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

NOTICE OF THE TWENTY EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Eight Annual General Meeting of **Dewan Automotive Engineering Limited** (“***DAEL***” or “***the Company***”) will be held on **Friday, October 29, 2010, at 12:30 p.m.** at Dewan Cement Limited Factory Site, at Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; to transact the following businesses upon recitation from Holy Qur'aan and other religious recitals:

Ordinary Business:

1. To confirm the minutes of the preceding Annual General Meeting of the Company held on Thursday, October 29, 2009;

2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2010, togetherwith the Directors' and Auditors' Reports thereon;

3. To appoint the Statutory Auditors' of the Company for the ensuing year, and to fix their remuneration;

4. To consider any other business with the permission of the Chair.

Special Business:

To consider, and if thought appropriate, approve and resolve the passing of Special Resolutions in respect of alterations to the Articles of Association of the Company.

By Order of the Board

Date: 4th October 2010
Place: Karachi

Muhammad Naeemuddin Malik
Company Secretary

“Statement under Section 160(1)(b) of the Companies Ordinance, 1984, concerning the Special Business, is attached alongwith the Notice circulated to the members of the Company, and is deemed an integral part hereof”

NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 23, 2010 to October 29, 2010 (both days inclusive).

2. Members are requested to immediately notify change in their addresses, if any, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at 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) <u>For Attending Meeting</u>:

i) In case of individual, the account holder or sub-account holder, and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (CNIC), or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

b) <u>For Appointing Proxies</u>:

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.

<u>STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984</u>

This statement is annexed as an integral part of the Notice of the Twenty Eighth Annual General Meeting of Dewan Automotive Engineering Limited (**"the Company"** or **"DAEL"**) to be held on **Friday, October 29, 2010, at 12:30 p.m.**, Dewan Cement Limited Factory Site, at Deh Dhando, Dhabeji, District Malir, Karachi, Pakistan; and sets out the material facts concerning the Special Business to be transacted at the Meeting.

<u>Special Business</u>

To consider, and if thought appropriate, approve and resolve the passing of the following proposed special resolutions in respect of alterations to the Articles of Association of the Company.

i). <u>Clause 85 of the Articles of Association of the Company</u>

The following is the special resolution proposed in this regard:

"*RESOLVED THAT the provisions of Clause 85 of the Articles of Association of the Company be and are hereby substituted with the following: "The Quorum for all meetings of the Board of Directors shall be one-third of the numbers of Directors or four, which ever is the higher".*"

Further, for the sake of convenient reference, the following is the Present Vs the Proposed Substitution of Clause 85 of the Articles of Association of the Company:

Present Clause 85 of the Articles of Association of the Company	*Proposed substitution of Clause 85 of the Articles of Association of the Company*
"A meeting of the Board for the time being at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions for the time being excisable by the Board. The quorum at the meeting of the Directors shall be five Directors provided that if within half an hour from time to time appointed for the meeting a quorum as aforesaid shall not be present, the meeting shall be adjourned to the same day in the next week at the same time and place or if such place be not available, at such place be not available, at such other place as the Director(s) who attended such adjourned meeting may appoint, but should such a day be a public holiday in Pakistan, then it shall be adjourned to the first business day in Pakistan next following such public holiday at the same time and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, those Directors who are present shall constitute a quorum and may transact the business for which the meeting was called."	*"The Quorum for all meetings of the Board of Directors shall be one-third of the numbers of Directors or four, which ever is the higher".*

ii) Clause 87 of the Articles of Association of the Company

The following is the special resolution proposed in this regard:

"RESOLVED THAT the provisions of Clause 87 of the Articles of Association of the Company be and are hereby substituted with the following: "A resolution in writing signed by number of Directors, as would constitute a quorum in a meeting of the Board of Directors, shall be as valid and effectual as if it has been passed at a meeting of the Directors duly convened and held"."

Further, for the sake of convenient reference, the following is the Present Vs the Proposed Substitution of Clause 87 of the Articles of Association of the Company:

Present Clause 87 of the Articles of Association of the Company	*Proposed substitution of Clause 87 of the Articles of Association of the Company*
"Subject to the provisions of Section 196(2) of the Ordinance, a Resolution without any Meeting of Directors evidenced in writing under the hands of a majority of Directors, not being less than five (5), shall (subject to the provisions of the Ordinance and these Articles) be as valid and effectual as a Resolution duly passed at the meeting of the Directors, called and held in accordance with these Articles. Such resolution shall be effective from the date the Company shall have received confirmation in writing of the assent of all such Directors."	*"A resolution in writing signed by number of Directors, as would constitute a quorum in a meeting of the Board of Directors, shall be as valid and effectual as if it has been passed at a meeting of the Directors duly convened and held".*

The Directors of the Company are not directly or indirectly interested with the affairs of the Special Business, which nevertheless is intended to streamline the abovesaid provision of the Articles of Association of the Company with the like provision of the Companies Ordinance, 1984, and also acts and benefits to the business convenience of the Company, and its Board of Directors taken as a whole.

DIRECTORS' REPORT

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

The Directors present the Twenty Eighth Annual Report of the Company together with the audited accounts for the financial year ended June 30, 2010.

During the year the Company has suffered a net loss of Rs.514.930 million. The loss is attributed mainly due to low production and sales volumes resulting in under absorption of fixed overheads. The highlights of the accounts are as follows:

	2010	2009
	(Rupees '000)	
Sales-net	**121,422**	283,972
Depreciation	**44,875**	66,409
Gross loss	**(41,343)**	(10,173)
Administrative expenses	**36,032**	44,290
Distribution expenses	**16,195**	35,831
Finance cost	**112,644**	149,342
Other income/ (charges)	**(311,361)**	(353,690)
Net loss after tax	**(514,930)**	(507,162)

During the year under review, the economic performance of the country showed improvement in the economy as major economic indicators have generally followed healthy trend. The automobile industry witnessed a moderate recovery after passing through a lean phase during 2009 despite high markup rates, continued depreciation of Pak Rupees against all major currencies, escalating material prices , security concerns, energy shortage vis-à-vis high tariff and tough challenges of limited availability of credit for auto financing. The major impetus is from strong domestic demand particularly for consumer durable like motorcycle, the production of which has increased by 50.5% during FY10. Improved liquidity in the agriculture sector on account of strong support price of wheat, cotton, sugarcane and rice and increased foreign remittances, hike in petrol and 4 wheelers prices played pivotal role in recovery of motorcycle industry. Tractor production was also high by 19.3% as compared to last year production figures.

Severe liquidity crunch because of unilateral frozen working capital limit by the banks is real problem for the management to continue smooth and efficient operation of the company. The proposal for re-profiling of Company's debt is pending with the banks. The management is doing its level best to sustain under these circumstances and taking all possible measures to come out of this dilemma.

As explained in note 23.1 to the accounts a number of recovery suits have been instituted by the Banks/ Financial Institutions alleging default of various group companies which are being successfully defended by our Counsels, who are all of well repute. 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 may also be pointed out that there is vested interest working to destabilize our group of companies and are instrumental in bringing about cartelization in Banks/Financial Institutions to achieve their vested interests and trying to engineer default in repayment of loans etc. We have instituted suits and complaints against them in courts/ forums of appropriate jurisdictions.

It is further stated that the Company has the capacity to bounce back with a little support from the banking sector and that it has the capability to revive and bring back its operations in full swing which will be beneficial for all the investors / banks

The Auditors have qualified the report due to significance of the matter as referred in Para (a) and (b) of the Auditors Report. The Management has explained the status of the matter in respective notes to the financial statements. The Management is fully confident that the company would be able to, finalize the financial restructuring with the lenders and will come out of current situation.

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.

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;

Proper books of accounts of the Company have been maintained as required under the Companies Ordinance, 1984;

Accounting policies have been consistently applied in the preparation of the financial statements except for the change of accounting policies as mentioned in note 3.1 to the annexed financial statements. Accounting estimates are based on reasonable and prudent judgment.

International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements;

The system of internal control which is in place is sound in design and has been effectively implemented and monitored;

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;

There has been no material departure from the best practices of corporate governance;

Key operations and financial data for last six years is summarized and annexed;

There are no outstanding taxes and levies other than those disclosed in the annexed financial statements;

The pattern of shareholding of the Company as at June 30, 2010 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. (24.06)

PATTERN OF SHAREHOLDING
The pattern of shareholding is set out on page 42.
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	7
Dewan Asim Mushfiq Farooqui	4
Dewan Abdullah Ahmed	3
Dewan Abdul Baqi Farooqui	5
Mrs. Hina Yousuf	3
Mr. Haroon Iqbal	7
Dewan Abdul Rehman Farooqui	7
Mr. M. A. Lodhi	4

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 2010-11.

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

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

Dewan M. Yousuf Farooqui

Date: 4th October 2010
Place: Karachi

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

SUMMARISED KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

	Rupees in '000'					
	2010	**2009**	**2008**	**2007**	**2006**	**2005**
Fixed Assets	**559,071**	604,596	975,287	634,088	684,234	471,365
Deferred Cost	**966**	1,159	1,352	1,545	1,738	2,015
Intangible	**18,591**	27,886	37,181	46,476	14,623	6,231
Long term deposit	**1,938**	1,938	2,088	707	468	425,362
Current assets	**402,374**	516,786	942,073	1,228,017	1,436,249	1,187,323
Long term Investment	**-**	-	-	40,000	40,000	40,000
Issued subscribed & paid up capital	**214,000**	214,000	214,000	214,000	270,000	270,000
Reserves-net	**178,184**	(94,953)	(12,280)	145,432	53,701	(187,974)
Shareholders equity	**(1,445,962)**	(1,210,211)	(791,501)	(337,765)	(52,500)	158,371
Surplus on revaluation of fixed assets	**148,947**	154,989	326,114	62,204	68,522	47,091
Deferred liabilities	**10,799**	11,025	10,692	9,365	6,125	9,841
Long term financing	**722,552**	722,552	743,826	760,785	645,480	939,970
Current liabilities	**1,540,593**	1,464,747	1,573,241	1,423,409	1,464,769	977,024
turnover	**121,422**	283,972	557,666	608,810	1,041,722	1,392,094
Gross(Loss)/ Profit	**(41,343)**	(10,173)	(53,490)	(63,876)	87,794	137,182
Profit/ (Loss) before tax	**(517,575)**	(593,326)	(306,021)	(336,518)	(147,305)	(15,416)
Loss after tax	**(514,930)**	(507,162)	(304,484)	(327,314)	(149,824)	(39,643)
Transfer from surplus on revaluation of fixed assets to accumulated losses	**6,042**	16,762	8,460	6,318	3,581	5,064
Production of tractors (in numbers)	**-**	10	59	33	220	52
Production of Motorcycles	**2,707**	6,858	9,239	9,532	11,742	26,017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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 NBFI or, being a member of stock exchange, has been declared as defaulter by that stock exchange.

4. Casual vacancies occurring in the Board during the financial year were duly filed 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 / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO 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, were circulated at least seven days before the meetings. The minutes of the meeting 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, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The 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 comprises three members, who are non-executive directors 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 to the committee have been formed and advised to the committee for compliance.

17. The Board has set-up and effective Inter 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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 the 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.

Date: 4th October 2010
Place: Karachi

Dewan M. Yousuf Farooqui

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

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

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(021) 4301968
(021) 4301969
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Dewan Automotive Engineering Limited** ('the Company') to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

Faruq Ali & Co.

Engagement partner: S. Fasih us Zaman

Date: 4th October 2010
Place: Karachi

CHARTERED ACCOUNTANTS

FARUQ ALI & CO
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DEWAN AUTOMOTIVE ENGINEERING LIMITED** as at June 30, 2010 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.514.930 million during the year ended June 30, 2010 and as of that date its accumulated losses of Rs.1.838 billion have resulted in net capital deficiency of Rs.1.446 billion and its current liabilities exceeded its total assets by Rs.517.653 million. Furthermore, during preceding financial year company sold its land and factory building, where the company's main plant is situated, to a bank against settlement of running finance facilities and certain financial institution have gone into litigation for recovery of liabilities (refer note 23.1). 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 for the year amounting to Rs. 15.007 million (for the year ended June 30, 2009: Rs.6.825 million) (refer note 27.1) on account of restructuring proposal offered to the lenders as described in note 2 to the financial statements. Non-provisioning of markup is based on management's hope that the restructuring proposal will be accepted by lenders in the proposed manner. In our opinion, since the proposal has not been accepted by the lenders so far and the lenders, instead of accepting the restructuring proposal, have preferred filing suits against the company, therefore the provision of markup should be made in these financial statements. Had the provision of markup been made in the financial statements, the loss after taxation would have been higher by Rs. 15.007 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.21.832 million.

Continuation Sheet

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 except for the change resulted from initial application of amendment to existing standard, as disclosed in note 3.1.1 to the financial statements, with which we concur,

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) coupled with the financial effect of matter discussed in (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, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the company's affairs as at June 30, 2010 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.

Faruq Ali & Co.

Date: 4th October 2010
Place: Karachi

CHARTERED ACCOUNTANTS

Engagement partner: S. Fasih us Zaman

Date: 4th October 2010
Place: Karachi

BALANCE SHEET
AS AT JUNE 30, 2010

ASSETS	NOTE	2010	2009
		Rupees in '000	
NON - CURRENT ASSETS			
Property, plant and equipment	4	559,071	604,596
Intangible	5	18,591	27,886
Deferred cost	6	966	1,159
Long term deposits		1,938	1,938
CURRENT ASSETS			
Stores and spares		–	148
Stock in trade	7	182,426	242,616
Trade debts - Considered good	8	22,459	24,569
Advances - Considered good	9	16,627	20,562
Short term prepayments and other receivables	10	57,672	64,020
Advance income tax		57,696	56,020
Available for sale investments - At fair value	11	64,340	102,869
Cash and bank balances	12	1,154	5,982
		402,374	516,786
Non current assets held for sale	13	40,000	40,000
		1,022,940	1,192,365
EQUITY AND LIABILITIES			
AUTHORIZED SHARE CAPITAL			
21,800,000 ordinary shares of Rs.10/- each		218,000	218,000
Issued, subscribed and paid-up capital	14	214,000	214,000
Reserves - Net	15	178,184	(94,953)
Accumulated loss		(1,838,146)	(1,329,258)
		(1,445,962)	(1,210,211)
Surplus on revaluation of property, plant and equipment	16	148,947	154,989
NON - CURRENT LIABILITIES			
Subordinated loan - Unsecured	17	722,552	722,552
Deferred liabilities - Staff gratuity	18	10,799	11,025
Deferred taxation	19	46,011	49,263
CURRENT LIABILITIES			
Trade and other payables	20	399,002	429,502
Markup accrued		283,107	185,902
Short term finance	21	771,368	762,834
Provision for taxation		38,616	38,009
Overdue portion of loans - secured	22	48,500	48,500
		1,540,593	1,464,747
CONTINGENCIES	23	–	--
		1,022,940	1,192,365

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

Dewan M. Yousuf Farooqui

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

M.A. Lodhi

M. A. Lodhi
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010	2009
		Rupees in '000	
Sales - Net	24	**121,422**	283,972
Cost of sales	24	**162,765**	294,145
Gross loss		**(41,343)**	(10,173)
OPERATING EXPENSES			
Distribution expenses	25	**16,195**	35,831
Administrative expenses	26	**36,032**	44,290
Finance cost	27	**112,644**	149,342
		164,871	229,463
OPERATING LOSS		**(206,214)**	(239,636)
Other income	28	**305**	182
Other charges	29	**(311,666)**	(353,872)
		(311,361)	(353,690)
Loss before taxation		**(517,575)**	(593,326)
Taxation			
Deferred		**(3,252)**	(86,164)
Current	30	**607**	--
		(2,645)	(86,164)
Loss after taxation		**(514,930)**	**(507,162)**
Other comprehensive income for the year:			
Changes in fair values of available for sale financial asset		**--**	190,464
Effect of impairment in investment carried directly in equity		**273,137**	(273,137)
Transfer from surplus on revaluation of fixed assets in respect of			
- incremental depreciation		**9,294**	25,788
- disposal of fixed assets		**--**	231,501
Related deferred tax		**(3,252)**	(86,164)
		6,042	171,125
Total comprehensive loss for the year		**(235,751)**	**(418,710)**
Loss per share - Basic and diluted (Rupees)	31	**(24.06)**	(23.70)

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

Dewan M. Yousuf Farooqui

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

M. A. Lodhi

M. A. Lodhi
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(517,575)	(593,326)
Adjustment for non cash charges and other items		
Depreciation	44,875	66,409
Loss on sale on property, plant and equipment	(288)	80,735
Impairment in value of investment	311,666	273,137
Provision for gratuity - Net	(226)	333
Amortization of deferred cost and intangibles	9,488	9,488
Amortization of income	–	(182)
Finance cost	112,644	149,342
Cash outflow before working capital changes	(39,416)	(14,064)
Working capital changes		
(increase)/decrease in current assets		
Stores and spares	148	148
Stock in trade	60,190	40,955
Trade debts	2,110	(11,647)
Advances - Considered good	3,935	31,105
Short term prepayments and other receivables	6,348	5,606
	72,731	66,167
Increase/(decrease) in current liabilities		
Trade and other payables	(30,500)	36,025
	42,231	102,192
Cash generated from operations	2,815	88,128
Long term deposits	–	150
Finance cost paid	(15,439)	(26,781)
Income tax -Net	(1,676)	(2,477)
Net cash (outflow) / inflow from operating activities	(14,300)	59,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(72)	(6,778)
Sale proceeds of property, plant and equipment	1,010	2,025
Net cash inflow / (outflow) from investing activities	938	(4,753)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability	–	(1,192)
Short-term finance	8,534	(88,816)
Net cash inflow / (outflow) from financing activities	8,534	(90,008)
Net (decrease) in cash and cash equivalents	(4,828)	(35,741)
Cash and cash equivalents at the beginning of the year	5,982	41,723
Cash and cash equivalents at the end of the Period	1,154	5,982

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

Dewan M. Yousuf Farooqui

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

M.A. Lodhi

M. A. Lodhi
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, Subscribed and Paid-up Capital	Capital Reserves			Revenue reserves		Total Rupees
		Merger reserve	Unrealized (loss) due to change in fair value of Investments	Settlement claim from Ford Motors (Note 15.2)	General Reserve	Accumulated Loss	
	Rupees in '000						
Balance as at July 01, 2008	214,000	82,090	(190,464)	86,194	9,900	(993,221)	(791,501)
Total comprehensive loss for the period	–	–	(82,673)	–	–	(336,037)	(418,710)
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	–	–	273,137	–	–	(508,888)	(235,751)
Balance as at June 30, 2010	**214,000**	**82,090**	**–**	**86,194**	**9,900**	**(1,838,146)**	**(1,445,962)**

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

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

M. A. Lodhi
Director

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010

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. 514.930 million (2009: Rs. 507.162 million) during the year ended June 30, 2010, and, as of that date it has accumulated losses of Rs. 1,838.146 million (2009: Rs.1,329.258 million) which have resulted in negative equity of Rs. 1,445.962 million (2009: Rs. 1,210.211 million). The company's short term borrowing facilities have expired and not been renewed and the company has been unable to ensure scheduled payments of borrowings and to the creditors due to the liquidity problems. Following course, certain lenders have gone into litigation for repayment of liabilities through attachment and sale of company's hypothecated / mortgaged properties. These conditions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Therefore the company may not be able to realize its assets and discharge its liabilities in normal course of business.

These financial statements have been prepared on going concern assumption because the above conditions are temporary and would reverse. The management is confident that the outcome will be positive as the company is negotiating re-profiling of the debt with all the lenders and is expected to be closed in near future. Accordingly, the company has approached its lenders for the restructuring of its entire debt in the following manner:

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

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

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

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders and litigations will be withdrawn. Accordingly, these financial statements have been prepared on a going concern basis.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of (IFRS) as mention in 27.1 to the financial statements, for which the management concludes that provisioning of markup would conflict with the objective of financial statements Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

Initial Application of a standard or an Interpretation

During the current year, the Company has adopted the following new and amended IAS as of July 01, 2009, which has resulted in extended disclosures as described below:

IAS 1 - (Revised) Presentation of Financial Statements' (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). The company has chosen to present all non owner changes in equity in one performance statement - statement of comprehensive income (profit and loss account). The company does not have any item of income and expenses representing other comprehensive income. Accordingly, the adoption of the above standard does not have any significant impact on the presentation of the company's financial statement and does not require the restatement or reclassification of comparative information.

IFRS 8, 'Operating segments' was effective from January 1, 2009.

The new standard requires a 'management approach', under which segment information is required to be presented on the same basis as that used for internal reporting purposes. Operating segments are determined and presented in a manner consistent with the internal reporting provided to the chief operating decision maker. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has determined operating segments on the basis of business activities i.e. manufacturing and trading activities.

The adoption of the above standard does not have any significant effect on the Company's financial statements other than certain increased disclosures. Furthermore, the adoption of this standard neither has any impact on earnings per share nor does it require the restatement or reclassification of comparative information.

IFRS 8 'Operating Segments' (Amendments) effective January 1, 2010 has been early adopted by the Company. Under the amendment, it has been clarified that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision-maker. Accordingly, segment assets have not been disclosed in these financial statements as these are not reported to the chief operating decision-maker on a regular basis.

Standard and interpretations that become effective during the year

The following standards (revised or amended) and interpretations become effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Company:

IFRS 3 - Business Combinations (Revised)

IFRS 7 - Financial Instruments: Disclosure (Amended)

IFRS 8 - Operating Segments

IAS 23 - Borrowing Cost (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Revised)

IAS 32 - Financial instruments (Amended of reputable instruments and obligations arising on liquidation)

IAS 39 - Financial Instruments: Recognition and Measurement (Amended)

IFRIC 15 - Agreements for the Construction of Real Estate.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to Owners

IFRIC 18 - Transfers of Assets from Customers

Standards and interpretations issued but not yet effective for the current financial year
The following are the standards and interpretations which have been issued but are not yet effective for the current financial year.

		Effective for period beginning on or after
IAS 24 -	Related Party Disclosures (Revised)	January 01, 2011
IAS 32 -	Financial Instruments: Presentation - Amendments Relating to Classification of Rights Issues	February 01, 2010
IFRS 2 -	Share-based Payment: Amendments relating to Group Cash - settled Share-based Payments Transactions	January 01, 2010
IFRIC 14 -	IAS 19 - The Limited on Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)	January 01, 2011
IFRIC 19 -	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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

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

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

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

3.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.7 Stores, spares and stock in trade
These are valued at lower of cost and net realizable value. The cost is determined as follows:

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

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

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

Other receivables are recognized and carried at cost.

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

3.10 Cash and cash equivalents

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

3.11 Staff retirement benefits

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

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

3.12 Deferred income

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

3.13 Trade and other payables

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

3.14 Taxation

Current

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

Deferred

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

3.15 Financial instruments

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

3.16 Off setting of financial assets and liabilities

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

3.17 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

3.18 Foreign currency translation

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

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

3.19 Related party transactions

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

3.20 Revenue recognition

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

3.21 Non current assets held for sale

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

3.22 Warranties

Warranty expenses are recognized as and when claims are received.

3.23 Borrowings costs

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

		2010	2009
		Rupees in '000	
4 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - At cost less accumulated depreciation	4.1	**558,392**	603,917
Capital work in Progress - At cost	4.5	**679**	679
		559,071	604,596

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

2010

PARTICULARS	COST / REVALUATION						Rate	DEPRECIATION					Book Value
	As at July 01 2009	Additions	(Deletions)	Adjustment	Revaluation	As at June 30 2010	%	As at July 01 2009	On disposals	For the year	Adjustment	As at June 30 2010	As at June 30 2010
	Rupees in '000							Rupees in '000					
Freehold land	1,800	–	–	–	–	1,800	–	–	–	–	–	–	1,800
Factory building on free hold land													
Cost	122,502	–	–	–	–	122,502	5 to 10	7,096	–	5,771	–	12,867	109,635
Revaluation	101,499	–	–	–	–	101,499	5	5,879	–	4,781	–	10,660	90,839
Lease hold land													
Cost	16,097	–	–	–	–	16,097	–	–	–	–	–	–	16,097
Revaluation	62,903	–	–	–	–	62,903	–	–	–	–	–	–	62,903
Factory Building on leasehold land													
Cost	–	–	–	–	–	–	10	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–	10	–	–	–	–	–	–
Plant and machinery													
Cost	227,859	72	–	–	–	227,931	10	26,206	–	20,168	–	46,374	181,557
Revaluation	50,995	–	–	–	–	50,995	10	5,864	–	4,514	–	10,378	40,617
Computer and Allied	3,293	–	–	–	–	3,293	10 to 30	2,536	–	163	–	2,699	594
Furniture & Office Equipments	31,344	–	(10)	–	–	31,334	10	13,053	(3)	1,827	–	14,877	16,457
Motor Vehicle													
Owned	71,059	–	(2,207)	–	–	68,852	20	39,169	(1,492)	6,211	–	43,888	24,964
Leased	–	–	–	–	–	–	20	–	–	–	–	–	–
Tools and equipments	11,104	–	–	–	–	11,104	10	4,477	–	663	–	5,140	5,964
Refrigerators and air conditioners	1,506	–	–	–	–	1,506	10	954	–	55	–	1,009	497
Electrical appliances	318	–	–	–	–	318	10	103	–	22	–	125	193
Jigs and Fixtures	735	–	–	–	–	735	10	440	–	30	–	470	265
Electrical fittings	6,494	–	–	–	–	6,494	10	1,563	–	493	–	2,056	4,438
Dies	4,205	–	–	–	–	4,205	10	2,475	–	173	–	2,648	1,557
Patterns	112	–	–	–	–	112	20	93	–	4	–	97	15
Total - 2010	**713,825**	**72**	**(2,217)**	–	–	**711,680**		**109,908**	**(1,495)**	**44,875**	–	**153,288**	**558,392**

2009

PARTICULARS	COST / REVALUATION						Rate	DEPRECIATION					Book Value
	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	As at June 30 2009
	Rupees in '000							Rupees in '000					
Freehold land	1,800	–	–	–	–	1,800	–	–	–	–	–	–	1,800
Factory building on free hold land													
Cost	122,502	–	–	–	–	122,502	5 to 10	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)	5,229	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
Dies	4,101	104	–	–	–	4,205	10	2,273	–	202	–	2,475	1,730
Patterns	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**

	2010	2009
	Rupees in '000	

4.2 Depreciation for the year has been allocated as follows:

	2010	2009
Cost of sales	**42,183**	62,225
Distribution expenses	**898**	1,285
Administrative expenses	**1,794**	2,899
	44,875	66,409

Particulars	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Settlement of Liabilities	(Loss) / gain	Mode of Disposal	Particulars of Buyer
	Rupees in '000							
Furniture and Office Equipments								
Mobile Nokia 2600	5	1	4	4	-	-	Company policy	M.Ashar Hussain (Employee)
Mobile Nokia 1600	5	2	3	3	-	-	—//—	Mirza Faisal Baig (Employee)
Motor Vehicles:								
Kia Classic 2005 (AJN-372)	575	379	196	325	-	129	Company policy	Mr. Mudassir (Employee)
Tractor Ursus 2812	270	206	64	180	-	116	Tender	M/s Rafiq & Sons
Santro ALR - 431	609	409	200	220	-	20	Company policy	Mr.Faruq Ahmed Qureshi (Employee)
Motorcycle DS - 70	39	27	12	14	-	2	—//—	Mr. Wahid Anjum (Employee)
Motorcycle DS - 70	39	27	12	15	-	3	—//—	Mr. shabbir Ahmed (Employee)
Motorcycle DS - 70	40	26	14	10	-	(4)	—//—	Mr. M.Imran (Employee)
Motorcycle DS - 70	51	32	19	16	-	(3)	—//—	Mr. Danish Ali (Employee)
Motorcycle DS - 70	51	32	19	19	-	-	—//—	Mr. Ameer Hasan (Employee)
Motorcycle DS - 70	51	32	19	19	-	-	—//—	Mr. Asim (Employee)
Motorcycle DS - 70	40	15	25	11	-	(14)	—//—	Mr. Imran Latafat (Employee)
Motorcycle DS - 70	40	18	22	12	-	(10)	—//—	Mr. Imran Latafat (Employee)
Motorcycle DS - 70	41	23	18	16	-	(2)	—//—	Mr. M.Ali (Employee)
Motorcycle DS - 70	39	29	10	16	-	6	—//—	Mr. Tariq (Employee)
Motorcycle DS - 70	40	30	10	14	-	4	—//—	Mr. Syed Iftikhar (Employee)
Motorcycle DS - 70	41	30	11	16	-	5	—//—	Mr. Azhar (Employee)
Motorcycle DS - 70	40	30	10	16	-	6	—//—	Mr. Iftikhar Ahmed (Employee)
Motorcycle DS - 70	41	30	11	18	-	7	—//—	Mr. Ali Ahmed (Employee)
Motorcycle DS - 70	40	29	11	17	-	6	—//—	Mr. Nasrullah Niazi (Employee)
Motorcycle DS - 70	40	29	11	18	-	7	—//—	Mr. Ansar kiani (Employee)
Motorcycle DS - 70	40	29	11	15	-	4	—//—	Mr. Affaq Hussain (Employee)
Motorcycle DS - 70	40	30	10	16	-	6	—//—	Mr. Masood Akhtar (Employee)
2010	2,217	1,495	722	1,010	-	288		
2009	338,765	27,705	311,060	2,025	228,300	(80,735)		

4.4 During the last year Land and building of the company situated at Hub Industrial Estate was 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.

The company, alongwith two of its associated companies, has filed a suit against the bank for declaration, permanent injunction and specific performance of Memorandum of Understanding dated December 04, 2008 signed between the bank and the company whereby it was agreed that the bank will restructure/rollover the existing facilities of the company against transfer of immovable properties with a buy back option. The company performed its part i.e. the assets were transferred to the Bank and liabilities were duly adjusted, however, performance on part of bank is still pending. The matter is pending before Honorable High Court of Sindh at Karachi and next hearing has been fixed on October 14, 2010.

	Note	2010	2009
		Rupees in '000	
4.5 Capital work in Progress - At cost			
Civil works		**145**	145
Plant and machinery		**534**	534
		679	679
5 INTANGIBLE			
Computer software:			
Opening Balance		**27,886**	37,181
Amortization for the year	26	**(9,295)**	(9,295)
		18,591	27,886

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

	Note	2010	2009
6 DEFERRED COST			
Preliminary expenses		**1,159**	1,352
Amortization for the year	26	**(193)**	(193)
		966	1,159
7 STOCK IN TRADE			
Raw materials and components		**156,825**	190,311
Less: written down to net realizable value		**(6,123)**	(6,123)
		150,702	184,188
Provision for slow moving and obsolescence		**(21,274)**	(21,274)
		129,428	162,914
Stock in transit		**–**	9,606
Work in process		**9,402**	17,866
Finished goods			
Manufacturing stock		**16,908**	25,109
Less: written down to net realizable value		**(3,580)**	(3,580)
		13,328	21,529
Trading stock		**30,268**	30,701
		182,426	242,616
8 TRADE DEBTS - Considered good			
Considered good		**22,459**	24,569
Considered doubtful		**1,739**	1,739
		24,198	26,308
Less: Provision for doubtful debts		**1,739**	1,739
		22,459	24,569
9 ADVANCES - Considered good			
Employees		**4,863**	3,998
Suppliers and contractors		**6,950**	11,689
Other advances		**4,814**	4,875
		16,627	20,562

	Note	2010	2009
		Rupees in '000	

10 SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

		2010	2009
Prepayments		**516**	175
Sales Tax		**16,008**	20,208
Other receivables	10	**32,471**	32,471
Immature letter of credits		**–**	6
Deposits		**8,677**	11,160
		57,672	64,020

10.1 Includes Rs.29.953 (2009: Rs,29.953) million receivable from My bank Limited against the property sold as disclosed in note 4.4 to the financial statements.

11 AVAILABLE FOR SALE INVESTMENTS - At fair value

In associated companies:

Dewan Cement Limited (DCL)

	2010	2009
37,407,000 (2009: 37,407,000) Ordinary shares of Rs.10/- each @17.35		
Market value per share Rs.1.72 (2009 : Rs.2.75)	**649,142**	649,142
Accumulated impairment	**(584,802)**	(546,273)
	64,340	102,869
Percentage of equity held	**10.47%**	10.47%

12 CASH AND BANK BALANCES

	2010	2009
Cash at banks - In current accounts	**1,062**	5,706
Cash in hand	**92**	276
	1,154	5,982

13 NON CURRENT ASSETS HELD OF SALE

Investment

	2010	2009
Dewan Mushtaq Trade Limited (associated company)		
4,000,000 Ordinary shares of Rs.10/- each	**40,000**	40,000

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.

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010	2009		2010	2009
No. of Shares			Rupees in '000	
		Ordinary shares of Rs. 10/- each issued as fully paid in cash		
20,535,871	20,535,871		**205,359**	205,359
		Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		
864,129	864,129		**8,641**	8,641
21,400,000	21,400,000		**214,000**	214,000

15 RESERVES - Net

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

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

	2010	2009
	Rupees in '000	
16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Balance as at July 01	**154,989**	326,114
Surplus transferred to accumulated loss relating to:		
- assets disposed off during the year - Net of tax	**–**	(154,363)
- incremental deprecation charged on related assets during the year - Net of tax	**(6,042)**	(16,762)
	148,947	154,989

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

17 SUBORDINATED LOAN - Unsecured

	2010	2009
From related parties		
Associated concerns	**517,552**	517,552
Director	**205,000**	205,000
	722,552	722,552

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

18 DEFERRED LIABILITIES - Staff gratuity

	2010	2009
Employees retirements benefits	**10,799**	11,025
18.1 Movement in the net liability recognized		
Opening liability	**11,025**	10,692
Expenses recognized	**3,085**	3,392
Paid during the year	**(3,311)**	(3,059)
	10,799	11,025
18.2 Expenses recognized		
Current service cost	**2,448**	2,183
Interest cost	**979**	1,209
Actuarial gains	**(342)**	--
	3,085	3,392

	2010	2009
	Rupees in '000	
18.3 Balance sheet reconciliation		
Present value of defined benefits obligation	**7,389**	8,159
Actuarial gain to be recognized	**3,410**	2,866
	10,799	11,025
18.4 Allocation		
Total retirement benefits costs are included in salaries and benefits and allocated as follows:		
Cost of sales	**1,666**	1,834
Distribution expenses	**895**	982
Administrative expenses	**524**	576
	3,085	3,392
18.5 Principle actuarial assumptions		
Expected rate of increase in salaries	**11% per annum**	11% per annum
Discount factor used	**12% per annum**	12% per annum
Average expected remaining working life time of employees	**6 years**	14 years

19 DEFERRED TAXATION

	2010	2009
Deferred tax liability arising out of surplus on revaluation of property plant and equipment	**46,011**	49,263

19.1 Company has not recognized deferred tax asset amounting to Rs.539.393 million arising due to available tax losses and credits since it is not probable that future tax profits will be available against which the temporary differences can be utilized. The deferred tax liability reflected in these financial statements relates to the surplus on revaluation of property, plant and equipment only.

20 TRADE AND OTHER PAYABLES

	2010	2009
Trade creditors	**291,467**	347,685
Accrued expenses	**49,451**	39,663
Advances from dealers	**42,796**	36,997
Advance from customer	**562**	37
Corporate asset tax payable	**155**	155
Withholding tax payable	**4,040**	1,173
Worker's profit participation fund	**145**	145
Interest on workers' profit participation fund	**47**	47
Sales tax payable	**1,514**	--
Others	**8,825**	3,600
	399,002	429,502

21 SHORT TERM FINANCE

	2010	2009
From banks - Secured		
Short term running finance	**49,310**	49,310
From related party (associated company) - Unsecured		
- interest bearing	**693,260**	693,260
Others		
Temporary book overdraft	**28,798**	20,264
	771,368	762,834

21.1 This represents short term bank borrowings from commercial bank against limit of Rs.50 million at markup rate ranging from 2% over 6 months KIBOR (2009: 2% to 8%) payable quarterly in arrears. The facility is secured by way of first charge over stock in trade and receivables of the company. The facility has not been renewed by the bank, however the company has approached its lenders for restructuring of liabilities as explained in note 2 to the financial statements and further the bank has gone into litigation as more fully explained in note 23.1 to the financial statements.

21.2 This is an unsecured finance from associated company, which carries markup @ 16% per annum (2009: 16.59% to 18.28% per annum).

22 OVER DUE PORTION OF LOANS - Secured

Syndicated loan facilities obtained from various financial institutions, 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% (2009: @ 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 23.1 to the financial statements.

23 CONTINGENCIES

23.1 In respect of loan towards banks / financial institutions disclosed in note 21.1 and 22 to the financial statements, certain banks /financial institutions have filed suits in Honorable High Court of Sindh at Karachi for recovery of their suits amount through attachment and sale of Company's hypothecated / mortgaged properties. The aggregate suits amount is Rs. 90.284 million.

The management has disputed the claim and is strongly contesting the case. The management has filed counter claims alleging that the banks claims are highly exaggerated as they have charged markup on markup and other levies higher than the rate of markup agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan. The management is hopeful that the decision will be in favor of the company and the base less suits shall be rejected by the concerned courts.

23.2 Two appeals were pending before Commissioner Income Tax (Appeals) (CIT) filed by the company against the orders of Taxation Officer for tax demands amounting to Rs.7.691 million and Rs.0.385 million. The said appeals have now been decided in favor of company.

24 OPERATING RESULT

		Manufacturing		Trading		Total	
		2010	2009	2010	2009	2010	2009
		Rupees in '000					
Gross sales		**140,584**	315,439	**1,332**	11,399	**141,916**	326,838
Sales tax		**20,281**	42,127	**55**	239	**20,336**	42,366
Excise duty		**118**	-	**-**	-	**118**	-
Commission		**40**	320	**-**	180	**40**	500
Net sales		**120,145**	272,992	**1,277**	10,980	**121,422**	283,972
Cost of sales							
Opening stock		**21,529**	29,393	**30,701**	36,277	**52,230**	65,670
Cost of goods manufactured	24.1	**155,063**	274,274	**-**	-	**155,063**	274,274
Purchases		**-**	-	**-**	22	**-**	22
Inter transfer		**(3)**	664	**3**	5,789	**-**	6,453
Issue - Warranty		**(932)**	25	**-**	(69)	**(932)**	(44)
Closing stock		**(13,328)**	(21,529)	**(30,268)**	(30,701)	**(43,596)**	(52,230)
		162,329	282,827	**436**	11,318	**162,765**	294,145
Gross loss		**(42,184)**	(9,835)	**841**	(338)	**(41,343)**	(10,173)
Distribution expenses		**15,208**	32,487	**987**	3,344	**16,195**	35,831
Administrative expenses		**30,332**	40,447	**5,700**	3,843	**36,032**	44,290
Finance cost		**96,486**	142,527	**16,158**	6,815	**112,644**	149,342
		142,026	215,461	**22,845**	14,002	**164,871**	229,463
Operating loss		**(184,210)**	(225,296)	**(22,004)**	(14,340)	**(206,214)**	(239,636)
Other income		**305**	182	**-**	-	**305**	182
Other charges		**(311,666)**	(353,872)	**-**	-	**(311,666)**	(353,872)
Loss before taxation		**(495,571)**	(578,986)	**(22,004)**	(14,340)	**(517,575)**	(593,326)

	Note	2010	2009
24.1 COST OF GOODS MANUFACTURED		**Rupees in '000**	
Raw materials and parts consumed		66,911	151,839
Salaries, wages and benefits		27,535	42,715
Fuel oil and lubricants		937	1,802
Traveling and vehicles running		587	1,433
Insurance		891	1,417
Rent, rates and taxes		2	214
Communication		177	271
Repairs and maintenance		1,053	1,048
Consumables		221	696
Generator fuel		176	939
Utilities		4,137	3,403
Printing, Stationary and office supplies		37	115
Depreciation	4.2	42,183	62,225
Cartage and freight		249	101
Door trim development charges		474	–
Parts painting		709	2,810
Fee and Subscription		126	685
Loose tools written off including replacement		148	148
Development expenditures		–	38
Security expenses		38	890
Miscellaneous		8	423
		79,688	121,373
Manufacturing cost		146,599	273,212
Work-in-process - Opening		17,866	18,928
Work-in-process - Closing		(9,402)	(17,866)
		8,464	1,062
Cost of goods manufactured		155,063	274,274

24.1.1 Raw materials and parts consumed

	2010	2009
Opening stock	162,914	198,973
Purchases	33,425	125,211
	196,339	324,184
Issue against warranty / rejection / sale	–	2,703
Inter transfers	–	6,728
Closing stock	129,428	162,914
	129,428	172,345
	66,911	151,839

	Note	2010	2009
		Rupees in '000	
25 DISTRIBUTION EXPENSES			
Salaries and benefits		4,961	16,762
Traveling and vehicles running		883	2,890
Insurance		65	225
Communication		162	232
Repair and maintenance		84	9
Utilities		113	1,621
Depreciation	4.2	898	1,285
Rent, rates and taxes		203	1,069
Printing, stationery and office supplies		13	432
Fees and subscription		–	36
Entertainment		7	154
Advertisement		89	925
Sales promotion expenses		6,397	5,347
Warranty		–	1,576
After sales service		147	53
Security expenses		19	124
Transportation expenses		2,151	2,662
Miscellaneous		3	429
		16,195	35,831

	Note	2010	2009
26 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		11,880	19,535
Traveling and vehicles running		2,817	1,916
Fees and subscription		314	621
Insurance		3,039	633
Rent, rates and taxes		1,352	1,493
Communication		593	542
Repairs and maintenance		1,196	953
Utilities		450	2,930
Printing, stationary and office supplies		350	758
Entertainment		71	96
Legal and professional		612	245
Auditor's remuneration	26.1	450	485
Depreciation	4.2	1,794	2,899
Amortization of intangible asset	5	9,295	9,295
Amortization of deferred cost	6	193	193
Security expenses		1,442	1,138
Fuel, oil and lubricant		–	118
Miscellaneous		184	440
		36,032	44,290

	Note	2010	2009
26.1 Auditor's remuneration			
Audit fee		300	300
Out of pocket expenses		-	34
Review reports		150	151
		450	485

	Note	2010	2009
		Rupees in '000	
27 FINANCE COST			
Mark up on long term loans		–	3,437
Mark up on short term finances		–	24,908
Markup on borrowings from related parties		112,455	120,591
Markup on lease finance		–	65
Bank charges		189	341
		112,644	149,342

27.1 Company has not made the provision of markup amounting to Rs.15.007 million (2009: 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 would have been higher by Rs. 15.007 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs. 21.832 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs"

	Note	2010	2009
28 OTHER INCOME			
Amortization of deferred income		–	182
Gain on sale of property, plant and equipment		288	--
Profit on bank deposit		17	--
		305	182
29 OTHER CHARGES			
Loss on sale of property, plant and equipment		–	80,735
Impairment in value of investment	29.1	311,666	273,137
		311,666	353,872

29.1 Impairment for the current year includes a sum of Rs.273.137 million in respect of impairment in value of available for sale investment relating to prior year which was carried directly to equity as per relaxation provided by Securities & Exchange Commission of Pakistan (SECP) vide its notification SRO 150(I)/2009 dated February 13, 2009. The aforesaid treatment was 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 lower by Rs.273.137 millions.

30 TAXATION - Current

The income tax assessments of the Company deemed to have been finalized upto and including Tax year 2009.

30.1 Relationship between accounting loss and tax expense for the year

Since the provision for current taxation is based on minimum tax payable U/s 113 of the Income Tax Ordinance, 2001 therefore numerical reconciliation between accounting loss and tax expense cannot be given.

		2010	2009
		Rupees in '000	

31 LOSS PER SHARE - Basic and diluted

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

		2010	2009
Loss after taxation		**(514,930)**	(507,162)
		Number of shares	
Number of ordinary shares issued and Subscribed at the end of the year		**21,400,000**	21,400,000
Loss per share - Basic and diluted	(Rupees)	**(24.06)**	(23.70)

32 REMUNERATION OF DIRECTORS AND EXECUTIVES

	2010				2009			
	Director	Chief Executive	Executives	Total	Director	Chief Executive	Executives	Total
	Rupees in '000							
Managerial remuneration	-	-	8,318	8,318	-	-	9,798	9,798
House rent	-	-	3,743	3,743	-	-	4,409	4,409
Utilities	-	-	832	832	-	-	980	980
	-	-	12,893	12,893	-	-	15,187	15,187
Number of persons	-	-	18	18	-	-	15	15

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

33 TRANSACTIONS WITH RELATED PARTIES

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

Associated companies:

	2010	2009
Sales	**17,063**	23,954
Purchase of vehicles	**-**	24
Purchase of other assets	**224**	252
Markup expense	**112,455**	120,591

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

34 PLANT CAPACITY AND PRODUCTION

	2010	2009
	Numbers	
Tractors:		
Sanctioned plant capacity	**6,000**	6,000
Actual production	**–**	10
Motorcycles:		
Annual capacity	**60,000**	60,000
Actual production	**2,707**	6,858

Auto parts and other related products:

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

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

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

35.1 Credit risk

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

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

	2010	2009
	(Rupees in '000)	
Trade debts	**22,459**	24,569
Deposits, loans and other receivables	**59,094**	65,783
Bank balances	**1,062**	5,706
	82,615	96,058

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

35.2 Liquidity risk

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

	Carrying Amounts	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
			Rupees in '000			
2010						
Financial liabilities						
Subordinated loan	722,552	722,552	--	--	--	722,552
Trade and other payables	399,002	399,002	399,002	--	--	--
Accrued markup	283,107	283,107	283,107	--	--	--
Short term finance	771,368	797,356	797,356	--	--	--
Overdue portion of loans	48,500	51,508	51,508	--	--	--
	2,224,529	2,253,525	1,530,973	--	--	722,552
2009						
Financial liabilities						
Subordinated loan	722,552	722,552	--	--	--	722,552
Long term loan	48,500	56,516	28,258	28,258	--	--
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	--	--
	2,149,290	2,281,304	471,674	471,674	--	722,552

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

35.3 Market Risk

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

Interest rate risk

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

	2010	2009
Variable rate instruments at carrying amounts:	(Rupees in '000)	
Financial liabilities		
Overdue portion of loans	**48,500**	48,500
Short term finance	**742,570**	762,834
	791,070	811,334

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	5,399	7,467
Decrease	(5,399)	(7,467)

35.4 Fair value of financial instruments

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

35.5 Capital risk management

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

36 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved by the board of directors and authorized for issue on October 4, 2010.

37 GENERAL

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

Dewan M. Yousuf Farooqui

Dewan Muhammad Yousuf Farooqui
Chief Executive Officer & Chairman

M.A. Lodhi

M. A. Lodhi
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 1 0

4.

Number of Shareholders	Shareholdings				Total Shares held
404	1	-	100	Shares	31,135
436	101	-	500	Shares	121,069
110	501	-	1,000	Shares	97,631
157	1,001	-	5,000	Shares	411,775
39	5,001	-	10,000	Shares	317,632
14	10,001	-	15,000	Shares	181,021
7	15,001	-	20,000	Shares	132,009
5	20,001	-	25,000	Shares	113,656
2	25,001	-	30,000	Shares	55,000
3	30,001	-	35,000	Shares	95,000
2	35,001	-	50,000	Shares	98,700
2	50,001	-	55,000	Shares	103,333
3	55,001	-	65,000	Shares	185,171
2	65,001	-	70,000	Shares	137,561
1	70,001	-	90,000	Shares	87,000
1	90,001	-	100,000	Shares	98,521
1	100,001	-	125,000	Shares	125,000
3	125,001	-	150,000	Shares	450,000
1	150,001	-	215,000	Shares	212,400
3	215,001	-	285,000	Shares	846,000
1	285,001	-	460,000	Shares	457,400
1	460,001	-	500,000	Shares	495,633
1	500,001	-	545,000	Shares	545,000
1	545,001	-	550,000	Shares	546,000
1	550,001	-	695,000	Shares	691,094
3	695,001	-	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
1208			**TOTAL**		**21,400,000**

5.	Categories of Shareholders	Shares held	Percentage
5.1	Directors, Chief Executive Officer, their spouses and minor children	8,179,500	38.22%
5.2	Associated Companies, undertakings and related parties	4,746,259	22.18%
5.3	NIT and ICP	552,233	2.58%
5.4	Banks, Development Financial Institutions, Non-Banking Finance Companies	61,000	0.29%
5.5	Insurance Companies	74,033	0.35%
5.6	Modarabas and Mutual Funds	-	0.00%
5.7	Shareholders holding 10%	10,366,259	48.44%
5.8	General Public		
	a. Local	6,920,156	32.34%
	b. Foreign	-	0.00%
5.9	Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees)	866,819	4.05%

PATTERN OF SHAREHOLDING UNDER REGULATION 37(XX)(I) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2010

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	552,233	2.58%
3.	Directors, CEO, their Spouses & Minor Children	10	8,178,500	38.22%
4.	Executives	2	1,000	0.00%
5.	Public Sector Companies & Corporations	18	866,819	4.05%
6.	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds	5	135,033	0.63%
7.	Individuals	1,169	6,920,156	32.34%
	TOTAL	1,208	21,400,000	100.00%

DETAILS OF CATAGORIES OF SHAREHOLDERS

Srl #	Names	Number of Shareholders	Number of Shares held	% of Shareholding
1.	**Associated Companies**			
1.1	Dewan Aviation (Pvt.) Limited	1	4,746,259	22.18%
2.	**NIT and ICP**			
2.1	National Bank of Pakistan, Trustee Deptt.	1	7,900	0.04%
2.2	National Bank of Pakistan	1	495,633	2.32%
2.3	Investment Corporation of Pakistan	1	48,700	0.23%
		3	552,233	2.58%
3.	**Directors, CEO, their Spouses & Minor Children**			
	Directors and CEO			
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	Dewan Abdul Rehman Farooqui	1	500	0.00%
3.6	Mr. Haroon Iqbal	1	500	0.00%
3.7	Mr. Maudood Ahmed Lodhi	1	500	0.00%
		7	6,637,500	31.02%
	Spouses of Directors and CEO			
3.8	Mrs. Hina Yousuf	1	546,000	2.55%
3.9	Mrs. Sharmeen Mushfiq	1	282,000	1.32%
3.10	Mrs. Farah Jabri	1	282,000	1.32%
3.11	Mrs. Nada Jabri	1	282,000	1.32%
		4	1,392,000	6.50%
	Minor Children of Directors and CEO			
3.12	Miss Nabiha Yousuf	1	150,000	0.70%
		1	150,000	0.70%

SHAREHOLDERS HOLDING 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-Rehman 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.

> This form of Proxy duly completed must be deposited at our Shares Registrar Transfer Agent **BMF Consultants Pakistan (Private) Ltd.** A-14, 4th Floor, 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

28th Annual General Meeting of the Company to be held on Friday October 29th, 2010 at 12:30 p.m.

and any adjournment thereof.

Signed this ____________________ day of ____________________ 2010.

Affix
Revenue
Stamp
Rs. 5/-

Signature ____________________

Witness: ____________________
Signature
Name: ____________________
Address: ____________________
____

Witness: ____________________
Signature
Name: ____________________
Address: ____________________
____