

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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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	:	<p>Dewan Muhammad Yousuf Farooqui Chief Executive Officer & Chairman Board of Directors</p> <p>Dewan Abdullah Ahmed Managing Director</p> <p>Dewan Abdul Rehman Farooqui</p> <p>Dewan Asim Mushfiq Farooqui</p> <p>Dewan Abdul Baqi Farooqui</p> <p>Mrs. Hina Yousuf Farooqui</p> <p>Mr. Haroon Iqbal</p>
COMPANY SECRETARY	:	Muhammad Naeemuddin Malik
AUDIT COMMITTEE	:	<p>Dewan Abdul Baqi Farooqui (Chairman)</p> <p>Dewan Asim Mushfiq Farooqui (Member)</p> <p>Dewan Abdullah Ahmed (Member)</p>
AUDITORS	:	<p>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</p>
LEGAL ADVISORS	:	A.K.Brohi
REGISTRAR	:	<p>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.</p>
BANKERS	:	<p>Muslim Commercial Bank Limited KASB Bank Limited Soneri Bank Limited Standard Chartered Bank Limited The Royal Bank of Scotland Zarai Tarqiati Bank Limited NIB Bank Limited MyBank Limited The Bank of Punjab Habib Bank Limited</p>
REGISTERED OFFICE	:	<p>Finance & Trade Centre Block-A, 7th Floor, Shahrah-e-faisal, Karachi.</p>
FACTORY	:	<p>Plot Nos. A 1 - A 50 Hub Industrial Trading Estate, Hub, District Lasbela, Balochistan</p> <p>Dewan City Sajawal District Thatta, Sindh.</p>
WEBSITE	:	www.dewangroup.com.pk

NOTICE OF THE TWENTY SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Seventh Annual General Meeting of **Dewan Automotive Engineering Limited** (“*DAEL*” or “*the Company*”) will be held on **Thursday, October 29, 2009, at 10:30 a.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:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Wednesday, October 29, 2008;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2009, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

By Order of the Board



Muhammad Naeemuddin Malik
Company Secretary

Date: 7th October 2009

Place: Karachi

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2009 to October 29, 2009 (both days inclusive).
2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent Raoji Consulting Associates (Private) Limited, located at 4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, Karachi 75350, 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, along with 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.

DIRECTORS' REPORT

لَسِينَ شَاكِرِينَ إِلَّا زَيْدًا نَكَوْا (القرآن)

اگر شکر کرو تم ابستہ زیادہ دوں گا میں تم کو۔

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

The Directors present the Twenty Seventh Annual Report of the Company together with the audited accounts for the financial year ended June 30, 2009.

During the year the Company has suffered a net loss of Rs.507.162 million after charging Rs. 66.409 million for depreciation. The highlights of the accounts are as follows:

	2009	2008
	(Rupees '000)	
Sales-net	283,972	557,666
Depreciation	66,409	61,375
Gross loss	(10,173)	(53,490)
Administrative expenses	44,290	58,073
Distribution expenses	35,831	70,495
Finance cost	149,342	120,132
Other income / (Charges)	(353,690)	(3,831)
Net loss after tax	(507,162)	(304,484)

During the year under review, the economic performance of the country remained weak, especially large scale manufacturing sector witnessed unprecedented negative growth of 7.7% which was mainly attributed to sever electricity shortage and its high tariff, deterioration of law and order situation, devaluation of Pak rupee against US dollar, higher financial cost and global recession coupled with lower domestic demand. The Government, in the budget for the year 2009-10 has reduced the custom duty on motorcycle ckd from 20% to 15%. Economic activities due to energy shortage vis-à-vis high tariff, weak security environment and political uncertainty have been adversely affected. Automobile industry is the worst hit by the sluggish demand due to continued increase in prices; rise in cost of financing; lower availability of institutional financing and liquidity problems.

The liquidity crunch, in this difficult time, is a real challenge for the management. The proposal for re-profiling of Company's debt is under review with the banks and we are expecting the out come to be positive. However, one of the financial institutions has filed a suit on 27th July 2009 before Banking Court No. 1 Karachi for recovery of Rs. 30 million. The management is doing its level best to sustain under these circumstances by selling non-core assets and taking all possible measures to increase volume and curtail operating expenses, which will be reflected in the next year. Running finance facility of Rs. 198.374 million, payable to mybank has been adjusted by the bank against sales proceeds of land and building at Hub.

Under absorption of fixed overheads due to low sales and high financial charges are the main factors attributable to the net loss. Moreover, there is impairment in the value of available for sale investment to the tune of Rs. 546.184 million; out of which Rs. 273.092 million has been taken in to profit and loss account as per Securities and Exchange Commission of Pakistan (SECP) notification SRO 150/(I)/2009 of February 13, 2009 and the balance has been shown directly in the equity.

The Company Auditor's have made following observations in the Auditor's Report:

(a) Going Concern Problem:-

The Auditor's observation in respect of going concern is based on some negative indicators e.g. loss after tax, negative equity, net liability position, settlement of bank liabilities through disposal of company's land and building and on going litigations with other financial institution. The management is confident that these conditions are temporary as the company is already negotiating with lenders and it has offered a restructuring

proposal as more fully explained in note 2 to the financial statements. Furthermore the losses being sustained by the company are due to low production and sales volume and working capital constraints. Once the restructuring proposal is finalized with the lenders, the same will enable the company to meet its working capital requirements and the company will operate at the optimum level thereby reducing its operational losses. Accordingly the going concern assumption used in the preparation of these financial statements is justified.

b) Non Provisioning of Markup:

The Auditors' observation regarding non provisioning of markup is explained in note 31.1 to the accounts.

MOTORCYCLE DIVISION

Overall sale of motorcycle in the country during the year decreased by 14% as compared to last year, yet the market is promising and it is expected that demand for the ensuing year will be more than 1 million bikes. The company sold 6,921 DL-70 motorcycles. Non availability of financing facilities remained a major cause for bleak performance. However in view of encouraging motorcycle market in the country, we are in the process of planning to undertake various measures in order to reduce the production cost and increase volume.

TRACTOR DIVISION

The Company has sold 23 Units of Foton Euro leopard Tractors 34 Shanghai SH- 500 tractors. The continuation of trading CBU tractor from China has become very difficult due to devaluation of Pak Rupee Vs US Dollar. However, manufacturing of tractor is under consideration but Tariff Based System introduced by the Government in replacement of Industry specific deletion program is a major hurdle to achieve the level of deletion at par with the existing industry. The Government of Pakistan has been requested to review and to provide level playing field for all the Industry players' along with the necessary concessions being given to the existing local manufacturing Companies.

STATEMENT OF CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK

We are pleased to report that your Company is fully compliant to the provisions of the Code of Corporate Governance as incorporated in the listing regulations of stock exchanges.

- a) The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- b) Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;
- c) Accounting policies have been consistently applied in the preparation of the financial statements except for the change of accounting policies as mentioned in note 13.1 to the annexed financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements;
- e) The system of internal control which is in place, is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts about the Company's ability to continue as a going concern, about which Management has explained the status in note 2 to the annexed financial statements;
- g) There has been no material departure from the best practices of corporate governance;
- h) Key operations and financial data for last six years is summarized and annexed;
- i) There are no outstanding taxes and levies other than those disclosed in the annexed financial statements;
- j) The pattern of shareholding of the Company as at June 30, 2009 is annexed;

DIVIDEND

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

KEY OPERATING AND FINANCIAL DATA

The key operating and financial results for the last year six years are set out on page 11.

LOSS PER SHARE

The loss per share is Rs. (23.70)

PATTERN OF SHAREHOLDING

The pattern of shareholding is set out on page 44.

The Directors, Chief Financial Officer, the Company Secretary and their spouses and minor children have not traded in company's shares during the year.

BOARD MEETINGS ATTENDED BY THE DIRECTORS.

Four meetings of the Board of Directors were held during the year. Details of attendance by each Director are as under.

Names	NO of Meetings attended
Dewan Muhammad Yousuf Farooqui	4
Dewan Asim Mushfiq Farooqui	1
Dewan Abdullah Ahmed	3
Dewan Abdul Baqi Farooqui	3
Mrs. Hina Yousuf	4
Mr. Shahid Hussain Shera	0
Mr. Muhammad Azimuddin	2
Mr. Haroon Iqbal	2
Dewan Abdul Rehman Farooqui	1

VOTE OF THANKS

The Board places on record its gratitude to its valued shareholders, Federal and Provincial functionaries, banks, financial institutions, customers, for their co-operation and continued support and patronage.

The Board also expresses efforts rendered by the executives, staff members and workers of your company, during the year under review.

EXTERNAL AUDITORS

The present auditors, Messrs Faruq Ali & Co, Chartered Accountants, retire and being eligible, offer themselves for reappointment. The directors endorse recommendations of the Audit Committee for the re-appointment of Messrs Faruq Ali & Co. as the auditors for the financial year 2009-10.

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.

إِنَّ رَبِّي لَسَمِيعُ الدَّعَاءِ (القرآن)
حقیقت میں میرا رب دعا کا بڑا سننے والا ہے۔

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

Dewan Muhammad Yousuf Farooqui

Date: 7th October 2009
Place: Karachi

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

SUMMARISED KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

Rupees in '000'

	2009	2008	2007	2006	2005	2004
Fixed Assets	604,596	975,287	634,088	684,234	471,365	297,464
Deferred Cost	1,159	1,352	1,545	1,738	2,015	1,506
Intangible	27,886	37,181	46,476	14,623	6,231	-
Long term deposit	1,938	2,088	707	468	425,362	190,814
Current assets	516,786	942,073	1,228,017	1,436,249	1,187,323	1,158,839
Long term Investment	-	-	40,000	40,000	40,000	-
Issued subscribed & paid up capital	214,000	214,000	214,000	270,000	270,000	270,000
Reserves-net	(94,953)	(12,280)	145,432	53,701	(187,974)	(149,655)
Shareholders equity	(1,210,211)	(791,501)	(337,765)	(52,500)	158,371	146,805
Surplus on revaluation of fixed assets	154,989	326,114	62,204	68,522	47,091	52,155
Deferred liabilities	11,025	10,692	9,365	6,125	9,841	2,296
Long term financing	722,552	743,826	760,785	645,480	939,970	334,506
Current liabilities	1,464,747	1,573,241	1,423,409	1,464,769	977,024	1,112,706
Turnover	283,972	557,666	608,810	1,041,722	1,392,094	1,347,167
Gross (Loss) / Profit	(10,173)	(53,490)	(63,876)	87,794	137,182	110,602
Profit / (Loss) before tax	(593,326)	(306,021)	(336,518)	(147,305)	(15,416)	31,914
Loss after tax	(507,162)	(304,484)	(327,314)	(149,824)	(39,643)	(18,095)
Transfer from surplus on revaluation of fixed assets to accumulated losses	34,514	8,460	6,318	3,581	5,064	5,627
Production of tractors (in numbers)	10	59	33	220	52	74
Production of Motorcycles	6,858	9,239	9,532	11,742	26,017	31,884

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi and Lahore stock exchanges for the purpose of establishing of 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 Code 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 six Non-Executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this 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 NBFIs and are not members of any stock exchange.
4. Casual vacancies occurring in the Board during the financial year were duly filled up by the Board.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.
6. The Board has developed a vision and 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 these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, if he is available, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, are circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board are well aware of their duties and responsibilities.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, as determined by the CEO.
11. The Directors' report for the year has been prepared in compliance with the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.

13. The Directors, CEO and Executives of the bank do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Share holding. The Directors, CEO and their spouses and minor children, however, none of the CFO & Company Secretary have traded in the shares of the Company.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee, it comprised of three members, including the Chairman of the Audit Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective Internal Audit function. The Internal Audit of function reports directly to the Audit Committee.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, and 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 of Accountants Committee (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
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 auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

By the Order of the Board



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

Date: 7th October 2009
Place: Karachi



222-A, Karachi, Mem on Telephone : (021) 430 1966
 Cooperative Housing Society, (021) 430 1967
 Justice Inamullah Road, (021) 430 1968
 Near Hill Park, Karachi-74800 (021) 430 1969
 E-mail: faac@cyber.net.pk Fax : (021) 430 1965

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's 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 required the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried 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.

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, 2009.

Date: 7th October 2009
 Place: Karachi

CHARTERED ACCOUNTANTS



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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Dewan Automotive Engineering Limited** as at June 30, 2009 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.507.162 million during the year ended June 30, 2009 and as of that date its accumulated losses of Rs.1.329 billion have resulted in net capital deficiency of Rs.1.210 billion and its current liabilities exceeded its total assets by Rs.272.382 million. Furthermore, the company has sold its land and factory building, where the company's main plant is situated, to a bank against settlement of running finance facilities and another financial institution has gone into litigation for recovery of liabilities (refer note 27.4). The company has been unable to ensure timely repayments of long term loans 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 amounting to Rs.6.825 million (refer note 31.1) 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, 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 and markup payable would have been higher by the same amount.
- c) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;



- d) in our opinion:
- i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- e) in our opinion 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) and (b) 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, 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, 2009 and of the Loss, its cash flows and changes in equity for the year then ended; and
- f) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Date: 7th October 2009
Place: Karachi

CHARTERED ACCOUNTANTS

BALANCE SHEET

AS AT JUNE 30, 2009

ASSETS	NOTE	2009	2008
		Rupees in '000	
NON - CURRENT ASSETS			
Property, plant and equipment	4	604,596	975,287
Intangible	5	27,886	37,181
Deferred cost	6	1,159	1,352
Long term investment	7	--	--
Long term deposits		1,938	2,088
CURRENT ASSETS			
Stores and spares	8	148	296
Stock in trade	9	242,616	283,571
Trade debts - Considered good	10	24,569	12,922
Advances - Considered good	11	20,562	51,667
Short term prepayments and other receivables	12	64,020	39,673
Advance income tax		56,020	53,543
Available for sale investments - At fair value	13	102,869	458,678
Cash and bank balances	14	5,982	41,723
		516,786	942,073
Non current assets held for sale	15	40,000	40,000
		1,192,365	1,997,981
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	16	214,000	214,000
Reserves - Net	17	(94,953)	(12,280)
Accumulated loss		(1,329,258)	(993,221)
		(1,210,211)	(791,501)
Surplus on revaluation of property, plant and equipment	18	154,989	326,114
NON - CURRENT LIABILITIES			
Subordinated loan - Unsecured	19	722,552	722,552
Long term loan - Secured	20	--	21,000
Liabilities against assets subject to finance lease	21	--	274
Deferred liabilities - Staff gratuity	22	11,025	10,692
Deferred taxation	23	49,263	135,427
Deferred income	24	--	182
CURRENT LIABILITIES			
Trade and other payables	25	429,502	393,477
Markup accrued		185,902	63,341
Short term finance	26	762,834	1,049,996
Provision for taxation		38,009	38,009
Current and overdue portion of long term loan	20	48,500	27,500
Current maturity of assets subject to finance lease	21	--	918
		1,464,747	1,573,241
CONTINGENCIES	27	--	--
		1,192,365	1,997,981

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



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

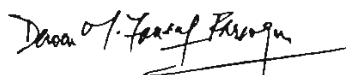


Dewan Abdullah Ahmed
Managing Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009	2008
		Rupees in '000	
Sales - Net	28	283,972	557,666
Cost of sales	28	<u>294,145</u>	<u>611,156</u>
Gross loss		(10,173)	(53,490)
OPERATING EXPENSES			
Distribution expenses	29	<u>35,831</u>	70,495
Administrative expenses	30	<u>44,290</u>	58,073
Finance cost	31	<u>149,342</u>	120,132
		<u>229,463</u>	<u>248,700</u>
OPERATING LOSS		(239,636)	(302,190)
Other income	32	<u>182</u>	183
Other charges	33	<u>(353,872)</u>	(4,014)
		<u>(353,690)</u>	<u>(3,831)</u>
Loss before taxation		(593,326)	(306,021)
Taxation			
Deferred		<u>(86,164)</u>	(4,344)
Current	34	<u>--</u>	2,807
		(86,164)	(1,537)
Loss after taxation		<u>(507,162)</u>	<u>(304,484)</u>
Loss per share - Basic and diluted	(Rupees) 35	<u>(23.70)</u>	<u>(14.23)</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

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(593,326)	(306,021)
Adjustment for non cash charges and other items		
Depreciation	66,409	61,375
Loss on sale on property, plant and equipment	80,735	2
Loss on sale of shares	--	4,012
Impairment in value of investment	273,137	--
Provision for gratuity - Net	333	1,327
Amortization of deferred cost and intangibles	9,488	9,488
Amortization of income	(182)	(183)
Impairment in value of land	--	5
Finance cost	149,342	120,132
Cash outflow before working capital changes	(14,064)	(109,863)
Working capital changes		
<i>(increase)/decrease in current assets</i>		
Stores and spares	148	213
Stock in trade	40,955	131,196
Trade debts	(11,647)	9,185
Advances - Considered good	31,105	37,074
Short term prepayments and other receivables	5,606	18,256
	66,167	195,924
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	36,025	(803)
	102,192	195,121
Cash generated from operations	88,128	85,258
Long term deposits	150	(1,381)
Finance cost paid	(26,781)	(111,642)
Income tax -Net	(2,477)	(2,567)
Net cash outflow from operating activities	59,020	(30,332)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(6,778)	(22,927)
Investment - Net	--	(80,000)
Sale proceeds of property, plant and equipment	2,025	17
Sale proceeds of investment	--	4,892
Net cash outflow from investing activities	(4,753)	(98,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated loan	--	4,959
Long term loans	--	(19,500)
Repayment of lease liability	(1,192)	(808)
Short-term finance	(88,816)	137,728
Net cash inflow from financing activities	(90,008)	122,379
Net (decrease) / increase in cash and cash equivalents	(35,741)	(5,971)
Cash and cash equivalents at the beginning of the year	41,723	47,694
Cash and cash equivalents at the end of the Period	5,982	41,723

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



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman



Dewan Abdullah Ahmed
Managing Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

	Capital Reserves			Revenue reserves		Total Rupees	
	Issued, Subscribed and Paid-up Capital	Merger reserve	Unrealized (loss) due to change in fair value of Investments	Settlement claim from Ford Motors (Note 17.2)	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 year	--	--	--	--	--	(304,484)	(304,484)
Deficit due to change in fair value of investment	--	--	(157,712)	--	--	--	(157,712)
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	--	--	--	--	--	8,460	8,460
Balance as at June 30, 2008	214,000	82,090	(190,464)	86,194	9,900	(993,221)	(791,501)
Loss after taxation for the year	--	--	--	--	--	(507,162)	(507,162)
Deficit due to change in fair value of investment	--	--	(355,809)	--	--	--	(355,809)
Impairment on investments (Note 13.1)	--	--	273,136	--	--	--	273,136
Transfer from surplus on revaluation of property, plant and equipment - Net of tax	--	--	--	--	--	34,514	34,514
- incremental depreciation	--	--	--	--	--	136,611	136,611
- on disposal of fixed assets	--	--	--	--	--	--	--
Balance as at June 30, 2009	214,000	82,090	(273,137)	86,194	9,900	(1,329,258)	(1,210,211)

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



Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman



Dewan Abdullah Ahmed
Managing Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2009

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.

2 GOING CONCERN ASSUMPTION

The company incurred a net loss of Rs. 507.162 million (2008: Rs. 304.484 million) during the year ended June 30, 2009, and, as of that date it has accumulated losses of Rs. 1,329.258 million (2008: Rs. 993.221 million) which have resulted in negative equity of Rs. 1,210.211 million (2008: Rs. 791.501 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 due to the liquidity problems. Following course, a lender 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, during the year, 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 comencing 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. 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. 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.

Initial Application of a standard or an Interpretation

The following standards, amendments and interpretations become effective during the current year.

- IFRS 7 - Financial instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.
- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.
- IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008).
- IFRIC 14 - Clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.

Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009)
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009).
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009)
- Amendment to IFRS 2 - Share-based Payment- Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009)
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).
- IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009)
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
- IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).

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 22)
- ii) Revaluation of property, plant and equipment (note no. 18)
- iii) Taxation (note no. 3.14 and 33)

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.

		2009	2008
		Rupees in '000	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	603,917	974,608
Capital work in Progress - At cost	4.4	<u>679</u>	<u>679</u>
		<u><u>604,596</u></u>	<u><u>975,287</u></u>

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

PARTICULARS	2009												
	COST / REVALUATION						Rate %	DEPRECIATION					Book Value As at June 30 2009
	As at July 01 2008	Additions	(Deletions)	Adjustment	Revaluation	As at June 30 2009		As at July 01 2008	On disposals	For the year	Adjustment	As at June 30 2009	
Freehold land	1,800	--	--	--	--	1,800	--	--	--	--	--	--	1,800
Factory building on free hold land													
Cost	122,502	--	--	--	--	122,502	5 to 10	1,021	--	6,075	--	7,096	115,406
Revaluation	101,499	--	--	--	--	101,499	5	846	--	5,033	--	5,879	95,620
Lease hold land													
Cost	43,989	5,281	(33,173)	--	--	16,097	--	--	--	--	--	--	16,097
Revaluation	74,011	--	(11,108)	--	--	62,903	--	--	--	--	--	--	62,903
Factory Building on leasehold land													
Cost	48,438	--	(48,438)	--	--	--	10	808	(3,983)	3,175	--	--	--
Revaluation	240,137	--	(240,137)	--	--	--	10	4,002	(19,745)	15,743	--	--	--
Plant and machinery													
Cost	227,859	--	--	--	--	227,859	10	3,801	--	22,405	--	26,206	201,653
Revaluation	50,995	--	--	--	--	50,995	10	849	--	5,015	--	5,864	45,131
Computer and Allied	3,293	--	--	--	--	3,293	10 to 30	2,314	--	222	--	2,536	757
Furniture & Office Equipments	31,407	--	(63)	--	--	31,344	10	11,038	(15)	2,030	--	13,053	18,291
Motor Vehicle													
Owned	74,143	24	(5,846)	2,738	--	71,059	20	36,916	(3,962)	5,239	986	39,169	31,890
Leased	2,738	--	--	(2,738)	--	--	20	986	--	--	(986)	--	--
Tools and equipments	11,104	--	--	--	--	11,104	10	3,740	--	737	--	4,477	6,627
Refrigerators and air conditioners	1,506	--	--	--	--	1,506	10	892	--	62	--	954	552
Electrical appliances	318	--	--	--	--	318	10	79	--	24	--	103	215
Jigs and Fixtures	735	--	--	--	--	735	10	407	--	33	--	440	295
Electrical fittings	5,125	1,369	--	--	--	6,494	10	1,144	--	419	--	1,563	4,931
	4,101	104	--	--	--	4,205	10	2,273	--	202	--	2,475	1,730
	112	--	--	--	--	112	20	88	--	5	--	93	19
Total - 2009	1,045,812	6,778	(338,765)	--	--	713,825		71,204	(27,705)	66,409	--	109,908	603,917

PARTICULARS	2008												
	COST / REVALUATION						Rate %	DEPRECIATION					Book Value As at June 30 2008
	As at July 01 2007	Additions	(Deletions)	Adjustment	Revaluation	As at June 30 2008		As at July 01 2007	On disposals	For the year	Adjustment	As at June 30 2008	
Freehold land	1,202	--	--	--	598	1,800	--	--	--	--	--	--	1,800
Factory building on free hold land													
Cost	138,544	--	--	(16,042)	--	122,502	5 to 10	10,717	--	6,346	(16,042)	1,021	121,481
Revaluation	11,867	--	--	(1,153)	90,785	101,499	5	687	--	1,312	(1,153)	846	100,653
Lease hold land													
Cost	43,989	--	--	--	--	43,989	10	--	--	--	--	--	43,989
Revaluation	1,514	--	--	--	72,497	74,011	10	--	--	--	--	--	74,011
Factory Building on leasehold land													
Cost	82,325	14,676	--	(48,561)	--	48,438	10	45,492	--	3,877	(48,561)	808	47,630
Revaluation	35,527	--	--	(14,161)	218,771	240,137	10	12,218	--	5,945	(14,161)	4,002	236,135
Plant and machinery													
Cost	350,564	2,377	--	(125,077)	(5)	227,859	10	104,414	--	24,464	(125,077)	3,801	224,058
Revaluation	71,898	--	--	(17,923)	(2,980)	50,995	10	13,016	--	5,756	(17,923)	849	50,146
Computer and Allied	3,293	--	--	--	--	3,293	10 to 30	2,009	--	305	--	2,314	879
Furniture & Office Equipments	31,228	202	(23)	--	--	31,407	10	8,785	(4)	2,257	--	11,038	20,369
Motor Vehicle													
Owned	71,060	3,083	--	--	--	74,143	20	27,613	--	9,203	--	36,916	37,227
Leased	2,738	--	--	--	--	2,738	20	548	--	438	--	986	1,752
Tools and equipments	11,054	50	--	--	--	11,104	10	2,932	--	808	--	3,740	7,364
Refrigerators and air conditioners	1,506	--	--	--	--	1,506	10	824	--	68	--	892	614
Electrical appliances	318	--	--	--	--	318	10	53	--	26	--	79	239
Jigs and Fixtures	735	--	--	--	--	735	10	371	--	36	--	407	338
Electrical fittings	2,586	2,539	--	--	--	5,125	10	919	--	225	--	1,144	3,981
	4,101	--	--	--	--	4,101	10	2,070	--	203	--	2,273	1,828
	112	--	--	--	--	112	20	82	--	6	--	88	34
Total - 2008	866,159	22,927	(23)	(222,917)	379,666	1,045,812		232,750	(4)	61,375	(222,917)	71,204	974,608

2009 2008
Rupees in '000

4.2 Depreciation for the year has been allocated as follows:

Cost of sales	62,225	56,387
Distribution expenses	1,285	1,510
Administrative expenses	2,899	3,478
	<u>66,409</u>	<u>61,375</u>

4.3 Detail of asset disposed off during the year:

Particulars	Original	Accumulated	Book	Sale	Settlement	(Loss)	Mode of	Particulars of Buyer
	Cost	Depreciation	Value	Proceeds	of Liabilities	/ gain	Disposal	
(Rupees in '000)								
Lease hold land	44,281	--	44,281	--				
Factory Building on leasehold land	288,575	23,728	264,847	--				
	332,856	23,728	309,128	--	228,300	(80,828)	Settlement of Liabilities (Refer Note 4.3.1 below)	Mybank Limited
Furniture & Office Equipments	63	15	48	15	--	(33)	Negotiation	Various employees
Motor Vehicles:								
Changan KM 6017	407	286	121	114	--	(7)	Negotiation	Athar & Co.
Changan KM 6018	367	257	110	102	--	(8)	Negotiation	Athar & Co.
Admiral CN 3555	736	492	244	228	--	(16)	Negotiation	Athar & Co.
Star Truck CN 3976	392	275	117	110	--	(7)	Negotiation	Athar & Co.
Star Truck JY 064	524	368	156	147	--	(9)	Negotiation	Athar & Co.
Star Truck JY 0367	536	358	178	166	--	(12)	Negotiation	Athar & Co.
Ford Carrier LSC-2334	726	525	201	188	--	(13)	Negotiation	Athar & Co.
Tractor SH- 500	590	428	162	400	--	238	Negotiation	Al Madina Tractor House
Shanghai Tractor	270	196	74	200	--	126	Negotiation	Mohammad Ishaq
Mazda Pickup CS-3012	186	138	48	45	--	(3)	Negotiation	Athar & Co.
Motorcycles	1,112	639	473	310	--	(163)	Company policy	Various employees
2009	<u>338,765</u>	<u>27,705</u>	<u>311,060</u>	<u>2,025</u>	<u>228,300</u>	<u>(80,735)</u>		
2008	<u>23</u>	<u>4</u>	<u>19</u>	<u>21</u>	<u>--</u>	<u>(2)</u>		

4.3.1 During the year Land and building of the company situated at Hub Industrial Estate has been sold to M/s Mybank 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.

4.4 Capital work in Progress - At cost

Civil works	145	145
Plant and machinery	534	534
	<u>679</u>	<u>679</u>

5 INTANGIBLE	2009	2008
	Rupees in '000	
Computer software:		
Opening Balance	37,181	--
Put into use during the year	--	46,476
Amortization for the year	<u>(9,295)</u>	<u>(9,295)</u>
	<u>27,886</u>	<u>37,181</u>

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

6 DEFERRED COST		
Preliminary expenses	1,352	1,545
Amortization for the year	<u>(193)</u>	<u>(193)</u>
	<u>1,159</u>	<u>1,352</u>

7 LONG TERM INVESTMENT		
Unquoted:		
Dewan Mushtaq Trade Limited (associated company)		
4,000,000 Ordinary shares of Rs.10/- each	--	40,000
Less: transferred to held for sale	15 <u>--</u>	<u>(40,000)</u>
	<u>--</u>	<u>--</u>
8 STORES AND SPARES	<u>148</u>	<u>296</u>

Most of the items of stores and spares are of inter-changeable nature and can be used as machine spares or consumed as store. Accordingly it is not practical to distinguish stores from spares until their actual usage.

9 STOCK IN TRADE		
Raw materials and components	190,311	227,965
Less: written down to net realizable value	(6,123)	(7,718)
	184,188	220,247
Provision for slow moving and obsolescence	<u>(21,274)</u>	<u>(21,274)</u>
	162,914	198,973
Stock in transit	9,606	--
Work in process	17,866	18,928
Finished goods		
Manufacturing stock	25,109	30,292
Less: written down to net realizable value	(3,580)	(899)
	21,529	29,393
Trading stock	30,701	36,277
	<u>242,616</u>	<u>283,571</u>

	2009	2008
	Rupees in '000	
10 TRADE DEBTS - Considered good		
Considered good	24,569	12,922
Considered doubtful	1,739	1,739
	<u>26,308</u>	<u>14,661</u>
Less: Provision for doubtful debts	1,739	1,739
	<u>24,569</u>	<u>12,922</u>
11 ADVANCES - Considered good		
Employees	3,998	5,152
Suppliers and contractors	11,689	38,247
Other advances	4,875	8,268
	<u>20,562</u>	<u>51,667</u>
12 SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES		
Margin against L/C and bank guarantee	--	12,523
Prepayments	175	62
Sales Tax	20,208	15,754
Other receivables	12.1 32,471	1,169
Immature letter of credits	6	6
Deposits	11,160	10,159
	<u>64,020</u>	<u>39,673</u>
12.1 Includes Rs.29.953 million receivable from Mybank Limited against the property sold. (refer note 4.3.1)		
13 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 @17.35		
Market value per share Rs. 2.75 (2008 : Rs. 12.26)	649,142	649,142
Unrealized loss due to change in fair value of investment	--	(190,464)
Accumulated impairment	13.1 (546,273)	--
	<u>102,869</u>	<u>458,678</u>
13.1 Impairment		
Charged to profit and loss	273,137	--
Taken directly to equity	273,136	--
	<u>546,273</u>	<u>--</u>

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(T)/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 year would have been higher by Rs.273.136 millions. The said impairment loss including any adjustment / effect for the price movements during the calendar year 2009 is being 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.

13.2 Share price of DCL's share as at 7th October, 2009 was Rs. 2.98 per share.

	2009	2008
	Rupees in '000	
14 CASH AND BANK BALANCES		
Cash at banks - In current accounts	5,706	41,218
Cash in hand	276	505
	<u>5,982</u>	<u>41,723</u>
15 NON CURRENT ASSETS HELD OF SALE		
Investment		
Dewan Mushtaq Trade Limited (associated company)		
4,000,000 Ordinary shares of Rs.10/- each	<u>40,000</u>	<u>40,000</u>

The above investment has 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.

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2009	2008		2009	2008
	No. of Shares			Rupees in '000	
<i>Ordinary shares of Rs. 10/- each issued as fully paid in cash</i>					
	20,535,871	20,535,871		205,359	205,359
<i>Ordinary shares of Rs. 10/- each issued as fully paid bonus shares</i>					
	<u>864,129</u>	<u>864,129</u>		<u>8,641</u>	<u>8,641</u>
	<u>21,400,000</u>	<u>21,400,000</u>		<u>214,000</u>	<u>214,000</u>

17 RESERVES - Net

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

17.2 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.

	2009	2008
	Rupees in '000	
18 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Balance as at July 01	326,114	62,204
Add: Revaluation during the year	--	379,671
Related deferred tax liability	--	(107,301)
Surplus transferred to accumulated loss relating to:		
- assets disposed off during the year - net of tax	(136,611)	--
- incremental depreciation charged		
on related assets during the year - net of tax	(34,514)	(8,460)
	<u>154,989</u>	<u>326,114</u>

After previous revaluation of certain operating fixed assets of the company carried out in June 2003 by M/s Sipra & Co. a further 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.

19 SUBORDINATED LOAN - Unsecured

From related parties		
Associated concerns	517,552	517,552
Director	205,000	205,000
	19.1 <u>722,552</u>	<u>722,552</u>

19.1 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.

20 LONG TERM LOAN - Secured

From financial institutions		
Long term loan	20.1 48,500	48,500
Less: current and overdue portion of long term loan	48,500	27,500
	<u>--</u>	<u>21,000</u>

20.1 The above long term syndicated loan obtained from Pak Kuwait Investment Company (Pvt.) Limited, Pak Oman 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% (2008: @ 6 months KIBOR plus 3.77%). The loan is 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. Pak Oman Investment Company (Pvt.) Limited has gone into litigation as more fully explained in note 27.4 to the financial statements.

21 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009		2008	
	Lease Payments		Lease Payments	
	Minimum	Present Value	Minimum	Present Value
	RUPEES		RUPEES	
Within one year	--	--	983	918
One to five years	--	--	274	274
Total minimum lease payments	--	--	1,257	1,192
Financial charges allocated to the future period	--	--	65	--
Present value of minimum lease payments	--	--	1,192	1,192
Less: Transferred to current maturity	--	--	918	918
	--	--	274	274

The lease liability has been paid off during the year and assets has been transferred to owned assets.

	Note	2009	2008
		Rupees in '000	
22 DEFERRED LIABILITIES - Staff gratuity			
Employees retirements benefits	22.1	<u>11,025</u>	<u>10,692</u>
22.1 Movement in the net liability recognized			
Opening liability		10,692	9,365
Expenses recognized	22.2	3,392	2,813
Paid during the year	22.3	<u>(3,059)</u>	<u>(1,486)</u>
		<u>11,025</u>	<u>10,692</u>

	2009	2008
	Rupees in '000	
22.2 Expenses recognized		
Current service cost	2,183	3,611
Interest cost	1,209	344
Liability of merged companies reversed due to application of IAS - 19	--	(1,142)
	<u>3,392</u>	<u>2,813</u>
22.3 Balance sheet reconciliation		
Present value of defined benefits obligation	8,159	10,061
Plus Actuarial gain / less actuarial losses to be recognized	2,866	536
Add: payable to outgoing members	--	95
	<u>11,025</u>	<u>10,692</u>
22.4 Allocation		
Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	1,834	1,520
Distribution expenses	982	815
Administrative expenses	576	478
	<u>3,392</u>	<u>2,813</u>
22.5 Principle actuarial assumptions		
Expected rate of increase in salaries	11% per annum	10% per annum
Discount factor used	12% per annum	12% per annum
Average expected remaining working life time of employees	14 years	13 years
23 DEFERRED TAXATION		
Deferred tax liability arising out of surplus on revaluation of property plant and equipment	<u>49,263</u>	<u>135,427</u>
23.1 Company has not recognized deferred tax asset amounting to Rs.478.305 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.		
24 DEFERRED INCOME		
Gain on sale lease back transaction	182	365
Less: Amortized during the year	182	183
	<u>--</u>	<u>182</u>

This represents gain on sale lease back transactions which is being amortized over the respective year of lease.

	2009	2008
	Rupees in '000	
25 TRADE AND OTHER PAYABLES		
Trade creditors	347,685	284,473
Accrued expenses	39,663	39,980
Advances from dealers	36,997	41,900
Advance from customer	37	19,196
Corporate asset tax payable	155	155
Withholding tax payable	1,173	522
Sales tax payable	--	3,253
Worker's profit participation fund	145	145
Interest on workers' profit participation fund	47	47
Others	3,600	3,806
	429,502	393,477

26 SHORT TERM FINANCE**From banks - Secured**

Short term running finance	26.1	49,310	248,304
Short term loan		--	50,000

From related party (associated company) - Unsecured

- interest bearing	26.2	693,260	693,260
--------------------	------	---------	---------

Others

Temporary book overdraft		20,264	58,432
--------------------------	--	--------	--------

	762,834	1,049,996
--	----------------	------------------

26.1 This represents short term bank borrowings are from commercial bank against available limit of Rs.50 million (2008: Rs. 300 million) at markup rate ranging from 2% to 8% over 6 months KIBOR (2008: 2% to 8%) payable quarterly in arrears. These facilities are secured by way of first charge over stock in trade and receivables of the company. These financing arrangements are generally for a year and are renewable at the end of the year. The facility has not been renewed by the banks, however the company has approached its lenders for restructuring of liabilities as explained in note 2 to the financial statements.

26.2 This is an unsecured finance from associated company, which carries markup ranging from 16.59% to 18.28% per annum (2008: 13.33% to 14.02% per annum).

27 CONTINGENCIES**Contingencies**

27.1 Demand of Rs.22.626 million by the income tax department, in respect certain appeals relating to prior years stands eliminated through process of law and can not be raised as per the opinion of Company's legal advisors

27.2 During June 2009 an order was passed by Taxation Officer u/s 161/205 of the Income Tax Ordinance, 2001 thereby creating a tax demand amounting to Rs.7.691 million. The company filed an appeal before Commissioner Income Tax (Appeals) (CIT) for cancellation of aforesaid order. The decision of CIT is awaited for which the Company expects favourable outcome.

27.3 Bank guarantee amounting to Rs.33 million (2008: 33 million) was given by bank on behalf of the company for import of tractors, which being no longer required, has not been renewed by the bank.

27.4 One of the financial institutions has filed a recovery suit against the company for an aggregate amount of Rs. 30.209 million (being principle and markup thereon). The company strongly contested the case and submitted its reply in Hon'able High Court. The matter is pending for hearing and outcome cannot be determined at this stage.

28 OPERATING RESULT

	Manufacturing		Trading		Total	
	2009	2008	2009	2008	2009	2008
Rupees in '000						
Gross sales	315,439	475,030	11,399	153,669	326,838	628,699
Sales tax	42,127	63,488	239	4,665	42,366	68,153
Commission	320	220	180	2,660	500	2,880
Net sales	272,992	411,322	10,980	146,344	283,972	557,666
Cost of sales						
Opening stock	29,393	31,493	36,277	126,349	65,670	157,842
Cost of goods manufactured	274,274	466,170	--	--	274,274	466,170
Purchases		--	22	19,265	22	19,265
Inter transfer	664	--	5,789	37,971	6,453	37,971
Issue - Warranty	25	--	(69)	(4,422)	(44)	(4,422)
Closing stock	(21,529)	(29,393)	(30,701)	(36,277)	(52,230)	(65,670)
	282,827	468,270	11,318	142,886	294,145	611,156
Gross (loss) / Profit	(9,835)	(56,948)	(338)	3,458	(10,173)	(53,490)
Distribution expenses	32,487	44,471	3,344	26,024	35,831	70,495
Administrative expenses	40,447	42,718	3,843	15,355	44,290	58,073
Finance cost	142,527	108,138	6,815	11,994	149,342	120,132
	215,461	195,327	14,002	53,373	229,463	248,700
Operating (loss) / Income	(225,296)	(252,275)	(14,340)	(49,915)	(239,636)	(302,190)
Other income	182	183	--	--	182	183
Other charges	(353,872)	(4,014)	--	--	(353,872)	(4,014)
Loss before taxation	(578,986)	(256,106)	(14,340)	(49,915)	(593,326)	(306,021)

	Note	2009 Rupees in '000	2008
28.1 COST OF GOODS MANUFACTURED			
Raw materials and parts consumed	28.1.1	151,839	301,518
Salaries, wages and benefits		42,715	52,694
Fuel oil and Lubricants		1,802	10,390
Traveling and vehicles running		1,433	6,091
Insurance		1,417	2,960
Rent, rates and taxes		214	215
Communication		271	519
Repairs and maintenance		1,048	3,084
Consumables		696	857
Furnace running expenses		--	365
Generator fuel		939	2,262
Utilities		3,403	5,420
Printing, Stationary and office supplies		115	423
Depreciation	4.2	62,225	56,387
Cartage and freight		101	861
Parts painting		2,810	8,830
Fee and Subscription		685	--
Loose tools written off including replacement		148	298
Development expenditures		38	103
Security expenses		890	188
Miscellaneous		423	468
		121,373	152,415
Manufacturing cost		273,212	453,933
Work-in-process - Opening		18,928	31,165
Work-in-process - Closing		(17,866)	(18,928)
		1,062	12,237
Cost of goods manufactured		274,274	466,170

28.1.1 Raw materials and parts consumed

Opening stock	198,973	225,760
Purchases	125,211	313,839
	324,184	539,599
Issue against warranty / rejection / sale	2,703	1,100
Inter transfers	6,728	38,008
Closing stock	162,914	198,973
	172,345	238,081
	151,839	301,518

	Note	2009 Rupees in '000	2008
29 DISTRIBUTION EXPENSES			
Salaries and benefits		16,762	25,995
Traveling and vehicles running		2,890	9,120
Insurance		225	755
Communication		232	1,588
Repair and maintenance		9	1,798
Utilities		1,621	2,414
Depreciation	4.2	1,285	1,510
Rent, rates and taxes		1,069	1,977
Printing, stationery and office supplies		432	537
Fees and subscription		36	--
Entertainment		154	307
Advertisement		925	2,774
Sales promotion expenses		5,347	8,965
Warranty		1,576	7,563
After sales service		53	193
Security expenses		124	88
Transportation expenses		2,662	4,220
Miscellaneous		429	691
		<u>35,831</u>	<u>70,495</u>
30 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		19,535	22,551
Traveling and vehicles running		1,916	4,609
Fees and subscription		621	1,630
Insurance		633	2,071
Rent, rates and taxes		1,493	1,144
Communication		542	1,446
Repairs and maintenance		953	965
Utilities		2,930	4,126
Printing, stationary and office supplies		758	922
Entertainment		96	63
Legal and professional		245	2,088
Auditor's remuneration	30.1	485	503
Depreciation	4.2	2,899	3,478
Impairment in value operating fixed assets		--	5
Amortization of intangible asset	5	9,295	9,295
Amortization of deferred cost	6	193	193
Security expenses		1,138	1,217
Fuel, oil and lubricant		118	827
Miscellaneous		440	940
		<u>44,290</u>	<u>58,073</u>

	Note	2009 Rupees in '000	2008
30.1 Auditor's remuneration			
Audit fee		300	300
Out of pocket expenses		34	52
Review reports		151	151
		<u>485</u>	<u>503</u>

31 FINANCE COST

Mark up on long term loans		3,437	7,447
Mark up on short term finances		24,908	55,519
Markup on borrowings from related parties		120,591	55,391
Markup on lease finance		65	257
Interest on workers' profit participation fund		--	22
Bank charges		341	1,496
		<u>149,342</u>	<u>120,132</u>

31.1 Company has not made the provision of markup amounting to Rs.6.825 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 and accrued markup would have been higher by the same amount.

		2009 Rupees in '000	2008
32 OTHER INCOME			
Amortization of deferred income	24	<u>182</u>	<u>183</u>
		<u>182</u>	<u>183</u>

33 OTHER CHARGES

Loss on sale of property, plant and equipment		80,735	2
Loss on sale of shares		--	4,012
Impairment in value of investment	13.1	<u>273,137</u>	--
		<u>353,872</u>	<u>4,014</u>

34 TAXATION - Current

The income tax assessments of the Company deemed to have been finalized upto and including Tax year 2008. Certain appeals relating to prior years are pending with Income Tax Authorities as disclosed in note 27.1 to the financial statements.

35 LOSS PER SHARE - Basic and diluted

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

Loss after taxation	<u>(507,162)</u>	<u>(304,484)</u>
Number of ordinary shares issued and Subscribed at the end of the year	<u>21,400,000</u>	<u>21,400,000</u>
Loss per share - Basic and diluted (Rupees)	<u>(23.70)</u>	<u>(14.23)</u>

36 REMUNERATION OF DIRECTORS AND EXECUTIVES

	2009				2008			
	Director	Chief Executive	Executives	Total	Director	Chief Executive	Executives	Total
Rupees in '000								
Managerial remuneration	--	--	9,798	9,798	--	--	11,034	11,034
House rent	--	--	4,409	4,409	--	--	4,966	4,966
Medical expenses	--	--	--	--	--	--	406	406
Utilities	--	--	980	980	--	--	1,245	1,245
	--	--	15,187	15,187	--	--	17,651	17,651
Number of persons	--	--	15	15	--	--	15	15

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

37 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 36 to the accounts. Transaction with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows: -

	2009	2008
	Rupees in '000	
Associated companies:		
Sales	23,954	105,987
Purchase of vehicle	24	2,975
Purchase of other assets	252	234
Subordinated loan	--	4,959
Short term finance receipt	--	336,666
Short term finance repaid	--	(100,000)
Investment in shares	--	80,000
Markup expense	120,591	55,391

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

	Note	2009 Rupees in '000	2008
38 PLANT CAPACITY AND PRODUCTION			
		Numbers	
Tractors:			
Sanctioned plant capacity		6,000	6,000
Actual production		10	59
Motorcycles:			
Annual capacity		60,000	60,000
Actual production		6,858	9,239

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.

39 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.

39.1 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:

Trade debts	24,569	12,922
Deposits, loans and other receivables	65,783	41,699
Bank balances	5,706	41,218
	<u>96,058</u>	<u>95,839</u>

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 possess good credit ratings.

39.2 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)						
2009						
Financial liabilities						
Subordinated loan	722,552	722,552	--	--	--	722,552
Long term loan	48,500	56,516	28,258	28,258	--	--
Lease liabilities	--	--	--	--	--	--
Trade and other payables	429,502	429,502	--	--	--	--
Accrued markup	185,902	185,902	--	--	--	--
Short term finance	762,834	886,832	443,416	443,416	--	--
	<u>2,149,290</u>	<u>2,281,304</u>	<u>471,674</u>	<u>471,674</u>	<u>--</u>	<u>722,552</u>
2008						
Financial liabilities						
Subordinated loan	722,552	722,552	--	--	--	722,552
Long term loan	48,500	63,395	17,474	17,474	28,447	--
Lease liabilities	1,192	1,260	557	703	--	--
Trade and other payables	393,477	393,477	--	--	--	--
Accrued markup	63,341	63,341	--	--	--	--
Short term finance	1,049,996	1,241,076	620,538	620,538	--	--
	<u>2,279,058</u>	<u>2,485,101</u>	<u>638,569</u>	<u>638,715</u>	<u>28,447</u>	<u>722,552</u>

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.

39.3 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:

	2009	2008
(Rupees in '000)		
<u>Variable rate instruments at carrying amounts:</u>		
Financial liabilities		
Long term loan	48,500	48,500
Lease liabilities	-	1,192
Short term finance	762,834	1,049,996
	<u>811,334</u>	<u>1,099,688</u>

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	<u>7,467</u>	<u>10,401</u>
Decrease	<u>(7,467)</u>	<u>(10,401)</u>

39.4 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.

39.5 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

40 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors and authorized for issue on October 7, 2009.

41 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 Abdullah Ahmed
Managing Director

FORM 34

THE COMPANIES ORDINANCE, 1984

(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 3 0 0 6 2 0 0 9

Number of Shareholders	Shareholdings			Total Shares held
398	1	-	100 Shares	31,440
447	101	-	500 Shares	124,934
109	501	-	1,000 Shares	97,654
143	1,001	-	5,000 Shares	377,038
39	5,001	-	10,000 Shares	309,632
10	10,001	-	15,000 Shares	129,828
9	15,001	-	20,000 Shares	166,999
2	20,001	-	25,000 Shares	47,200
2	25,001	-	30,000 Shares	55,000
1	30,001	-	35,000 Shares	31,500
1	35,001	-	40,000 Shares	38,056
2	40,001	-	50,000 Shares	98,700
2	50,001	-	55,000 Shares	103,333
2	55,001	-	65,000 Shares	121,100
1	65,001	-	75,000 Shares	72,000
1	75,001	-	90,000 Shares	87,000
3	90,001	-	150,000 Shares	450,000
1	150,001	-	210,000 Shares	206,500
3	210,001	-	285,000 Shares	846,000
1	285,001	-	460,000 Shares	457,400
1	460,001	-	545,000 Shares	545,000
1	545,001	-	550,000 Shares	546,000
1	550,001	-	695,000 Shares	691,094
1	695,001	-	1,005,000 Shares	1,001,333
3	1,005,001	-	1,055,000 Shares	3,159,000
1	1,055,001	-	1,240,000 Shares	1,240,000
1	1,240,001	-	2,145,000 Shares	2,143,000
1	2,145,001	-	3,480,000 Shares	3,477,000
1	3,480,001	-	4,750,000 Shares	4,746,259
1188	TOTAL			21,400,000

Categories of Shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officer, their spouses and minor children	8,179,000	38.22%
5.2 Associated Companies, undertakings and related parties	4,746,259	22.18%
5.3 NIT and ICP	1,057,933	4.94%
5.4 Banks, Development Financial Institutions, Non-Banking Finance Companies	64,200	0.30%
5.5 Insurance Companies	74,633	0.35%
5.6 Modarabas and Mutual Funds	-	0.00%
5.7 Shareholders holding 10%	10,366,259	48.44%
5.8 <u>General Public</u>		
a. Local	6,534,708	30.54%
b. Foreign	-	0.00%
5.9 Others (Joint Stock Companies, Brokragr Houses, Employees Funds & Trustees)	743,267	3.47%

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	3	1,057,933	4.94%
3.	Directors, CEO, their Spouses & Minor Children	9	8,178,000	38.21%
4.	Executives	2	1,000	0.00%
5.	Public Sector Companies & Corporations	21	743,267	3.47%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	6	138,833	0.65%
7.	Individuals	1,146	6,534,708	30.54%
	TOTAL	1,188	21,400,000	100.00%

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	<u>Associated Companies</u>			
1.1	Dewan Aviation (Pvt.) Limited	1	4,746,259	22.18%
2.	<u>NIT and ICP</u>			
2.1	National Bank of Pakistan, Trustee Deptt.	1	7,900	0.04%
2.2	National Bank of Pakistan	1	1,001,333	4.68%
2.3	Investment Corporation of Pakistan	1	48,700	0.23%
		3	1,057,933	4.94%
3.	<u>Directors, CEO, their Spouses & Minor Children</u>			
	<u>Directors and CEO</u>			
3.1	Dewan Muhammad Yousuf Farooqui	1	3,477,000	16.25%
3.2	Dewan Abdullah Ahmed Swaleh Farooqui	1	1,053,000	4.92%
3.3	Dewan Asim Mushfiq Farooqui	1	1,053,000	4.92%
3.4	Dewan Abdul Baqi Farooqui	1	1,053,000	4.92%
3.5	Mrs. Hina Yousuf	1	546,000	2.55%
3.6	Dewan Abdul Relman Farooqui	1	500	0.00%
3.7	Mr. Haroon Iqbal	1	500	0.00%
		7	7,183,000	33.57%
	<u>Spouses of Directors and CEO</u>			
3.8	Mrs. Sharmeen Mushfiq	1	282,000	1.32%
3.9	Mrs. Farah Jabri	1	282,000	1.32%
3.10	Mrs. Nada Jabri	1	282,000	1.32%
		3	846,000	3.95%
	<u>Minor Children of Directors and CEO</u>			
3.11	Miss Nabiha Yousuf	1	150,000	0.70%
		1	150,000	0.70%

SHAREHOLDERS HOLDING 10% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1	Dewan Zia-ur-Relman Farooqui	1	2,143,000	10.01%
2	Dewan Muhammad Yousuf Frooqui	1	3,477,000	16.25%
3	Dewan Aviation (Pvt.) Limited	1	4,746,259	22.18%

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.

PROXY FORM

The Secretary
Dewan Automotive Engineering Limited
Karachi.

IMPORTANT

This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent Raoji Consulting Associates (Private) Limited, located at 4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S., Main Shahrah-e-Faisal, 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 27th Annual General Meeting of the Company to be held on Thursday, October 29th, 2009 at 10:30 a.m. and any adjournment thereof. Signed this _____ day of _____ 2009.

Affix Revenue Stamp Rs. 5/-

Signature _____

Witness: _____ Signature

Witness: _____ Signature

Name: _____

Name: _____

Address: _____

Address: _____

