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## Company Information

### BOARD OF DIRECTORS

#### Executive Director

Mr. Waseem-ul-Haque Ansari Chief Executive Officer

#### Non-Executive Directors

Mr. Haroon Iqbal Chairman Board of Directors

Mr. Muhammad Naeemuddin Malik

Syed Maqbool Ali

Mr. Muhammad Irfan Ali

Mr. Ishtiaq Ahmed

#### Independent Director

Mr. Azizul Haque

### CHIEF FINANCIAL OFFICER

Mr. Muhammad Naeemuddin Malik

### COMPANY SECRETARY

Mr. Muhammad Naeemuddin Malik

### AUDIT COMMITTEE

Mr. Azizul Haque Chairman

Mr. Ishtiaq Ahmed Member

Syed Maqbool Ali Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Azizul Haque Chairman

Mr. Haroon Iqbal Member

Syed Maqbool Ali 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 Shahr-e-Faisal,  
Adjacent to Baloch Colony Bridge,  
Karachi, Pakistan

### BANKERS

Bank Islami Pakistan Ltd.

### REGISTERED OFFICE

Dewan Centre, 3-A Lalazar  
Beach Luxury Hotel Road  
Karachi.

### FACTORY

Dewan City Sajawal District Thatta, Sindh.

### WEBSITE

[www.yousufdewan.com](http://www.yousufdewan.com)

## Mission Statement

To be the No. 1 automobile company in Pakistan

- ✿ To assume leadership role in the technological advancement of the industry and to achieve the highest level of quantitative indigenization.
- ✿ To offer high value, economical and qualitative solutions to address the commuting needs of a diverse range of customers.
- ✿ To seek long-term and good relations with our suppliers and dealers with fair, honest and mutually profitable dealings.
- ✿ To be a totally customer oriented company and to achieve Total Customer Satisfaction.
- ✿ To create a work environment, which motivates recognizes and rewards achievements at all levels of the organization.
- ✿ To produce environment friendly vehicles.
- ✿ To be a contributing corporate citizen for the betterment of society, and to exhibit a socially responsible behavior.



## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Seventh Annual General Meeting of **Dewan Automotive Engineering Limited** ("**DAEL**" or "**the Company**") will be held on **Thursday, October 24, 2019, at 03:00 p.m.** at Dewan Cement Limited Factory Site, at Deh Dhand, 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 25, 2018;
2. To receive, consider, approve and adopt the annual audited financial statements of the Company for the year ended June 30, 2019, together with the Directors' and Auditors' Reports thereon;
3. To confirm the appointment of the Statutory Auditors' of the Company for the year ended June 30, 2020, and to fix their remuneration;
4. To consider any other business with the permission of the Chair.

By order of the Board

**Muhammad Naeemuddin Malik**  
**Company Secretary**

Karachi: September 27, 2019

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from October 17, 2019 to October 24, 2019 (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 Anum Estate Building, Room No. 310 & 311, 3rd Floor, 49, Darul Aman Society, Main Shahrah-e-Faisal, adjacent to Baloch Colony Bridge, Karachi, 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) For Attending Meeting:**

- 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, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) at the time of meeting.

**b) For Appointing Proxies:**

- 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 along with 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, along with the specimen signature of the nominee, shall be produced (unless it has been provided earlier) along with the proxy form to the Company.

**5. Notice to Shareholders who have not provided CNIC:**

CNIC of the shareholders is mandatory in terms of directive of the Securities and Exchange Commission of Pakistan contained in S.R.O. 831(1)/2012 dated July 05, 2012 for the issuance of future dividend warrants etc. and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs are once again advised to provide the attested copies of their CNICs directly to our Shares Registrar without any further delay.

**6. Mandate for E-DIVIDENDS for shareholders:**

In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no changes of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 5, 2013 had advised all Listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favor of e-dividend by providing dividend mandate form duly filled in and signed.

## **7. Electronic Transmission of Financial Statements Etc.:**

SECP through its notification No. SRO 787(1)/2014 dated September 8, 2014 has allowed companies to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting through email instead of sending the same through post, to those members who desires to avail this facility. The members who desire to opt to receive aforesaid statements and notice of AGM through e-mail are requested to provide their written consent on the Standard Request Form available on the Company's website: <http://www.yousufdewan.com/DAEL/index.html>

# Directors' Report

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

The Board of Directors of Dewan Automotive Engineering Ltd. is pleased to present its annual report along with the Company's audited financial statements for the year ended June 30, 2019 and welcomes you to the thirty-seventh Annual General Meeting.

### Financial Overview

The summary of financial performance for the year, along with the comparative figures of financial year 2018 is as follows:

|                      | June 30, 2019    | June 30, 2018<br>(Restated) |
|----------------------|------------------|-----------------------------|
|                      | (Rupees in '000) |                             |
| Gross Sales          | 7,313            | 22,109                      |
| Gross (loss)         | 6,250            | (19,835)                    |
| Operating (loss)     | (57,586)         | (29,995)                    |
| Net (loss) after tax | (84,046)         | (47,828)                    |

### Year under review:

During the year under review, the company could not continue the operations and had to close down due to closure of the Company to which sales were being made, in addition due to non-availability of banking lines, the production activity of the Company during the year remained suspended, resulting in unabsorbed overhead 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 current financial situation, the Company is taking various countermeasures and has taken up the matter with the banks.

Once working capital is available then the company can exploit its full potential.

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 Note No. 3 & 29.1 of the financial statements.

### Corporate and financial reporting framework:

- The financial statements for the year ended June 30, 2019, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity;
- Proper books of accounts of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2019 and accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards (IFRS) as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- The Management has explained their views in detail regarding the going concern ability of the company in note 3 of the annexed financial statements.
- There has been no material departure from the best practice of the corporate governance, as detailed in the listing regulations of the stock exchange of Pakistan;
- Summarized key operating and financial data of the last six years is enclosed with the report;
- All taxes have been paid and nothing is outstanding, except as disclosed in note 18 of the annexed audited financial statements;

The Board Comprises of one independent director, one executive and five non-executive Directors. The following are the names of Directors.

- Mr. Haroon Iqbal
- Mr. Waseem-ul-Haque Ansari
- Mr. Muhammad Naeemuddin Malik
- Syed Maqbool Ali
- Mr. Ishtiaq Ahmed
- Mr. Muhammad Irfan Ali
- Mr. Aziz-ul-Haque

During the year no casual vacancy was occurred on the Board of Directors

### **Principal Activities of the Company**

Dewan Automotive Engineering Limited is incorporated in Pakistan as a public limited Company and is listed on the Pakistan Stock Exchange. The Company's principal activity is manufactures, assembles, trades, and sells tractors, light commercial vehicles, and motorcycles primarily in Pakistan. It also trades in and manufactures related parts and implements.

### **Principal Risks and Uncertainties**

The Company consider the following as key risks:

- Depreciation of Pak Rupee against US Dollar;
- Non-availability of working capital.

The Company is endeavoring internally as well as externally to cater with and mitigate the impact of aforesaid risks and uncertainties.



## Corporate Social Responsibility

The Company conducts its business in a responsible manner looking after its stakeholders and the environment. The Company mainly focus providing on the job training to fresh hired work force enabling them to develop adequate skills. While employing work force, the Company encourage under-privileged people residing close to the plant, thereby increasing their standard of living. Moreover, health and safety of employees is another area of focus. The Company complies with all applicable rules and regulations in the manufacturing process to ensure environmental protection. Standard Operating Procedures have been laid down to ensure protecting the health and safety of employees. The Company is also involved in providing medical facilities to people residing in the surrounding area.

The Board of Directors comprise of individuals with diversified knowledge who endeavor to contribute toward the aim of the Company with the best of their abilities. During the year four meetings of the Board of Directors was held. The attendance of directors was as follows;

| <b>Names of Directors</b>     | <b>No of meetings attended</b> |
|-------------------------------|--------------------------------|
| Mr. Haroon Iqbal              | 4                              |
| Mr. Waseem-ul-Haque Ansari    | 3                              |
| Mr. Muhammad Naeemuddin Malik | 4                              |
| Syed Maqbool Ali              | 4                              |
| Mr. Ishtiaq Ahmed             | 3                              |
| Mr. Muhammad Irfan Ali        | 4                              |
| Mr. Aziz-ul-Haque             | 4                              |

The audit committee comprise of three directors, all of them are non-executive. During the year four meetings of audit committee was held.

| <b>Name of Director</b> | <b>No. of meetings attended</b> |
|-------------------------|---------------------------------|
| Mr. Aziz-ul-Haque       | 4                               |
| Mr. Ishtiaq Ahmed       | 4                               |
| Syed Maqbool Ali        | 4                               |

During the year one meeting of the human resource & remuneration committee was held, members' attendance in this meeting is as under.

| <b>Name of Director</b> | <b>No. of meetings attended</b> |
|-------------------------|---------------------------------|
| Mr. Aziz ul Haque       | 1                               |
| Mr. Haroon Iqbal        | 1                               |
| Syed Maqbool Ali        | 1                               |

**Auditors:**

The present Auditors Messrs Faruq Ali & Co, Chartered Accountants, have retired and offer themselves for re-appointment.

The Board of Director on recommendation of the Audit committee has recommended the re-appointment of Messrs Faruq Ali & Co. Chartered Accountants.

**Loss per share**

The Loss per share is Rs. 3.93

**Dividend**

Due to loss for the year as well as accumulated losses, no dividend has been recommended by the Board.

**Pattern of Shareholding:**

The pattern of Shareholding of the Company as at June 30, 2019 is included in the Annual Report.

**Trading in Company Shares**

None of the Directors, Executives, their spouses and minor children have traded in the shares of the Company during the year.

**Vote of Thanks:**

On behalf of the Board, I thank you, the valued shareholders, Federal and Provincial Government and their functionaries, banks, development financial institutions, leasing companies, dealers, vendors and customers for their continued support and patronage.

The Board would also like to appreciate the valuable services, loyalty and efforts rendered by the executives, staff members and workers of the Company, during the year under review.

**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**  
Chairman Board of Directors

## Chairman's Review

I am pleased to present a report on the overall performance of the Board of Directors and effectiveness of the role played by the board in achieving the company's objectives. The board of directors is responsible for the management of the company, which formulates all significant policies and strategies. The board is governed by relevant laws & regulations and its obligation, rights, responsibilities and duties are as specified and prescribed therein.

The Board of Directors comprises of individuals with diversified knowledge who endeavour to contribute towards the aim of the Company with the best of their abilities.

An annual self-evaluation of the Board of Directors of the Company is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

During financial year ended June 30, 2019, four board meetings were held. The Board of Directors of the Company received agendas and supporting material in sufficient time prior to the board and its committee meetings. All the Directors are equally involved in important decisions. the Board's overall performance and effectiveness for the year under review was satisfactory.

  
**Haroon Iqbal**  
Chairman

September 27, 2019

## Summarised Key Operating and Financial Data of Last Six Years

| PARTICULARS                                       | 2019                     | 2018<br>Restated | 2017<br>Restated | 2016        | 2015        | 2014        |
|---|--------------------------|------------------|------------------|-------------|-------------|-------------|
|   | ..... Rs. in '000' ..... |                  |                  |             |             |             |
| Gross Sales                                       | 7,313                    | 22,109           | -                | -           | -           | 47,922      |
| Net Sales   | 6,251                    | 18,896           | -                | -           | -           | 40,797      |
| Gross (Loss) / Profit                             | (29,518)                 | (19,835)         | (33,742)         | (29,690)    | (32,114)    | (19,142)    |
| Operating (loss)/profit                           | (57,586)                 | (29,995)         | (77,986)         | (53,607)    | (63,181)    | (62,567)    |
| (loss) / profit before tax                        | (86,519)                 | (50,707)         | (44,863)         | (67,681)    | (117,024)   | (108,903)   |
| (loss) / profit after tax                         | (84,046)                 | (47,828)         | (42,615)         | (64,807)    | (113,790)   | (105,264)   |
| Retained Earnings                                 | 178,184                  | 178,184          | 178,184          | 178,184     | 656,994     | 387,663     |
| Share Capital                                     | 214,000                  | 214,000          | 214,000          | 214,000     | 214,000     | 214,000     |
| Shareholders Equity                               | (1,216,913)              | (1,147,434)      | (1,102,390)      | (1,149,977) | (1,072,573) | (1,234,680) |
| Fixed Assets                                      | 259,767                  | 265,695          | 288,005          | 312,748     | 340,011     | 370,313     |
| Total Assets                                      | 274,903                  | 306,989          | 326,621          | 387,105     | 974,725     | 761,488     |
| <b>FINANCIAL ANALYSIS</b>                         |                          |                  |                  |             |             |             |
| Gross (loss)/profit Margin                        | -472.21%                 | -104.65%         | -                | -           | -           | -46.92%     |
| Operating (loss) /profit Margin                   | -921.22%                 | -155.70%         | -                | -           | -           | -153.36%    |
| (loss)/profit before tax                          | -1384.08%                | -265.31%         | -                | -           | -           | 266.93%     |
| (loss) / profit after tax                         | -1344.52%                | -253.94%         | -                | -           | -           | -258.01%    |
| <b>Return on Investment</b>                       |                          |                  |                  |             |             |             |
| (Loss) / Earnings per share before tax (Rs/Share) | (4.04)                   | (2.34)           | (2.09)           | (3.16)      | (5.47)      | (5.08)      |
| (Loss) / Earnings per share after tax (Rs/Share)  | (3.93)                   | (2.24)           | (1.99)           | (3.03)      | (5.31)      | (4.91)      |
| <b>Activity Ratios</b>                            |                          |                  |                  |             |             |             |
| Sales to Total Assets-Times                       | 2.27                     | 0.06             | -                | -           | -           | 0.05        |
| Sales to Fixed Assets-Times                       | 0.02                     | 0.07             | -                | -           | -           | 0.11        |
| <b>Liquidity Ratios</b>                           |                          |                  |                  |             |             |             |
| Current ratio (excluding current maturity of LTL) | 0.008                    | 0.03             | 0.02             | 0.05        | 0.34        | 0.21        |
| Current ratio (Including current maturity of LTL) | 0.008                    | 0.03             | 0.02             | 0.05        | 0.34        | 0.21        |
| Book value per share (Rs.)                        | (56.86)                  | (54.35)          | (51.51)          | (53.73)     | (50.12)     | (57.69)     |

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

For the Year Ended June 30, 2019

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

- |            |   |
|------------|---|
| a. Male:   | 7   |
| b. Female: | The requirement to have Female representation in the Company's board will be complied upon reconstitution of the Board. |

2. The composition of board is as follows:

- |                                  |  |
|----------------------------------|--|
| a) Independent Director          | Mr. Aziz-ul-Haque  |
| b) Other Non-executive Directors | Mr. Haroon Iqbal<br>Mr. Ishtiaq Ahmed<br>Mr. Muhammad Naeemuddin Malik<br>Syed Maqbool Ali<br>Mr. Muhammad Irfan Ali |
| c) Executive Directors           | Mr. Waseem-ul-Haque Ansari   |
3. Six Directors have confirmed that none of them is serving as director on more than five listed companies, including this company, whereas, one director is serving as director in more than five listed Yousuf Dewan Companies.
  4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
  5. 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.
  6. All the powers of the board have been duly exercised and decision on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
  7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with requirements of Act and the regulations with respect to frequency, recording and circulating minutes of meeting of board.
  8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Three of the Directors are qualified under the directors training program. We will arrange Director Training Program in the coming session.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 

|                                  |   |
|----------------------------------|---|
| a) Audit Committee               | Mr. Aziz-ul-Haque - Chairman<br>Mr. Ishtiaq Ahmed - Member<br>Syed Maqbool Ali - Member |
| b) HR and Remuneration Committee | Mr. Azizul Haque - Chairman<br>Mr. Haroon Iqbal -Member<br>Syed Maqbool Ali- Member     |
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 


|                                  |   |
|----------------------------------|---|
| a) Audit Committee               | 4 quarterly meetings during the financial year ended June 30, 2019  |
| b) HR and Remuneration Committee | 1 annual meeting held during the financial year ended June 30, 2019 |
15. The board has set up an effective internal audit function. The staffs are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

DEWAN AUTOMOTIVE ENGINEERING LIMITED

18. We confirm that all other requirements of the Regulations have been complied with.



**Haroon Iqbal**  
Chairman Board of Directors



**Waseem-ul-Haq Ansari**  
Chief Executive

Karachi: September 27, 2019

## INDEPENDENT AUDITOR'S MODIFIED REVIEW REPORT TO THE MEMBERS OF DEWAN AUTOMOTIVE ENGINEERING LIMITED

### Review Report to the Members on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Dewan Automotive Engineering Limited** (the Company) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- a) The composition of board includes Mr. Aziz ul Haq, as independent director, whereas in our view he does not meet the criteria of independence on account of his cross directorship in associated companies;





- b) b) The chairman of the Audit Committee shall be an independent director, whereas in our view Mr. Aziz ul Haq does not meet the criteria of independence due to the reason referred in paragraph (a) above; and
- c) The chairman of the HR and Remuneration Committee shall be an independent director, whereas in our view Mr. Aziz ul Haq does not meet the criteria of independence due to the reason referred in paragraph (a) above.

Based on our review, except for the above instances of non-compliance, 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 Regulations as applicable to the Company for the year ended 30 June 2019.

Further, we highlight that one of the directors of the Company is serving as director in more than five listed companies as disclosed in the note 3 of the Statement of Compliance. Furthermore, we highlight that only three of the directors are qualified under the directors training program as disclosed in note 9 of the Statement of Compliance.

Dated: September 27, 2019  
Karachi

**CHARTERED ACCOUNTANTS**

Engagement partner: Muhammad Faisal Nini

## INDEPENDENT AUDITOR'S REPORT

### To the members of Dewan Automotive Engineering Limited

### Report on the Audit of the Financial Statements

#### Adverse Opinion

We have audited the annexed financial statements of Dewan Automotive Engineering Limited ('the Company'), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, because of the significance of matters discussed in basis for adverse opinion paragraph, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), 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 30 June 2019 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### Basis for Adverse Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ('the Code') and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

- a) The financial statements of the Company for the year ended 30 June 2019 reflect loss after taxation of Rs.84.046 million and as of that date it has accumulated losses of Rs. 1,688.580 million which resulted in net capital deficiency of Rs. 1,216.913 million and its current liabilities exceeded its current assets by Rs.1,301.292 million and total assets by Rs. 1,037.325 million. The 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 is in litigation with its lender. 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.



Continuation Sheet

- b) b) The Company has not made provision of markup for the year amounting to Rs.1.650 million (Up to 30 June 2019: Rs.15.987 million) (refer note 29.1) on account of restructuring proposal offered to a lender as described in note 3 and 29.1 to the financial statements. Had the provision of markup been made in the financial statements, the loss after taxation would have been higher by Rs.1.650 million and markup payable would have been higher and shareholders' equity would have been lower by Rs.15.987 million.

### Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| S. No. | Key Audit Matters   | How the matter was addressed in our audit   |
|--------|---|---|
| 1.     | <b>First time adoption of IFRS 9 - Financial Instruments</b>  |   |
|        | <p>As referred to in note 4.3.1 to the financial statements, the Company has adopted IFRS 9 with effect from 1 July 2018. The new standard requires the Company to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company.</p> <p>Determination of ECL provision for trade debts requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.</p> <p>We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p> | <p>Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates.</p> <p>Further, we assessed the integrity and quality of the data used for ECL computation based on the accounting records and information system of the Company as well as the related external sources as used for this purpose.</p> <p>We checked the mathematical accuracy of the ECL model by performing recalculation on test basis.</p> <p>In addition to above, we assessed the adequacy of disclosures in the unconsolidated financial statements of the Company regarding application of IFRS 9 as per the requirements of the above standard.</p> |

**Information Other Than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information in the annual report including, in particular, the Chairman's Review, Director's Report, Financial and Business Highlights, Graphical Representation and Horizontal and Vertical Analysis of Financial Statements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



*Continuation Sheet*

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) The statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) however, the same are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Faisal Nini.

**CHARTERED ACCOUNTANTS****Place:** Karachi**Dated:** September 27, 2019

# Statement of Financial Position

As on 30 June 2019

|   | Note | 2019           | 2018<br>(Restated) | 2017<br>(Restated) |
|---|------|----------------|--------------------|--------------------|
| ----- (Rupees in '000) -----                            |      |                |                    |                    |
| <b>ASSETS</b>   |      |                |                    |                    |
| <b>NON-CURRENT ASSETS</b>                               |      |                |                    |                    |
| Property, plant and equipment                           | 6    | 259,767        | 265,695            | 288,005            |
| Available for sale investment                           | 7    | 4,200          | 2,320              | 7,120              |
| Long term deposits - Interest free                      |      | -              | 3,020              | 3,020              |
|   |      | 263,967        | 271,035            | 298,145            |
| <b>CURRENT ASSETS</b>                                   |      |                |                    |                    |
| Stock in trade  | 8    | 2,025          | 3,111              | -                  |
| Trade debts   | 9    | -              | -                  | -                  |
| Advances, prepayment and other receivable               | 10   | 5,077          | 26,281             | 26,067             |
| Advance income tax - Net                                |      | 3,423          | 3,430              | 2,277              |
| Cash and bank balances                                  | 11   | 411            | 3,132              | 132                |
|   |      | 10,936         | 35,954             | 28,476             |
|   |      | <b>274,903</b> | <b>306,989</b>     | <b>326,621</b>     |
| <b>EQUITY AND LIABILITIES</b>                           |      |                |                    |                    |
| <b>SHARE CAPITAL AND RESERVES</b>                       |      |                |                    |                    |
| Authorised share capital                                |      |                |                    |                    |
| 21,800,000 (2018: 21,800,000)                           |      |                |                    |                    |
| Ordinary shares of Rs.10/- each                         |      | 218,000        | 218,000            | 218,000            |
| Issued, subscribed and paid-up share capital            | 12   | 214,000        | 214,000            | 214,000            |
| Capital reserve   |      |                |                    |                    |
| Merger reserve  |      | 82,090         | 82,090             | 82,090             |
| Settlement claim from Ford Motors                       | 13   | 86,194         | 86,194             | 86,194             |
| Surplus on revaluation of property, plant and equipment | 14   | 79,483         | 71,168             | 75,656             |
| Revenue reserves  |      |                |                    |                    |
| General reserve   |      | 9,900          | 9,900              | 9,900              |
| Accumulated losses                                      |      | (1,688,580)    | (1,610,786)        | (1,570,230)        |
|   |      | (1,216,913)    | (1,147,434)        | (1,102,390)        |
| <b>NON-CURRENT LIABILITIES</b>                          |      |                |                    |                    |
| Long term loans - Unsecured                             | 15   | 147,049        | 129,875            | 113,726            |
| Deferred liability for staff gratuity                   | 16   | 1,544          | 1,238              | 2,897              |
| Deferred taxation                                       | 17   | 30,995         | 29,987             | 33,452             |
|   |      | 179,588        | 161,100            | 150,075            |
| <b>CURRENT LIABILITIES</b>                              |      |                |                    |                    |
| Trade and other payables                                | 18   | 366,085        | 365,481            | 362,635            |
| Short term finance                                      | 19   | 155,152        | 154,879            | 154,879            |
| Accrued mark-up   | 20   | 779,741        | 761,713            | 750,172            |
| Overdue portion of loans - Secured                      | 21   | 11,250         | 11,250             | 11,250             |
|   |      | 1,312,228      | 1,293,323          | 1,278,936          |
| <b>CONTINGENCIES AND COMMITMENTS</b>                    |      |                |                    |                    |
|   | 22   | -              | -                  | -                  |
|   |      | <b>274,903</b> | <b>306,989</b>     | <b>326,621</b>     |

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

  
**Haroon Iqbal**  
 Chairman

  
**Waseem-ul-Haque Ansari**  
 Chief Executive Officer

  
**Muhammad Naeem Uddin Malik**  
 Chief Financial Officer

# Statement of Profit or Loss


For The Year Ended June 30, 2019

|   | Note | 2019<br>------(Rs. in '000)----- | 2018<br>Restated |
|---|------|----------------------------------|------------------|
| <b>Sales - Net</b>                          | 23   | 6,251                            | 18,896           |
| Cost of sales                               | 24   | (35,769)                         | (38,731)         |
| Gross loss                                  |      | <u>(29,518)</u>                  | <u>(19,835)</u>  |
| <b>Operating expenses</b>                   |      |                                  |                  |
| Distribution expenses                       | 25   | (480)                            | (450)            |
| Administrative expenses                     | 26   | (8,560)                          | (4,910)          |
| Other expenses                              | 27   | (19,028)                         | (4,800)          |
|   |      | <u>(28,068)</u>                  | <u>(10,160)</u>  |
| Operating loss                              |      | <u>(57,586)</u>                  | <u>(29,995)</u>  |
| Other income                                | 28   | 1,917                            | 48               |
| Finance cost                                | 29   | (30,850)                         | (20,760)         |
| Loss before taxation                        |      | <u>(86,519)</u>                  | <u>(50,707)</u>  |
| Taxation - Net                              | 30   | 2,473                            | 2,879            |
| <b>Loss for the year</b>                    |      | <u>(84,046)</u>                  | <u>(47,828)</u>  |
| Loss per share - Basic and diluted (Rupees) | 31   | <u>(3.93)</u>                    | <u>(2.23)</u>    |

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

  
**Haroon Iqbal**  
 Chairman

  
**Waseem-ul-Haque Ansari**  
 Chief Executive Officer

  
**Muhammad Naeem Uddin Malik**  
 Chief Financial Officer



# Statement of Comprehensive Income


For The Year Ended June 30, 2019

|   | Note   | 2019<br>------(Rs. in '000)----- | 2018<br>Restated |
|---|--------|----------------------------------|------------------|
| Loss for the year   |        | (84,046)                         | (47,828)         |
| <b>Other comprehensive income for the year:</b>                     |        |                                  |                  |
| Surplus on revaluation of   |        |                                  |                  |
| property, plant and equipment                                       |        | 18,009                           | -                |
| Related deferred tax  |        | (4,526)                          | -                |
|   |        | 13,483                           | -                |
| Effect of change in tax rates on balance                            |        |                                  |                  |
| of revaluation on property, plant and equipment                     |        | 1,000                            | 1,080            |
| Items that will not be subsequently reclassified to profit or loss: |        |                                  |                  |
| Actuarial gain on remeasurement of post employment benefit plans    | 16.1.6 | (118)                            | (2,434)          |
| Tax effect  |        | 34                               | 730              |
|   |        | (84)                             | (1,704)          |
| <b>Total comprehensive loss for the year</b>                        |        | <b>(69,647)</b>                  | <b>(48,452)</b>  |

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

  
**Haroon Iqbal**  
 Chairman

  
**Waseem-ul-Haque Ansari**  
 Chief Executive Officer

  
**Muhammad Naeem Uddin Malik**  
 Chief Financial Officer

# Statement of Cash Flows


For The Year Ended June 30, 2019

|  | 2019<br>------(Rs. in '000)----- | 2018<br>------(Rs. in '000)----- |
|--|----------------------------------|----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |                                  |                                  |
| Loss before taxation                                     | (86,519)                         | (50,707)                         |
| <b>Adjustment for non cash charges and other items</b>   |                                  |                                  |
| Depreciation   | 24,019                           | 22,494                           |
| Sales tax receivable and security deposit write off      | 19,028                           | -                                |
| Impairment on investment in associate                    | -                                | 4,800                            |
| Unwinding of discount / present value adjustment - Net   | 12,804                           | 9,190                            |
| Reversal of impairment on investment in associate        | (1,880)                          | -                                |
| Provision for gratuity                                   | 424                              | 775                              |
| Finance cost   | 30,850                           | 20,760                           |
| Cash (outflows) / inflows before working capital changes | (1,274)                          | 7,312                            |
| <b>Working capital changes</b>                           |                                  |                                  |
| (increase)/decrease in current assets                    |                                  |                                  |
| Stock in trade   | 1,086                            | (3,111)                          |
| Advances, prepayments and other receivables              | 5,196                            | (214)                            |
| Increase/(decrease) in current liabilities               |                                  |                                  |
| Trade and other payables                                 | 604                              | 2,847                            |
|  | 6,886                            | (478)                            |
| Net cash generated from operations                       | 5,612                            | 6,834                            |
| <b>Payments for:</b>                                     |                                  |                                  |
| Finance cost   | (12,822)                         | (9,219)                          |
| Income tax   | (72)                             | (1,390)                          |
| Net cash outflows from operating activities              | (7,282)                          | (3,775)                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |                                  |                                  |
| Fixed capital expenditures                               | (82)                             | (276)                            |
| Sale proceed of disposal of fixed assets                 | -                                | 92                               |
| Net cash outflows from investing activities              | (82)                             | (184)                            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |                                  |                                  |
| Long term loan from director                             | 4,370                            | 6,959                            |
| Net movement in short term finance                       | 273                              | -                                |
| Net cash inflows from financing activities               | 4,643                            | 6,959                            |
| Net (decrease) / increase in cash and cash equivalents   | (2,721)                          | 3,000                            |
| Cash and cash equivalents at the beginning of the year   | 3,132                            | 132                              |
| Cash and cash equivalents at the end of the year         | 411                              | 3,132                            |

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

  
**Haroon Iqbal**  
 Chairman

  
**Waseem-ul-Haque Ansari**  
 Chief Executive Officer

  
**Muhammad Naeem Uddin Malik**  
 Chief Financial Officer

# Statement Of Changes In Equity

For The Year Ended June 30, 2019

| Issued,<br>subscribed<br>and paid-up<br>share<br>capital | Capital reserves  |  |  |                    | Revenue reserves   |                       |                     | Total |
|--|-------------------|--|--|--------------------|--------------------|-----------------------|---------------------|-------|
|  | Merger<br>reserve | Settlement<br>claim from<br>Ford Motors<br>(Note 13) | Surplus on<br>revaluation of<br>property, plant<br>and equipment | Capital<br>reserve | General<br>reserve | Accumulated<br>losses | Revenue<br>reserves |       |


----- (Rupees in '000) -----

|  |                |               |               |               |                |              |                    |                    |                    |
|--|----------------|---------------|---------------|---------------|----------------|--------------|--------------------|--------------------|--------------------|
| <b>Balance as on 1 July 2017 - As reported</b>   | 214,000        | 82,090        | 86,194        | 75,656        | 243,940        | 9,900        | (1,584,053)        | (1,574,153)        | (1,116,213)        |
| Prior year adjustments of staff gratuity   | -              | -             | -             | -             | -              | -            | 13,823             | 13,823             | 13,823             |
| <b>Balance as on 1 July 2017 - As restated</b>   | 214,000        | 82,090        | 86,194        | 75,656        | 243,940        | 9,900        | (1,570,230)        | (1,560,330)        | (1,102,390)        |
| Loss for the year - Restated   | -              | -             | -             | -             | -              | -            | (47,828)           | (47,828)           | (47,828)           |
| Other comprehensive income   | -              | -             | -             | 1,080         | 1,080          | -            | 1,704              | 1,704              | 2,784              |
| Total comprehensive loss for the year  | -              | -             | -             | 1,080         | 1,080          | -            | (46,124)           | (46,124)           | (45,044)           |
| Incremental depreciation transfer from surplus on<br>revaluation of property, plant and equipment - Net of tax | -              | -             | -             | (5,568)       | (5,568)        | -            | 5,568              | 5,568              | -                  |
| <b>Balance as at 30 June 2018 - Restated</b>   | <b>214,000</b> | <b>82,090</b> | <b>86,194</b> | <b>71,168</b> | <b>239,452</b> | <b>9,900</b> | <b>(1,610,786)</b> | <b>(1,600,886)</b> | <b>(1,147,434)</b> |
| Loss for the year  | -              | -             | -             | -             | -              | -            | (84,046)           | (84,046)           | (84,046)           |
| Other comprehensive income   | -              | -             | -             | 14,483        | 14,483         | -            | 84                 | 84                 | 14,567             |
| Total comprehensive loss for the year  | -              | -             | -             | 14,483        | 14,483         | -            | (83,962)           | (83,962)           | (69,479)           |
| Incremental depreciation transfer from surplus on<br>revaluation of property, plant and equipment - Net of tax | -              | -             | -             | (6,168)       | (6,168)        | -            | 6,168              | 6,168              | -                  |
| <b>Balance as at 30 June 2019</b>  | <b>214,000</b> | <b>82,090</b> | <b>86,194</b> | <b>79,483</b> | <b>247,767</b> | <b>9,900</b> | <b>(1,688,580)</b> | <b>(1,678,680)</b> | <b>(1,216,913)</b> |

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

  
**Haroon Iqbal**  
Chairman

  
**Waseem-ul-Haque Ansari**  
Chief Executive Officer

  
**Muhammad Naeem/Uddin Malik**  
Chief Financial Officer

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 1 STATUS AND NATURE OF BUSINESS

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 Yousuf Dewan Company in April 2004.

During the year 2017, the Company received notices from Pakistan Stock Exchange Limited (PSX) in respect of non-compliance of clause 5.11.1. (c) and 5.11.1.(e) of the PSX Regulations therefore it was placed on defaulter's counter of PSX and trading of its shares was suspended. The Company has rectified the default and has requested for removal of Company from defaulter's counter. Hence no action by the Exchange under clause 5.11.1. (c) and 5.11.1.(e) is warranted under the said circumstances.

The geographical location and address of Company's business units including plant is as under:

- Company's registered office is located at Dewan Centre, 3-A Lalazar, Beach Hotel Road, Karachi.
- Company's production plant is situated at Sajawal and Shershah Karachi, Sindh, Pakistan.

## 2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

The financial position and performance of the Company was affected by the following events and transactions during the year:

- The revaluation of property, plant and equipment was carried out during the year. The revaluation resulted in a surplus amounting to Rs.18.009 million which was incorporated in the books of the Company as at 30 June 2019.
- Other significant transactions and events have been adequately disclosed in these financial statements. For detailed performance review of the Company, refer Directors' report.

## 3 GOING CONCERN ASSUMPTION

The company incurred a net loss of Rs.84.046 million (2018: Rs.47.828 million) during the year ended 30 June 2019 and, as of that date it has accumulated losses of Rs.1,688.580 million (2018: Rs.1,610.786 million) which have resulted in net capital deficiency of Rs.1,216.913 million (2018: Rs.1,147.434 million) and its current liabilities exceeded its current assets by Rs.1,301.292 million (2018: Rs.1,257.369 million) and total assets by Rs.1,037,325 million (2018: Rs.986.334 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.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

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 financial statements have been prepared on a going concern basis.

## 4 BASIS OF PREPARATION

### 4.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan with the exception of departure of IFRS as mentioned in note 29.1 to the financial statements, for which the management concludes that provisioning of mark-up would conflict with the objectives of the financial statements. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 4.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except the obligation in respect of gratuity fund which is measured at present value and items of property, plant and equipment which are carried at revalued amounts.

### 4.3 New standards, amendments to approved accounting standards and new interpretations

#### 4.3.1 Adoption of standards and amendments effective during the year

The Company has adopted the following accounting standards, the amendments and interpretations of IFRSs which became effective during the current year:

- IFRS 2 Share based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)
- IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IAS 40 Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

# Notes To The Financial Statements

For The Year Ended June 30, 2019

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the financial statements except for IFRS 9 and IFRS 15. The impact of adoption of IFRS 9 and IFRS 15 is given below:

## **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company elected the modified retrospective method and applied the standard retrospectively to only the most current period presented in the financial statements. Accordingly, the information presented for the previous corresponding period has not been restated.

The Company generates its revenue from sale of goods. The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

In general the contracts for the sale of goods do not provide customers with a right of return and volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Company.

## **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement bringing together aspects of the accounting for financial instruments: classification and measurement and impairment.

### ***Classification and measurement***

Except for certain trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

# Notes To The Financial Statements

For The Year Ended June 30, 2019

At transition date to IFRS 9, the Company has financial assets measured at amortised cost and equity instruments at FVOCI. The new classification and measurement of the Company's financial assets are, as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Company's unquoted equity instruments were classified as AFS financial assets.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39. Accordingly, the adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

## ***Impairment***

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of the ECL requirements of IFRS 9 did not result in any difference in the existing impairment allowances of the Company's debt financial assets.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 4.3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or interpretation   | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 3 Definition of a Business (Amendments)   | 1-Jan-20  |
| IFRS 3 Business Combinations: Previously held interests in a joint operation   | 1-Jan-19  |
| IFRS 9 Prepayment Features with Negative Compensation (Amendments)   | 1-Jan-19  |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | "Not yet finalised"                                   |
| IFRS 11 Joint Arrangements: Previously held interests in a joint operation   | 1-Jan-19  |
| IFRS 16 Leases   | 1-Jan-19  |
| IAS 1/ IAS 8 Definition of Material (Amendments)   | 1-Jan-20  |
| IAS 12 Income Taxes: Income tax consequences of payments on financial instruments classified as equity   | 1-Jan-19  |
| IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)  | 1-Jan-19  |
| IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization   | 1-Jan-19  |
| IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments)   | 1-Jan-19  |
| IFRIC 23 Uncertainty over Income Tax Treatments  | 1-Jan-19  |

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application. The Company is currently evaluating the impact of these standards.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for annual reporting period beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.



# Notes To The Financial Statements

For The Year Ended June 30, 2019

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| <b>Standard</b>                      | <b>IASB Effective date (annual periods beginning on or after)</b> |
|--------------------------------------|---|
| IFRS 14 Regulatory Deferral Accounts | 1-Jan-16  |
| IFRS 17 Insurance Contracts          | 1-Jan-21  |

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

## 4.4 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

## 4.5 Use of estimates and judgements

The preparation of the financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant affect on the amounts recognised in the financial statements are as follows:

### 4.5.1 Operating fixed assets, revaluation and depreciation

The Company reviews appropriateness of the rate of depreciation, useful lives and residual values used in the calculation of depreciation. The estimates of revalued amounts of revalued assets are based on valuations carried out by a professional valuer. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

### 4.5.2 Income tax

In making the estimates for income tax currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 4.5.3 Stock in trade

The Company reviews the net realizable value (NRV) of stock in trade to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and corresponding effect in profit and loss account of those future years. Net realisable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

## 4.5.4 Staff retirement benefits

Certain actuarial assumptions have been used as disclosed in these financial statements (note 16) for the actuarial valuation of unfunded gratuity scheme. Changes in these assumptions in future years may effect the liability under this scheme in those years.

## 5 SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 5.1, the significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier period presented.

### 5.1 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

#### 5.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Under this transition method, comparative information for prior periods has not been restated and continues to be reported in accordance with the previous standard under IAS 18 and related interpretations.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described below. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Control of the underlying goods could be transferred and revenue recognized when the product leaves the seller's location, based on legal title transfer, the entity's right to receive payment, or the customer's ability to redirect and sell the goods, but there might be additional performance obligations for shipping and in-transit risk of loss. The Company allocates the transaction price to each of the performance obligations, and recognize revenue when each performance obligation is satisfied, which might be at different times.

Revenue is measured based on the consideration specified in a contract with a customer, net of sales commission and excludes amounts collected on behalf of third parties.

The Company manufactures and contracts with customers for the sale of exercise books and prolables, which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. Invoices are usually payable within 30 days. No discounts, sales commission and return are offered. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of transaction prices for the time value of money. As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into primary geographical markets and major product lines.

## 5.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

### Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

## Notes To The Financial Statements

For The Year Ended June 30, 2019

- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL); and
- Measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss account or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets are not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 5.10 to the financial statements.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018:

| As at 30<br>June 2018                        | Original<br>classification<br>under IAS 39 | New<br>classification<br>under IFRS 9 | Original<br>carrying<br>amount | New carrying<br>amount |
|--|--|---------------------------------------|--------------------------------|------------------------|
| ----- (Rupees in '000) -----                 |  |                                       |                                |                        |
| Available for sale investment                | Loans and receivables                      | Amortized cost                        | 2,320                          | 2,320                  |
| Long term deposits                           | Loans and receivables                      | Amortized cost                        | 3,020                          | 3,020                  |
| Advances, prepayment and<br>other receivable | Loans and receivables                      | Amortized cost                        | 26,281                         | 26,281                 |
| Advance income tax - Net                     | Loans and receivables                      | Amortized cost                        | 3,430                          | 3,430                  |
| Cash and bank balances                       | Loans and receivables                      | Amortized cost                        | 3,132                          | 3,132                  |
| Total financial assets                       |  |                                       | <u>38,183</u>                  | <u>38,183</u>          |

## Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit loss model, rather than the current incurred loss model, when assessing the impairment of financial asset in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. Impairment losses related to trade debts are presented separately in the statement of profit or loss account. Trade debts are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

Loss allowance on debt securities are measured at 12 months expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

## 5.2 Property, plant and equipment

### Owned

Item of property, plant and equipment is recognized as asset when it is probable that future economic benefits associated with the asset will flow to the company and its cost to the company can be measured reliably.

## Notes To The Financial Statements

For The Year Ended June 30, 2019

An item of property, plant and equipment, which qualifies for recognition as an asset, is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent to initial recognition items of property, plant and equipment are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date.

Any revaluation increase arising on the revaluation of assets is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of assets is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revalued assets to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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 6.1. 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.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 5.3 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.

## 5.4 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.

## 5.5 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.

## 5.6 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.

## 5.7 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.



# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 5.8 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.

## 5.9 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.

## 5.10 Financial Instruments

### 5.10.1 Initial measurement of financial asset

The Company classifies its financial assets into following three categories:

- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVTPL); and
- Measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

### Subsequent measurement

|                             |   |
|-----------------------------|---|
| Debt Investments at FVOCI   | These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss account. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss account. |
| Equity Investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss account.   |
| Financial assets at FVTPL   | These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognised in the statement of profit or loss account.   |



# Notes To The Financial Statements

For The Year Ended June 30, 2019

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss account.

## 5.10.2 Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

### 5.10.2.1 Trade debts, advances and other receivables

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

### 5.10.2.2 Cash and cash equivalents

For the purpose of presentation in statement of cash flow, cash and cash equivalents includes cash in hand, balances with banks and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value and short term borrowings availed by the Company, which are repayable on demand and form an integral part of the Company's cash management.

## 5.10.3 Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## **5.10.3.1 Mark-up bearing borrowings and borrowing costs**

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the relevant asset.

## **5.10.3.2 Trade and other payables**

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

## **5.10.4 Derivative financial instruments - other than hedging**

Derivatives that do not qualify for hedge accounting are recognised in the statement of financial position at estimated fair value with corresponding effect to statement of profit or loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

## **5.10.5 Derivative financial instruments - cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in the statement of profit or loss account. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

## **5.10.6 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 5.11 Staff retirement benefits

The company operates a defined benefit plan comprising a funded gratuity scheme covering all permanent employees, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service. An approved gratuity fund trust is established for the management of the gratuity obligation of the company. Annual contributions are made to the fund based on actuarial recommendations. The actuarial valuations are carried out using Projected Unit Credit Method. Remeasurement charge which comprises of actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

## 5.12 Deferred income

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

## 5.13 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.

## 5.14 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.

## 5.15 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.

## 5.16 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.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 5.17 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.

## 5.18 Revenue recognition

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

## 5.19 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.

## 5.20 Warranties

Warranty expenses are recognized as and when claims are received.

## 5.21 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.

|   | Note | 2019           | 2018           |
|---|------|----------------|----------------|
|   |      | -----          | -----          |
|   |      | (Rs. in '000)  | (Rs. in '000)  |
| <b>6 PROPERTY, PLANT AND EQUIPMENT</b>  |      |                |                |
| Operating fixed assets -  |      |                |                |
| At cost less accumulated depreciation   | 6.1  | <u>259,767</u> | <u>265,695</u> |
| <b>6.1</b> Operating fixed assets - At cost / revaluation less accumulated depreciation |      |                |                |

# Notes To The Financial Statements

For The Year Ended June 30, 2019

2019

| PARTICULARS                        | COST / REVALUATION      |                                 |                                    |             |                          | DEPRECIATION            |                   |                        |                          | Book value<br>as at<br>30 June<br>2018 | Rate<br>% |
|------------------------------------|-------------------------|---------------------------------|------------------------------------|-------------|--------------------------|-------------------------|-------------------|------------------------|--------------------------|--|-----------|
|                                    | As at 1<br>July<br>2018 | Additions<br>during the<br>year | Revaluations<br>during the<br>year | (Deletions) | As at 30<br>June<br>2019 | As at 1<br>July<br>2018 | (On<br>disposals) | Charge for<br>the year | As at 30<br>June<br>2019 |  |           |
| ------(Rupees in '000)-----        |                         |                                 |                                    |             |                          |                         |                   |                        |                          |  |           |
| Freehold land                      |                         |                                 |                                    |             |                          |                         |                   |                        |                          |  |           |
| Cost                               | 1,202                   | -                               | -                                  | -           | 1,202                    | -                       | -                 | -                      | -                        | 1,202                                  | -         |
| Revaluation                        | 1,198                   | -                               | 2,400                              | -           | 3,598                    | -                       | -                 | -                      | -                        | 3,598                                  | -         |
| Factory building on freehold land  |                         |                                 |                                    |             |                          |                         |                   |                        |                          |  |           |
| Cost                               | 120,427                 | -                               | -                                  | -           | 120,427                  | 49,313                  | -                 | 3,556                  | 52,869                   | 67,558                                 | 5 to 10   |
| Revaluation                        | 93,136                  | -                               | 3,477                              | -           | 96,613                   | 39,224                  | -                 | 2,869                  | 42,093                   | 54,520                                 | 5         |
| Plant and machinery                |                         |                                 |                                    |             |                          |                         |                   |                        |                          |  |           |
| Cost                               | 232,224                 | -                               | -                                  | -           | 232,224                  | 155,915                 | -                 | 9,780                  | 165,695                  | 66,529                                 | 10        |
| Revaluation                        | 91,876                  | -                               | 12,132                             | -           | 104,008                  | 45,830                  | -                 | 5,818                  | 51,648                   | 52,360                                 | 10        |
| Computer and allied                | 3,293                   | 82                              | -                                  | -           | 3,375                    | 3,149                   | -                 | 26                     | 3,175                    | 200                                    | 10 to 30  |
| Furniture and office equipment     | 26,106                  | -                               | -                                  | -           | 26,106                   | 19,823                  | -                 | 629                    | 20,452                   | 5,654                                  | 10        |
| Motor vehicles                     | 63,138                  | -                               | -                                  | -           | 63,138                   | 59,208                  | -                 | 786                    | 59,994                   | 3,144                                  | 20        |
| Tools and equipment                | 11,104                  | -                               | -                                  | -           | 11,104                   | 8,538                   | -                 | 257                    | 8,795                    | 2,309                                  | 10        |
| Refrigerators and air conditioners | 1,506                   | -                               | -                                  | -           | 1,506                    | 1,293                   | -                 | 21                     | 1,314                    | 192                                    | 10        |
| Electrical appliances              | 318                     | -                               | -                                  | -           | 318                      | 235                     | -                 | 8                      | 243                      | 75                                     | 10        |
| Jigs and fixtures                  | 735                     | -                               | -                                  | -           | 735                      | 621                     | -                 | 11                     | 632                      | 103                                    | 10        |
| Electrical fittings                | 6,494                   | -                               | -                                  | -           | 6,494                    | 4,585                   | -                 | 191                    | 4,776                    | 1,718                                  | 10        |
| Dies                               | 4,205                   | -                               | -                                  | -           | 4,205                    | 3,535                   | -                 | 67                     | 3,602                    | 603                                    | 10        |
| Patterns                           | 112                     | -                               | -                                  | -           | 112                      | 110                     | -                 | -                      | 110                      | 2                                      | 20        |
| TOTAL                              | 657,074                 | 82                              | 18,009                             | --          | 675,165                  | 391,379                 | --                | 24,019                 | 415,398                  | 259,767                                |           |

2018

| PARTICULARS                        | COST / REVALUATION      |                                 |             |                          | DEPRECIATION            |                   |                        |                          | Book value<br>as at<br>30 June<br>2018 | Rate<br>% |
|------------------------------------|-------------------------|---------------------------------|-------------|--------------------------|-------------------------|-------------------|------------------------|--------------------------|--|-----------|
|                                    | As at 1<br>July<br>2017 | Additions<br>during the<br>year | (Deletions) | As at 30<br>June<br>2018 | As at 1<br>July<br>2017 | (On<br>disposals) | Charge for<br>the year | As at 30<br>June<br>2018 |  |           |
| ------(Rupees in '000)-----        |                         |                                 |             |                          |                         |                   |                        |                          |  |           |
| Freehold land                      |                         |                                 |             |                          |                         |                   |                        |                          |  |           |
| Cost                               | 1,202                   | -                               | -           | 1,202                    | -                       | -                 | -                      | -                        | 1,202                                  | -         |
| Revaluation                        | 1,198                   | -                               | -           | 1,198                    | -                       | -                 | -                      | -                        | 1,198                                  | -         |
| Factory building on freehold land  |                         |                                 |             |                          |                         |                   |                        |                          |  |           |
| Cost                               | 120,427                 | -                               | -           | 120,427                  | 45,570                  | -                 | 3,743                  | 49,313                   | 71,114                                 | 5 to 10   |
| Revaluation                        | 93,136                  | -                               | -           | 93,136                   | 36,387                  | -                 | 2,837                  | 39,224                   | 53,912                                 | 5         |
| Plant and machinery                |                         |                                 |             |                          |                         |                   |                        |                          |  |           |
| Cost                               | 232,224                 | -                               | -           | 232,224                  | 147,437                 | -                 | 8,478                  | 155,915                  | 76,309                                 | 10        |
| Revaluation                        | 91,876                  | -                               | -           | 91,876                   | 40,714                  | -                 | 5,116                  | 45,830                   | 46,046                                 | 10        |
| Computer and allied                | 3,293                   | -                               | -           | 3,293                    | 3,127                   | -                 | 22                     | 3,149                    | 144                                    | 10 to 30  |
| Furniture and office equipment     | 25,830                  | 276                             | -           | 26,106                   | 19,126                  | -                 | 697                    | 19,823                   | 6,283                                  | 10        |
| Motor vehicles                     | 64,577                  | -                               | (1,439)     | 63,138                   | 59,573                  | (1,347)           | 982                    | 59,208                   | 3,930                                  | 20        |
| Tools and equipment                | 11,104                  | -                               | -           | 11,104                   | 8,253                   | -                 | 285                    | 8,538                    | 2,566                                  | 10        |
| Refrigerators and air conditioners | 1,506                   | -                               | -           | 1,506                    | 1,269                   | -                 | 24                     | 1,293                    | 213                                    | 10        |
| Electrical appliances              | 318                     | -                               | -           | 318                      | 226                     | -                 | 9                      | 235                      | 83                                     | 10        |
| Jigs and fixtures                  | 735                     | -                               | -           | 735                      | 608                     | -                 | 13                     | 621                      | 114                                    | 10        |
| Electrical fittings                | 6,494                   | -                               | -           | 6,494                    | 4,372                   | -                 | 213                    | 4,585                    | 1,909                                  | 10        |
| Dies                               | 4,205                   | -                               | -           | 4,205                    | 3,461                   | -                 | 74                     | 3,535                    | 670                                    | 10        |
| Patterns                           | 112                     | -                               | -           | 112                      | 109                     | -                 | 1                      | 110                      | 2                                      | 20        |
| TOTAL                              | 658,237                 | 276                             | (1,439)     | 657,074                  | 370,232                 | (1,347)           | 22,494                 | 391,379                  | 265,695                                |           |

# Notes To The Financial Statements

For The Year Ended June 30, 2019

**Note      2019      2018**  
**----- (Rs. in '000) -----**

**6.2** The depreciation charge for the year has been allocated as follows:

|                         |    |               |               |
|-------------------------|----|---------------|---------------|
| Cost of sales           | 24 | 22,578        | 21,144        |
| Distribution expenses   | 25 | 480           | 450           |
| Administrative expenses | 26 | 961           | 900           |
|                         |    | <u>24,019</u> | <u>22,494</u> |

**6.3** The revaluation of property, plant and equipment was carried out as of June 2018 by M/s. Anderson Consulting (private) limited (an independent valuer who is located in Karachi) on the basis of there professional assessment of prevailing market values. The revaluation resulted in a surplus amounting to Rs.18.009 million which was incorporated in these financial statements.

| Particulars         | Written down<br>value of assets<br>before<br>revaluation | Revalued<br>amount | Revaluation<br>surplus |
|---------------------|--|--------------------|------------------------|
| Land                | 2,400  | 4,800              | 2,400                  |
| Factory building    | 125,026  | 128,503            | 3,477                  |
| Plant and machinery | 119,968  | 132,100            | 12,132                 |
|                     | <b>247,394</b>   | <b>265,403</b>     | <b>18,009</b>          |

**6.4** Had there been no revaluation, the net book value of the items of property, plant and equipment would have been as follows:

|                                   | <b>2019</b>                      | <b>2018</b>    |
|-----------------------------------|----------------------------------|----------------|
|                                   | <b>----- (Rs. in '000) -----</b> |                |
| <b>Net book value</b>             |                                  |                |
| Freehold land                     | 1,203                            | 1,203          |
| Factory building on freehold land | 67,558                           | 71,114         |
| Plant and machinery               | 66,529                           | 76,310         |
|                                   | <u>135,290</u>                   | <u>148,626</u> |

**6.5** The forced sale value of the revalued property, plant and equipment owned by the Company had been assessed at Rs.185.800 million.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

**2019**      **2018**  
-----**(Rs. in '000)**-----

## 7 AVAILABLE FOR SALE INVESTMENT

### *Investment in associated company*

Dewan Mushtaq Trade Limited (Public, unquoted company)

|   |              |              |
|---|--------------|--------------|
| 4,000,000 (2018: 4,000,000) Ordinary shares of Rs.10/- each | 40,000       | 40,000       |
| Provision for impairment loss                               | (35,800)     | (37,680)     |
|   | <u>4,200</u> | <u>2,320</u> |

- 7.1 Since this investment is in unquoted company therefore this is measured at cost less accumulated impairment because the fair value can not be measured reliably.
- 7.2 Investments in associated company or undertakings have been made in accordance with the requirements under the Act.
- 7.3 Dewan Mushtaq Trade Limited is engaged in import, export, sale and trade in petrochemicals, paints and other products. The Company has 14.31% interest in ownership of the investee company. The value of Company's investment on the basis of net assets of Dewan Mushtaq Trade Limited as disclosed in the un audited financial statements for the year ended 30 June 2019 amounted to Rs.4.206 million.

|   | <b>Note</b> | <b>2019</b>                      | <b>2018</b> |
|---|-------------|----------------------------------|-------------|
| <b>8 STOCK IN TRADE</b>                           |             | ----- <b>(Rs. in '000)</b> ----- |             |
| Raw materials and components                      |             | 129,886                          | 130,972     |
| Work in process                                   |             | -                                | 2,701       |
| Finished goods - Manufacturing stock              |             | -                                | 3,567       |
| Trading stock                                     |             | 30,263                           | 30,263      |
|   |             | 160,149                          | 167,503     |
| Provision for slow moving and obsolescence stocks | 8.1         | (158,124)                        | (164,392)   |
|   |             | 2,025                            | 3,111       |

### 8.1 Provision for slow moving and obsolescence stock

| <b>Particulars</b>     | <b>Raw materials and components</b> | <b>Work in process</b> | <b>Finished goods - manufacturing stock</b> | <b>Trading stock</b> | <b>Total</b>   |
|------------------------|-------------------------------------|------------------------|---|----------------------|----------------|
|                        | ----- <b>(Rupees in '000)</b> ----- |                        |   |                      |                |
| Opening provision      | 127,861                             | 2,701                  | 3,567                                       | 30,263               | 164,392        |
| Provision for the year | -                                   | -                      | -   | -                    | -              |
| Release of provision   | -                                   | (2,701)                | (3,567)                                     | -                    | (6,268)        |
| Closing provision      | <u>127,861</u>                      | <u>-</u>               | <u>-</u>                                    | <u>30,263</u>        | <u>158,124</u> |

# Notes To The Financial Statements

For The Year Ended June 30, 2019

|   | 2019                      | 2018   |
|---|---------------------------|--------|
|   | ----- (Rs. in '000) ----- |        |
| <b>9 TRADE DEBTS</b>                                |                           |        |
| Considered good                                     | -                         | -      |
| Considered doubtful                                 | 944                       | 944    |
|   | 944                       | 944    |
| Provision for doubtful debts                        | (944)                     | (944)  |
|   | -                         | -      |
| <b>10 ADVANCES, PREPAYMENT AND OTHER RECEIVABLE</b> |                           |        |
| Advances - Unsecured, considered good               |                           |        |
| Employees   | -                         | 4,874  |
| Other advances                                      | 5,077                     | 5,077  |
| Prepaid insurance                                   | -                         | 322    |
| Sales tax receivable                                | -                         | 16,008 |
|   | 5,077                     | 26,281 |
| <b>11 CASH AND BANK BALANCES</b>                    |                           |        |
| Cash in hand  | 14                        | 14     |
| Cash at banks:                                      |                           |        |
| - Current accounts                                  | 397                       | 397    |
| - Saving account                                    | 11.1                      | 2,721  |
|   | 411                       | 3,132  |

**11.1** Saving account carry mark-up 3.05% million (2018: 3.25% per annum).

## 12 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2019                           | 2018              |  | 2019                      | 2018           |
|--------------------------------|-------------------|--|---------------------------|----------------|
| ----- (Number of shares) ----- |                   |  | ----- (Rs. in '000) ----- |                |
| 20,535,871                     | 20,535,871        | Ordinary shares of Rs. 10/- each issued as fully paid in cash      | 205,359                   | 205,359        |
| 864,129                        | 864,129           | Ordinary shares of Rs. 10/- each issued as fully paid bonus shares | 8,641                     | 8,641          |
| <u>21,400,000</u>              | <u>21,400,000</u> |  | <u>214,000</u>            | <u>214,000</u> |



# Notes To The Financial Statements

For The Year Ended June 30, 2019

|  | Note   | 2019                      | 2018             |
|--|--|---------------------------|------------------|
|  |  | ----- (Rs. in '000) ----- |                  |
| <b>13 CAPITAL RESERVES</b>   |  |                           |                  |
| Capital reserve on settlement claim from Ford Motors arose due to receipt of settlement claim from Ford Motors, as per clause 12(a) of the Compensation agreement between the Company and Ford Motors dated 22 January 1990. |  |                           |                  |
| <b>14 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>  |  |                           |                  |
| Balance as at 1 July   |  | 71,168                    | 75,656           |
| Revaluation during the year  |  | 18,009                    | -                |
| Related deferred tax   |  | (4,526)                   | -                |
| Effect of change in tax rates  |  | 1,000                     | 1,080            |
| Incremental depreciation charged on related assets during the year - Net of tax  |  | <u>(6,168)</u>            | <u>(5,568)</u>   |
|  |  | <u>79,483</u>             | <u>71,168</u>    |
| 14.1   | The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.  |                           |                  |
| <b>15 LONG TERM LOAN - Unsecured</b>   |  |                           |                  |
| <b><i>From sponsor - At amortized cost</i></b>   |  |                           |                  |
| Loan received - Opening  | 15.1   | 314,064                   | 307,105          |
| Received during the year   |  | 4,370                     | 6,959            |
|  |  | <u>318,434</u>            | <u>314,064</u>   |
| Accumulated present value adjustment   |  | <u>(255,801)</u>          | <u>(253,449)</u> |
| Accumulated interest charged to profit and loss account  |  | <u>84,416</u>             | <u>69,260</u>    |
|  |  | <u>147,049</u>            | <u>129,875</u>   |
| <b>15.1</b>  | 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.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

|   |   | <b>2019</b>                      | <b>2018</b>     |
|---|---|----------------------------------|-----------------|
|   |   | <b>----- (Rs. in '000) -----</b> |                 |
| <b>16 DEFERRED LIABILITY FOR STAFF GRATUITY</b>   |   |                                  |                 |
| Staff gratuity payable  | 16.1.3  | <u>1,544</u>                     | <u>1,238</u>    |
| <b>16.1 Staff gratuity payable</b>  |   |                                  |                 |
| <p>The Company operates unfunded gratuity scheme for its permanent eligible employees. Gratuity benefit is payable under the scheme to employees on cessation of employment due to death, retirement and resignation.</p> <p>The gratuity is payable only after one year of service with the Company based on the last drawn basic pay and the number of completed years of services.</p> |   |                                  |                 |
| <b>16.1.1</b>   | Number of employees under the scheme                      | <u>6</u>                         | <u>6</u>        |
| <b>16.1.2</b>   | Principal actuarial assumptions                           |                                  |                 |
| <p>The latest actuarial valuation was carried out as at 30 June 2019 under the Project Unit Credit Method by Nauman Associates (Consulting actuaries). Principal actuarial assumptions used in the valuation of the scheme is as follows:</p>   |   |                                  |                 |
| Significant actuarial assumptions   |   |                                  |                 |
|   | Discount rate used for interest cost in profit and loss   | 9% per annum                     | 7.75% per annum |
|   | Discount rate used for year end obligation                | 14.25% per annum                 | 9% per annum    |
|   | Salary increase used for year end obligation              | 13.25% per annum                 | 8% per annum    |
|   | The average duration of the defined benefit obligation is | 8 years                          | 8 years         |
|   | Retirement assumption                                     | Age 60                           | Age 60          |
| Mortality rate is based on adjusted SLIC 2001-2005 with one year age set back mortality table.  |   |                                  |                 |
| <b>16.1.3</b>   | Present value of defined benefit obligations              | 16.1.4 <u>1,544</u>              | <u>1,238</u>    |
| <b>16.1.4</b>   | Changes in present value of defined benefit obligations   |                                  |                 |
|   | Opening present value of defined benefit obligation       | 1,238                            | 2,897           |
|   | Expense charged to the profit and loss account            | 16.1.5 424                       | 775             |
|   | Benefits paid   | -                                | -               |
|   | Total amount of remeasurements recognised                 |                                  |                 |
|   | in other comprehensive income (OCI)                       | 16.1.6 (118)                     | (2,434)         |
|   | Closing present value of defined benefit obligation       | <u>1,544</u>                     | <u>1,238</u>    |

## Notes To The Financial Statements

For The Year Ended June 30, 2019

|  | Note  | 2019                      | 2018                |
|--|---|---------------------------|---------------------|
|  |   | ----- (Rs. in '000) ----- |                     |
| <b>16.1.5</b>  | Expense charged to the profit and loss account      |                           |                     |
| Current service cost                                   |   | 313                       | 297                 |
| Losses arising on plan settlements                     |   | -                         | 253                 |
| Interest cost on defined benefit obligation            |   | 111                       | 225                 |
|  |   | <u>424</u>                | <u>775</u>          |
| <b>16.1.6</b>  | Total amount of remeasurements recognised in OCI    |                           |                     |
| Actuarial losses from changes in financial assumptions |   | 6                         | 1                   |
| Experience adjustments                                 |   | (124)                     | (2,435)             |
|  |   | <u>(118)</u>              | <u>(2,434)</u>      |
| <b>16.1.7</b>  | Changes in net liability                            |                           |                     |
| Net defined benefits liability - Opening               |   | 1,238                     | 2,897               |
| Benefits paid  | 16.1.4  | -                         | -                   |
| Expense chargeable to profit and loss account          | 16.1.5  | 424                       | 775                 |
| Remeasurements chargeable in OCI                       | 16.1.6  | (118)                     | (2,434)             |
|  |   | <u>1,544</u>              | <u>1,238</u>        |
| <b>16.1.8</b>  | Expense for the year has been allocated as follows: |                           |                     |
| Cost of sales  | 24  | 143                       | 261                 |
| Administrative expenses                                | 26  | 281                       | 514                 |
|  |   | <u>424</u>                | <u>775</u>          |
| <b>16.1.9</b>  | Estimated expenses to be charged to profit and loss |                           | <b>30 June 2020</b> |
| Current service cost                                   |   |                           | 337                 |
| Interest cost on defined benefit obligation            |   |                           | 215                 |
|  |   |                           | <u>552</u>          |

# Notes To The Financial Statements

For The Year Ended June 30, 2019

|   | Note                 | 2019                      | 2018  |
|---|----------------------|---------------------------|-------|
| <b>16.1.10</b>  | Sensitivity analysis | ----- (Rs. in '000) ----- |       |
| Sensitivity analysis was carried out on significant actuarial assumptions, such as discount rate and salary increase rate. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:    |                      |                           |       |
| Discount Rate + 100 bps   |                      |                           | 1,431 |
| Discount Rate - 100 bps   |                      |                           | 1,670 |
| Salary Increase + 100 bps   |                      |                           | 1,670 |
| Salary Increase -100 bps  |                      |                           | 1,429 |
| The sensitivity analysis prepared presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. |                      |                           |       |

## 17 DEFERRED TAXATION

|  |        |        |
|--|--------|--------|
| Deferred tax liability arising out of surplus on revaluation of property plant and equipment | 30,995 | 29,987 |
|--|--------|--------|

**17.1** The Company has not recognized deferred tax asset amounting to Rs.499.003 million arising due to available tax losses and credits since it is not probable that future taxable 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.

## 18 TRADE AND OTHER PAYABLES

|  |                |                |
|--|----------------|----------------|
| Trade creditors                                | 293,044        | 293,736        |
| Accrued expenses                               | 21,300         | 19,857         |
| Advance from dealers                           | 39,989         | 39,989         |
| Advance from customers                         | 18.1 4,962     | 4,962          |
| Withholding tax payable                        | 6,598          | 5,906          |
| Workers' Profit Participation Fund             | 145            | 145            |
| Sales tax payable                              | -              | 839            |
| Interest on Workers' Profit Participation Fund | 47             | 47             |
|  | <u>366,085</u> | <u>365,481</u> |

**18.1** This includes amount of Rs. 5.623 million (2018: Rs. 3.508 million) is received from Daehan Dewan Motors Co Ltd (associated company).

## 19 SHORT TERM FINANCE

### ***From related party (associated company) - Unsecured***

|                          |      |                |                |
|--------------------------|------|----------------|----------------|
| Interest bearing         | 19.1 | 154,879        | 154,879        |
| Temporary book overdraft |      | 273            | -              |
|                          |      | <u>155,152</u> | <u>154,879</u> |

## Notes To The Financial Statements

For The Year Ended June 30, 2019

**19.1** This is an unsecured finance from an associated company, which carries mark-up @ 11.64% per annum (2018: @ 7.45% per annum).

|  | <b>2019</b>                      | <b>2018</b>    |
|--|----------------------------------|----------------|
|  | <b>----- (Rs. in '000) -----</b> |                |
| <b>20 ACCRUED MARK-UP</b>                    |                                  |                |
| Associated company                           | 778,418                          | 760,390        |
| Financial institutions                       | <u>1,323</u>                     | <u>1,323</u>   |
|  | <u>779,741</u>                   | <u>761,713</u> |
| <b>21 OVER DUE PORTION OF LOAN - Secured</b> |                                  |                |
| Overdue portion of loan - Secured            | <u>11,250</u>                    | <u>11,250</u>  |

**21.1** The above liability relating to Pak Kuwait Investment Company (Pvt) Limited is an overdue portion of syndicated loan facilities obtained from financial institutions for the purpose of setting up of Automotive Air Conditioner Plant. The loans carry mark-up @ 6 months KIBOR plus 3.77% (2018: @ 6 months KIBOR plus 3.77%). The loans were repayable in twenty equal quarterly installments of Rs.5.250 million each commencing from 30 August 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 Kuwait Investment Company (Pvt) Limited has gone into litigation as more fully explained in note 22.1 to the financial statements.

## 22 CONTINGENCIES AND COMMITMENTS

**22.1** In respect of liability towards a financial institution disclosed in note 21 to the financial statements, the financial institution has filed suit in Honourable Banking Court of Sindh at Karachi for recovery of its liabilities through attachment and sale of Company's hypothecated / mortgaged properties.

The management has disputed the claim and is strongly contesting the case. The management has filed counter claims alleging that the bank claim is highly exaggerated as it has charged mark-up on mark-up and other levies higher than the rate of mark-up agreed and other charges in violation of State Bank of Pakistan rules and all other applicable laws of Pakistan.

During the year under consideration, a decree has been passed by the Banking Court No. V at Karachi, in which the court ordered that the suit is decreed against the Company to the extent of principle amount of Rs.11.250 million with cost of suit and cost of funds. Consequently, the financial institution prefers an appeal against the judgment & decree date 21-02-2019, passed by the Learned Banking Court No. V at Karachi.

Since the Company is in dispute, therefore the estimated financial effect of litigation is not being disclosed, as it may have adverse affect on the Company's position in the suits. Since the case is pending before Honourable Banking Court of Sindh at Karachi therefore the ultimate outcome cannot be established at this stage.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

|  | Note   | 2019                      | 2018             |
|--|--------|---------------------------|------------------|
|  |        | ----- (Rs. in '000) ----- |                  |
| <b>23 SALES - Net</b>                        |        |                           |                  |
| Gross sales                                  |        | 7,313                     | 22,109           |
| Sales tax                                    |        | (1,063)                   | (3,212)          |
| Sales net                                    |        | <u>6,250</u>              | <u>18,897</u>    |
| <b>24 COST OF SALES</b>                      |        |                           |                  |
| Raw materials and parts consumed             | 24.1   | 3,441                     | 6,458            |
| Depreciation                                 | 6.2    | 22,578                    | 21,144           |
| Salaries, wages and benefits                 |        | 8,455                     | 9,618            |
| Gratuity expense                             | 16.1.5 | 143                       | 261              |
| Traveling and vehicles running               |        | 570                       | 635              |
| Printing, stationary and office supplies     |        | 217                       | 240              |
| Generator fuel                               |        | 296                       | 138              |
| Repairs and maintenance                      |        | 15                        | 130              |
| Communication                                |        | 54                        | 65               |
| Cartage and freight                          |        | -                         | 29               |
| Security expense                             |        | -                         | 13               |
| Manufacturing cost                           |        | <u>35,769</u>             | <u>38,731</u>    |
| Work-in-process - Opening                    |        | <u>2,701</u>              | <u>2,701</u>     |
| Release of provision                         |        | <u>(2,701)</u>            | <u>-</u>         |
| Work-in-process - Closing                    |        | <u>-</u>                  | <u>(2,701)</u>   |
|  |        | <u>35,769</u>             | <u>38,731</u>    |
| Finished goods - Opening                     |        | <u>33,830</u>             | <u>33,830</u>    |
| Release of provision                         |        | <u>(3,567)</u>            | <u>-</u>         |
| Finished goods - Closing                     |        | <u>(30,263)</u>           | <u>(33,830)</u>  |
|  |        | <u>-</u>                  | <u>-</u>         |
| Cost of goods manufactured                   |        | <u>35,769</u>             | <u>38,731</u>    |
| <b>24.1 Raw materials and parts consumed</b> |        |                           |                  |
| Opening stock                                |        | 130,972                   | 127,861          |
| Purchases                                    |        | <u>2,355</u>              | <u>9,569</u>     |
|  |        | <u>133,327</u>            | <u>137,430</u>   |
| Closing stock                                |        | <u>(129,886)</u>          | <u>(130,972)</u> |
|  |        | <u>3,441</u>              | <u>6,458</u>     |

# Notes To The Financial Statements

For The Year Ended June 30, 2019

|  | Note | 2019                      | 2018         |
|--|------|---------------------------|--------------|
|  |      | ----- (Rs. in '000) ----- |              |
| <b>25 DISTRIBUTION EXPENSES</b>                      |      |                           |              |
| Depreciation   | 6.2  | <u>480</u>                | <u>450</u>   |
| <b>26 ADMINISTRATIVE EXPENSES</b>                    |      |                           |              |
| Salaries, wages and benefits                         |      | 4,685                     | 1,706        |
| Depreciation   | 6.2  | 961                       | 900          |
| Auditor's remuneration                               | 26.1 | 500                       | 500          |
| Gratuity expense                                     |      | 281                       | 514          |
| Traveling and vehicles running                       |      | 380                       | 424          |
| Legal and professional                               |      | 150                       | 264          |
| Fees and subscription                                |      | 842                       | 272          |
| Insurance  |      | 324                       | -            |
| Printing, stationery and office supplies             |      | 145                       | 160          |
| Communication  |      | 77                        | 62           |
| Rent, rates and taxes                                |      | 133                       | 61           |
| Repairs and maintenance                              |      | 15                        | 16           |
| Security expenses                                    |      | 10                        | -            |
| Miscellaneous  |      | 57                        | 31           |
|  |      | <u>8,560</u>              | <u>4,910</u> |
| <b>26.1 Auditor's remuneration</b>                   |      |                           |              |
| Audit of financial statements                        |      | 300                       | 300          |
| Review of half yearly financial statements           |      | 150                       | 150          |
| Review report on code of corporate governance        |      | 50                        | 50           |
|  |      | <u>500</u>                | <u>500</u>   |
| <b>27 OTHER EXPENSES</b>                             |      |                           |              |
| Impairment on investment in associate                |      | -                         | 4,800        |
| Sales tax receivable and security deposits write off |      | 19,028                    | -            |
|  |      | <u>19,028</u>             | <u>4,800</u> |
| <b>28 OTHER INCOME</b>                               |      |                           |              |
| Reversal of impairment on investment in associate    | 7    | 1,880                     | -            |
| Interest income on saving account                    | 28.1 | 37                        | 48           |
|  |      | <u>1,917</u>              | <u>48</u>    |

# Notes To The Financial Statements

For The Year Ended June 30, 2019

**Note**      **2019**      **2018**  
 -----(Rs. in '000)-----

**28.1** This profit is earned from bank accounts under mark-up arrangements.

## 29 FINANCE COST

|  |        |        |
|--|--------|--------|
| Mark-up on borrowings from related parties             | 18,028 | 11,541 |
| Unwinding of discount / present value adjustment - Net | 12,804 | 9,190  |
| Bank charges   | 18     | 29     |
|  | 30,850 | 20,760 |

**29.1** Company has not made the provision of mark-up for the year amounting to Rs.1.650 million (Up to 30 June 2019: Rs.15.987 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 year would have been higher by Rs.1.650 million and accrued mark-up would have been higher and shareholders' equity would have been lower by Rs.15.987 million. The said non provisioning is departure from the requirements of IAS-23 'Borrowing Costs'.

## 30 TAXATION - Net

### Current tax

|              |      |         |         |
|--------------|------|---------|---------|
| Current year | 30.1 | 79      | 237     |
| Deferred     |      | (2,552) | (3,116) |
|              |      | (2,473) | (2,879) |

**30.1** Relationship between accounting profit and tax expense for the year

Provision for taxation is based on minimum tax @ 1.25% of the turnover under section 113 of the Income Tax Ordinance, 2001 therefore there is no relationship between accounting profit and tax expense for the year.

Change in applicable income tax rate from 30% to 29% is due to change in relevant Income Tax Laws.

**30.2** The income tax assessments of the Company deemed to have been finalized upto and including Tax year 2018.



# Notes To The Financial Statements

For The Year Ended June 30, 2019

**2019                      2018**  
-----**(Rs. in '000)**-----

**30.3** Management has provided sufficient tax provision in financial statements in accordance with Income Tax Ordinance, 2001. Following is comparison of tax provision as per accounts vis a vis tax assessment for last three years:

|           | <b>Deemed<br/>assessment</b> | <b>Provision</b> |
|-----------|------------------------------|------------------|
| Year 2018 | -                            | 237              |
| Year 2017 | -                            | 441              |
| Year 2016 | -                            | -                |

**31    LOSS PER SHARE - Basic and diluted** **2019                      2018**  
-----**(Rs. in '000)**-----

|   |          |          |
|---|----------|----------|
| Loss after taxation attributable to ordinary shareholders | (84,046) | (47,828) |
|---|----------|----------|

|   |                                       |            |
|---|---------------------------------------|------------|
|   | <b>----- (Number of shares) -----</b> |            |
| Weighted average number of ordinary shares<br>outstanding during the year | 21,400,000                            | 21,400,000 |

|                        |                             |        |
|------------------------|-----------------------------|--------|
|                        | <b>----- (Rupees) -----</b> |        |
| Loss per share - Basic | (3.93)                      | (2.23) |

**31.1** A diluted loss per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2019 and 30 June 2018 which would have any effect on the loss per share if the option to convert is exercised.

## **32    REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

**32.1** Chief executive and directors of the Company did not charge any fee or other remuneration.

**32.2** No employee of the Company falls under the definition of "executive" as per the Companies Act, 2017. Hence no disclosure is given in the financial statements.

## **33    TRANSACTIONS WITH RELATED PARTIES**

Related parties include associated group companies, directors, executives, key management personnel and staff retirement funds. The transaction with associated companies are in the normal course of business and have been entered on an arm's length basis. The remuneration paid to chief executive, directors, executive and key management personnel in terms of their employment is disclosed in note 32 to the financial statements. Material transactions and balances with related parties are given below:

# Notes To The Financial Statements

For The Year Ended June 30, 2019

| Name of the related party   | Basis of relationship | Percentage of shareholding | Nature of transactions during the year | 2019<br>----- (Rupees '000) ----- | 2018   |
|-----------------------------|-----------------------|----------------------------|--|-----------------------------------|--------|
| Dewan Farooq Motors Limited | Common director       | 0.120%                     | Mark up expense                        | 18,028                            | 11,541 |
| Daehan Dewan Motors Co Ltd  | Common director       | 0.01%                      | Advance from customer                  | -                                 | 22,911 |
|                             |                       |                            | Sales                                  | 7,313                             | 22,109 |

**2019                      2018**  
**----- (Rs. in '000) -----**

Balances with related parties are shown in long term loan (note 15), advance from customer (note 18.1), short term finance (note 19) and accrued mark up (note 20) to the financial statements.

## 34 NUMBER OF EMPLOYEES

|   |           |           |
|---|-----------|-----------|
| Number of employees as at 30 June                   | <u>8</u>  | <u>8</u>  |
| Number of factory employees as at 30 June           | <u>-</u>  | <u>35</u> |
| Average number of employees during the year         | <u>10</u> | <u>10</u> |
| Average number of factory employees during the year | <u>-</u>  | <u>33</u> |

## 35 PLANT CAPACITY AND PRODUCTION

### **Tractors:**

|                           |       |       |
|---------------------------|-------|-------|
| Sanctioned plant capacity | 6,000 | 6,000 |
| Actual production         | NIL   | NIL   |

### **Motorcycles:**

|                   |            |            |
|-------------------|------------|------------|
| Annual capacity   | 60,000     | 60,000     |
| Actual production | <u>NIL</u> | <u>NIL</u> |

### **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 operations of the Company are closed due to working capital constraints.

# Notes To The Financial Statements

For The Year Ended June 30, 2019

## 36 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.

### 36.1 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:

|                   | Note | 2019                      | 2018          |
|-------------------|------|---------------------------|---------------|
|                   |      | ----- (Rs. in '000) ----- |               |
| Long term deposit |      | -                         | 3,020         |
| Advances          |      | 5,077                     | 26,281        |
| Bank balances     |      | 397                       | 397           |
|                   |      | <u>5,474</u>              | <u>29,698</u> |

### 36.2 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 mark-ups:

# Notes To The Financial Statements

For The Year Ended June 30, 2019

|   | Carrying<br>amounts | Contractual<br>cash flows | Six months<br>or less | Six to<br>twelve<br>months | One to<br>two<br>years | Two to<br>five<br>years |
|---|---------------------|---------------------------|-----------------------|----------------------------|------------------------|-------------------------|
| (Rupees in '000)                            |                     |                           |                       |                            |                        |                         |
| <b>2019</b>                                 |                     |                           |                       |                            |                        |                         |
| <b>Non-derivative financial liabilities</b> |                     |                           |                       |                            |                        |                         |
| Long term loans                             | 147,049             | 318,434                   | -                     | -                          | -                      | 318,434                 |
| Trade and other payables                    | 354,525             | 354,525                   | 354,525               | -                          | -                      | -                       |
| Accrued mark-up                             | 779,741             | 779,741                   | 779,741               | -                          | -                      | -                       |
| Short term finance                          | 155,152             | 164,240                   | 164,240               | -                          | -                      | -                       |
| Overdue portion of loans                    | 11,250              | 12,099                    | 12,099                | -                          | -                      | -                       |
|   | <u>1,447,717</u>    | <u>1,629,039</u>          | <u>1,310,605</u>      | <u>-</u>                   | <u>-</u>               | <u>318,434</u>          |

|   |                  |                  |                  |          |          |                |
|---|------------------|------------------|------------------|----------|----------|----------------|
| <b>2018</b>                                 |                  |                  |                  |          |          |                |
| <b>Non-derivative financial liabilities</b> |                  |                  |                  |          |          |                |
| Long term loans                             | 129,875          | 314,064          | -                | -        | -        | 314,064        |
| Trade and other payables                    | 353,774          | 353,774          | 353,774          | -        | -        | -              |
| Accrued mark-up                             | 761,713          | 761,713          | 761,713          | -        | -        | -              |
| Short term finance                          | 154,879          | 160,696          | 160,696          | -        | -        | -              |
| Overdue portion of loans                    | 11,250           | 11,763           | 11,763           | -        | -        | -              |
|   | <u>1,411,491</u> | <u>1,602,009</u> | <u>1,287,945</u> | <u>-</u> | <u>-</u> | <u>314,064</u> |

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 mark-up rates effect as at 30 June.

## 36.3 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:

|   | 2019                      | 2018           |
|---|---------------------------|----------------|
|   | ----- (Rs. in '000) ----- |                |
| <b>Variable rate instruments at carrying amounts:</b> |                           |                |
| <b>Financial liabilities</b>                          |                           |                |
| Overdue portion of loans                              | 11,250                    | 11,250         |
| Short term finance                                    | 154,879                   | 154,879        |
|   | <u>166,129</u>            | <u>166,129</u> |

### Fair value sensitivity analysis for fixed rate instruments:

# Notes To The Financial Statements

For The Year Ended June 30, 2019

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 flows 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:

|   | 2019                      | 2018    |
|---|---------------------------|---------|
|   | ----- (Rs. in '000) ----- |         |
| <b>Effect on loss / profit due to change of 100 BPs</b> |                           |         |
| Increase  | 1,661                     | 1,661   |
| Decrease  | (1,661)                   | (1,661) |

## 36.4 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.

## 36.5 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.

## 37 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified for the purpose of comparison and better presentation, however there has been no significant reclassifications except restatements of prior year adjustments of gratuity amounting to Rs.13.823 millions.

## 38 DATE OF AUTHORIZATION FOR ISSUE


These financial statements have been authorized for issue on September 27, 2019 in accordance with the resolution by the Board of Directors of the Company.

## 39 GENERAL

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

  
Haroon Iqbal  
Chairman

  
Waseem-ul-Haque Ansari  
Chief Executive Officer

  
Muhammad Naeem Uddin Malik  
Chief Financial Officer

### Pattern of Shareholding under Regulation 37(xx)(i) of the Code of Corporate Governance

as at June 30, 2019

| Sr #         | Categories of Shareholders   | Number of Shareholders | Number of Shares held | % of Shareholding |
|--------------|--|------------------------|-----------------------|-------------------|
| 1.           | Associated Companies   | 3                      | 4,746,259             | 22.18%            |
| 2.           | NIT and ICP  | 2                      | 56,400                | 0.26%             |
| 3.           | Directors, CEO, their Spouses & Minor Children   | 6                      | 5,000                 | 0.02%             |
| 4.           | Executives   | -                      | -                     | 0.00%             |
| 5.           | Public Sector Companies & Corporations   | 14                     | 701,706               | 3.28%             |
| 6.           | Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Modarbas & Mutual Funds | 4                      | 134,133               | 0.63%             |
| 7.           | Individuals  | 1,129                  | 15,756,502            | 73.63%            |
| <b>TOTAL</b> |  | <b>1,158</b>           | <b>21,400,000</b>     | <b>100.00%</b>    |

#### DETAILS OF CATEGORIES OF SHAREHOLDERS

| Sr # | Names   | Number of Shareholders | Number of Shares held | % of Shareholding |
|------|---|------------------------|-----------------------|-------------------|
| 1.   | <b>Associated Companies</b>                               |                        |                       |                   |
| 1.1  | Dewan Motors (Pvt.) Limited                               | 3                      | 4,746,259             | 22.18%            |
| 2.   | <b>NIT and ICP</b>  |                        |                       |                   |
| 2.1  | National Bank of Pakistan, Trustee Deptt.                 | 1                      | 7,900                 | 0.04%             |
| 2.2  | Investment Corporation of Pakistan                        | 1                      | 48,500                | 0.23%             |
|      |   | 2                      | 56,400                | 0.26%             |
| 3.   | <b>Directors, CEO, their Spouses &amp; Minor Children</b> |                        |                       |                   |
|      | <b>Directors and CEO</b>                                  |                        |                       |                   |
| 3.1  | Mr. Haroon Iqbal  | 1                      | 500                   | 0.00%             |
| 3.2  | Mr. Aziz ul Haque   | 1                      | 500                   | 0.00%             |
| 3.3  | Syed Maqbool Ali  | 1                      | 1,000                 | 0.00%             |
| 3.4  | Mr. Waseem-Ul-Haq Ansari                                  | 1                      | 1,000                 | 0.00%             |
| 3.5  | Mr. Ishtiaq Ahmed   | 1                      | 1,000                 | 0.00%             |
| 3.6  | Mr. Muhammad Naeemuddin Malik                             | 1                      | 1,000                 | 0.00%             |
| 3.7  | Mr. Muhammad Irfan Ali (Nominee Director By DMPL)         | 0                      | -                     | 0.00%             |
|      |   | 6                      | 5,000                 | 0.02%             |
|      | <b>Spouses of Directors and CEO</b>                       |                        |                       |                   |
| 3.8  | -   | -                      | -                     | 0.00%             |
|      |   | -                      | -                     | 0.00%             |
|      | <b>Minor Children of Directors and CEO</b>                |                        |                       |                   |
| 3.9  | -   | -                      | -                     | 0.00%             |
|      |   | -                      | -                     | 0.00%             |

#### SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY

| Sr # | Names                                | Number of Shareholders | Number of Shares held | % of Shareholding |
|------|--------------------------------------|------------------------|-----------------------|-------------------|
| 1    | Dewan Motors (Pvt.) Limited          | 3                      | 4,746,259             | 22.18%            |
| 2    | Dewan Muhammad Yousuf Frooqui        | 1                      | 3,702,637             | 17.30%            |
| 3    | Dewan Zia-ur-Rehman Farooqui         | 2                      | 2,368,637             | 11.07%            |
| 4    | Dewan Abdullah Ahmed Swaleh Farooqui | 1                      | 1,278,637             | 5.97%             |
| 5    | Dewan Asim Mushfiq Farooqui          | 1                      | 1,278,637             | 5.97%             |
| 6    | Dewan Abdul Baqi Farooqui            | 1                      | 1,278,637             | 5.97%             |

#### 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.

**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 **30.06.2019**

| 4. | Number of Shareholders | Shareholdings |   |           |        | Total Shares held |
|----|------------------------|---------------|---|-----------|--------|-------------------|
|    | 397                    | 1             | - | 100       | Shares | 30,558            |
|    | 430                    | 101           | - | 500       | Shares | 119,342           |
|    | 107                    | 501           | - | 1,000     | Shares | 97,878            |
|    | 144                    | 1,001         | - | 5,000     | Shares | 376,683           |
|    | 27                     | 5,001         | - | 10,000    | Shares | 218,532           |
|    | 11                     | 10,001        | - | 15,000    | Shares | 144,000           |
|    | 6                      | 15,001        | - | 20,000    | Shares | 115,499           |
|    | 2                      | 20,001        | - | 25,000    | Shares | 41,700            |
|    | 1                      | 25,001        | - | 30,000    | Shares | 26,000            |
|    | 2                      | 30,001        | - | 40,000    | Shares | 77,000            |
|    | 2                      | 40,001        | - | 50,000    | Shares | 95,003            |
|    | 2                      | 50,001        | - | 60,000    | Shares | 104,333           |
|    | 1                      | 60,001        | - | 70,000    | Shares | 60,500            |
|    | 1                      | 70,001        | - | 100,000   | Shares | 100,000           |
|    | 1                      | 100,001       | - | 130,000   | Shares | 124,500           |
|    | 3                      | 130,001       | - | 150,000   | Shares | 440,500           |
|    | 1                      | 150,001       | - | 200,000   | Shares | 167,449           |
|    | 2                      | 200,001       | - | 220,000   | Shares | 434,320           |
|    | 1                      | 220,001       | - | 250,000   | Shares | 242,500           |
|    | 1                      | 250,001       | - | 280,000   | Shares | 262,815           |
|    | 4                      | 280,001       | - | 300,000   | Shares | 1,146,000         |
|    | 1                      | 300,001       | - | 400,000   | Shares | 348,800           |
|    | 1                      | 400,001       | - | 500,000   | Shares | 409,500           |
|    | 2                      | 500,001       | - | 600,000   | Shares | 1,091,000         |
|    | 2                      | 600,001       | - | 700,000   | Shares | 1,344,944         |
|    | 3                      | 900,001       | - | 1,300,000 | Shares | 3,835,911         |
|    | 1                      | 1,300,001     | - | 2,500,000 | Shares | 2,367,637         |
|    | 1                      | 2,500,001     | - | 3,800,000 | Shares | 3,702,637         |
|    | 1                      | 3,800,001     | - | 3,900,000 | Shares | 3,874,459         |
|    | <b>1158</b>            | <b>TOTAL</b>  |   |           |        | <b>21,400,000</b> |

**THE COMPANIES ORDINANCE, 1984**  
**(Section 236(1) and 464)**  
**PATTERN OF SHAREHOLDING**

**Form 34**

| 5.  | Categories of Shareholders  | Shares held | Percentage |
|-----|---|-------------|------------|
| 5.1 | Directors, Chief Executive Officer, their spouses and minor children        | 5,000       | 0.02%      |
| 5.2 | Associated Companies, undertakings and related parties                      | 4,746,259   | 22.18%     |
| 5.3 | NIT and ICP   | 56,400      | 0.26%      |
| 5.4 | Banks, Development Financial Institutions, Non-Banking Finance Companies    | 60,500      | 0.28%      |
| 5.5 | Insurance Companies   | 73,633      | 0.34%      |
| 5.6 | Modarabas and Mutual Funds  |             | 0.00%      |
| 5.7 | Shareholders holding 5%   | 14,653,444  | 68.47%     |
| 5.8 | General Public  |             |            |
|     | a. Local  | 15,754,637  | 73.62%     |
|     | b. Foreign  | 1,865       | 0.01%      |
| 5.9 | Others (Joint Stock Companies, Brokrage Houses, Employees Funds & Trustees) | 701,706     | 3.28%      |





## Form of Proxy

I/We \_\_\_\_\_  
 of \_\_\_\_\_ being \_\_\_\_\_  
 a member(s) 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 \_\_\_\_\_  
 or falling him \_\_\_\_\_  
 of \_\_\_\_\_  
 who is also member of **Dewan Automotive Engineering Limited** vide Registered Folio No. / CDC  
 Participant's ID and Account No. \_\_\_\_\_ as my/our proxy to vote for me/us  
 and \_\_\_\_\_  
 on my/our behalf at the 37th Annual General Meeting of the Company to be held on Thursday,  
 October 24, 2019 at 03:00 p.m. and my adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

AFFIX  
 REVENUE  
 STAMP  
 RS. 5/-

Signature \_\_\_\_\_

Witness: \_\_\_\_\_  
 Signature

Witness: \_\_\_\_\_  
 Signature

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 \_\_\_\_\_

### IMPORTANT:

1. A proxy should also be a member of the company.
2. A member of the Company entitled to attend and vote all meeting, may appoint another member as his/her proxy to attend and vote instead of him/her.
3. Proxies, In order to be effective, must be received by the Company, duly completed, at our Shares Registrar Transfer Agent BMF Consultants Pakistan (Private) Limited, located at Anum Estate Building, Room # 301 & 311, 3rd Floor, 49, Darul Anum Society, Main Shahrah-e-Faisal, Adjacent to Baloch Colony Bridge, Karachi, Pakistan, not later than 48 hours before the meeting.

### 4. Further Instructions for CDC Account holders:

- 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 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 at the time of 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) alongwith the proxy form to the Company.



## پراکسی فارم

یہ فارم مکمل کر کے ہمارے شیئرز رجسٹرار ٹرانسفر ایجنٹ بی ایم ایف کنسلٹنٹس پاکستان پرائیویٹ لمیٹڈ واقع انم اسٹیٹ بلڈنگ کمرہ نمبر 310 اور 311، تیسری منزل، 49، دارالامان سوسائٹی، شاہراہ فیصل نزد بلوچ کالونی پل، کراچی 75350، پاکستان کو لازماً جمع کروادیتجئے۔ سالانہ عمومی اجلاس سے 48 گھنٹے پہلے یہ پراکسی فارم موصول ہو جانا چاہئے۔

میں / ہم \_\_\_\_\_ کی جانب سے \_\_\_\_\_ بحیثیت دیوان آٹوموٹیو  
انجینئرنگ لمیٹڈ کے ممبران اور \_\_\_\_\_ عام حصص یافتہ فی حصص اندراج فوئیو نمبر \_\_\_\_\_ اور / یا  
CDS شرکاء آئی ڈی نمبر \_\_\_\_\_ اور سب اکاؤنٹ نمبر \_\_\_\_\_ اپنی طرف سے  
\_\_\_\_\_ کو بطور پراکسی نامزد کرتے ہیں۔ یہ میری / ہماری جانب سے جمعرات مورخہ 24 اکتوبر 2019ء  
03:00 بجے شام منعقدہ کمپنی کی 37 ویں سالانہ عمومی میٹنگ میں ووٹ دینے کے مجاز ہیں۔

دستخط برائے \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2019ء

پانچ روپے کے ریونیو اسٹیپ پر دستخط  
دستخط کمپنی میں کئے جانے والے دستخط  
سے مختلف ناہوں۔

۱۔ دستخط \_\_\_\_\_  
گواہ \_\_\_\_\_  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_

۲۔ دستخط \_\_\_\_\_  
گواہ \_\_\_\_\_  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_

کمپنی شیئرز میں تجارت:

دوران سال کسی بھی ڈائریکٹرز، ایگزیکٹو، ان کی بیگمات و بچوں نے کمپنی کے شیئرز میں کوئی تجارت نہیں کی ہے۔

اظہار تشکر:

بورڈ ممبران کمپنی کے حصص یافتگان، وفاقی اور صوبائی حکومتوں، بینکوں، مالیاتی اداروں اور کسانوں کے اعتماد پر تہہ دل سے شکر گزار ہیں۔ آپ کے اس غیر متزلزل اعتماد کی بدولت کمپنی چل رہی ہے۔ بورڈ ادارے کی اپنی ٹیم، ایگزیکٹو اراکین، اسٹاف کے ساتھی اور ورکرز کا بھی بھرپور شکریہ ادا کرتا ہے جو کمپنی کی ترقی میں اپنا بھرپور کردار ادا کر رہے ہیں۔ ہم آپ کی محنت اور کاوشوں کو قدر کی نگاہ سے دیکھتے ہیں۔

اختتامی بیان:

اختتام پر اللہ پاک رحمن و رحیم کے حضور سجدہ ریز ہو کر دعا مانگتے ہیں ہمارے نبی سرکارِ دو عالم ﷺ کے وسیلے سے کہ اے اللہ ہماری رہنمائی کرتا رہے اور کمپنی قوم اور وطن عزیز کو اپنے حفظ و امان میں رکھے اور بھرپور ترقی کرنے کی توفیق عطا کرے۔ ساتھ ہی اللہ پاک سے دعا مانگتا ہوں کہ امت مسلمہ میں امن، چین اور بھائی چارہ پیدا کرے آمین۔

بے شک میرا رب دعا سننے والا ہے (القرآن)

بورڈ کے ڈائریکٹران کی جانب سے



ہارون اقبال

چیئرمین بورڈ آف ڈائریکٹرز

**YD**

A YOUSUF DEWAN COMPANY

آڈٹ کمیٹی میں تین ڈائریکٹرز شامل ہیں، ان میں سے دو غیر ایگزیکٹو ہیں۔ سال کے دوران آڈٹ کمیٹی کی چار میٹنگ ہوئیں۔

| ڈائریکٹرز کے نام | میٹنگ میں حاضری کی تعداد |
|------------------|--------------------------|
| جناب عزیز الحق   | 4                        |
| جناب اشتیاق احمد | 4                        |
| سید مقبول علی    | 4                        |

دوران سال انسانی وسائل اور خدمات کی کمیٹی کی ایک میٹنگ منعقد ہوئی، اس میٹنگ میں حاضری درج ذیل ہے:

| ڈائریکٹرز کے نام | میٹنگ میں حاضری کی تعداد |
|------------------|--------------------------|
| جناب عزیز الحق   | 1                        |
| جناب ہارون اقبال | 1                        |
| سید مقبول علی    | 1                        |

آڈیٹرز:

موجودہ آڈیٹرز میسرز فاروق علی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور دوبارہ تقرری کیلئے اپنی خدمات کی پیشکش کی ہے۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے میسرز فاروق علی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو آنے والے سال کیلئے کمپنی کے آڈیٹرز کے طور پر تقرری کی سفارش کی ہے۔

خسارہ فی شیئر:

فی شیئر خسارہ مبلغ 3.93 روپے ہے۔

ڈویڈنڈ:

مجموعی نقصانات کے ساتھ ساتھ دوران سال خسارہ کے باعث بورڈ کی جانب سے کسی ڈویڈنڈ کی سفارش نہیں کی گئی ہے۔

شیئر ہولڈنگ کا پیٹرن:

کمپنی کی شیئر ہولڈنگ کا پیٹرن 30 جون 2019ء سالانہ رپورٹ کے ساتھ منسلک ہے۔

### کمپنی کی بنیادی سرگرمیاں:

دیوان آٹوموٹیو انجینئرنگ لمیٹڈ پبلک لمیٹڈ کمپنی کے طور پر اسٹاک ایکسچینج میں رجسٹرڈ ہے اور موٹر سائیکل، ہلکی مال بردار گاڑیوں اور ان کے پرزہ جات کی پیداوار اور فروخت اس کی بنیادی سرگرمیوں میں شامل ہے۔

### خطرات اور غیر یقینی صورتحال:

کمپنی درج ذیل امور کو اپنے لئے نقصان دہ سمجھتی ہے:

☆ ڈالر کے مقابلے میں روپے کی شرح میں مسلسل کمی۔

☆ بینکنگ لائسنز کی عدم دستیابی

کمپنی خطرات اور غیر یقینی صورتحال کے اثرات کو کم کرنے کے لئے اندرونی اور بیرونی طور پر بھی اقدامات کر رہی ہے۔

### کاروباری اور سماجی ذمہ داریاں:

کمپنی کاروباری ضروریات اور متعلقین کے معاملات کو بہترین صلاحیتوں کے ساتھ چلانے میں مصروف ہے۔ کمپنی نئے آنے والے افراد کی فنی تربیت کے ذریعے ان کی صلاحیتیں نکھارنے کو اہمیت دیتی ہے۔ کمپنی اپنے ورکروں کو ملازمت دیتے وقت غریب اور قریب ترین کے علاقوں کے رہائشی افراد کو اہمیت دیتی ہے تاکہ ان کا معیار زندگی بلند ہو سکے۔ اسکے علاوہ ملازمین کی صحت اور ان کی زندگیوں کی حفاظت کو بھی مد نظر رکھا جاتا ہے اور اس امر کو یقینی بنانے کیلئے تمام منضبط اصول اور طریقہ کار اختیار کئے جاتے ہیں۔ نیز پیداواری مراحل میں تمام مروجہ قوانین پر عمل درآمد کو یقینی بنایا جاتا ہے۔ کمپنی اپنے علاقے کے لوگوں کی طبی سہولتوں کے لئے بھی کام کر رہی ہے۔

بورڈ کے ڈائریکٹران قابل اور کئی علوم کے ماہرین پر مشتمل ہیں جو کمپنی کو منافع بخش بنانے میں اپنا بھرپور کردار ادا کر رہے ہیں۔ زیر جائزہ سال کے دوران بورڈ نے چار ملاقاتیں کیں، جن میں اراکین کی حاضری درج ذیل ہے:

| ڈائریکٹرز کے نام      | میٹنگ میں حاضری کی تعداد |
|-----------------------|--------------------------|
| جناب ہارون اقبال      | 4                        |
| جناب وسیم الحق انصاری | 3                        |
| جناب نعیم الدین ملک   | 4                        |
| سید مقبول علی         | 4                        |
| جناب اشتیاق احمد      | 3                        |
| جناب محمد عرفان علی   | 4                        |
| جناب عزیز الحق        | 4                        |



### کوڈ آف کارپوریٹ گورننس:

- ۱۔ 30 جون 2019ء کو اختتام پذیر مالی سال میں انتظامیہ کی جانب سے تیار کئے گئے کمپنی کے مالیاتی گوشوارے کمپنی کے حالات، کاروباری نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی شفاف عکاسی کرتے ہیں۔
- ۲۔ کمپنی کے کھاتوں کی کتابیں مناسب انداز میں رکھی گئی ہیں۔
- ۳۔ 30 جون 2019ء کو اختتام پذیر مالی سال کے مالیاتی گوشوارے تیار کرتے وقت مناسب اکاؤنٹنگ پالیسیاں مسلسل اختیار کی جاتی رہی ہیں اور تمام مالیاتی گوشوارے میں اندازے سمجھداری سے بہتر فیصلوں پر مرتب کئے گئے ہیں۔
- ۴۔ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) جیسے پاکستان میں نافذ العمل ہیں انہیں ویسے ہی مالیاتی گوشواروں کی تیاری میں نافذ کیا گیا۔
- ۵۔ کمپنی میں اندرونی کنٹرول سسٹم کا ڈیزائن موزوں ہے اور بہت موثر انداز میں لاگو ہے اور اس کی عمدگی سے دیکھ بھال کی جاتی رہی ہے۔
- ۶۔ ایسے کوئی خدشات نہیں جن کی بنیاد پر یہ کہا جاسکے کہ کمپنی کے مستقبل یا آگے کاروبار کرنے پر کوئی شک کیا جاسکتا ہے ماسوائے ایک معاملے کے جو کمپنی کے مالیاتی نتائج میں نوٹ نمبر 3 میں درج ہے۔
- ۷۔ کارپوریٹ گورننس کی تمام اعلیٰ اقدار جیسا کہ پاکستان اسٹاک ایکس چینج کی لسٹنگ ریگولیشن میں سے کوئی بھی قابل ذکر قانونی شق ترک نہیں کی گئی ہے۔
- ۸۔ گزشتہ چھ سالوں کے کلیدی آپرینٹنگ اور فنانشل معلومات مختصر اس رپورٹ میں شامل ہیں۔
- ۹۔ تمام واجب الادا ٹیکسز ادا کر دیئے گئے ہیں اور مزید کچھ واجب الادا نہیں، ماسوائے ان کے جو کہ آڈٹ شدہ مالیاتی نتائج کے نوٹ نمبر 18 میں ظاہر کیا گیا ہے۔

کمپنی کا بورڈ آف ڈائریکٹرز ایک خود مختار، ایک ایگزیکٹیو اور پانچ غیر ایگزیکٹیو ڈائریکٹرز پر مشتمل ہے۔ ڈائریکٹرز کے نام درج ذیل ہیں:

جناب ہارون اقبال

جناب وسیم الحق انصاری

جناب نعیم الدین ملک

سید مقبول علی

جناب اشتیاق احمد

جناب محمد عرفان علی

جناب عزیز الحق

سال رواں میں ڈائریکٹرز کی کوئی آسامی خالی نہیں رہی۔

## ڈائریکٹر رپورٹ

شروع کرتا ہوں اللہ تعالیٰ کے نام سے جو بڑا مہربان اور نہایت رحم والا ہے  
اگر تم شکر ادا کرو گے تو میں تم پر (نعمتوں میں) ضرور اضافہ کروں گا (القرآن)

دیوان آٹوموٹیو انجینئرنگ لمیٹڈ کے بورڈ کے ڈائریکٹر ان کی جانب سے 30 جون 2019ء کو اختتام پذیر مالی سال کی سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی نتائج آپ کے سامنے پیش کئے جاتے ہیں اور آپ کو کمپنی کی 37 ویں سالانہ جنرل میٹنگ میں خوش آمدید کہا جاتا ہے۔

## مالیاتی نتائج

سال کے لئے مالیاتی کارکردگی کا خلاصہ بشمول مالیاتی سال 2018ء کے اعداد و شمار کے ساتھ موازنہ درج ذیل ہے:

| 30 جون 2018ء<br>روپے ہزاروں میں | 30 جون 2019ء<br>روپے ہزاروں میں |                           |
|---------------------------------|---------------------------------|---------------------------|
| 22,109                          | 7,313                           | کل فروخت                  |
| (19,835)                        | (29,518)                        | کل خسارہ                  |
| (29,995)                        | (57,586)                        | آپریٹنگ خسارہ             |
| (47,828)                        | (84,046)                        | خالص کل خسارہ بعد از ٹیکس |

## زیر جائزہ مدت:

زیر جائزہ سال کے دوران کمپنی پیداواری سرگرمیاں جاری نہ رکھ سکی اور اپنی مصنوعات کی خرید کنندہ کمپنی کا کاروبار معطل ہونے کی وجہ سے کمپنی کو اپنی پیداواری سرگرمیاں معطل کرنا پڑیں۔

کاروباری سرگرمیاں معطل ہونے کی وجہ سے کمپنی اپنے جاری اخراجات پورے کرنے میں ناکام ہے جس کی وجہ سے کمپنی کو خسارے کا سامنا ہے۔

کمپنی موجودہ حالات سے نمٹنے کیلئے مسلسل کوشاں ہے اور بینکوں کے ساتھ معاملات اٹھائے ہیں۔ کام چلانے کیلئے سرمائے کی دستیابی کی صورت میں کمپنی اپنی مکمل صلاحیت کا استعمال کر سکتی ہے۔

آڈیٹرز نے اپنی رپورٹ کے پیر (a) اور (b) میں کمپنی کے حالات کو کو الیغائی کیا ہے جن پر تیسرہ مالی حسابات کے نوٹ نمبر 3 اور 29.1 میں کر دیا ہے۔





## ب) پروکسی کی تقرری:

- i- انفرادی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا افراد کی سورت میں جن کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن تفصیلات ضابطہ کے تحت اپ لوڈ ہوں پروکسی فارم مندرجہ بالا شرائط کے مطابق داخل کرانے ہوں گے۔
- ii- پروکسی فارم پر دو افراد کی گواہی ہونی چاہئے جن کے نام پتے اور سی این آئی سی نمبر فارم میں درج ہوں۔
- iii- ممبر اور پروکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پروکسی فارم سے منسلک کرنی ہوں گی۔
- iv- پروکسی کو اجلاس کے موقع پر اصل قومی شناختی کارڈ (سی این آئی سی) یا اصل پاسپورٹ پیش کرنا ہوگا۔
- v- کارپوریٹ اینٹیٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) پروکسی فارم ہمراہ کمپنی کو پیش کرنے ہوں گے۔

## ۵۔ تاحالی این آئی سی فراہم نہ کرنے والے شیئر ہولڈرز کو نوٹس:

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او 83(1)/2012 مورخہ 5 جولائی 2012 میں درج ذیل ہدایات کے مطابق شیئرز ہولڈرز کو ڈویڈنڈ وارنٹس وغیرہ کے اجراء کے لئے سی این آئی سی لازمی ہے جس کی عدم موجودگی میں ڈویڈنڈ کی ادائیگی ایس ای سی پی کی مندرجہ بالا ہدایات کے مطابق روکی جاسکتی ہے لہذا جن حصص یافتگان نے تاحالی اپنے سی این آئی سی فراہم نہیں کئے ہیں ان کو ایک بار پھر ہدایت کی جاتی ہے کہ اپنے سی این آئی سی کی تصدیق شدہ کاپی بلا تاخیر براہ راست ہمارے شیئر رجسٹرار کو فراہم کر دیں۔

## ۶۔ شیئر ہولڈرز کے لئے ای۔ ڈویڈنڈ منڈیٹ:

نقد منافع منقسمہ کی ادائیگی کو مزید بہتر بنانے کے لئے ای ڈویڈنڈ میکنزم متعارف کرایا گیا ہے جس کے تحت حصص یافتگان ڈویڈنڈ کی رقم فوری طور پر اپنے متعلقہ بینک اکاؤنٹ میں الیکٹرونک طریقے سے ڈویڈنڈ ان کے بینک اکاؤنٹ میں منتقل ہو جائے گا اور بذریعہ ڈاک گمشدگی، عدم وصولی اور غلط پتے پر وصولی وغیرہ کے خدشات نہیں ہوں گے، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کے نوٹس نمبر 8(4) ایس ایم/سی ڈی سی 2008، مورخہ 5 اپریل 2013 کے ذریعہ تمام کمپنیوں کو حصص ہولڈرز کے مفاد میں ای ڈویڈنڈ میکنزم کو اختیار کرنے کی ہدایات جاری کی گئی ہیں، مندرجہ بالا کے پیش نظر آپ کو ڈویڈنڈ مینڈیٹ فارم پر اور دستخط کے ہمراہ جمع کرا کے ڈویڈنڈ مینڈیٹ فراہم کیا جا رہا ہے۔

## ۷۔ مالی گوشواروں وغیرہ کی الیکٹرونک ترسیل:

ایس ای سی پی نے اپنے اعلامیہ نمبر ایس آر او 787(1)/2014 مورخہ 8 ستمبر 2014ء کمپنیوں کو سالانہ آڈٹ شدہ مالی گوشواروں مع سالانہ اجلاس کے نوٹس ڈاک کی بجائے بذریعہ ای میل ان ممبران کو ارسال کرنے کی اجازت دے دی ہے جو اس سہولت سے استفادہ حاصل کرنے کے متقی ہیں مذکورہ بالا گوشوارے اور سالانہ اجلاس عام کے نوٹس بذریعہ ای میل وصول کرنے کے خواہشمند ممبران سے درخواست ہے کہ وہ کمپنی کی ویب سائٹ [www.yousufdewan.com/DAEL/index.html](http://www.yousufdewan.com/DAEL/index.html) اسٹینڈرڈ ریکورڈس فارم پر اپنی خواہش تحریری طور پر فراہم کریں۔

## نوٹس برائے سالانہ عمومی میٹنگ

ہذا کو مطلع کیا جاتا ہے کہ دیوان آٹوموٹیو انجینئرنگ لمیٹڈ (ڈی اے ای ایل یا کمپنی) کا سینتیسواں (37) سالانہ اجلاس عام جمعرات 24 اکتوبر 2019ء کو شام تین بجے دیوان سینٹ لمیٹڈ فیکٹری سائٹ واقع دیھ ڈھنڈو، دھابھی ضلع ملیر کراچی پاکستان میں مندرجہ ذیل امور کی انجام دہی کے لئے منعقد کیا جائے گا اجلاس کی کارروائی تلاوت کلام پاک سے ہوگی۔

عمومی امور:

- ۱۔ گذشتہ سالانہ اجلاس عام منعقد شدہ 25 اکتوبر 2018ء کی کارروائی کی توثیق۔
- ۲۔ 30 جون 2019ء کو مکمل ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ گوشواروں مع ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، غور و خوض اور منظوری۔
- ۳۔ 30 جون 2020ء کو مکمل ہونے والے سال کیلئے کمپنی کے آڈیٹرز کی تقرری اور ان کے مشاہرہ کا تعین۔
- ۴۔ چیئرمین کی اجازت سے دیگر امور کی انجام دہی۔



محمد فہم الدین ملک  
کمپنی سیکرٹری

کراچی 27 ستمبر 2019ء

نوٹ:

- ۱۔ کمپنی کی منتقلی حصص کی کتب 17 اکتوبر 2019ء تا 24 اکتوبر 2019ء (دونوں دن شامل) بند رہیں گی۔
- ۲۔ ممبران سے درخواست ہے کہ وہ اپنے پتے میں کسی قسم کی تبدیلی سے فوری طور پر ہمارے شیئر رجسٹرار ٹرانسفر ایجنٹ بی ایم ایف کنسلٹنٹس پاکستان (پرائیویٹ) لمیٹڈ واقع انعم اسٹیٹ بلڈنگ کمرہ نمبر 311-310 تھرڈ فلور 49 دارالامان سوسائٹی مین شاہراہ فیصل متصل بلوچ کالونی پل، کراچی پاکستان کو مطلع کریں۔
- ۳۔ اجلاس ہذا میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کے لئے دوسرے ممبر کو اپنا پُرکسی مقرر کر سکتا ہے پُرکسی کی تقرری کی دستاویز مندرجہ بالا پتے پر کمپنی کو اجلاس کے انعقاد سے کم از کم اڑھتالیس گھنٹے قبل مل جانی چاہئے۔
- ۴۔ سی ڈی سی اکاؤنٹ ہولڈرز کو مزید براں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سرکلر نمبر 1 مورخہ 20 جنوری 2000ء میں درج مندرجہ ذیل ہدایات پر عمل کرنا ہوگا۔

(الف) برائے اجلاس میں شرکت

- (i) انفرادی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا افراد کی صورت میں یا جن کی سیکورٹیز گروپ اکاؤنٹ میں ہوں اور ان کی رجسٹریشن تفصیلات ضابطہ کے مطابق اپ لوڈ ہوں اپنی شناخت کیلئے اصل قومی شناختی کارڈ (سی این آئی سی) یا اصل پاسپورٹ اجلاس میں شرکت کے موقع پر پیش کرنا ہوگا۔
- (ii) کارپوریٹ ایٹنٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد فرد کے دستخط کا نمونہ (اگر پہلے فراہم نہ کئے گئے ہوں) اجلاس کے موقع پر پیش کرنا ہوگا۔



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