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**DEWAN AUTOMOTIVE
ENGINEERING LIMITED**

THIRD QUARTER REPORT MARCH 31, 2012



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DEWAN AUTOMOTIVE ENGINEERING LIMITED

Registrar: BMF Consultants Pakistan (Pvt) Ltd. Anum Estate, Room No. 310 & 311, 3rd floor,
49, Darul Aman Society, Main Shahrah-e-Faisal, Adjacent to Baloch Colony Bridge,
Karachi - 75350, Pakistan. Ph: 021-34321533-35 Fax: 021-34321533



A YOUSUF DEWAN COMPANY

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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. Haroon Iqbal Mr. Azizul Haque
COMPANY SECRETARY	:	Muhammad Naeemuddin Mailk
AUDIT COMMITTEE	:	Dewan Abdul Rehman Farooqui (Chairman) Mr. Haroon Iqbal (Member) Mr. Azizul Haque (Member)
AUDITORS	:	Faruq Ali & Company Chartered Accountants House No. 222-A, K.M.C.H. Society Justice Inamullah Road, Hill Park, Karachi. Ph: 021-4301966-69 Fax: 92-21-4301965
LEGAL ADVISORS	:	A. K. Brohi & Co. Advocates
SHARE REGISTRAR/ TRANSFER AGENT	:	BMF Consultants Pakistan (Private) Limited Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahr-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, Pakistan.
BANKERS	:	MCB Bank Limited KASB Bank Limited Soneri Bank Limited Standard Chartered Bank Pakistan Limited Faysal Bank Limited Zarai Tarqati 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, Shahr-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

DIRECTORS' REPORT

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

The Board of Directors of your company takes pleasure in presenting the un-audited condensed interim financial statements of the Company for the nine months ended March 31, 2012.

During the period the Company has incurred an after tax loss of Rs. 138.801 million as compared to Rs. 145.956 million in the corresponding period of last year.

During the period under review, a compromise decree has been agreed upon and signed with one of the financial institutions to whom proposal for re-profiling of Company's debt was submitted. Efforts are underway to finalize similar arrangements with other lenders.

It is expected that with the little support from the banking sector, the Company's operation can be normalized as the market of consumer durable especially motorcycle is very encouraging. Though overall large scale manufacturing showed a nominal growth rate of 0.8% against target of 2 % during the period yet consumer automobile demand and production remained high due to improved liquidity in the agriculture sector on account of highest ever production of rice, sugarcane and strong cotton harvest. The management is taking all possible measures to sustain under these crucial circumstances and taking all possible measures, including the revival of motorcycle operations, to come out of this dilemma.

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

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

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

For and on behalf of the Board of Directors

Karachi: April 30, 2012



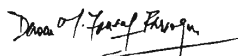
Dewan Mohammad Yousuf Farooqui
CEO & Chairman Board of Director

Condensed Interim Balance Sheet

As On March 31, 2012 (Un-audited)

	Notes	(Un-audited) March 31, 2012	(Audited) June 30, 2011
ASSETS			
------(Rupees in '000)-----			
NON - CURRENT ASSETS			
Property, plant and equipment	5	413,003	461,228
Intangible		3,990	9,296
Deferred cost		628	773
Long term deposits		348	348
CURRENT ASSETS			
Stock in trade		156,429	156,429
Trade debts - Considered good		12,717	12,824
Advances - Considered good		9,936	9,991
Short term prepayments and other receivables		53,709	53,709
Advance income tax		57,960	57,924
Available for sale investments - At fair value	6	155,987	63,218
Cash and bank balances		538	724
		447,276	354,819
Non current assets held for sale		40,000	40,000
		<u>905,245</u>	<u>866,464</u>
EQUITY AND LIABILITIES			
AUTHORIZED SHARE CAPITAL			
21,800,000 ordinary shares of Rs.10/- each		<u>218,000</u>	<u>218,000</u>
Issued, subscribed and paid-up capital		214,000	214,000
Reserves - net		269,831	177,062
Accumulated loss		<u>(2,170,638)</u>	<u>(2,040,626)</u>
		(1,686,807)	(1,649,564)
Surplus on revaluation of property, plant and equipment		76,566	85,355
NON - CURRENT LIABILITIES			
Subordinated Loan - Unsecured, interest free	7	722,552	722,552
Deferred liabilities - Staff gratuity		15,154	14,158
Deferred taxation		40,906	42,998
Long Term Loan - Secured	8	16,500	--
CURRENT LIABILITIES			
Trade and other payables		426,308	423,725
Markup accrued		483,130	397,554
Short term finance	9	742,570	742,570
Provision for taxation		38,616	38,616
Over due portion of long term loan		23,750	48,500
Current portion of long term loan		6,000	--
		1,720,374	1,650,965
CONTINGENCIES	10	--	--
		<u>905,245</u>	<u>866,464</u>

The annexed notes from an integral part of the condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
CEO & Chairman Board of Directors

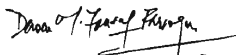


Dewan Abdul Rehman Farooqui
Director

Condensed Interim Profit & Loss Account (Un-audited) For The Third Quarter And Nine Months Ended March 31, 2012

	Nine Months Ended		Quarter ended	
	Jul 2011 Mar 2012	Jul 2010 Mar 2011	Jan-Mar 2012	Jan-Mar 2011
------(Rupees in '000)-----				
Sales - Net	--	12,297	--	3,928
Cost of sales	30,267	54,221	9,013	14,967
Gross loss	(30,267)	(41,924)	(9,013)	(11,039)
OPERATING EXPENSES				
Distribution expenses	1,276	2,975	255	1,167
Administrative expenses	13,152	16,685	2,427	3,639
Finance cost	85,598	85,306	27,169	28,666
	100,026	104,966	29,851	33,472
Operating loss	(130,293)	(146,890)	(38,864)	(44,511)
Other income/(Loss)	(10,600)	6	--	2
Impairment in value of investment	--	1,122	--	20,574
	(10,600)	1,116	--	(20,572)
Loss before taxation	(140,893)	(148,006)	(38,864)	(65,083)
Taxation				
Deferred	(2,092)	(2,050)	(698)	541
Net loss after taxation	(138,801)	(145,956)	(38,166)	(65,624)
Loss per share - basic and diluted (Rupees)	(6.49)	(6.82)	(1.78)	(3.07)

The annexed notes from an integral part of the condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive

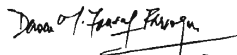


Dewan Abdul Rehman Farooqui
Director

Condensed Interim Statement Of Comprehensive Income - (Un-audited) For The Third Quarter And Nine Months Ended March 31, 2012

	Nine Months Ended		Quarter Ended	
	Jul 2011 Mar 2012	Jul 2010 Mar 2011	Jan-Mar 2012	Jan-Mar 2011
------(Rupees in '000)-----				
Net loss after taxation	(138,801)	(145,956)	(38,166)	(65,624)
Other comprehensive income:				
Revaluation of land	-	(58,000)		
Available for sale financial assets: - Changes in fair value	92,769	-	109,228	--
Transfer from surplus on revaluation of property plant & equipment :				
Incremental depreciation	5,978	5,858	1,993	1,551
Surplus of land due to disposal related deferred tax	4,903 (2,092)	(2,050)	-- (698)	(541)
	8,789	3,808	1,295	1,010
Component of comprehensive income not reflected in equity	-	58,000	--	
Total comprehensive income for the period	(37,243)	(142,148)	(72,357)	(64,614)

The annexed notes from an integral part of the condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive

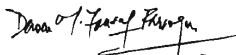


Dewan Abdul Rehman Farooqui
Director

Condensed Interim Cash Flow Statement (Un-audited) For The Nine Months Ended March 31, 2012

	March 31, 2012	March 31, 2011
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(140,893)	(148,006)
Adjustment for :		
Depreciation	27,225	30,283
Loss on disposal of land	10,600	--
Provision for gratuity Net	996	2,400
Amortization of deferred cost & intangible assets	5,452	7,116
Impairment in value of Investment	--	1,122
Financial charges	85,598	85,306
Net cash outflow before working capital changes	(11,022)	(21,779)
Working capital changes (increase)/decrease in current assets		
Stock in trade	--	13,243
Trade debts	107	5,746
Advances	54	1,878
Trade deposits, short term prepayments and other receivables	--	2,934
	161	23,801
Increase/(decrease) in current liabilities		
Trade and other payables	2,583	10,694
	2,744	34,495
Cash (used) generated from operations	(8,278)	12,716
Financial charges paid	(22)	(19)
Income tax paid	(36)	(200)
Net cash (outflow) inflow from operating activities	(8,336)	12,497
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	--	(507)
Sale proceeds of disposal of land	10,400	--
Long Term Deposits	--	1,590
Net cash inflow from investing activities	10,400	1,083
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long term loan	(2,250)	--
Short term finance	--	(13,377)
Net cash (outflow) from financing activities	(2,250)	(13,377)
Net (decrease) / increase in cash and cash equivalents	(186)	203
Cash and cash equivalents at the beginning of the period	724	1,154
Cash and cash equivalents at the end of the Period	538	1,357

The annexed notes from an integral part of the condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



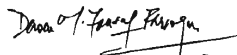
Dewan Abdul Rehman Farooqui
Director

Condensed Interim Statement Of Changes In Equity (Un-audited)

For The Nine Month Ended March 31, 2012

Issued, Subscribed and Paid-up Capital	Capital Reserves			Revenue Reserves		Total Rupees	
	Merger Reserve	Unrealized (loss) / gain due to change in fair value of Investments	Settlement claim from Ford Motors	General Reserve	Accumulated Loss		
----- (Rupees in '000) -----							
Balance as at July 01, 2010	214,000	82,090	--	86,194	9,900	(1,838,146)	(1,445,962)
Total comprehensive loss for the period	--	--	--	--	--	(142,148)	(142,148)
Balance as at Mar 31, 2011	214,000	82,090	--	86,194	9,900	(1,980,294)	(1,588,110)
Balance as at July 01, 2011	214,000	82,090	(1,122)	86,194	9,900	(2,040,626)	(1,649,564)
Total Comprehensive loss for the period	--	--	92,769	--	--	(130,012)	(37,243)
Balance as at Mar 31, 2012	214,000	82,090	91,647	86,194	9,900	(2,170,638)	(1,686,807)

The annexed notes from an integral part of the condensed interim financial statements.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdul Rehman Farooqui
Director

Notes To The Condensed Interim Financial Statements (Un-audited) For The Nine Months Ended March 31, 2012

1 THE COMPANY AND ITS OPERATIONS

Dewan Automotive Engineering Ltd is a public Limited Company quoted on stock exchanges in Karachi (trading in defaulter counter) and Lahore. The company's business is the assembly-cum progressive manufacture and sale of tractors, light commercial vehicles and motorcycles and trading/manufacturing of parts and implements related thereto. The company was incorporated on May 6, 1982 and commenced commercial operations in August, 1983. The Company was taken over by Dewan Mushtaq Group in April 2004.

2 BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS)-34 "Interim Financial Reporting" and are being submitted to the shareholders under Section 245 of the Companies Ordinance, 1984. The Interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2011.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the company's annual financial statements for the year ended June 30, 2011.

3.2 The preparation of interim condensed financial information 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. Actual results may differ from these estimates. The estimates and judgement applied by the management in preparation of this interim condensed financial information is same as those applied in preparation of annual financial statements of the company for the year ended June 30, 2011.

4 GOING CONCERN ASSUMPTION

The company incurred a net loss of Rs. 138.801 million during the period ended March 31, 2012, and, as of that date it has accumulated losses of Rs. 2,170.638 million (June: 2011: Rs. 2,040.626 million) which have resulted in negative equity of Rs. 1,686.807 million (June 2011: Rs. 1,649.564 million) and its current liabilities exceeded its total assets by Rs. 815.128 million (June 2011: Rs.784.501 million). The company's short term borrowing facilities have expired and not been renewed and the company has been unable to ensure scheduled payments of borrowings due to the liquidity problems. Following course, 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, during the year, the company has approached its lenders for the restructuring of its entire debt.

The management believes that the restructuring proposal presented is workable and would enable the company to service its debts. Therefore, the management is confident that the proposal will be accepted by its lenders in the same lines it reached with one of the lender as discussed in Note 8 and all pending litigations will be withdrawn.. Accordingly, these financial information has been prepared on a going concern basis.

	March 31, 2012	June 30, 2011
	------(Rupees in '000)-----	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - At cost / revaluation less accumulated depreciation	412,324	460,549
Capital work in Progress - At cost	679	679
	<u>413,003</u>	<u>461,228</u>
5.2 Additions during the period		
Plant & Machinery	--	435
Motor vehicles owned	--	72
	<u>--</u>	<u>507</u>
5.3 Disposals during the period		
Lease hold land - carrying amount	21,000	--
6 AVAILABLE FOR SALE INVESTMENT - At fair value		
In associated company:		
Dewan Cement Limited (DCL)		
37,407,000 (June 2011: 37,407,000) Ordinary shares of Rs.10/- each		
Market value per share Rs. 4.17 (June 2011 : Rs. 1.69)	649,142	649,142
Accumulated impairment	(584,802)	(584,802)
Unrealized (loss)/gain due to changes in fair values	91,647	(1,122)
	<u>155,987</u>	<u>63,218</u>
Percentage of equity held	10.47%	10.47%

March 31, | June 30,
2012 | 2011
------(Rupees in '000)-----

7 SUBORDINATED LOAN - Unsecured, interest free

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

8 LONG TERM LOAN - Secured

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

9 SHORT TERM FINANCE

March 31, | June 30,
2012 | 2011
------(Rupees in '000)-----

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

10 CONTINGENCIES

There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2011.

11 FINANCE COST AND MARKUP ACCRUED

Company has not made the provision of markup for the period amounting to Rs.8.211 million (for the year ended June 30, 2011: Rs. 27.699 million) keeping in view of the financial restructuring proposed to the lenders as disclosed in note 2. Management is hopeful that the restructuring proposal will be accepted by the lenders. Had the provision been made the loss for the period would have been higher by Rs.8.211 millions and accrued markup would have been higher and shareholders' equity would have been lower by Rs. 35.910 million.

12 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise related group companies, associate, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Material transactions and balances with related parties are given below:

	March 31, 2012	March 31, 2011
	----- (Rupees in '000) -----	
Associated Companies:		
Sales	--	2,643
Financial charges	85,576	85,287

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

13 CORRESPONDING FIGURES

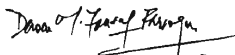
In order to comply with the requirements of International Accounting Standard 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements, whereas profit and loss account, cash flow statement and statement of changes in equity have been compared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

14 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 30, 2012 by the Board of Directors of the Company.

15 GENERAL

These interim condensed financial information is presented in Rupees, which is the Company's functional currency. All financial information presented in Rupees have been rounded off to nearest thousand.



Dewan Mohammad Yousuf Farooqui
Chief Executive



Dewan Abdul Rehman Farooqui
Director