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DEWAN AUTOMOTIVE ENGINEERING LIMITED

Company Information

BOARD OF DIRECTORS

Executive Director
Mr. Haroon Iqbal
CEO & Chairman Board of Directors
Mr. Manzoor Ahmed

Non-Executive Directors

Mr. Waseem-ul-Haque Ansari
Mr. Muhammad Naeemuddin Malik
Syed Maqbool Ali
Mr. Ishtiaq Ahmed

Independent Director

Mr. Azizul Haque

COMPANY SECRETARY

Mr. Muhammad Naeemuddin Malik

AUDIT COMMITTEE

Mr. Azizul Haque
Chairman
Mr. Ishtiaq Ahmed
Member
Syed Maqbool Ali
Member

HUMAN RESOURCE & REMUNERATION

COMMITTEE

Syed Maqbool Ali
Chairman
Mr. Haroon Iqbal
Member
Mr. Waseem-ul-Haque Ansari
Member

AUDITORS

Faruq Ali & Company
Chartered Accountants
C-88, ground floor, KDA Scheme No. 1
Main Karsaz road,
Opposite maritime museum Karachi.

LEGAL ADVISORS

A. K Brohi

SHARE REGISTRAR / TRANSFER AGENT

BMF Consultants Pakistan (pvt) Ltd.
Anum Estate Building, Room No. 310 & 311,
3rd Floor, 49, Darul Aman Society,
Main Shahrah-e-Faisal,
Adjacent to Baloch Colony Bridge,
Karachi, Pakistan

BANKERS

Muslim Commercial Bank Ltd.
Bank Islami Pakistan Ltd.
Soneri Bank Ltd.

REGISTERED OFFICE

Finance & Trade Centre
Block-A, 7th Floor,
Shahrah-e-Faisal, Karachi

FACTORY

Dewan City Sajawal District Thatta, Sindh.

WEBSITE

www.yousufdewan.com



A YOUSUF DEWAN COMPANY

Directors' Report

The Board of Directors of your Company takes pleasure in presenting the un-audited condensed interim financial statements for the quarter ended March 31, 2016.

During the period under review net sales is nil, gross loss is Rs. 22.067 million and the after-tax loss is Rs. 33.728 million

Due to non-availability of banking lines, the production activity of the Company during the year remained suspended, resulting in unabsorbed fixed and other cost which ultimately contributed to the financial loss of the Company. The company is operating under tough conditions due to the aforesaid reason and making best endeavors to survive. To overcome the financial situation, the Company is taking various counter measures and has taken up the matter with the banks.

Conclusion:

In conclusion, we bow, beg and pray to Almighty Allah, Rehman-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 (AL-QURAN)

Under / By Authority of the Board of Directors

Haroon Iqbal

Chief Executive Officer & Chairman

Karachi: February 07, 2019

DEWAN AUTOMOTIVE ENGINEERING LIMITED
Condensed Interim Balance Sheet
As at March 31, 2016

ASSETS	Note		
		March 31, 2016 (Un-audited)	June 30, 2015 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	5	319,562	340,010
Available for sale investment	6	7,600	7,600
Long term deposits		3,020	3,020
CURRENT ASSETS			
Stock in trade	7	55,854	55,854
Trade debts		1,397	1,397
Advances - Considered good		5,193	4,973
Short term deposits and receivables		16,007	16,008
Advance income tax		2,589	2,576
Available for sale investments - At fair value		--	543,149
Cash and bank balances		737	136
		81,777	624,093
		411,959	974,723
EQUITY AND LIABILITIES			
AUTHORIZED SHARE CAPITAL			
21,800,000 (June 2013: 21,800,000)			
Ordinary shares of Rs.10/- each		218,000	218,000
		214,000	214,000
Issued, subscribed and paid-up share capital		178,184	656,994
Reserves - Net		(1,512,608)	(1,943,567)
Accumulated losses		(1,120,424)	(1,072,573)
		74,769	79,350
NON-CURRENT LIABILITIES			
Long term loans - Unsecured	8	81,286	68,739
Deferred liability for staff gratuity		16,446	16,158
Deferred taxation		35,510	42,151
CURRENT LIABILITIES			
Trade and other payables		367,115	370,011
Mark-up accrued		741,818	721,752
Short term finance	9	204,189	728,635
Overdue portion of loan - Secured		11,250	17,500
Current portion of long term loan		--	3,000
		1,324,372	1,840,898
CONTINGENCIES	10	--	--
		411,959	974,723

The annexed notes form an integral part of the interim condensed financial information.

Haroon Iqbal
Chief Executive Officer

Muhammad Naeem Uddin Malik
Director



A YOUSUF DEWAN COMPANY

Condensed Interim Profit And Loss Account - (Un-audited)
For The Nine Months Ended 31 March 2016

Note	Nine Months Ended		Quarter Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
-----Unaudited----- (Rs. in '000)				
Sales - Net				
Cost of sales	(22,067)	(23,515)	(7,931)	(7,041)
Gross loss	(22,067)	(23,515)	(7,931)	(7,041)
Operating expenses				
Distribution expenses	(409)	(453)	(136)	(151)
Administrative expenses	(4,104)	(3,948)	(1,353)	(1,097)
Other expenses	--	--	-	(296)
	(4,513)	(4,401)	(1,489)	(1,544)
Operating loss	(26,580)	(27,916)	(9,420)	(8,585)
Other income	3	315	1	300
Finance cost	11 (13,792)	(69,694)	(589)	(18,888)
Loss before taxation	(40,369)	(97,295)	(10,008)	(27,173)
Deferred taxation	6,641	8,731	1,872	5,032
Loss after taxation	(33,728)	(88,564)	(8,136)	(22,141)
Loss per share - Basic and diluted	(1.58)	(4.14)		

The annexed notes form an integral part of the interim condensed financial information.

Haroon Iqbal
 Chief Executive Officer

Muhammad Naeem Uddin Malik
 Director

DEWAN AUTOMOTIVE ENGINEERING LIMITED

**Condensed Interim Comprehensive Income - (Un-audited)
for the nine months ended 31 March 2016**

	March 31, 2016	March 31, 2015
-----Unaudited----- (Rs. in '000)		
Loss for the period		
Changes in fair values of available for sale financial asset	(33,728)	(88,564)
Transfer from surplus on revaluation of property, plant and equipment in respect - Incremental depreciation - Related deferred tax	(18,704)	(45,636)
	6,736 (2,155) 4,581	6,736 (2,155) 4,581
Total comprehensive loss for the period	(47,851)	(129,619)

The annexed notes form an integral part of the interim condensed financial information.



Haroon Iqbal
Chief Executive Officer



Muhammad Naeem Uddin Malik
Director



A YOUSUF DEWAN COMPANY

Condensed Interim Statement Cash Flows - (Un-audited)
For The Nine Months Ended 31 March 2016

March 31, 2016	March 31, 2015
-----Unaudited----- (Rs. in '000)	

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation

(39,731) (100,281)

Adjustment for non-cash and other items

Depreciation	20,447
(Gain) / loss on disposal of fixed assets	--
Provision for gratuity	288
Amortization of deferred cost & intangible assets	--
Unwinding of discount / present value adjustment - Net	--
Finance cost	13,792
	34,527
	(5,204)

22,648
(296)
(119)
146
--
69,694
92,073
(8,208)

Changes in operating assets and liabilities

(Increase) / decrease in current assets

Stock in trade	--
Trade debts	(15)
Advances	(220)
Increase / (decrease) in current liabilities	--
Current portion of long term loan	--
Over-due portion of long term loan	--
Trade and other payables	(2,882)
	(3,117)

2,048
--
5,789
7,837

Payments for:

Income tax - Net	(13)
Payment of gratuity	--
Finance cost	6,274

(147)
(1,256)
(1,403)

Net cash inflows from operating activities

(2,060) (1,774)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale proceed of fixed assets	--
Net cash inflows from investing activities	450

--
450

CASH FLOWS FROM FINANCING ACTIVITIES

Subordinated loan	11,911
Payment of long term loan	(9,250)
Net cash outflows from financing activities	2,661

9,907
(8,667)
1,240

Net increase / (decrease) in cash and cash equivalents	601
Cash and cash equivalents at beginning of the period	136
Cash and cash equivalents at end of the period	737

(84)
175
91

The annexed notes form an integral part of the interim condensed financial information.

Haroon Iqbal
Chief Executive Officer

Muhammad Naeem Uddin Malik
Director

DEWAN AUTOMOTIVE ENGINEERING LIMITED
Condensed Interim Statement Of Changes In Equity - (Un-audited)
For The Nine Months Ended 31 March 2016

Issued, subscribed and paid-up share capital	Capital reserves			Revenue reserves		Total
	Merger reserve	Unrealized (loss) / gain due to change fair value of Investments	Settlement claim from Ford	General reserve	Accumulated losses	
----- (Rupees in '000) -----						
Balance as at 1 July 2014	214,000	82,090	209,479	86,194	9,900	(1,836,345) (1,234,682)
Total comprehensive loss for the year						
Loss for the period	-	-	-	-	-	(88,564) (88,564)
Net change in fair value of available-for-sale financial assets	-	-	(45,636)	-	-	(45,636)
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	4,581	4,581
	-	-	(45,636)	-	-	(83,983) (129,619)
Balance as at 31 March 2015	214,000	82,090	163,843	86,194	9,900	(1,920,328) (1,364,301)
Balance as at 1 July 2015	214,000	82,090	478,810	86,194	9,900	(1,943,567) (1,072,573)
Total comprehensive loss for the year						
Loss for the period	-	-	-	-	-	(33,728) (33,728)
Net change in fair value of available-for-sale financial assets	-	-	(18,704)	-	-	(18,704)
Un-realized gain transferred to equity	-	-	(460,106)	-	-	460,106
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	4,581	4,581
	-	-	(478,810)	-	-	430,959 (47,851)
Balance as at 31 March 2015	214,000	82,090	--	86,194	9,900	(1,512,608) (1,120,424)

The annexed notes form an integral part of the interim condensed financial information.


Haroon Iqbal
 Chief Executive Officer


Muhammad Naeem Uddin Malik
 Director



A YOUSUF DEWAN COMPANY

Notes To The Condensed Interim Financial Information - (Un-audited) For The Nine Months Ended 31 March 2016

1 THE COMPANY AND ITS OPERATIONS

Dewan Automotive Engineering Limited is a public Limited Company quoted on Pakistan Stock Exchange Limited (trading in defaulter counter). 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. The Company's registered office is located at 7th Floor, Block-A, Finance & Trade Centre, Shahrah-e-Faisal, Karachi.

2 GOING CONCERN ASSUMPTION

The condensed interim financial information for the nine months ended 31 March 2016 reflect that the Company has sustained a net loss after taxation of Rs. 33.728 million (June 2015: Rs. 113.790 million) and, as of that date it has accumulated losses of Rs.1,512.608 million (June 2015: Rs.1,943.567 million) which have resulted in net capital deficiency of Rs.1,120.424 million (June 2015: Rs.1,072.573 million) and its current liabilities exceeded its current assets by Rs.1,242.595 million (June 2015: Rs.1,218.806 million) and total assets by Rs. 912.413 million (June 2015: Rs. 868.175 million). The Company has been unable to ensure scheduled repayments of borrowings and to the creditors due to the liquidity problems. Following course, certain lenders has gone into litigation for repayment of liabilities through attachment and sale of the 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.

The Company has restructured its entire debts except one and also been paid as per term of restructuring agreements. The management is also confident that the outcome of the pending litigation will be positive as the Company is negotiating re-profiling of the debt with the lender. Therefore, the management is confident that the proposal will be accepted by the lender and pending litigations will be withdrawn. Accordingly, these condensed interim financial information have been prepared on a going concern basis.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan with the exception of departure of IFRS for which the management concludes that provisioning of mark-up 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.
- 3.2 This condensed interim financial information do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2015.
- 3.3 The figures included in the condensed interim profit and loss account for the nine months ended 31 March 2016 and 2015 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half year ended 31 December 2015 and 2014.

4 SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2015.
- 4.2 The preparation of condensed interim 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 judgment applied by the management in preparation of this condensed interim financial information is same as those applied in preparation of annual financial statements of the company for the year ended 30 June 2015.



A YOUSUF DEWAN COMPANY

Note	March 31, 2016 (Un-audited)	June 30, 2015 (Audited)
(Rs. in '000)		

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - At cost less accumulated depreciation	<u>319,562</u>	<u>340,011</u>
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6 AVAILABLE FOR SALE INVESTMENT

Investment in associated company		
Dewan Mushtaq Trade Limited (Public, unquoted company)		
4,000,000 (June 2013: 4,000,000)	40,000	40,000
Ordinary shares of Rs.10/- each	(32,400)	(32,400)
Accumulated impairment loss on investment		
	7,600	7,600

6.1 Since these investment is in unquoted company therefore this is measured at cost less accumulated impairment because the fair value can not be measured reliably.

Note	March 31, 2016 (Un-audited)	June 30, 2015 (Audited)
(Rs. in '000)		

7 STOCK IN TRADE

Raw materials and components	127,861	127,861
Work in process	2,701	2,701
Finished goods - Manufacturing stock	3,567	3,567
Trading stock	30,263	30,263
	164,392	164,392
Provision for slow moving and obsolescence stocks	(108,538)	(108,538)
	55,854	55,854

8 LONG TERM LOAN - Unsecured

From director - At amortized cost		
Loan received - Opening	8.1	224,739
Received during the year		213,089
Accumulated present value adjustment		20,223
Accumulated interest charged to profit and loss account		11,650
		(208,160)
		(194,643)
		44,484
		38,643
		81,286
		68,739

DEWAN AUTOMOTIVE ENGINEERING LIMITED

8.1 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.

Since the loan is interest free and repayable in lump sum on 30 June 2026, as per the requirements of International Financial Reporting Standards (IFRSs) it has been discounted to its fair value, being the present value of the expected future cash flows at 11.67% per annum.

Note		March 31, 2016 (Un-audited)	June 30, 2015 (Audited)
		(Rs. in '000)	(Rs. in '000)
9 SHORT TERM FINANCE			
	From financial institutions - Secured		
	Short term running finance	9.1	49,310
			49,310
	From related party		
	(associated company) - Unsecured		
	Interest bearing	9.2	<u>154,879</u>
			<u>679,325</u>
		<u>204,189</u>	<u>728,635</u>

- 9.1** This represents short term bank borrowing from a commercial bank against limit of Rs.50 million at mark-up rate ranging from 2% over 6 months KIBOR (June 2015: from 2% over 6 months KIBOR) 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 and further the bank has gone into litigation as more fully explained in June 30, 2015 financial statements.
- 9.2** This is an unsecured finance from associated company, which carries mark-up @ 15.62% per annum (June 2015: @ 9.07% per annum).

10 CONTINGENCIES

There has been no significant change in the status of contingencies as reported in the annual financial statements for the year ended 30 June 2015.

11 FINANCE COST AND MARK-UP ACCRUED

The Company has not made the provision of mark-up for the period amounting to Rs. 4.976 million (Up to 30 June 2015: Rs.64.675 million) keeping in view of the financial restructuring proposed to the lender. Management is hopeful that the restructuring proposal will be accepted by the lender. Had the provision been made the loss for the period would have been higher by Rs. 4.976 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs. 69.651 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs".



A YOUSUF DEWAN COMPANY

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:

Note	March 31, 2016 (Un-audited)	March 31, 2015 (Audited)
(Rs. in '000)		

Associated Company:

Mark-up expense	<u>21,466</u>	<u>68,328</u>
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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, statement of comprehensive income, 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 AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue on 07 February 2019 by the Board of Directors of the Company.

15 GENERAL

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

Haroon Iqbal
Chief Executive Officer

Muhammad Naeem Uddin Malik
Director