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## COMPANY INFORMATION

|  |   |   |
|--|---|---|
| <b>BOARD OF DIRECTORS</b>                  | : | <b>Dewan Muhammad Yousuf Farooqui</b><br>Chief Executive Officer & Chairman<br>Board of Director<br><br><b>Dewan Abdullah Ahmed</b><br>Managing Director<br><br><b>Dewan Abdul Rehman Farooqui</b><br><br><b>Dewan Asim Mushfiq Farooqui</b><br><br><b>Dewan Abdul Baqi Farooqui</b><br><br><b>Mr. M. A. Lodhi</b><br><br><b>Mr. Haroon Iqbal</b> |
| <b>COMPANY SECRETARY</b>                   | : | <b>Muhammad Naemuddin Mailk</b>   |
| <b>AUDIT COMMITTEE</b>                     | : | <b>Dewan Abdul Baqi Farooqui (Chairman)</b><br><b>Dewan Asim Mushfiq Farooqui (Member)</b><br><b>Dewan Abdullah Ahmed (Member)</b>  |
| <b>AUDITORS</b>                            | : | <b>Faruq Ali &amp; Company</b><br>Chartered Accountants<br>House No. 222-A, K.M.C.H. Society<br>Justice Inamullah Road, Hill Park, Karachi.<br>Ph: 021-4301966-69 Fax: 92-21-4301965  |
| <b>LEGAL ADVISORS</b>                      | : | <b>A. K. Brohi</b>  |
| <b>SHARE REGISTRAR/<br/>TRANSFER AGENT</b> | : | <b>BMF Consultants Pakistan (Private) Limited</b><br>4th Floor, A-14, Trade Centre, Block 7/8, K.C.H.S.,<br>Main Shahrah-e-Faisal, Karachi 75350, Pakistan  |
| <b>BANKERS</b>                             | : | Muslim Commercial Bank Limited<br>KASB Bank Limited<br>Soneri Bank Limited<br>Standard Chartered Bank Limited<br>The Royal Bank of Scotland<br>Zarai Tarqiati Bank Limited<br>NIB Bank Limited<br>My Bank Limited<br>The Bank of Punjab<br>Habib Bank Limited<br>Bank Islami Pakistan Limited   |
| <b>REGISTERED OFFICE</b>                   | : | <b>Finance &amp; Trade Centre</b><br>Block-A, 7th Floor,<br>Shahrah-e-Faisal, Karachi   |
| <b>FACTORY</b>                             | : | Plot Nos. A1-A50, Hub Industrial Trading Estate,<br>Hub, District Lasbela, Balochistan<br>Dewan City Sajawal District Thatta, Sindh.  |
| <b>WEBSITE</b>                             | : | <b><a href="http://www.dewangroup.com.pk">www.dewangroup.com.pk</a></b>   |

## **DIRECTORS' REPORT**

IN THE NAME OF ALLAH  
THE MOST GRACIOUS AND MERCIFUL

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

The Directors' Report together with the un-audited accounts of the Company for the quarter ended September 30, 2010 is being presented.

During the period under review the Company has incurred an after tax loss of Rs. 59.990 million as compared to Rs. 190.677 million in the corresponding period of last year. The loss is attributed mainly due to low production and sales volumes resulting in under absorption of fixed overheads,

The automobile industry witnessed a moderate recovery despite continued increase in prices; rise in cost of financing; lower availability of institutional financing, weak security environment, political uncertainty and liquidity problems. The proposal for re-profiling of Company's debt is under review with the banks. The banks have frozen working capital limits available to the Company. The management is taking all possible measures to sustain under these crucial circumstances and expects that the things will be normalized once the re-profiling of debts is finalized. A number of recovery suits have been instituted by Banks/Financial Institutions alleging default of various group companies which are being successfully defended by our counsels. The respective counsels have already filed their respective reports in respect of litigation being handled by them and all of them are of the opinion that these suits can be successfully defended. It is expected that with the little support from the banking sector, the Company's operation can be normalized.

We are extremely grateful to our customers, who have maintained their trust, and placed their confidence in our products. We are also thankful to the Engineering Development Board, our employees, dealers and vendors for their guidance, co-operation, continued support and patronage.

In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of His beloved Prophet, Muhammad, peace be upon him, for continued showering of His blessing, guidance, strength, health and prosperity to us, our Company, country and nation and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to whole of Muslim Ummah, Ameen, Summa Ameen.

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

**For and on behalf of the board of Directors**

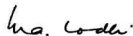
Statement under section 241(2) of the Companies Ordinance, 1984.

*The Chief Executive of the company is presently out of country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors*



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**Haroon Iqbal**  
Director



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**M. A. Lodhi**  
Director

**Karachi: October 30, 2010**

## CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2010 (UN-AUDITED)

| ASSETS  | Notes | (Unaudited)<br>September 30,<br>2010 | (Audited)<br>June 30,<br>2010 |
|---|-------|--------------------------------------|-------------------------------|
|   |       | Rupees in '000                       |                               |
| <b>NON - CURRENT ASSETS</b>   |       |                                      |                               |
| Property, plant and equipment - At cost less accumulated depreciation | 5     | 549,421                              | 559,071                       |
| Intangible  |       | 16,267                               | 18,591                        |
| Deferred cost   |       | 917                                  | 966                           |
| Long term deposits  |       | 1,938                                | 1,938                         |
| <b>CURRENT ASSETS</b>   |       |                                      |                               |
| Stock in trade  |       | 175,974                              | 182,426                       |
| Trade debts - Considered good   |       | 17,954                               | 22,459                        |
| Advances - Considered good  |       | 18,257                               | 16,627                        |
| Short term prepayments and other receivables                          |       | 56,640                               | 57,672                        |
| Advance income tax  |       | 57,827                               | 57,696                        |
| Available for sale investments - At fair value                        | 6     | 57,231                               | 64,340                        |
| Cash and bank balances  |       | 1,103                                | 1,154                         |
|   |       | 384,986                              | 402,374                       |
| Non current assets held for sale                                      |       | 40,000                               | 40,000                        |
|   |       | 993,529                              | 1,022,940                     |
| <b>EQUITY AND LIABILITIES</b>   |       |                                      |                               |
| <b>AUTHORIZED SHARE CAPITAL</b>                                       |       |                                      |                               |
| 21,800,000 ordinary shares of Rs.10/- each                            |       | 218,000                              | 218,000                       |
| Issued, subscribed and paid-up capital                                |       | 214,000                              | 214,000                       |
| Reserves - net  |       | 178,184                              | 178,184                       |
| Accumulated loss  |       | (1,896,738)                          | (1,838,146)                   |
|   |       | (1,504,554)                          | (1,445,962)                   |
| Surplus on revaluation of property, plant and equipment               |       | 147,549                              | 148,947                       |
| <b>NON - CURRENT LIABILITIES</b>                                      |       |                                      |                               |
| Subordinated Loan   |       | 722,552                              | 722,552                       |
| Deferred liabilities - Staff gratuity                                 |       | 12,115                               | 10,799                        |
| Deferred taxation   |       | 45,258                               | 46,011                        |
| <b>CURRENT LIABILITIES</b>  |       |                                      |                               |
| Trade and other payables  |       | 387,501                              | 399,002                       |
| Markup accrued  |       | 310,908                              | 283,107                       |
| Short term finance - Unsecured  |       | 785,055                              | 771,368                       |
| Provision for taxation  |       | 38,645                               | 38,616                        |
| Current and overdue portion of long term loan                         |       | 48,500                               | 48,500                        |
|   |       | 1,570,609                            | 1,540,593                     |
| <b>CONTINGENCIES</b>  | 8     | -                                    | -                             |
|   |       | 993,529                              | 1,022,940                     |

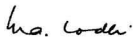
*The annexed notes form an integral part of these financial statements.*

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**Haroon Iqbal**  
Director



**M. A. Lodhi**  
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

|                                 | Quarter Ended     |                   |
|---------------------------------|-------------------|-------------------|
|                                 | September<br>2010 | September<br>2009 |
|                                 | Un-Audited        | Un-Audited        |
|                                 | (Rupees in '000') |                   |
| Sales - Net                     | 5,867             | 48,956            |
| Cost of sales                   | 24,059            | 62,891            |
| Gross loss                      | (18,192)          | (13,935)          |
| <b>OPERATING EXPENSES</b>       |                   |                   |
| Distribution expenses           | 438               | 6,976             |
| Administrative expenses         | 7,173             | 10,272            |
| Finance cost                    | 27,804            | 28,550            |
|                                 | 35,415            | 45,798            |
| <b>OPERATING LOSS</b>           | (53,607)          | (59,733)          |
| Other income                    | 2                 | 5                 |
| Other charges                   | (7,109)           | (131,518)         |
|                                 | (7,107)           | (131,513)         |
| Loss before taxation            | (60,714)          | (191,246)         |
| Taxation                        |                   |                   |
| Deferred                        | (753)             | (813)             |
| Current                         | 29                | 244               |
|                                 | (724)             | (569)             |
| Loss after taxation             | (59,990)          | (190,677)         |
| Loss per Share - basic (Rupees) | (2.80)            | (8.91)            |

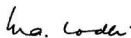
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**Haroon Iqbal**  
Director



**M. A. Lodhi**  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

|  | Quarter Ended         |                       |
|--|-----------------------|-----------------------|
|  | September 30,<br>2010 | September 30,<br>2009 |
|  | Rupees in '000        |                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |                       |                       |
| Loss before taxation                                   | (60,714)              | (191,246)             |
| Adjustment for non cash charges and other items        |                       |                       |
| Depreciation   | 10,085                | 10,726                |
| Other charges  | 7,109                 | 131,513               |
| Loss on sale of shares                                 |                       |                       |
| Provision for gratuity Net                             | 1,316                 | 606                   |
| Amortization of deferred cost and intangibles          | 2,372                 | 1,966                 |
| Finance cost   | 27,804                | 28,550                |
| Cash outflow before working capital changes            | <u>(12,028)</u>       | <u>(17,885)</u>       |
| Working capital changes                                |                       |                       |
| <i>(increase)/decrease in current assets</i>           |                       |                       |
| Stores and spares                                      | -                     | 37                    |
| Stock in trade   | 6,452                 | 31,506                |
| Trade debts  | 4,505                 | 1,979                 |
| Advances - Considered good                             | (1,630)               | 2,681                 |
| Short term prepayments and other receivables           | 1,032                 | 3,179                 |
|  | <u>10,359</u>         | <u>39,382</u>         |
| <i>Increase/(decrease) in current liabilities</i>      |                       |                       |
| Trade and other payables                               | (11,501)              | 1,172                 |
|  | <u>(1,142)</u>        | <u>40,554</u>         |
| Cash generated from operations                         | <u>(13,170)</u>       | 22,669                |
| Finance cost paid                                      | (3)                   | (1,157)               |
| Income tax -Net  | (130)                 | (496)                 |
|  | <u>(13,303)</u>       | <u>21,016</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                       |                       |
| Fixed capital expenditures                             | (435)                 | --                    |
| Investment - Net                                       |                       |                       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                       |                       |
| Short-term finance                                     | 13,687                | (20,813)              |
| Net cash inflow from financing activities              | <u>13,687</u>         | <u>(20,813)</u>       |
| Net (decrease) / increase in cash and cash equivalents | (51)                  | 203                   |
| Cash and cash equivalents at the beginning of the year | 1,154                 | 5,982                 |
| Cash and cash equivalents at the end of the Period     | <u>1,103</u>          | <u>6,185</u>          |

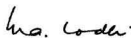
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**Haroon Iqbal**  
Director



**M. A. Lodhi**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

| Issued,<br>Subscribed<br>and<br>Paid-up<br>Capital | Capital Reserves  |   |  | Revenue reserves   |                     | Total<br>Rupees |
|--|-------------------|---|--|--------------------|---------------------|-----------------|
|  | Merger<br>reserve | Unrealized (loss)<br>/ gain due to<br>change in<br>fair value of<br>Investments | Settlement<br>claim from<br>Ford<br>Motors | General<br>Reserve | Accumulated<br>loss |                 |

Rupees in '000

|   |         |        |           |        |       |             |             |
|---|---------|--------|-----------|--------|-------|-------------|-------------|
| Balance as at June 30, 2009             | 214,000 | 82,090 | (273,137) | 86,194 | 9,900 | (1,329,258) | (1,210,211) |
| Total Comprehensive loss for the period | --      | --     | 141,619   | --     | --    | (189,167)   | (47,548)    |
| Balance as at Sep 30, 2009              | 214,000 | 82,090 | (131,518) | 86,194 | 9,900 | (1,518,425) | (1,257,759) |
| Balance as at June 30, 2010             | 214,000 | 82,090 | --        | 86,194 | 9,900 | (1,838,146) | (1,445,962) |
| Total Comprehensive loss for the period | --      | --     | --        | --     | --    | (58,592)    | (58,592)    |
| Balance as at Sep 30, 2010              | 214,000 | 82,090 | --        | 86,194 | 9,900 | (1,896,738) | (1,504,554) |

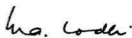
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**Haroon Iqbal**  
Director



**M. A. Lodhi**  
Director



## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME - (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2010

|  | Quarter Ended        |                      |
|--|----------------------|----------------------|
|  | September 30<br>2010 | September 30<br>2009 |
|  | (Rs. in '000')       |                      |
| Net loss after taxation  | (59,990)             | (190,677)            |
| Other comprehensive income:  |                      |                      |
| Changes in fair values of available for sale financial assets:     |                      |                      |
| - Impairment carried directly in equity                            | -                    | 273,137              |
| - Impairment charged to profit and loss                            | -                    | (131,518)            |
|  | -                    | 141,619              |
| Transfer from surplus on revaluation of fixed assets in respect of |                      |                      |
| - incremental depreciation   | 1,398                | 1,510                |
| Total comprehensive income for the period                          | (58,592)             | (47,548)             |

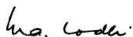
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**Haroon Iqbal**  
Director



**M. A. Lodhi**  
Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)**

1. 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. These condensed Interim financial statements 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. The Interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the company's annual financial statements for the year ended June 30, 2010.
3. These condensed Interim financial statements have been prepared using the same accounting policies and method of computation as were applied in preparing the financial statements for the year ended June 30, 2010.
4. The significant assumptions and estimates adopted in the preparation of these financial statements are the same as those of the last published financial statements for the year ended June 30, 2010.

|  | Quarter ended<br>September 30,<br>2010 | Year ended<br>June 30,<br>2010 |
|--|--|--------------------------------|
| <b>5. OPERATING FIXED ASSETS</b>   | <b>(Rs. In '000)</b>                   |                                |
| 5.1 Detail of additions to operating fixed assets during the period are as follows:  |  |                                |
| <b>Tangible</b>  |  |                                |
| <b>Owned</b>   |  |                                |
| Plant & Machinery  | 435                                    | 72                             |
| 5.2 Detail of disposal during the period are as follows:                             |  |                                |
| Vehicles   | -                                      | (2,207)                        |
| Furniture & Office Equipment   | -                                      | (10)                           |
| <b>6. INVESTMENT - AVAILABLE FOR SALE - At fair value</b>                            |  |                                |
| Investment in Ordinary shares of Dewan Cement Limited (DCL) - associated undertaking |  |                                |
| 37,407,000 ordinary shares of Rs. 17.35 each   | 649,142                                | 649,142                        |
| Accumulated impairment   | (591,911)                              | (584,802)                      |
|  | 57,231                                 | 64,340                         |
| <b>Market Value (Rupees per Share)</b>   | 1.53                                   | 1.72                           |
| <b>Percentage of equity held</b>   | 10.47%                                 | 10.47%                         |
| 6.1 Share price of DCL's share as at 30th October, 2010 was Rs. 1.55 per share.      |  |                                |
| <b>7. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES</b>                |  |                                |
| <b>Associated Companies</b>  |  |                                |
| Sales  | 1,563                                  | 8,476                          |
| Markup expense   | 27,800                                 | 28,528                         |

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

**8. Contingencies**

There is no material change in the contingencies and commitments since the last audited financial statements as at June 30, 2010.

**9. 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, cash flow statement and statement of changes in equity have been compared with the balances of comparable period of immediately preceding financial year.

**10. Date of authorization for issue**

The financial statements were approved by the board of directors and authorized for issue on October 30, 2010.

**11. General**

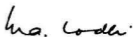
Figures have been rounded off to the nearest thousand of rupees.

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**Haroon Iqbal**  
Director



**M. A. Lodhi**  
Director