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DEWAN AUTOMOTIVE ENGINEERING LIMITED

Company Information

BOARD OF DIRECTORS

Executive Director

Mr. Haroon Iqbal
Chairman Board of Directors
Mr. Waseem-ul-Haque Ansari
Chief Executive Officer

Non-Executive Directors

Mr. Muhammad Naeemuddin Malik
Syed Maqbool Ali
Mr. Muhammad Irfan Ali
Mr. Ishfaq Ahmed

Independent Director

Mr. Azizul Haque

CHIEF FINANCIAL OFFICER

Mr. Muhammad Naeemuddin Malik

COMPANY SECRETARY

Mr. Muhammad Naeemuddin Malik

AUDIT COMMITTEE

Mr. Azizul Haque
Mr. Ishfaq Ahmed
Syed Maqbool Ali

Chairman
Member
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Azizul Haque
Mr. Haroon Iqbal
Syed Maqbool Ali

Chairman
Member
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

Bank Islami Pakistan 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 December 31, 2016.

During the period under review net sales is nil, gross loss is Rs. 17.696 million and the after-tax loss is Rs. 19.764 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 (HOLY QURAN)

Haroon Iqbal

Chief Executive Officer & Chairman

Karachi: February 07, 2019

DEWAN AUTOMOTIVE ENGINEERING LIMITED



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Dewan Automotive Engineering Limited** ('the Company') as at 31 December 2016, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the quarters ended 31 December 2016 and 31 December 2015 included in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion thereon.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for adverse conclusion

- a) The condensed interim financial information for the period ended 31 December 2016 has been prepared on going concern assumption despite of the fact that the Company incurred loss after taxation of Rs.19.764 million as of that date it has accumulated losses of Rs.1,559.083 million which have resulted in net capital deficiency of Rs.1,166.899 million and its current liabilities exceeded its current assets by Rs.1,267.564 million and total assets by Rs.957.047 million and operations of the Company are closed. The Company is placed on defaulters' counter of Pakistan Stock Exchange Limited and trading of its shares was suspended. Furthermore, the Company has been unable to ensure timely repayments of its debts as well as creditors due to liquidity problems. 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 period amounting to Rs.2.575 million (Up to 30 June 2016: Rs.57.816 million) (refer note 11) on account of restructuring proposal offered to the lenders as described in note 3 to the condensed interim financial information. 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 suit against the Company, therefore the provision of markup should be made in these condensed interim financial information. Had the provision of markup been made in the condensed interim financial information, the loss after taxation

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A YOUSUF DEWAN COMPANY



Continuation Sheet

would have been higher by Rs.2,575 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.60,390 million.

- c) The liability for staff retirement benefits reflected in these condensed interim financial information amounting to Rs.16,445 million is not based on actuarial valuation as required by the International Accounting Standard – 19 'Employee Benefits' as actuarial valuation of the same has not been carried out during the period. In the absence of actuarial valuation, we are unable to quantify the financial effect that may have on this condensed interim financial information.
- d) The stock in trade amounting to Rs. 164,392 million is stagnant against which provision of slow moving and obsolescence to the extent of Rs.125,295 million has been made in these financial statements. Since the operations of the Company are closed, therefore further provision for slow moving and obsolescence should be made in these condensed interim financial information. In the absence of exercise by the management to assess the usability and condition of the stocks the financial impact cannot be quantified.

Adverse conclusion

Our review indicates that, because of the significance of the matters discussed in paragraph (a) to (d) above, this condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Dated: February 07, 2019

Place: Karachi

CHARTERED ACCOUNTANTS

Engagement partner: Muhammad Faisal Nini

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DEWAN AUTOMOTIVE ENGINEERING LIMITED
Condensed Interim Balance Sheet
As At 31 December 2016

ASSETS	Note	(Rs. in '000)		
		(Un-audited) 31 December 2016	(Audited) 30 June 2016	
NON-CURRENT ASSETS				
Property, plant and equipment	5	300,377	312,748	
Available for sale investment	6	7,120	7,120	
Long term deposits		3,020	3,020	
CURRENT ASSETS				
Stock in trade	7	39,097	39,097	
Trade debts		1,397	1,397	
Advances - Considered good		6,136	4,974	
Short term deposits and receivables		16,008	16,008	
Advance income tax		2,710	2,598	
Cash and bank balances		961	143	
		66,309	64,217	
		376,826	387,105	
EQUITY AND LIABILITIES				
AUTHORIZED SHARE CAPITAL				
21,800,000 (June 2016: 21,800,000)				
Ordinary shares of Rs.10/- each		218,000	218,000	
		218,000	218,000	
Issued, subscribed and paid-up share capital		214,000	214,000	
Reserves - Net		178,184	178,184	
Accumulated losses		(1,559,083)	(1,542,161)	
		(1,166,899)	(1,149,977)	
Surplus on revaluation of property, plant and equipment		70,401	73,243	
NON-CURRENT LIABILITIES				
Long term loans - Unsecured	8	89,492	81,902	
Deferred liability for staff gratuity		16,445	16,445	
Deferred taxation		33,514	39,277	
CURRENT LIABILITIES				
Trade and other payables		371,754	368,916	
Mark-up accrued		746,680	741,152	
Short term finance	9	204,189	204,897	
Overdue portion of loan - Secured		11,250	11,250	
		1,333,873	1,326,215	
CONTINGENCIES	10	--	--	
		376,826	387,105	

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 Half Year Ended 31 December 2016

Note	Half Year Ended		Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rs. in '000)			
Sales - Net	--	--	--	--
Cost of sales	(17,696)	(14,136)	(8,711)	(7,321)
Gross loss	(17,696)	(14,136)	(8,711)	(7,321)
Operating expenses				
Distribution expenses	(247)	(273)	(123)	(137)
Administrative expenses	(2,065)	(2,751)	(1,015)	(1,209)
	(2,312)	(3,024)	(1,138)	(1,346)
Operating loss	(20,008)	(17,160)	(9,849)	(8,667)
Other income	8	2	8	--
Finance cost	11	(5,527)	(13,203)	(2,986)
Loss before taxation		(25,527)	(30,361)	(12,827)
Deferred taxation		5,763	4,769	646
Loss after taxation		(19,764)	(25,592)	(12,181)
Loss per share - Basic and diluted		(0.92)	(1.20)	(0.57)
				(0.67)

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 Half Year Ended 31 December 2016

	Half Year Ended December 31, 2016	December 31, 2015	Quarter Ended December 31, 2016	December 31, 2015
(Rs. in '000)				
Loss for the period	(19,764)	(25,592)	(12,181)	(14,427)
Changes in fair values of available for sale financial asset	--	(58,729)	--	(111,472)
Transfer from surplus on revaluation of property, plant and equipment in respect - Incremental depreciation - Related deferred tax	4,118 (1,276) 2,842	4,491 (1,437) 3,054	2,059 (638) 1,421	2,246 (719) 1,527
Total comprehensive loss for the period	<u>(16,922)</u>	<u>(81,267)</u>	<u>(10,760)</u>	<u>(124,372)</u>

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 Of Cash Flows - (Un-audited)
For The Half Year Ended 31 December 2016**

31 December 2016	31 December 2015
---------------------	---------------------

(Rs. in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation

(25,527)

(30,361)

Adjustment for non-cash and other items

Depreciation

12,371

13,632

Unwinding of discount / present value adjustment - Net

(2)

(5,541)

Finance cost

5,529

18,744

17,898

26,835

(7,629)

(3,526)

Changes in operating assets and liabilities

(Increase) / decrease in current assets

(1,162)

(159)

Advances

2,838

(1,492)

Increase / (decrease) in current liabilities

1,676

(1,651)

Payments for:

Income tax - Net

(112)

(9)

Finance cost

(1)

(934)

(113)

(943)

Net cash outflows from operating activities

(6,066)

(6,120)

CASH FLOWS FROM INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Long term loans

7,592

14,116

Short term finance - net

(708)

--

Payment of long term loan

--

(7,167)

Net cash inflows from financing activities

6,884

6,949

Net increase in cash and cash equivalents

818

829

Cash and cash equivalents at beginning of the period

143

136

Cash and cash equivalents at end of the period

961

965

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 Half Year Ended 31 December 2016**

	Capital reserves			Revenue reserves		Total	
	Issued, subscribed and paid-up share capital	Merger reserve	Unrealized (loss) / gain due to change fair value of Investments	Settlement claim from Ford	General reserve		
----- (Rupees in '000) -----							
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	-	-	-	-	-	(25,592) (25,592)	
Net change in fair value of available-for-sale financial assets	-	-	(58,729)	-	-	-	(58,729)
Unrealized gain transfer to equity	-	-	(420,081)	-	-	420,081	-
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	-	3,054	3,054
	-	-	(478,810)	-	-	397,543	(81,267)
Balance as at 31 December 2015	214,000	82,090	--	86,194	9,900	(1,546,024) (1,153,840)	
Balance as at 1 July 2016	214,000	82,090	-	86,194	9,900	[1,542,161] [1,149,977]	
Total comprehensive loss for the year							
Loss for the period	-	-	-	-	-	(19,764) (19,764)	
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-
Incremental depreciation transfer from surplus on revaluation of property, plant and equipment - Net of tax	-	-	-	-	-	2,842	2,842
	-	-	-	-	-	-	(16,922) (16,922)
Balance as at 31 December 2016	214,000	82,090	--	86,194	9,900	(1,559,083) (1,166,899)	

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 Half Year Ended 31 December 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 BASIS OF PREPARATION

The interim condensed financial information is un-audited but subject to limited scope review by the auditors and is required to be presented to the share holders under section 245 of the ordinance and has been prepared in a condensed form in accordance with the requirements of the international accounting standard (IAS-34) "interim financial reporting" as applicable in Pakistan. The figures of the interim condensed profit and loss account for the quarters ended 31, December 2016 and 2015 have not been reviewed by the auditors of the company as they have reviewed the cumulative figures for the half year ended 31, December 2016 and 2015. The interim condensed financial information does not include all the information and disclosure 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, 2016.

3 GOING CONCERN ASSUMPTION

The condensed interim financial information for the half year ended 31 December 2016 reflect that the Company has sustained a net loss after taxation of Rs.19.764 million (June 2016: Rs.64.807 million) and, as of that date it has accumulated losses of Rs.1,559.083 million (June 2016: Rs.1,542.161 million) which have resulted in net capital deficiency of Rs.1,166.899 million (June 2016: Rs.1,149.977 million) and its current liabilities exceeded its current assets by Rs.1,267.564 million (June 2016: Rs.1,261.998 million) and total assets by Rs.957.047 million (June 2016: Rs.939.110 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.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

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.

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 2016.

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 2016.

(Un-audited) 31 December 2016	(Audited) 30 June 2016
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(Rs. in '000)

5 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - At cost less accumulated depreciation	<u>300,377</u>	<u>312,748</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 2016: 4,000,000) Ordinary shares of Rs.10/- each Accumulated impairment loss on investment	40,000	40,000
	(32,880)	(32,880)
	<hr/> 7,120	<hr/> 7,120

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.



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Note	(Un-audited) 31 December 2016	(Audited) 30 June 2016
	(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	(125,295)	(125,295)
	39,097	39,097

8 LONG TERM LOAN - Unsecured

From director - At amortized cost			
Loan received - Opening	8.1	246,980	224,739
Received during the year		7,592	22,241
Accumulated present value adjustment		(216,290)	(211,509)
Accumulated interest charged to profit and loss account		51,210	46,431
		89,492	81,902

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.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

Note	(Un-audited) 31 December 2016		(Audited) 30 June 2016	
	(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	154,879	154,879	
Temporary book overdraft		--	708	
		204,189	204,897	

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 2013: 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 30 June 2013 financial statements.

9.2 This is an unsecured finance from associated company, which carries mark-up @ 7.14% per annum (June 2016: @ 15.62% 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 2016.

11 FINANCE COST AND MARK-UP ACCRUED

The Company has not made the provision of mark-up for the period amounting to Rs.2.575 million (Up to 30 June 2016: Rs.57.816 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.2.575 millions and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs.60.390 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:

	(Un-audited) 31 December 2016	(Un-audited) 31 December 2015
Associated Company: Mark-up expense	5,528	17,810

(Rs. in '000)

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