



CONTENTS

Company Information.....	3
Director's Report.....	4
Review Report.....	6
Balance Sheet.....	7
Profit and Loss Account.....	8
Cash Flow Statement.....	9
Statement of Changes in Equity.....	10
Notes to the Accounts.....	11

COMPANY INFORMATION

BOARD OF DIRECTORS	:	Dewan Muhammad Yousuf Farooqui Chief Executive Officer & Chairman Board of Directors Dewan Abdullah Ahmed Managing Director Dewan Abdul Rehman Farooqui Dewan Asim Mushfiq Farooqui Dewan Abdul Baqi Farooqui Mrs. Hina Yousuf Farooqui Mr. Haroon Iqbal
COMPANY SECRETARY	:	Muhammad Naeemuddin Malik
AUDIT COMMITTEE	:	Dewan Abdullah Ahmed (Chairman) Dewan Asim Mushfiq Farooqui (Member) Dewan Abdul Baqi Farooqui (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
REGISTRAR	:	Raoji Consulting Associates (Private) Limited 4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350, Pakistan.
BANKERS	:	Muslim Commercial Bank Limited KASB Bank Limited Soneri Bank Limited Standard Chartered Bank Limited The Royal Bank of Scotland Zarai Tarqati Bank Limited NIB Bank Limited MyBank Limited The Bank of Punjab Habib Bank Limited
REGISTERED OFFICE	:	Finance & Trade Centre Block-A, 7th Floor, Shahrah-e-faisal, Karachi.
FACTORY	:	Plot Nos. A 1 - A 50 Hub Industrial Trading Estate, Hub, District Lasbela, Balochistan Dewan City Sajawal District Thatta, Sindh.
WEBSITE	:	<u>www.dewangroup.com.pk</u>

DIRECTORS' REPORT

IN THE NAME OF ALLAH;
THE MOST GRACIOUS AND MERCIFUL
IF YE GIVE THANKS, I WILL GIVE YOU MORE (HOLY QURAN)

The Board of Directors of your company takes pleasure in presenting the un-audited condensed interim financial statements of the Company for the half year ended December 31, 2008.

During the period under review the gross sales was Rs.182.624 million as compared to Rs. 272.784 million in the corresponding period of the last year. During the period under review the Company has incurred an after tax loss of Rs. 189.272 million as compared to Rs. 142.764 million in the corresponding period of last year. The loss is attributed mainly due to under absorption of fixed overheads, high financial cost and depreciation of Pak Rupees vs. US Dollar.

Global slowdown in economic activity, coupled with worsening law and order situation and political uncertainty in the country, has adversely affected operating activities, especially in the automobile industry. The declining demand and liquidity crunch, in this difficult time, is a real challenge for the management. Management is striving hard to sustain under the difficult situation and making best efforts to improve volumes while taking all possible measures to curtail operating expenses in order to reduce losses.

The Auditors of the company have emphasized in their review report about the company's ability to continue as going concern on account of losses sustained, negative reserves and net current liability situation. As explained in note 4 to the accounts, the management is confident that the company will come out of the present crisis.

As per the directives of SECP vide S.R.O.150 (I)/2009 dated February 13, 2009, the Company has shown impairment loss due to valuation of listed equity investments held as "Available for Sale" under Equity. The impact of normal and the opted method has been disclosed in note 7 to the accounts.


We would like to thank our valued customers for their trust and confidence in our products. We are also thankful to the Engineering Development Board, our employees, dealers and vendors for their guidance, efforts and encouragement, which together have played a pivotal role in achieving these results.

Dewan Automotive Engineering Limited

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Ar-Rahim, in the name of our beloved prophet Muhammad (Peace be upon him) for the 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 the Muslim ummah: Ameen: Summa Ameen.

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

For and on behalf of the board of Directors



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Karachi:
February 28, 2009

REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying interim condensed balance sheet of **Dewan Automotive Engineering Limited** as at December 31, 2008, and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim condensed financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. The figures for the quarters ended December 31, 2008 and 2007 in the interim condensed profit and loss account have not been reviewed and we do not express a conclusion thereon.

Scope of Review

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

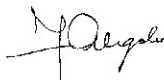
Basis for qualified conclusion

The interim condensed financial statements of the company reflect net loss of Rs.189.272 million during the period ended December 31, 2008 and as of that date it has net capital deficiency of Rs.1,315 million and its current liabilities exceeded its total assets by Rs.120.344 million. These conditions indicate the existence of material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern and therefore the company may be unable to realize its assets and discharge its liabilities in normal course of business. The interim condensed financial information and notes thereto do not disclose this fact.

Qualified Conclusion

Based on our review, except for the omission of information included in preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Dated:
February 28, 2009
Place: Karachi



FARUQ ALI & CO.
CHARTERED ACCOUNTANTS

Dewan Automotive Engineering Limited

CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2008

	Notes	Un-audited December 31, 2008	Audited June 30, 2008
ASSETS			
NON - CURRENT ASSETS			
(Rupees in '000)			
Property, plant and equipment	5	938,343	975,287
Intangible		32,534	37,181
Deferred cost		1,256	1,352
Long term deposit		2,088	2,088
CURRENT ASSETS			
Stores and spares		222	296
Stock in trade	6	291,729	283,571
Trade debts - Considered good		14,509	12,922
Advances - Considered good		47,098	51,667
Short term prepayments and other receivables		40,842	39,673
Advance income tax		54,717	53,543
Available for sale investment - At fair value	7	113,343	458,678
Cash and bank balances		10,842	41,723
		573,302	942,073
Non current assets held for sale		40,000	40,000
		<u>1,587,523</u>	<u>1,997,981</u>
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		214,000	214,000
Reserves		178,184	(12,280)
Impairment loss on investment to be charged in future (note 7.1)		(535,799)	--
Accumulated loss		(1,171,562)	(993,221)
		(1,315,177)	(791,501)
Surplus on revaluation of property, plant and equipment		315,183	326,114
NON - CURRENT LIABILITIES			
Subordinated loan - Unsecured	8	722,552	722,552
Long term loan - Secured		15,750	21,000
Liabilities against assets subject to finance lease		--	274
Deferred liabilities - Staff gratuity		11,716	10,692
Deferred taxation		129,541	135,427
Deferred income		91	182
CURRENT LIABILITIES			
Trade and other payables		536,713	393,477
Markup accrued		145,647	63,341
Short term finance - Unsecured	9	754,478	751,692
Short term loan - Secured		199,597	298,304
Provision for taxation		38,009	38,009
Current/overdue portion of long term loan	10	32,750	27,500
Current maturity of assets subject to finance lease		673	918
		1,707,867	1,573,241
CONTINGENCIES AND COMMITMENTS			
	11	<u>1,587,523</u>	<u>1,997,981</u>

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



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman



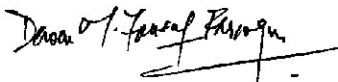
Dewan Abdullah Ahmed
Managing Director

Dewan Automotive Engineering Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UN-AUDITED)

	Oct-Dec 2008	Oct-Dec 2007	Jul-Dec 2008	Jul-Dec 2007
(Rupees in '000)				
Sales - Net	97,209	137,637	182,624	272,784
Cost of sales	137,759	147,717	241,145	302,470
Gross loss	(40,550)	(10,080)	(58,521)	(29,686)
Operating Expenses				
Distribution expenses	5,347	30,897	18,355	37,198
Administrative expenses	19,293	3,535	30,665	18,810
Finance cost	44,137	31,487	87,566	58,903
	68,777	65,919	136,586	114,911
Operating loss	(109,327)	(75,999)	(195,107)	(144,597)
Other income	(92)	680	(51)	1,673
Loss before taxation	(109,419)	(75,319)	(195,158)	(142,924)
Taxation:				
- current	--	700	--	1,376
- deferred	(2,945)	(768)	(5,886)	(1,536)
	(2,945)	(68)	(5,886)	(160)
Net loss after taxation	(106,474)	(75,251)	(189,272)	(142,764)
Basic loss per share (Rupees)	(4.98)	(3.52)	(8.84)	(6.67)

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



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman



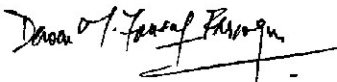
Dewan Abdullah Ahmed
Managing Director

Dewan Automotive Engineering Limited

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UN-AUDITED)

	December 31, 2008	December 31, 2007
(Rupees in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(195,158)	(142,924)
Adjustment for :		
Depreciation	37,905	28,600
Loss / (gain) on sale on property, plant and equipment	146	6
Amortization of deferred cost/intangible assets	4,743	4,686
Amortization of deferred income	(91)	(91)
Provision for gratuity	2,196	666
Financial charges	87,566	58,903
Net cash outflow before working capital changes	(62,693)	(50,154)
Working capital changes		
<i>(increase)/decrease in current assets</i>		
Stock and stores	(8,084)	48,229
Trade debts	(1,587)	(12,367)
Advances - Considered good	4,569	(39,498)
Trade deposits, short term prepayments and other receivables	(1,169)	22,903
	(6,271)	19,267
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	143,236	130,949
	136,965	150,216
Cash used in operations	74,272	100,062
Long term deposits	--	89
Financial charges paid	(5,260)	(19,683)
Gratuity paid	(1,172)	(1,219)
Income tax paid	(1,174)	4,527
Net cash outflow from operating activities	66,666	83,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(1,392)	(5,556)
Available for sale investment - At fair value	--	(80,000)
Sale proceeds of property, plant and equipment	285	4
Net cash outflow from investing activities	(1,107)	(85,552)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated loan	--	10,909
Repayment of lease liability	(519)	(390)
Repayment of long term loan	--	(15,500)
Short term finance	(95,921)	(23,430)
Net cash inflow from financing activities	(96,440)	(28,411)
Net (decrease) / increase in cash and cash equivalents	(30,881)	(30,187)
Cash and cash equivalents at the beginning of the period	41,723	47,694
Cash and cash equivalents at the end of the period	10,842	17,507

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



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman



Dewan Abdullah Ahmed
Managing Director

Dewan Automotive Engineering Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UN-AUDITED)

Issued, subscribed and paid-up capital	Capital Reserves				Revenue Reserves		Total
	Merger Reserve	Unrealized (loss / gain due to change fair value of Investments	Impairment loss on available for sale investment to be charged in Jan - Dec 2009	Settlement Claim from Ford motors	General Reserve	Accumulated Loss	

(Rupees in '000)

Balance as at July 01, 2007	214,000	82,090	(32,752)	--	86,194	9,900	(697,197)	(337,765)
Loss after taxation for the period	--	--	--	--	--	--	(189,272)	(189,272)
Deficit due to change in fair value of investment	--	--	(6,530)	--	--	--	--	(6,530)
Transfer from surplus on revaluation of property, plant and equipment - net of tax	--	--	--	--	--	--	2,852	2,852
Balance as at December 31, 2007	214,000	82,090	(39,282)	--	86,194	9,900	(883,617)	(530,715)
Balance as at July 01, 2008	214,000	82,090	(190,464)	--	86,194	9,900	(993,221)	(791,501)
Loss after taxation for the period	--	--	--	--	--	--	(189,272)	(189,272)
Deficit due to change in fair value of investment	--	--	190,464	--	--	--	--	190,464
Deficit due to impairment in value of investment	--	--	--	(535,799)	--	--	--	(535,799)
Transfer from surplus on revaluation of property, plant and equipment - net of tax	--	--	--	--	--	--	10,931	10,931
Balance as at December 31, 2008	214,000	82,090	--	(535,799)	86,194	9,900	(1,171,562)	(1,315,177)

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



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman



Dewan Abdullah Ahmed
Managing Director

Dewan Automotive Engineering Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UN-AUDITED)

1 Status and nature of business

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.

2 Basis of presentation

These financial statements are unaudited and have been prepared in accordance with the International Accounting Standard (IAS 34) "Interim Financial Reporting" and are being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance 1984.

3 Accounting Policies

3.1 The accounting policies and methods of computations followed in the preparation of these financial statements are the same as those of the last published financial statements for the period ended June 30, 2008 except for the departure from IAS - 39 as described in note 7.1 to the interim condensed financial statements.

3.2 Significant accounting estimates and judgments are the same as those applied in preparation of an annual financial statements for the year ended June 30, 2008.

4 Going concern assumption

The company incurred a net loss of Rs. 189.272 million (June 30,2008: Rs. 304.484 million) during the period ended December 31, 2008 and, as of that date it has accumulated losses of Rs.1,171.563 million (June 30,2008: Rs.993.221 million) which has resulted in negative equity of Rs.1,315.110 million (June 30,2008: Rs.791.501 million) and its current liabilities exceeded its total assets by Rs.120.344 million. These accounts have been prepared under going concern assumption on the basis that the management has plans to induct new products as well as enhancement in the volumes of existing products which will be viable and will meet the demand of local market. The decrease in company's sales volume is due to the effect of the global recession which adversely affected the Pakistan's economy as well. However, these conditions are temporary and would reverse in near future. Accordingly, no adjustment for realizable values of recorded assets and liabilities and classification of liabilities is warranted.

5 Property plant and equipment
Additions during the period

	December 31, 2008	June 30, 2008
(Rupees in '000)		
Factory building on leasehold land	--	14,676
Plant and machinery	--	2,377
Furniture and office equipment	--	202
Motor vehicles owned	24	3,083
Tools and equipment	--	50
Electrical appliances	1,368	2,539
	1,392	22,927
Disposals during the period		
Motor vehicles owned	(968)	--
Furniture and office equipment	(50)	(23)
	(1,018)	(23)

6 Stock in trade

Stock in trade includes stock in transit amounting to Rs.40.654 million (June 2008: NIL)

7 AVAILABLE FOR SALE INVESTMENTS - At fair value

In associated companies:

Dewan Cement Limited (DCL)

37,407,000 (2008: 37,407,000) Ordinary shares of Rs.10/- each

Market value per share Rs. 12.26 (2007 : Rs. 12.26)

(Deficit) due to change in fair value of investments

Less: impairment in value of

investment - taken directly in equity

	649,142	649,142
	--	(190,464)
	(535,799)	--
	113,343	458,678

Dewan Automotive Engineering Limited

7.1 Impairment in value of available for sale investment has been taken directly to equity as per relaxation provided by Securities & Exchange Commission of Pakistan (SECP) vide its notification SRO 150(I)/2009 dated February 13, 2009. The aforesaid treatment is not in line with the requirements of International Accounting Standard 39 'Financial Instruments - Recognition and Measurement' (IAS-39). IAS - 39 requires that any impairment in value of available for sale financial assets should be recognized in profit and loss account for the period. Had the treatment in accordance with IAS-39 been made, the loss for the period would have been higher by Rs. 535.730 millions. The said impairment loss including any adjustment / effect for the price movements during the quarter of calendar year 2009 will be taken to Profit and Loss Account on quarterly basis during the calendar year ending on 31-12-2009 as allowed by above referred notification by SECP.

7.2 The market price of associated company's share wherein company has investment shows declining trend from the date of balance sheet to the date the financial statements were authorized for issue. The market price of DCL's share as of February 28, 2009 (i.e. the date on which the financial statements were authorized for issue) is Rs. 2.11 per share, thereby reducing the market value of the investment by Rs. 34.483 millions.

8 Subordinated loan - Unsecured

This represents interest free and unsecured loan from related parties	722,552	722,552
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**9 Short term finance - Unsecured
From related party**

Associated company - interest bearing	693,260	693,260
Temporary Book overdraft	61,218	58,432
	754,478	751,692

10 Current/overdue portion of long term loan

This includes overdue portion amounting to Rs. 11.750 million (2008:6.500 million)

11 Contingencies and Commitments

There is no material change in the contingencies and commitments since the last audited financial statements.

	July - Dec 2008	July - Dec 2007
12 Related parties transactions	(Rupees in '000)	
Associated Companies:		
Purchases of vehicles	--	1,178
Sales	15,077	68,088
Short term finance (associated company) - Net	--	(2,649)
Financial charges	60,678	23,842

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

13 Date of authorization for issue

These financial statements were authorized for issue on February 28, 2009 in accordance with the resolution of the Board of Directors.

14 Corresponding Figures

In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account and cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

15 General

Figures have been rounded off to the nearest thousand of rupees.



Dewan Muhammad Yousuff Farooqui
Chief Executive Officer & Chairman



Dewan Abdullah Ahmed
Managing Director