

Quarterly Report
September 30, 2019



DEWAN FAROOQUE MOTORS LIMITED



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Company Information

Non-Executive Directors

Mr. Haroon Iqbal
Mr. Syed Muhammad Anwar
Mr. Mohammad Saleem Baig
Mr. Imran Ahmed Javed

Chairman Board of Directors

Executive Directors

Mr. Waseem-ul- Haque Ansari
Mr. Muhammad Naeem Uddin Malik

Independent Director

Mr. Aziz-ul-Haque

CHIEF EXECUTIVE OFFICER

Mr. Waseem-ul- Haque Ansari

CFO & COMPANY SECRETARY

Mr. Muhammad Naeem Uddin Malik

AUDIT COMMITTEE MEMBERS

Mr. Aziz-ul-Haque
Mr. Syed Muhammad Anwar
Mr. Haroon Iqbal

Chairman
Member
Member

HUMAN RESOURCE & REMUNERATION COMMITTEE MEMBERS

Mr. Aziz-ul-Haque
Mr. Waseem-ul- Haque Ansari
Mr. Haroon Iqbal

Chairman
Member
Member

BANKERS

Allied Bank of Pakistan Limited
Askari Bank Limited
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Limited
Saudi Pak Industrial and Agricultural
Investment Co. (Pvt.) Limited
Standard Chartered Bank
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

AUDITORS

Feroze Sharif Tariq & Co.
Chartered Accountants
4/N/4, Block 6, P.E.C.H.S.,
Karachi.

LEGAL ADVISORS

A.K. Brohi & Co.

TAX ADVISOR

Sharif & Co. (Advocates)
3rd Floor, Uni Plaza,
I.I. Chundrigar Road, Karachi.

SHARES REGISTRAR / TRANSFER AGENT

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

REGISTERED OFFICE

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

FACTORY

Jilaniabad, Budhu Talpur,
District Sajawal,
Sindh.



A YOUSUF DEWAN COMPANY

Directors' Report

The Board of Directors of your Company takes pleasure in presenting the un-audited condensed interim financial statements of the Company for the quarter ended September 30, 2019.

During the period under review the gross sales was Rs. Nil (Sep 2018: Rs. 0.349) million, gross loss is Rs. 37.601 (Sep 2018: Rs. 63.842) million and the after-tax loss is Rs. 47.562 (Sep 2018: Rs. 44.767) million.

The sale of local Car/SUV/LCV sector for the quarter ended September 30, 2019 has shown a decline of 41% as compared to the corresponding period of last year. Depreciation of Pak Rupee against US Dollar, higher interest rates resulting reduction in car financing, increase in Federal Excise Duty, higher input costs and economic slowdown in the country are the main reasons for the decline in growth. The Company is going through tough conditions and making best endeavors to survive. A number of recovery suits have been instituted by Banks/Financial Institutions alleging default of company which are being successfully defended by our counsels. The proposal of re-profiling of the Company's debts is expected to be completed very soon. After the restructuring of debt, the Company's operation will be normalized. In conclusion, we bow, beg and pray to Almighty Allah, Rahman-o-Rahim, in the name of our beloved Prophet, Muhammad (peace be upon him), for the continued showering of his blessings, guidance, strength, health and prosperity to us, our Company, our Country and the Nation, and also pray to Almighty Allah to bestow peace, harmony, brotherhood and unity in true Islamic spirit to the whole Muslim Ummah, Ameen, Summa-Ameen

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

Under / By Authority of the Board of Directors

Waseem-ul-Haque Ansari
Chief Executive

Haroon Iqbal
Director

Karachi: October 30, 2019

DEWAN FAROOQUE MOTORS LIMITED


Condensed Interim Statement of Financial Position
As at September 30, 2019

	Note	September 30, 2019 Unaudited	June 30, 2019 Audited
		(Rs. in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	923,649	940,899
Investment	7	1,264,668	1,273,164
CURRENT ASSETS			
Stores and spares		52,293	52,293
Stock-in-trade		46,992	46,992
Trade debts - considered good		3,761	12,124
Short term loan to associated undertaking - considered good		154,879	154,879
Advances, deposits, prepayments and other receivables - Considered good		801,390	795,942
Taxation - net		23,529	23,342
Cash and bank balances		126,797	125,267
		1,209,641	1,210,839
TOTAL ASSETS		3,397,958	3,424,902
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorized			
150,000,000 (June 30, 2019: 150,000,000)			
Ordinary shares of Rs.10 each		1,500,000	1,500,000
Issued, subscribed and paid-up			
Issued, subscribed and paid-up		1,387,353	1,387,353
Revenue Reserve		(3,787,546)	(3,739,984)
Accumulated loss		(2,400,193)	(2,352,631)
NON-CURRENT LIABILITIES			
Long term security deposits		12,700	12,700
Deferred Liabilities		4,231	4,231
CURRENT LIABILITIES			
Sponsor's loan	8	255,079	253,279
Trade and other payables		331,484	312,666
Unclaimed Dividend		1,814	1,814
Short term finances-secured	9	4,095,913	4,095,913
Current maturity of long term loans		1,096,930	1,096,930
		5,781,220	5,760,602
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		3,397,958	3,424,902

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Waseem-ul-Haque Ansari
Chief Executive


Haroon Iqbal
Director


Muhammad Naeem/Uddin Malik
Chief Financial Officer



A YOUSUF DEWAN COMPANY

Condensed Interim Statement of Profit or Loss Account


For the quarter ended September 30, 2019

	Quarter Ended	
	September 30, 2019 Unaudited	September 30, 2018 Unaudited
Note	------(Rupees in '000)-----	
GROSS SALES	-	349
Sales tax	-	56
Commission	-	-
	-	56
NET SALES	-	293
Cost of sales	37,601	64,135
GROSS LOSS	(37,601)	(63,842)
Distribution expenses	-	1,342
Administration and general expenses	6,239	8,895
	6,239	10,237
OPERATING LOSS	(43,840)	(74,079)
OTHER INCOME/(LOSS)	(3,721)	29,584
	(47,561)	(44,495)
Finance cost	11	103
(LOSS) BEFORE TAXATION	(47,562)	(44,598)
TAXATION	-	169
(LOSS) FOR THE PERIOD	(47,562)	(44,767)
Basic / diluted (Loss) per share (Rupee)	12	(0.32)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Waseem-ul-Haque Ansari
 Chief Executive


Haroon Iqbal
 Director


Muhammad Naeem Uddin Malik
 Chief Financial Officer

DEWAN FAROOQUE MOTORS LIMITED


Condensed Interim Statement of Comprehensive Income
For the quarter ended September 30, 2019

	Quarter Ended	
	September 30, 2019 Unaudited	September 30, 2018 Unaudited
	------(Rupees in '000)-----	
(Loss) for the period	(47,562)	(44,767)
Other comprehensive Income(Loss) for the period:	-	-
Total comprehensive (Loss) for the period	(47,562)	(44,767)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Waseem-ul-Haque Ansari
Chief Executive


Haroon Iqbal
Director


Muhammad Naeem Uddin Malik
Chief Financial Officer



A YOUSUF DEWAN COMPANY


Condensed Interim Statement of Cash Flows**For the quarter ended September 30, 2019**

	September 30, 2019	September 30, 2018
	-----Unaudited-----	
	(Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(47,562)	(44,598)
Add / (Less) : Depreciation	17,250	17,517
Gain due to Change in valuation of investment in associates	8,496	(24,951)
Financial charges	1	103
	25,747	(7,331)
	(21,815)	(51,929)
Decrease in trade debts	8,363	27,216
(Increase) in advances, deposits, pre-payments & other receivables	(5,448)	(11,050)
Increase in trade, other payables and borrowings	18,818	22,568
Tax (paid)	(187)	(329)
Financial charges (paid)	(1)	(103)
	21,545	38,302
Net cash flow from operating activities	(270)	(13,627)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	-	(891)
Net cash flow from investing activities	-	(891)
CASH FLOW FROM FINANCING ACTIVITIES		
Sponsor's loan	1,800	9,799
Net cash flow from financing activities	1,800	9,799
NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS	1,530	(4,719)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(1,852,757)	(1,849,790)
CASH & CASH EQUIVALENTS AT END OF THE PERIOD	(1,851,227)	(1,854,509)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Waseem-ul-Haque Ansari
 Chief Executive


Haroon Iqbal
 Director


Muhammad Naeem Uddin Malik
 Chief Financial Officer

DEWAN FAROOQUE MOTORS LIMITED

Condensed Interim Statement of Changes in Equity


For the quarter ended September 30, 2019

	Share Capital	Accumulated (Loss)	Total
-----Unaudited-----			
(Rs. in '000)			
Balance as on July 01, 2018	1,387,353	(3,495,680)	(2,108,327)
Total comprehensive (Loss) for the period	--	(44,767)	(44,767)
Balance as on September 30, 2018	<u>1,387,353</u>	<u>(3,540,447)</u>	<u>(2,153,094)</u>
Balance as on July 01, 2019	1,387,353	(3,739,984)	(2,352,631)
Total comprehensive (loss) for the period	-	(47,562)	(47,562)
Balance as on September 30, 2019	<u>1,387,353</u>	<u>(3,787,546)</u>	<u>(2,400,193)</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.


Waseem-ul-Haque Ansari
 Chief Executive


Haroon Iqbal
 Director


Muhammad Naeem Uddin Malik
 Chief Financial Officer



Notes to the Condensed Interim Financial Statements For the quarter ended September 30, 2019 (Unaudited)

1 THE COMPANY AND ITS OPERATION

Dewan Farooque Motors Limited was incorporated in Pakistan on December 28, 1998 as a public limited company. The shares of the company are quoted on all the Pakistan stock exchanges in Pakistan. The principal activity of the Company is the assembly, progressive manufacturing and sale of vehicles in Pakistan.

The Company commenced commercial production through the interim facility from January 01, 2000. The main facility came into commercial operation from January 01, 2001.

On 01 August 2016, the company entered into an agreement with Daehan-Dewan Motor Company (Pvt.) Limited (a related party) for assembly of vehicles on contract basis. The company started Production on contract assembly basis from March 2018 and subsequently suspended temporarily.

The geographical Location and address of the company's business units, including mill/plant are as under:

The registered office of the Company is situated at Dewan Centre, 3-A, Lalazar, Beach Luxury Hotel Road, Karachi while its manufacturing facilities is situated at Jilianabad, Budhu Talpur, District Sajawal, Sindh.

2 GOING CONCERN ASSUMPTION

The company incurred Loss after taxation of Rs.47.562 million during the period ended September 30, 2019. As of that date it has accumulated losses of Rs. 3.788 billion and its current liabilities including bank liabilities exceeded its current assets by Rs. 4.571 billion. However, excluding bank liabilities the current ratio is positive. Furthermore, cumulatively the company has not provided markup on its borrowings from banks and financial institutions amounting to Rs.5.795 billion. The working capital constraints resulted in closure of production activities leading to gross loss situation. Further, the company has been unable to ensure timely repayments of debts owing to financial institutions due to liquidity problems and the short term facilities have not been renewed by banks/financial institutions. Following course the lenders have gone into litigations for repayment of liabilities amounting to Rs. 6.884 billion through attachment and sale of Company's hypothecated /mortgaged properties. The restructuring proposal submitted by the company to lenders is in the process of negotiation and is expected to be approved in near future. These conditions indicates the existence of material uncertainty, which may cast significant doubt about company ability to continue as going concern.

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

- a) All the debt obligations of the company be converted into interest bearing long term loan in proportion to their respective current exposures;
- b) Principle to be repaid in 10 years inclusive of 1 year grace period.
- c) Mark-up payable as on December 31, 2008 to be frozen and paid quarterly over a period of three years commencing after 3 months from the restructuring date.

DEWAN FAROOQUE MOTORS LIMITED

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

3 BASIS OF PREPARATION

- 3.1 This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting with the exception of departure of IFRS as mentioned in note 11, for which the management concludes that provisioning of mark up would conflict with the objectives of the financial statements.

These condensed interim financial statements of the Company for the quarter ended September 30, 2019 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34, "Interim Financial Reporting", 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 requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 3.2 This condensed interim financial information of the Company does not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2019.
- 3.3 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.
- 3.4 The comparative financial position presented in this condensed interim financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the period ended September 30, 2018.

4 ACCOUNTING POLICIES

- 4.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company for the year ended 30 June 2019.
- 4.2 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company except where changes affected presentation and disclosures in this condensed interim financial information.

5 ESTIMATES AND JUDGEMENTS

- 5.1 The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.



5.2 Estimates and judgements made by management in the preparation of this condensed interim financial information are the same as those that were applied to the audited annual separate financial statements of the Company as at and for the year ended 30 June 2019.

	Quarter Ended September 30, 2019 Unaudited	Year Ended June 30, 2019 Audited
Note	(Rs. in '000)	
6 PROPERTY PLANT AND EQUIPMENTS		
Operating Property Plant and Equipments 6.1	923,649	940,899
	923,649	940,899
6.1 WDV of Operating Fixed Assets		
Opening Balance	3,387,443	3,387,705
Add: Addition during the period	-	984
	3,387,443	3,388,689
Less: Deletion during the period	-	(1,246)
	3,387,443	3,387,443
Less : Accumulated Depreciation as on September 30, 2019 (June 30, 2019)	(2,463,795)	(2,446,544)
	923,649	940,899
7 INVESTMENT		
Investment in Ordinary shares of Dewan Cement Limited (DCL) - An associated company on equity method		
65,375,455 ordinary shares of Rs. 10 each	804,131	804,131
Share of Profit	460,537	469,033
	1,264,668	1,273,164
Fair value as per Market price Quoted in Pakistan stock Exchange	377,870	1,176,758
Market value (Rupees per share)	5.78	18.00
Percentage of equity held	13.50%	13.50%
8 Sponsor's loan		
This represents unsecured interest free loan for the purpose of working capital requirements and is payable on demand.		
9 SHORT TERM BORROWING		
The Short term borrowings have not been renewed by the Banks as of financial position date.		

DEWAN FAROOQUE MOTORS LIMITED

10 CONTINGENCIES AND COMMITMENTS

Contingencies

There is no material change in the contingencies and commitments since the last audited financial statements as at June 30, 2019 as disclosed the banks/Financial institutions have filed suits aggregate amounting to Rs. 6.884 billion .

11 FINANCE COST

During the period ended September 30, 2019 the Company has not provided the markup on Long term and short term borrowing from banks and financial institutions to the extent of Rs. 179.782 million. The management is hopeful that the decision of the court will be in favor of the Company and the restructuring proposal will be accepted by the lenders. However had the Company provided this amount in the financial statements during the year the loss of the Company would have been increased by Rs. 179.782 million and consequently the Share holders equity would have been lower and accrued markup would have been higher by Rs.5.795 billion. The said non provisioning is the contravention with the requirements of IAS 23 "Borrowing Costs".

For the quarter ended	
September 30, 2019 Unaudited	September 30, 2018 Unaudited
------(Rs. in '000)-----	

12 (LOSS) PER SHARE - Basic/Diluted

(Loss) for the period	(47,562)	(44,767)
Weighted average number of ordinary shares issued during the year	138,735	138,735
(Loss) Per Share -Basic/Diluted (Rupee)	(0.34)	(0.32)

13 TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

Related parties transactions are carried out in the normal course of business. Material transaction during the period are given below:



A YOUSUF DEWAN COMPANY

Quarter Ended September 30, 2019 Unaudited	Year Ended June 30, 2019 Audited
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(Rs. in '000)

Sales	-	76
Markup charged for the period on short term loan to associated undertaking	5,415	18,028
Sponsor's loan	1,800	12,304
Provident Fund	-	1,787
Share of (loss) on equity investment in Dewan Cement Limited	(8,496)	(37,166)

Transactions with associated undertakings and related parties are undertaken on an arm's length basis.

14 CORRESPONDING FIGURES

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

15 DATE OF AUTHORIZATION FOR ISSUE


These condensed interim financial statements have been authorized for issue on October 30, 2019 by the Board of Directors of the Company.

16 GENERAL

Figures have been rounded off to the nearest thousand rupees.


Waseem-ul-Haque Ansari
Chief Executive


Haroon Iqbal
Director


Muhammad Naeem/Uddin Malik
Chief Financial Officer

ڈائریکٹرز رپورٹ

آپ کی کمپنی کا بورڈ آف ڈائریکٹرز مورخہ 30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی کے لئے کمپنی کے غیر آڈٹ شدہ مالیاتی گوشوارے خوشی کے ساتھ پیش کرتا ہے۔ اس سہ ماہی کا جائزہ رپورٹ کے مطابق مجموعی فروخت صفر (30 ستمبر 2018ء 0.349) ملین رہی، مجموعی خسارہ 37.601 ملین (30 ستمبر 2018ء 63.842) ملین رہا اور بعد از ٹیکس خسارہ 47.562 ملین (30 ستمبر 2018ء 44.767) ملین رہا۔

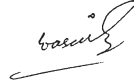
مورخہ 30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی میں مقامی کاروبار یووی/ایل سی وی کے شعبہ میں فروخت گزشتہ سال کی اسی مدت کے مقابلے میں 41 فیصد کی کمی آئی ہے۔ ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں مسلسل کمی، شرح سود میں اضافہ، پیداواری لاگت میں اضافہ اور ملک میں معاشی سست روی اس کی بنیادی وجوہات ہیں۔ کمپنی ان سخت حالات میں اپنی بقاء کی بھرپور کوشش کر رہی ہے۔ مالیاتی اداروں کی جانب سے کمپنی کے ڈیفالٹ کے کیس کی کمپنی کے مشیران کامیابی کے ساتھ دفاع کر رہے ہیں۔ امید ہے کہ کمپنی کے قرضوں کے دوبارہ تجزیہ کی تجویز بہت جلد مکمل ہو جائے گی۔ قرضوں کی بحالی کے بعد کمپنی کی پیداواری سرگرمیاں معمول پر آجائیں گی۔

آخر میں ہم اللہ سبحان و تعالیٰ سے دعا گو ہیں کہ وہ پیغمبر آخر زماں حضرت محمد ﷺ پر کروڑ ہاں رحمتیں اور برکتوں کا نزول فرمائے اور حضرت محمد ﷺ کے صدقہ طفیل میں ہمیں درست رہنمائی کے ساتھ طاقت و صحت عطا فرمائے۔ ہماری کمپنی کو ملک و قوم کی خوشحالی کا باعث بنائے۔ ہمیں امن و سکون، اخوت و بھائی چارگی کے ساتھ سچی ملت اسلامیہ بننے کی روح پروان چڑھائے۔
(آمین یا رب العالمین)

بے شک ہمارا رب دعاؤں کا سننے والا ہے۔ (القرآن)



بارون اقبال
ڈائریکٹر



وسیم الحق انصاری
چیف ایگزیکٹو

کراچی، مورخہ 30 اکتوبر 2019ء

DEWAN FAROOQUE MOTORS LIMITED

WWW.YOUSUFDEWAN.COM