722,552
Trade and other payables	423,725	423,725	423,725	--	--	--
Accrued markup	397,554	397,554	397,554	--	--	--
Short term finance	742,570	804,192	804,192	--	--	--
Overdue portion of loans	48,500	52,358	52,358	--	--	--
	2,334,901	2,400,381	1,677,829	--	--	722,552

All the financial liabilities of the company are non derivative financial liabilities. The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effect as at June 30.

35.3 Market Risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of financial instruments. The company's financial instruments are in its functional currency therefore it is not exposed to currency risk, however the company's exposure to interest rate risk is as follows:

Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The company's exposure to the risk of changes in interest rates relates primarily to the following:

Variable rate instruments at carrying amounts:		
Financial liabilities		
Overdue portion of loans	23,750	48,500
Short term finance	742,570	742,570
	766,320	791,070

Fair value sensitivity analysis for fixed rate instruments:
The company does not account for any fixed rate financial assets at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments:
A change of 100 basis points in interest rates at the reporting date would have increased / decreased loss/profit for the year by the amounts shown below:

Effect on loss / profit due to change of 100 BPs		
Increase	1,119	6,933
Decrease	(1,119)	(6,933)

35.4 Fair value of financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying values of financial instruments reflected in these financial statements approximate their fair values.

35.5 Capital risk management
The company's prime objective when managing capital is to safe guard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

36 DATE OF AUTHORIZATION FOR ISSUE
The financial statements were approved by the board of directors and authorized for issue on September 28, 2012.

37 GENERAL
These financial statements are presented in Rupees and figures have been rounded off to the nearest thousand rupees.

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Dewan Abdul Rehman Farooqui
Director

PATTERN OF SHAREHOLDING
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	4,746,259	22.18%
2.	**NIT and ICP**	2	56,600	0.26%
3.	**Directors, CEO, their Spouses & Minor Children**	12	9,082,048	42.44%
4.	**Executives**	-	-	0.00%
5.	**Public Sector Companies & Corporations**	12	699,041	3.27%
6.	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds**	3	134,533	0.63%
7.	**Individuals**	1,141	6,681,519	31.22%
	TOTAL	**1,171**	**21,400,000**	**100.00%**

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**			
1.1	Dewan Aviation (Pvt.) Limited	1	4,746,259	22.18%
2.	**NIT and ICP**			
2.1	National Bank of Pakistan, Trustee Deptt.	1	7,900	0.04%
2.2	Investment Corporation of Pakistan	1	48,700	0.23%
		2	**56,600**	**0.26%**
3.	**Directors, CEO, their Spouses & Minor Children**			
	Directors and CEO			
3.1	Dewan Muhammad Yousuf Farooqui	1	3,702,637	17.30%
3.2	Dewan Abdullah Ahmed Swaleh	1	1,278,637	5.97%
3.3	Dewan Asim Mushfiq Farooqui	1	1,278,637	5.97%
3.4	Dewan Abdul Baqi Farooqui	1	1,278,637	5.97%
3.5	Dewan Abdul Rehman Farooqui	1	500	0.00%
3.6	Mr. Haroon Iqbal	1	500	0.00%
3.7	Mr. Aziz ul Haque	1	500	0.00%
		7	**7,540,048**	**35.23%**
	Spouses of Directors and CEO			
3.8	Mrs. Hina Yousuf	1	546,000	2.55%
3.9	Mrs. Sharmeen Mushfiq	1	282,000	1.32%
3.10	Mrs. Farah Jabri	1	282,000	1.32%
3.11	Mrs. Nada Jabri	1	282,000	1.32%
		4	**1,392,000**	**6.50%**
	Minor Children of Directors and CEO			
3.12	Miss Nabiha Yousuf	1	150,000	0.70%
		1	**150,000**	**0.70%**

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 Aviation (Pvt.) Limited	1	4,746,259	22.18%
2	Dewan Muhammad Yousuf Farooqui	1	3,702,637	17.30%
3	Dewan Zia-Ur-Rehman Farooqui	1	2,368,637	11.07%
4	Dewan Abdullah Ahmed Swaleh	1	1,278,637	5.97%
5	Dewan Asim Mushfiq Farooqui	1	1,278,637	5.97%
6	Dewan Abdul Baqi Farooqui	1	1,278,637	5.97%

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

FORM 34

(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number: **0009414**
2. Name of the Company: **DEWAN AUTOMOTIVE ENGINEERING LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at: **30 06 2012**

4.

Number of Shareholders	Shareholdings				Total Shares held
404	1	-	100	Shares	31,192
426	101	-	500	Shares	116,385
109	501	-	1,000	Shares	98,578
150	1,001	-	5,000	Shares	399,869
28	5,001	-	10,000	Shares	235,687
9	10,001	-	15,000	Shares	113,021
5	15,001	-	20,000	Shares	94,999
6	20,001	-	25,000	Shares	145,350
2	25,001	-	30,000	Shares	55,000
1	30,001	-	35,000	Shares	34,638
2	35,001	-	40,000	Shares	75,152
1	40,001	-	45,000	Shares	40,832
3	45,001	-	50,000	Shares	145,203
1	50,001	-	55,000	Shares	52,333
1	55,001	-	60,000	Shares	55,870
1	60,001	-	65,000	Shares	60,500
3	80,001	-	100,000	Shares	276,965
1	100,001	-	110,000	Shares	103,800
2	140,001	-	150,000	Shares	300,000
4	250,001	-	300,000	Shares	1,108,815
2	400,001	-	500,000	Shares	866,900
3	500,001	-	600,000	Shares	1,645,373
1	600,001	-	700,000	Shares	691,094
3	700,001	-	1,280,000	Shares	3,835,911
1	1,280,001	-	2,370,000	Shares	2,367,637
1	2,370,001	-	3,710,000	Shares	3,702,637
1	3,710,001	-	4,750,000	Shares	4,746,259
1171	**TOTAL**				**21,400,000**

5.

	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	9,082,048	42.44%
5.2	Associated Companies, undertakings and related parties	4,746,259	22.18%
5.3	NIT and ICP	56,600	0.26%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	60,500	0.28%
5.5	Insurance Companies	74,033	0.35%
5.6	Modarabas and Mutual Funds	-	0.00%
5.7	Shareholders holding 5%	14,653,444	68.47%
5.8	General Public		
	a. Local	6,679,488	31.21%
	b. Foreign	2,031	0.01%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	699,041	3.27%

PROXY FORM

The Secretary
Dewan Automotive Engineering Limited
Karachi.

This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent **BMF Consultants Pakistan (Private) Ltd.** Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent Baloch Colony Bridge, Karachi-75350, Pakistan. Not later than 48 hours before the time of holding the meeting A Proxy should also be a member of the Company.

I/We____ of

____ being a member

of **Dewan Automotive Engineering Limited** and holder of________________________

______________________________Ordinary shares as per Registered Folio No./CDC

Participant's ID and Account No ______________________________ hereby appoint

____ of

____ **who is also**

member of **Dewan Automotive Engineering Limited** vide Registered Folio No./CDC Participant's ID

and Account No.______________ my/our proxy to vote for me/our behalf at the

30th Annual General Meeting of the Company to be held on Wednesday 24th October, 2012 at 02:00 p.m.

and any adjournment thereof.

Signed this __________________________ day of ____________________2012.

Affix
Revenue
Stamp
Rs. 5/-

Signature______________________________

Witness: ______________________
Signature

Name: ______________________

Address: ______________________

____

Witness: ______________________
Signature

Name: ______________________

Address: ______________________

____